

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**F**acebook posted soaring profit and revenue in its first earnings report after touching off widespread data-privacy concerns. **A1**

◆ **Comcast offered** to buy Sky for \$31 billion, topping an offer by Fox, which already owns a 39% stake. **A1**

◆ **Huawei is being probed** by the Justice Department over whether the Chinese firm violated Iran sanctions. **B1**

◆ **Boeing said** it aims to have a Chinese plant ready by year-end and posted results that exceeded forecasts. **B1**

◆ **The Dow edged up** 59.70 points to 24083.83 as a surge in Boeing shares helped end a five-day losing streak. **B1**

◆ **The 10-year Treasury yield settled above 3%,** its highest close since 2013. **B1**

◆ **Stock-trading revenue** at big banks jumped last quarter as market volatility drove derivatives trades. **B1**

◆ **Speaker-maker Sonos** is preparing for an IPO as soon as June or July. **B1**

◆ **Twitter reported** its second straight profit after starting life as a public company with 16 quarterly losses. **B4**

◆ **Qualcomm's earnings slid** 52%, hurt by royalty disputes with Apple and Huawei. **B4**

◆ **Samsung posted** its fourth consecutive quarter of record operating profit. **B4**

◆ **Takeda is near** a deal to buy drugmaker Shire for more than \$60 billion after raising its bid four times. **B2**

◆ **Viacom's profit rose** and its sales decline slowed, as the firm works to keep a turnaround plan on track. **B2**

### World-Wide

◆ **A Pentagon report** says poor training, complacency and a culture of excessive risk contributed to the deaths of four U.S. soldiers in Niger in October. **A1**

◆ **Trump's travel ban** looked likely to survive Supreme Court scrutiny after the government's lawyer argued that current policy was evaluated by national-security experts. **A3**

◆ **The president's nominee** to head the VA faced new allegations, including that he wrecked a government vehicle after getting drunk. **A4**

◆ **Trump's lawyers** are seeking to determine whether Mueller has an "open mind" about the Russia probe, as they negotiate a possible interview with the president. **A6**

◆ **Chinese scientists** say part of a North Korean underground nuclear test facility that Kim has pledged to close may have collapsed. **A8**

◆ **A suspected cyberattack** by North Korea on Turkish banks is broader than first believed, an analysis said. **A8**

◆ **France's Macron** said it was his "bet" that Trump would withdraw the U.S. from the Iran nuclear deal. **A6**

◆ **California officials** arrested the suspected Golden State Killer, who allegedly committed a spree of rapes and killings decades ago. **A3**

◆ **EPA chief Pruitt** faces a grilling on Capitol Hill, as the White House evaluates allegations involving his spending habits and ethics. **A4**

◆ **Yemeni rebels** have begun to aggressively target Saudi oil facilities. **A7**

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## Migrants Gather at U.S.-Mexico Border, Seeking Asylum



**SEARCHING FOR SHELTER:** Central Americans in a migrant caravan are arriving in Tijuana, Mexico, at the U.S. border. Hundreds are converging there to ask for asylum, but President Donald Trump has said he won't let them into the country. **A4**

## Comcast Sets Up Battle With Fox

By Shalini Ramachandran, Amol Sharma and David Benoit

Comcast Corp. on Wednesday lobbed an official \$31 billion proposal to buy European pay-TV operator Sky PLC, topping an existing offer from 21st Century Fox Inc.

Comcast is also weighing whether to go one step further and interlope in Fox's \$52.4 billion deal to sell its entertainment assets to Walt Disney Co., people familiar with the situation say.

Comcast's proposal to buy Sky sent Sky shares nearly 4% higher—and above the Comcast

bid, suggesting investors are positioning for a bidding war. The company said in February it planned to make a Sky offer.

Fox, which owns 39% of Sky, said it remains committed to buying all of the company. Fox counts Rupert Murdoch and his family as major shareholders.

Comcast, meanwhile, is gam-

ing out the possibility of making a public case to Fox's shareholders that they should reject the Disney deal for Fox's entertainment operations, which is expected to come to a vote this summer, and opt for a Comcast tie-up instead, the people familiar with the situation said.

Comcast lost out to Disney in December when Fox rejected its bid, which was 16% higher, according to a Fox regulatory filing last week. Fox cited concerns about regulatory risk. The assets include Fox's film and TV

studio, cable networks and international properties, including Star India and the Sky stake.

Comcast may choose to leave the Disney-Fox deal alone, and doesn't expect to make a decision in the near term, the people familiar with the situation said.

Comcast's pursuit of potentially transformative deals comes as the company posted

Please see SKY page A4

◆ **Viacom posts smaller declines** in sales and rising profit.... **B2**

## Justices Hear Travel Ban Case



**DIVISIVE ISSUE:** President Donald Trump's restrictions on entry from five Muslim-majority nations appeared likely to survive Supreme Court scrutiny after arguments on Wednesday. **A3**

## NBC's Failing Bet On Megyn Kelly

Former Fox News star's viewers have vanished, dragging down key 'Today' franchise

By JOE FLINT

Megyn Kelly was supposed to bring star power to NBC News and a bigger, broader audience of morning viewers to its "Today" show franchise.

Instead, the three-year, \$69 million bet to woo Ms. Kelly from her conservative prime-time perch at Fox News is backfiring.

Since taking over the 9 a.m. hour of the lucrative morning show in September and rebranding it "Megyn Kelly Today," Ms. Kelly has struggled to make the shift to daytime broadcast television, with its

delicate balance of soft features and hard news. Her ratings declines and high production costs have been a drag on a critical franchise for NBC.

"I need to introduce myself to people who don't know me or know some bastardized version of me that they've gotten from a website or a TV show," Ms. Kelly said in an interview.

"There are definitely some who only know me through some caricature they learned about on 'The Daily Show.'

Some of NBC's affiliate TV stations are unhappy with the

Please see MEGYN page A12

## Tiny Scooters Menace San Francisco

\* \* \* \* \*  
Electric-powered devices gain fans, kick up a ruckus

By ELIOT BROWN

Ben Wolfson glanced up from his phone while walking in downtown San Francisco last week to see a woman whizzing toward him on what looked like a child's kick scooter.

Only this one had an electric motor. "She was just barreling down" on the sidewalk, he said. Mr. Wolfson, 28 years old, jumped out of the way and shot her a "dirty look," but said she didn't react.

"She just had not a care in the world," he said.

While the rest of the country is pondering the future of tech giants' pervasive influence in our lives, here in the tech capital

Please see SCOOT page A12

## Report Hits Military Over Deaths in Niger

By GORDON LUBOLD AND NANCY A. YOUSSEF

WASHINGTON—Poor training, complacency and a culture of excessive risk contributed to the deaths of four U.S. soldiers during an operation in Niger in October, according to a classified Pentagon report.

The report, described by officials familiar with its contents, details a series of missteps and describes a disregard for military procedures and for the chain of command.

Among other things, the report discloses that low-level commanders, determined to make a mark against local jihadis in the West African nation, took liberties to get operations approved through the chain of command.

In the ill-fated October mission, at least one officer copied and pasted orders from a different mission into the so-called concept of operations to

gain approval, the officials said.

The officials who described the report said it wouldn't recommend punishment for anyone. Ultimately, the Army and the Special Operations Command have the authority to pursue court-martial charges or other disciplinary proceedings against those involved.

Family members of the four fallen soldiers are being briefed this week on the report, which is more than 6,000 pages long.

The investigation stemmed from an Oct. 3, 2017, mission in which about a dozen U.S. soldiers and special-operations force members, along with roughly 30 Nigerian soldiers, set out on what began as a planned meeting with local officials. But by the next day, the troops instead were assigned to another part of the country to search the suspected abandoned house of an

Please see NIGER page A6

## Facebook Earnings Climb Despite Crisis

Social-media firm posts revenue rise in first snapshot after user-data uproar

By DEEPA SEETHARAMAN

Facebook Inc., in its first earnings report after touching off widespread data-privacy concerns, posted soaring revenue and profit that highlighted the company's central place in the digital economy.

The social-media giant has weathered one crisis after another in the 17 months since the 2016 presidential election, but its business—at least for now—is still thriving.

Facebook reported quarterly per share profit of \$1.69, up from \$1.04 a year earlier, while revenue rose nearly 50% to \$11.97 billion. Net income rose 63% to nearly \$5 billion, compared with \$3.06 billion a year ago.

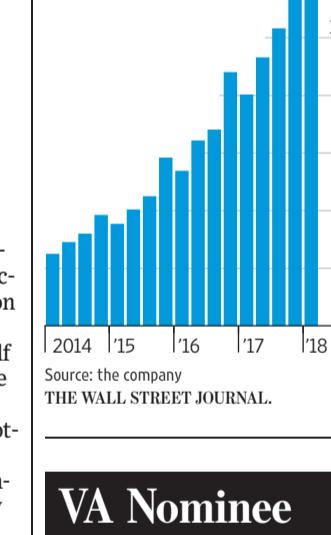
Those results topped analyst expectations.

Executives acknowledged that Facebook must better police its platform, but insisted they could do so without overhauling its lucrative advertising business, dismantling tools for targeting consumers or offering a paid version of the service.

"We are taking a broader view of our responsibility and Please see PROFIT page A8

◆ Heard on the Street: Facebook still in the friend zone..... **B12**

◆ Twitter registers second straight profitable quarter.. **B4**



## VA Nominee Feels Heat

New allegations are leveled against Trump's pick to head Veterans Affairs..... **A4**

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# U.S. NEWS

## U.S. WATCH

## MUSIC-STREAMING RIGHTS

**Bill Would Update Copyright Law**

The U.S. House passed compromise legislation Wednesday to update copyright laws for the music-streaming era and help performers of pre-1972 recordings get paid for the re-use of their works.

The vote was 415-0. Backers hope the overwhelming House vote will provide momentum to the measure. The Senate is expected to take up the issue in coming weeks.

The legislation is supported by streaming services as well as big publishers and many songwriters. It attempts to settle controversies that have arisen as a result of an aging patchwork of protections U.S. law provides for music creators.

Under current federal law, so-called legacy artists who recorded works before 1972 don't have a right to be compensated for use of their recordings by digital-streaming services.

The problems have prompted campaigns by the likes of Supreme's co-founder Mary Wilson and Aerosmith's Steven Tyler to find a legislative solution.

—John D. McKinnon

## POLITICS

**Senator Chastises Banks Over Guns**

The Senate's top overseer of banks is criticizing moves by Citigroup Inc. and Bank of America Corp. to stop doing some business with the gun industry following the deadly shooting in February at a Florida school.

Senate Banking Committee Chairman Mike Crapo (R., Idaho), in letters to the heads of both banks made public Wednesday, said he was concerned when large national banks "cut off financial services for lawful businesses they may disfavor."

Mr. Crapo's letters come after the firms took steps in recent weeks to curtail business with the gun industry. Citi said last month that it would prohibit its business partners from selling firearms to customers under the age of 21 and those who haven't passed a background check. Bank of America said it would stop lending to manufacturers of military-inspired rifles.

A Citi spokesman confirmed the bank had received Mr. Crapo's letter and said the firm would respond. Bank of America declined to comment.

—Andrew Ackerman

## CAPITAL ACCOUNT | By Greg Ip

## Backfire Possible as Finance Rules Ease



Deep into an economic boom with asset prices near records is when you'd expect the U.S. financial system's guardians to tamp down risk taking. Instead, federal regulators and legislators are doing the opposite—watering down, narrowing or declining to enforce rules passed after the financial crisis.

The changes are modest and don't foreshadow a crisis anytime soon. But the timing is definitely awkward. They will stimulate lending and risk taking at a time when the industry is lowering its own standards amid a near-record economic expansion.

Much as this year's tax cut may overheat an economy already near full employment, the deregulatory push could aggravate excesses that come back to haunt the economy in its next downturn. Procylical regulation, which pushes the economy in the direction it's already headed, has been a culprit in past booms and busts.

The U.S. mortgage crisis followed decades in which rule makers prioritized financial innovation and increased access to credit, especially for the poor. After the crisis, they reversed course, subjecting banks and other lenders to new rules while hitting them with billions of dollars of penalties. The crackdown probably hampered lending and the recovery because the Federal Reserve couldn't offset it by lowering interest rates, which were already near zero.

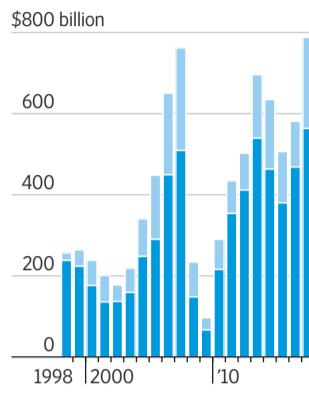
Banks complain the pendulum has swung too far toward tighter rules, especially on required capital, such as equity. More capital better insulates the bank from losses but restricts its ability to pay dividends, repurchase stock and lend. The pendulum is

**Reaching for Risk**

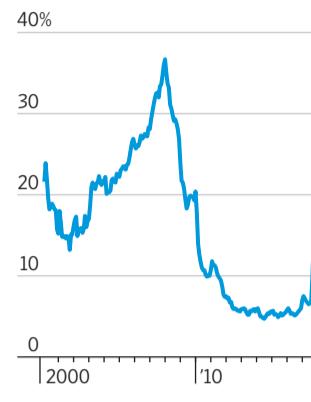
As lenders relax underwriting standards, the volume of risky business and mortgage borrowing has grown.

**Total new issues of leveraged loans**

■ U.S. issuers   ■ Non-U.S. issuers



Sources: International Monetary Fund (leveraged loans); CoreLogic (mortgages)

**Percentage of conventional mortgage loans with debt-to-income ratios over 45%**

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Mr. Mulvaney, who is also Mr. Trump's budget director, said the agency is still investigating cases, but he has broadened its mandate to protecting lenders, not just their customers. Mr. Mulvaney's predecessor attracted widespread complaints about regulatory overreach and, as with bank regulations, some reset was inevitable and arguably healthy. Still, the subprime-lending crisis showed that an absence of enforcement can shape behavior inside financial firms.

**R**egulators also are pairing postcrisis efforts to gather data on new and emerging threats. The Treasury's Office of Financial Research, which struggled to meet its mandate as an early-warning system for financial turbulence, will have its staff cut by a third.

This comes when lenders' risk appetites are growing. The IMF last week noted loans to highly indebted companies topped the precrisis peak last year, more have looser "covenants" protecting investors and more are being arranged by companies that aren't banks. Last year Fannie Mae and Freddie Mac, which guarantee the lion's share of American mortgages, loosened their underwriting standards, and the number of new loans with high debt-to-income ratios has since shot up, according to the Urban Institute.

The U.S. is loosening regulation while other countries tighten. Regulators in Switzerland, Norway, Hong Kong, the Czech Republic, Iceland, Slovakia and Sweden have all activated "countercyclical" boosts to bank capital, which creates room to cut capital requirements in the next recession and support lending.

In her speech, Ms. Brainard suggested the U.S. may have to do the same.

## CORRECTIONS & AMPLIFICATIONS

**Alphabet Inc.** moved its Nest Labs business to the Google division from its "Other Bets" division this year. A Page One article on Tuesday about Alphabet's first-quarter profit incorrectly said the move happened last year. Also, Alphabet more than doubled its capital expenditures to \$7.3 billion in the first quarter, from \$2.5 billion in the same period a year earlier. The article incorrectly said the number more than tripled.

A graphic with an Encore report article Monday about

retirees' spending showed data for household health spending that didn't include insurance premiums. The graphic failed to note that the health figures were for out-of-pocket costs only.

**Philip Morris International** Inc. has its corporate headquarters in New York, though it is run by a management team, including its chief executive, based in Lausanne, Switzerland. A Business & Finance article Friday about the company incorrectly said it is based in Switzerland.

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

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## U.S. NEWS

# Travel Ban's Prospects Rise

Trump's order appears likely to survive review by Supreme Court after arguments Wednesday

BY JESS BRAVIN  
AND BRENT KENDALL

WASHINGTON—President Donald Trump's travel ban appeared likely to survive the Supreme Court's scrutiny Wednesday, after the government's lawyer argued that current restrictions on entry from five Muslim-majority nations traced not from the president's provocative campaign statements but the deliberate assessments of national-security professionals.

Proclamation No. 9645, the

administration's third try to bar entry from designated countries after previous versions stumbled in the courts, was signed last September following "a multi-agency worldwide review and a cabinet-level recommendation that applied a neutral baseline" to evaluate every foreign nation's ability to vet travelers and share security information with U.S. authorities, Solicitor General Noel Francisco told the justices.

Rather than exclude followers of a disfavored faith, the September proclamation sought to pressure affected governments to improve their security protocols, Mr. Francisco said. The strategy already was working, he added, "which is why the country of

Chad was recently dropped from the list"—the White House made that announcement April 10—leaving only Iran, Libya, Somalia, Syria and Yemen under the ban.

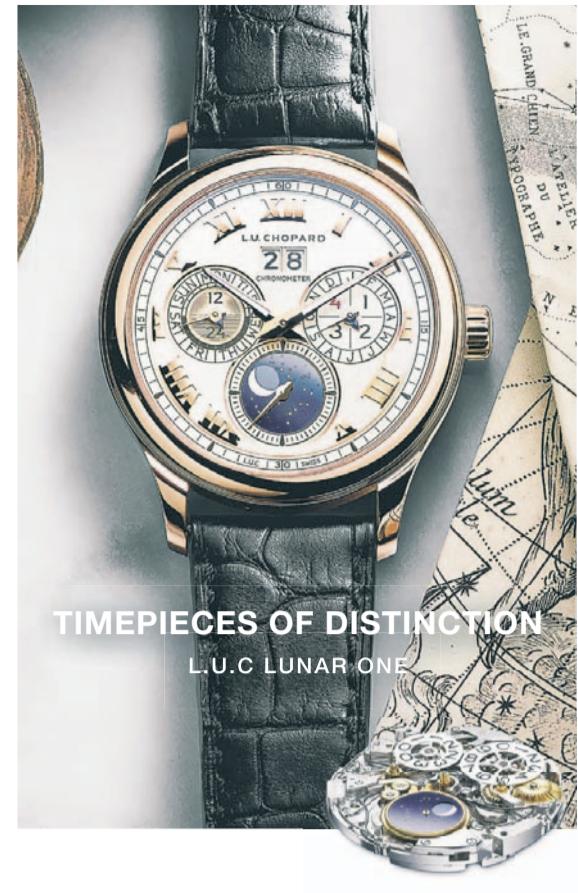
But Mr. Francisco couldn't fully escape the words of a president who, while campaigning, won his followers' applause by calling for "a total and complete shutdown of Muslims entering the United States." Excluding Muslims at least temporarily, he said, was necessary to prevent "horrendous attacks by people that believe only in jihad, and have no sense of reason or respect for human life."

Justice Elena Kagan offered a thinly veiled hypothetical. Suppose America elected as president "a vehement anti-

Semite" who "says all kinds of denigrating comments about Jews and provokes a lot of resentment and hatred over the course of a campaign and in his presidency." If that president's administration, while apparently complying with formal procedures, produced "a proclamation that says no one shall enter from Israel," what then?

Mr. Francisco discounted such a possibility. But, he continued, if national-security staffers found a genuine threat from Israel, "I think then that the president would be allowed to follow that advice, even if in his private heart of hearts he also harbored animus" toward Jews.

A decision in *Trump v. Hawaii* is expected before July.



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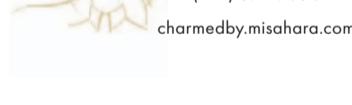
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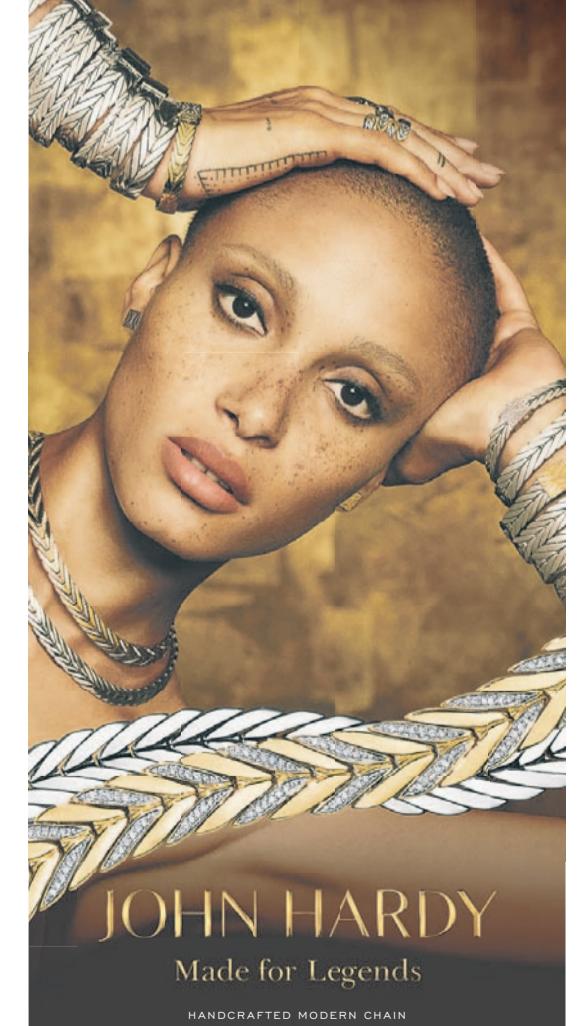
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A photo of the alleged Golden State Killer was displayed in Sacramento Wednesday. The brother of one of the victims spoke at the lectern.

## Suspected Serial Killer Captured

BY ZUSHA ELINSON  
AND ERICH SCHWARTZEL

SAN FRANCISCO—For more than 40 years, the unsolved crimes of the so-called Golden State Killer haunted California, his trail of killings and rapes bedeviling police and terrifying communities. Authorities said Wednesday they have solved the case.

Joseph James DeAngelo, a 72-year-old former police officer who officials say is responsible for 12 homicides and 45 rapes throughout California since the 1970s, was arrested Tuesday. He was taken into custody at his home in Citrus Heights, Calif., a suburb of Sacramento, the city where his decadent violent crime spree began in 1976.

In recent days, as the investi-

gation pointed toward Mr. DeAngelo, police conducted surveillance on him and collected "discarded DNA" that matched the killer's, but authorities declined to elaborate on the specifics of the clue or what pointed them toward the suspect.

"The answer was always going to be in the DNA," said Anne Marie Schubert, Sacramento County district attorney.

Mr. DeAngelo has been charged with four counts of murder, for two killings in Sacramento and two in Ventura County in Southern California. Ms. Schubert said more charges are expected for the other attacks that occurred up and down the state. It wasn't immediately clear whether Mr. DeAngelo had a lawyer.

The case of the Golden State Killer has vexed police officers and cycled through generations of detectives across California for decades—though it wasn't until 2001 that DNA testing led officials to realize the rapes in Northern California were committed by the same man who killed people in Southern California.

"It is time for all victims to grieve and take measure one last time to bring closure to the anguish that we've all suffered," Bruce Harrington, whose brother Keith and sister-in-law Patrice were beaten to death in 1980 in Orange County, said Wednesday.

The string of attacks started in the eastern part Sacramento with a series of burglaries and rapes. In 1978, the East Area Rapist, as he was first known,

chased down and killed Brian and Katie Maggiore as they walked their dog in the Rancho Cordova neighborhood.

The killer then moved onto the San Francisco Bay Area where he committed rapes and homicides, according to the Federal Bureau of Investigation. He would attack couples, tie up them up, rape the woman and then murder both people, the FBI said. The last killing is believed to have come in 1986, when 18-year-old Janelle Cruz was raped and murdered at her home in Irvin.

Since his attacks seemed to stop in 1986, the Golden State Killer became a source of fascination and frustration for an online community of amateur sleuths trying to track him down.

## Terrorists' Lives After Jail in Focus

BY NICOLE HONG

For seven years, Shaker Masri lived behind bars. He passed the days reading books about Islamic history, trying to untangle what had spurred his desire to join a terrorist group overseas, which led to his arrest.

Then, in August 2017, it was time to leave. Prison officials dropped Mr. Masri off at a gas station in eastern Minnesota, where he took the bus to a halfway house in Chicago. He said there was no exit interview, no risk assessment. No one in prison had tried to understand what drew him to jihadist ideology or whether he had disengaged from it.

Mr. Masri said he regrets his crime, calling it the "dumbest thing" he has ever done. But he wished prison offered rehabilitation programs that address why people become attracted to terrorism.

"You lock me up for all these years. You don't give me anything in prison. Then you release me," said Mr. Masri, a 34-year-old U.S. citizen, who pleaded guilty to attempting to travel to Somalia to fight with jihadists.

Whether Mr. Masri—and other convicted terrorists to be released from U.S. prisons—can reintegrate is an issue posing new challenges for court officers who are tasked with



Shaker Masri, convicted in a terrorism case, was released in 2017.

transitioning released inmates back to society.

Since 2001, more than 400 individuals have been convicted in connection with international terrorism, according to Fordham University's Center on National Security. At least 55 have been released from prison, and at least 45 more are scheduled for release within the next five years.

In many U.S. districts, convicted terrorists are released the same way other types of criminals are. But with limited data on recidivism for terrorism-related crimes, experts say that the current system is inadequate in assessing how much of a risk these defendants pose.

Experts say the consequences of even one serious incident of recidivism make it especially important to reintegrate released terrorists.

Defendants who killed civil-

ians can get life in prison, but most convicted terrorists are charged with providing "material support," which includes sending money or attempting to travel to join terrorist groups. The maximum sentence for the crime is 20 years.

When terrorism defendants are released, judges can order them to be under a probation officer's supervision for decades, including electronic monitoring and other restrictions.

In Minneapolis, where terrorist groups have tried recruiting foreign fighters from the large Somali-American community, the local probation office has trained with extremism experts from Germany and the U.K. to develop a process for releasing convicted terrorists that it is seeking to turn into a national model.

Kevin Lowry, chief U.S. probation officer in Minnesota, said probation officers should work with psychologists, counselors and others to tackle the underlying factors that drove defendants to terrorism. This can be challenging if the crime was motivated by ideology, an area where the government must tread lightly to avoid running afoul of the First Amendment.

"We need to develop a national system to deal with this," Mr. Lowry said.

## U.S. NEWS

# VA Nominee Is Facing New Allegations

Ronny Jackson denies charge in Democratic report he wrecked car while driving drunk

BY SIOBHAN HUGHES,  
PETER NICHOLAS  
AND REBECCA BALLHAUS

WASHINGTON—A document compiled by Democrats on a Senate committee levels new allegations against Ronny Jackson, President Donald Trump's embattled nominee to head the Department of Veterans Affairs, who said Wednesday he will keep fighting for the job despite a growing list of accusations including charges of reckless drug-dispensing practices.

Dr. Jackson, speaking briefly Wednesday with reporters at the White House, rejected one of the most serious allegations contained in the report—that he wrecked a government vehicle after getting drunk at a Secret Service going-away party. “I did not wreck a car,” he said. “That should be pretty easy to prove.”

He said he was “still moving ahead as planned” with

the nomination. Dr. Jackson, a Navy rear admiral, has been White House physician under three administrations.

The compilation of allegations by the Democratic staff on the Senate Veterans Affairs Committee, which was assembled from accusations by roughly two-dozen current and former colleagues of Dr. Jackson, said that he had private stocks of controlled substances and suggested that he took advantage of lax record-keeping of drug inventories in the White House medical unit.

Once, missing Percocet threw the medical staff into a panic, the report found. It was revealed later that Dr. Jackson had provided a large supply to a staffer in the White House military office, the report said.

The report said Dr. Jackson also asked staffers to write prescriptions for each other so that drugs could be given to non-beneficiaries. It said physicians felt so uncomfortable that they refused to be part of the culture of loose distribution of drugs to current and former White House staffers—and, at times, their family members.

The new revelations emerged as the White House



Ronny Jackson said he was ‘still moving ahead as planned’ with the Veterans Affairs nomination.

was defending its nominee. Officials had asked the Senate to reschedule a confirmation hearing that lawmakers postponed amid concerns over past performance and behavior.

Administration officials described Mr. Trump as “bewildered” and “surprised” by the response to Dr. Jackson’s nomi-

nation, while acknowledging that prior vetting of the nominee could have helped stave off problems.

Officials described the president as so far skeptical of the allegations against his physician, whom many people close to the administration described as very well liked in the White House.

The report also repeated charges that the committee’s top Democrat, Jon Tester of Montana, had circulated one day earlier: that Dr. Jackson prescribed the sleep aid Ambien and a separate wake-up drug called Provigil on overseas flights without documenting recipients’ medical histories. Both drugs are con-

trolled substances, the report said, and require tracking, the report said. Dr. Jackson’s practices were so blatant that he was known as “the candy man” because he could provide whatever drugs anyone wanted without paperwork, the report said.

Former administration officials and lawmakers said it isn’t unusual to take Ambien and other sleep-related drugs on foreign trips to help navigate new time zones.

One former official who worked in the Obama White House said he never saw Dr. Jackson offering Ambien to staff, though the doctor would prescribe medication for aides who needed it, consistent with his role as White House physician.

The ex-Obama official said he never saw Dr. Jackson drink any alcohol.

The White House on Wednesday prepared to mount a “full-throated defense” of Dr. Jackson, one administration official said.

Marc Short, the White House’s legislative-affairs chief, said Wednesday that the White House would be “asking for the opportunity to be able to tell his story.”

## EPA Chief to Face Grilling at Capitol

BY LOUISE RADNOFSKY  
AND HEIDI VOGT

WASHINGTON—Embattled Environmental Protection Agency Administrator Scott Pruitt faces an all-day grilling on Capitol Hill on Thursday, as the White House weighs his performance amid allegations involving his spending habits and ethics.

Mr. Pruitt is under investigation for his spending on office furnishings, personnel moves, travel costs, security practices and the link between his housing and a lobbyist. The White House, inspector general of the EPA, House oversight committee and Government Accountability Office have been looking at these issues.

Travel issues alone have already felled two cabinet members: Tom Price at the Department of Health and Human Services and David Shulkin at the Department of Veterans Affairs.

Now Mr. Pruitt is at risk of ebbing support even among conservative backers, who have begun hedging their praise. They said he needs a strong performance on Thursday to shore up his position.

“I’ve been pleased with the job Administrator Pruitt has been doing—rolling back regulations and restoring the EPA to its proper size and scope, but these latest reports are new to me,” said Sen. James Inhofe (R., Okla.), a longtime ally who didn’t specify which reports had drawn his concern.

President Donald Trump, a Republican, has stood by Mr. Pruitt, noting he has had success implementing the White House’s deregulatory agenda. Under Mr. Pruitt’s watch, the EPA has eased restrictions on

power-plant emissions, suspended a clean-water rule advanced by Mr. Trump’s Democratic predecessor, pulled out of the Paris agreement on climate change, and championed a plan for more permissive auto-emissions standards.

“He has been a very key player in advancing the president’s agenda but some of his transactions and transgressions against logic deserve explanation,” said Ken Blackwell, who as domestic policy chief during Mr. Trump’s transition backed Mr. Pruitt for the EPA job.

In his prepared testimony for his hearing in front of the House Energy and Commerce Committee panel, Mr. Pruitt doesn’t address any of the issues that have sparked controversy, highlighting instead his effort to make a “more efficient and effective EPA.”

Mr. Pruitt has indicated that aides made key decisions, not him, on pay increases for top advisers and his first-class airplane travel. He has noted that his agency’s ethics officer signed off on his lease agreement, which critics have said was improperly below market rates and had ties to a lobbyist. The ethics office has since said it is revisiting the issue.

An administration official said on Wednesday that Mr. Pruitt faced a “very consequential day,” and that he had significant obstacles to overcome.

Mr. Pruitt’s allies are stepping up a defense of his service on several fronts.

Sen. Chuck Grassley, an Iowa Republican, said he has no interest in seeing him dismissed in large part because of the time it would take to fill the position. He blamed Democrats for blocking nominees, saying they “filibuster everything.”

Mr. Roberts on Wednesday said Comcast loved its core businesses, adding that “anybody who is viewing this as some diversion from that is not reading us properly.”

British regulators have held up Fox’s takeover bid of Sky as they examine whether it would give Mr. Murdoch and his family too much influence in U.K. media. News Corp publishes three major British newspapers.

Regulators are expected to deliver a final recommendation on Fox’s proposal May 1, and then the British government will decide whether to approve the merger outright, approve it with conditions, or reject it.

For the quarter, Comcast’s growth was powered by its NBCUniversal media unit, where revenue rose 21% to \$9.5 billion. Comcast lost 96,000 cable TV customers, compared with a gain of 42,000 in the prior-year quarter.

Quarterly profit rose 21% to \$3.1 billion, or 66 cents a share, up from \$2.6 billion, or 53 cents a share, a year ago.

—Ben Dummett contributed to this article.



Central American migrants have been gathering in Tijuana, Mexico. Most are expected to seek asylum in the U.S.

## Migrants Prepare to Reach Border

BY ALICIA A. CALDWELL

TIJUANA, Mexico—Sitting in a crowded, tin-roofed migrant shelter within sight of the U.S., Ana Suaso said she was ready for her monthlong journey from Honduras to end.

She and her three children have covered more than 2,000 miles by foot, by train and finally by bus with hundreds of other Central Americans who made up a caravan of migrants that has caught the attention, and raised the ire, of President Donald Trump.

Ms. Suaso and nearly 130 other Central Americans arrived at the Tijuana shelter Tuesday. She said they were fleeing violence, corruption and

poverty in their home countries. As many as 300 more Central Americans are expected to reach Tijuana in the next day or so. They plan to head through the border city’s downtown to the international crossing point on Sunday. Nearly all are expected to ask for asylum.

This isn’t the first time a large group of Central Americans have made the trip together, but this effort gained particular attention after Mr. Trump repeatedly denounced the group on Twitter and said it was evidence of a crisis at the U.S.-Mexico border. This month, he ordered thousands of National Guard troops to be sent to the border.

“I have instructed the Sec-

retary of Homeland Security not to let these large Caravans of people into our Country,” Mr. Trump tweeted Monday. “It is a disgrace. We are the only Country in the World so naive! WALL.”

Homeland Security Secretary Kirstjen Nielsen said Wednesday that officials are monitoring the caravan and are “doing everything within our authorities to secure our borders and enforce the law.” She said: “If you enter our country illegally, you have broken the law and will be referred for prosecution.”

The number of people caught crossing the Mexican border illegally reached record lows in the first few months of Mr.

Trump’s presidency. Though arrest figures, the best estimate of how many people are trying to sneak into the U.S., have steadily risen since last summer, they remain at lows last seen in the early 1970s.

Ms. Suaso said she decided to flee with her children, a girl and two boys ranging in age from 8 to 14, because of gang violence in Honduras.

Ms. Suaso said she had heard that Mr. Trump doesn’t want her and others in her group crossing the border. That won’t stop her, she said, adding that she has the right to ask for asylum in the U.S.

“It’s not up to Trump if I make it,” she said in Spanish. “It’s up to God.”

“It’s up to God.”

## SKY

Continued from Page One

strong first-quarter earnings growth buoyed by its Winter Olympics and Super Bowl broadcasts, which offset its fourth straight quarter of cable TV subscriber losses.

A major consideration for Comcast to pursue deals is its languishing stock price. Though its shares rose 2.7% Wednesday, they are down 19% since late January, wiping out more than \$38 billion in market value.

Comcast Chief Financial Officer Michael Cavanagh said on the quarterly earnings call that the company was unlikely to use its stock to make deals when the price is at these levels. He said the company’s strong balance sheet will give it flexibility to consider opportunities “at times like this.”

If Comcast chooses to go hostile for the Fox assets, Comcast would need to woo Fox investors, which may not be easy. Comcast has had conversations with several shareholders in the wake of its Sky bid, including

British investor TCI Fund Management, known for its activism, people familiar with the situation said.

TCI recently built a roughly \$3 billion stake in Fox, owning more than 4% of its shares, putting the firm among the company’s top shareholders, people familiar with the situation said. As of December, TCI had held 0.7% of Fox’s class A common shares, according to FactSet. The next disclosure would likely come in a May filing.

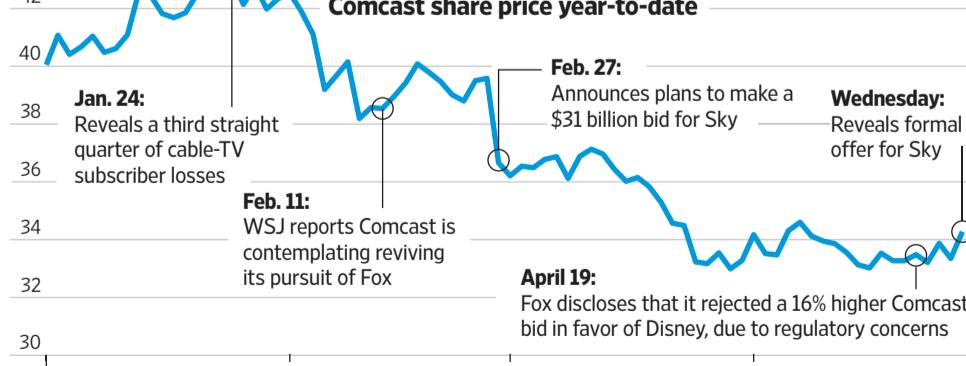
In recent weeks, TCI founder Chris Hohn spoke on the phone with Comcast Chief Executive Brian Roberts and probed about Comcast’s interest in launching a public bid for Fox’s assets, people familiar with the situation said. Mr. Roberts didn’t respond, the people said.

Other TCI officials have also had conversations with Comcast’s investor relations team that left Comcast executives with the clear indication that TCI wants the cable company to continue its pursuit of Fox, the people said. Mr. Hohn said by email that he didn’t urge Mr. Roberts to go hostile in pursuit of Fox’s assets.

### Clouds over Comcast’s Sky

Since late January, Comcast has lost more than \$40 billion in market value as investors questioned the strategic rationale for chasing Sky and grew worried over mounting cable-TV cord-cutting.

\$44 a share



Sources: FactSet (share price); staff reports

Mr. Murdoch and his family have a 39% voting interest in Fox. Their economic interest, which is what would count in a shareholder vote on the Disney-Fox merger, is roughly 17%. The Murdoch family is also a major shareholder in News Corp, the parent company of The Wall Street Journal.

Comcast is also watching closely the government’s antitrust case against AT&T Inc.’s proposed purchase of Time Warner Inc., which is playing out in court. If AT&T wins, Comcast would feel more emboldened to make a move, the people said.

Comcast is offering £12.50

(\$1747) a share for Sky, or 16% more than Fox’s £10.75-a-share bid. On the earnings call, Comcast executives assured investors that it would be a sound investment, highlighting Sky’s broadband service and original programming arm to emphasize it is much more than a satellite TV provider.

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—Ben Dummett contributed to this article.

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## U.S. NEWS

# Macron Style Is Tested in Visit to U.S.

BY STACY MEICHTRY

WASHINGTON—It was a duel to see which president—Donald Trump or Emmanuel Macron of France—could shower the other with more public affection.

There was a flurry of hugs, hand-holding and an impromptu episode of president-on-president grooming that set the scene for a finale of air kisses.

Mr. Macron had come to Washington for the first state visit of the Trump presidency on a mission to persuade Mr. Trump to soften his opposition to the Iranian nuclear accord; lower trade tensions; and coax the U.S. back into the fold of international cooperation.

The Frenchman was paving the way for visits by leaders with frostier relations with Mr. Trump—German Chancellor Angela Merkel is due at the White House on Thursday—and following in a long line of French heads of state, from Charles de Gaulle to François Mitterrand, who have come to Washington to joust with presidents and Congress.

Mr. Macron swept into Washington amid plenty of buzz about the close relationship between Mr. Trump and the young European leader. The visit was a marked contrast with a visit by Ms. Merkel last year, when the German leader and Mr. Trump generated headlines by failing to shake hands.

If Mr. Macron—a 40-year-old former investment banker

and amateur pianist with a flair for stagecraft—couldn't win over Mr. Trump, officials said, than no foreign leader could.

What caught French officials by surprise was Mr. Trump's willingness to respond in kind, standing his ground on policy differences while hovering over the young French leader like a doting father. At one point, in the Oval Office, Mr. Trump noticed a speck on Mr. Macron's coat jacket.

"We do have a very special relationship. In fact, I'll get that little piece of dandruff off. You have a little piece," Mr. Trump said. "We have to make him perfect. He is perfect."

Not long after, Mr. Trump pivoted to one of the deepest divides between the two men—the Iranian nuclear accord—calling it "insane."

French media traveling with Mr. Macron buzzed with speculation over whether Mr. Trump's attention to Mr. Macron's upkeep was an attempt by one alpha male to dominate another.

At a news conference following the talks, Mr. Macron proposed a "new deal" to preserve the Iranian accord while containing Tehran's nuclear activity in the future and its influence across the Middle East. He then locked hands with Mr. Trump and reeled him in for a Gallic peck on the cheek.

Charm is a technique Mr. Macron has practiced his entire career, first as a deal-



French President Emmanuel Macron, in an address to Congress on Wednesday, urged the U.S. to maintain its global role.

## Leader Sees Trump Set to Leave Accord

WASHINGTON—French President Emmanuel Macron said it was his "bet" that President Donald Trump would withdraw the U.S. from the Iran nuclear deal, a move he said would lead to a period of heightened tensions with an outcome that was hard to predict.

Mr. Macron traveled to Washington this week hoping to persuade Mr. Trump to stay in the 2015 accord. After meeting with Mr. Trump on Tuesday, Mr. Macron

laid out a proposal for an expanded agreement with Iran. He said Wednesday that this so-called new deal was designed to provide a framework for discussions and not leave a void should Mr. Trump decide by his May 12 deadline to withdraw.

Earlier Wednesday, Mr. Macron told a joint meeting of Congress that France wouldn't leave the deal without a viable replacement.

Speaking to a small group of reporters Wednesday afternoon, Mr. Macron said he didn't know what Mr. Trump would decide but "I think he will get rid of it on his own."

Mr. Macron used the ad-

dress to Congress to issue a plea to Mr. Trump and the U.S. to maintain its role as a global defender of democracy and human rights, warning American lawmakers of a "critical moment" in which international institutions could crumble.

"If we do not act with urgency as a global community, I am convinced that the international institutions, including the United Nations and NATO, will no longer be able to exist," Mr. Macron said, referring to the North Atlantic Treaty Organization. He added that authoritarian countries "will then fill the void we leave."

—Stacy Meichtry and Felicia Schwartz

requesting a military parade of his own.

What had blossomed between the two leaders, Mr. Macron told Fox News, was a "very special relationship," co-opting a term that British prime ministers have deployed to cozy up to U.S. presidents.

Despite his entreaties, Mr. Macron was leaving Washington without a clear signal the U.S. would stay in the 2015 international accord to curb Iran's nuclear program in exchange for sanctions relief. He also failed to garner any assurances that Mr. Trump would drop his threats to impose tariffs on European aluminum and steel.

Speaking to reporters Wednesday, Mr. Macron said of his relationship with Mr. Trump, "I have my own style and your president has his own style—that's a marriage of the two styles."

—Michael C. Bender contributed to this article.

# Lawyers Discuss Interview With Mueller

BY REBECCA BALLHAUS

President Donald Trump's lawyers are seeking to determine whether special counsel Robert Mueller has an "open mind" about the Russia investigation, as they negotiate the terms of a possible interview with the president.

The legal team—which last week added former New York City Mayor Rudy Giuliani, a longtime Trump ally, and Florida attorneys Jane and Marty Raskin—met with Mr. Trump this week in Washington to discuss the strategy for negotiations with Mr. Mueller going forward, according to people familiar with the discussion.

"Does the special prosecutor really have an open mind?" Mr. Giuliani said in an interview with The Wall Street Journal. "We're trying to assess their good faith."

On Tuesday, Mr. Giuliani met with Mr. Mueller's team to discuss the interview, accord-



Rudy Giuliani with then-candidate Donald Trump in September 2016

ing to another person familiar with the matter. The meeting was first reported by the Washington Post.

The former New York City mayor has known Mr. Mueller for decades, as has Ms. Raskin, who worked in the Justice Department's Organized Crime and Racketeering Section's

Boston office in the 1980s, when Mr. Mueller served as the assistant U.S. attorney for the Justice Department's Massachusetts office.

Mr. Trump's lawyers have spent the past several months discussing with Mr. Mueller's team the parameters of a possible interview, which Mr.

Trump had been eager to do. The Federal Bureau of Investigation's raid of properties tied to longtime Trump lawyer Michael Cohen earlier this month drew the president's ire and brought a "reset" to the team's negotiations. Among the new concerns: that the president could be questioned about any matters related to Mr. Cohen or Mr. Trump's business, according to people familiar with the matter.

The special counsel is investigating possible collusion between the Trump campaign and Russia, as well as whether the president sought to obstruct justice by, among other actions, firing former FBI Director James Comey last spring while the agency's Russia probe was under way. Mr. Trump has denied collusion and obstruction, and Moscow has denied election meddling.

One question the president's legal team is seeking to answer is whether the special counsel's team has "made any

conclusion about credibility," Mr. Giuliani said. "Do they favor Comey over Trump in terms of credibility?"

Mr. Trump has accused Mr. Comey, who has met with Mr. Mueller's team, of lying about their interactions, including one in which Mr. Comey has said the president asked him for loyalty. Mr. Comey also testified about that encounter under oath to Congress.

"The president is convinced that if he tells his story to a decent fair-minded arbiter, the whole thing will be over," Mr. Giuliani said.

The legal team is still trying to reach an agreement on what questions could be asked, according to people familiar with the discussions. While the team had once considered responding to written questions from the special counsel, the lawyers have since concluded that Mr. Trump will either sit for an in-person interview, or not do one at all, according to one of the people.

## Cohen to Invoke Fifth In Stormy Daniels Suit

BY SARA RANDAZZO

LOS ANGELES—President Donald Trump's personal attorney Michael Cohen told a federal court here Wednesday he will assert his Fifth Amendment rights against self-incrimination in a civil case because of a continuing criminal investigation against him in New York.

The filing came in a California civil lawsuit brought by former adult-film actress Stephanie Clifford against Messrs. Trump and Cohen. Ms. Clifford, known as Stormy Daniels, sued to invalidate a 2016 agreement barring her from discussing an alleged sexual encounter with Mr. Trump in exchange for \$130,000. Mr. Cohen made the payment using a Delaware company called Essential Consultants LLC, which is also named as a defendant in the case.

Attorneys for Mr. Cohen are asking U.S. District Judge S. James Otero to halt the lawsuit in light of a criminal investigation against Mr. Cohen by federal prosecutors in New York. Judge Otero said during a Friday hearing in Los Angeles that Mr. Cohen needed to file an affidavit with the court before he would consider slowing down the case.

Mr. Cohen said in the affidavit filed Wednesday that he realized his Fifth Amendment rights would be implicated on April 10, a day after Federal Bureau of Investigation agents searched his home, office and hotel room. During the raids, he said in the filing, the FBI seized electronic devices and documents "which contain information relating to the \$130,000 payment to Plaintiff Stephanie Clifford at the center of this case, and my communications with counsel, Brent Blakely, relating to this action."

Michael Avenatti, an attorney for Ms. Clifford, called the affidavit a "stunning development" in a tweet Wednesday.

The criminal investigation into Mr. Cohen is probing potential bank fraud and campaign-finance violations in connection with the payment to Ms. Clifford and his taxi business, The Wall Street Journal has reported.

# NIGER

Continued from Page One

associate of Adnan abu Walid al-Sahrawi, the leader of Islamic State in the Greater Sahara, an affiliate of the extremist movement.

They later returned to a village near Tonga Tonga, and after conducting their meeting with local officials, were ambushed by roughly 50 attackers, a two-hour attack that killed two Green Berets, two soldiers assigned to assist special-operations forces and five Nigerien soldiers.

The attack put a spotlight on the expanding U.S. footprint in Africa, with most of the efforts aimed at training local forces battling Islamic State and al Qaeda-affiliated groups. There are roughly 6,000 U.S. troops spread across the continent, according to the Pentagon, including 800 in Niger.

In the months since the ambush, the U.S. military has moved some of the troops tasked with advising local forces in Africa away from the front lines and back into command centers.

U.S. officials said earlier this month that those changes weren't the result of the Niger

incident, but to increase the safety of military personnel operating in those environments, where there is limited support if troops come into contact with enemy forces.

The report didn't find fault with the relaxed military operational authorities granted under President Donald Trump.

He approved recommendations from Defense Secretary Jim Mattis and others to allow commanders at lower levels to have decision-making power,

according to officials. There is no indication that the rules changes contributed to the incident, said officials who saw the report.

The report includes a series of directives from Mr. Mattis that will apply broadly across the military to provide guidance on training, operational discipline and to reinforce normal protocols within the chain of command. The aim is to avoid a repeat of the missteps leading up to the Niger operation and reduce the chances that such incidents happen again, the officials said.

The Special Operations Command, U.S. Africa Command and the Army all will be given approximately 10 "primary directives" from the Pentagon chief, the officials said. Those organizations will have

U.S. ARMY SPECIAL OPERATIONS COMMAND/REUTERS



Staff Sgt. Jeremiah W. Johnson, left, Staff Sgt. Bryan C. Black, Staff Sgt. Dustin M. Wright and Sgt. La David Johnson were killed during a two-hour firefight in Niger, West Africa, on Oct. 4.

four months to demonstrate their efforts to solve problems highlighted by the report.

The report will include separate memos with conclusions and assessments from Mr. Mattis, from the Joint Chiefs of Staff and from the Africa Command. The report's release was delayed several times as various Pentagon offices weighed in on the review.

The report has been months in the making, and includes diagrams, maps, testimony from dozens of individuals and other supporting material, including video taken from cameras attached to the soldiers' helmets, the officials said.

Two copies of the classified

version of the report have been provided to two reading rooms on Capitol Hill for lawmakers. A declassified version will be released publicly in coming days after family members are briefed on its contents and following briefings to lawmakers.

One of the four Americans killed, Sgt. La David Johnson, was missing for nearly two days after the attack. Army Staff Sgt. Bryan C. Black, Staff Sgt. Jeremiah W. Johnson and Staff Sgt. Dustin M. Wright also died during the attack. The four slain soldiers' actions during the operation and under ambush were considered valorous, the officials said.

The final military briefing, for Sgt. La David Johnson's widow, is expected next week, according to officials. She is expected to be accompanied by Rep. Frederica Wilson (D., Fla.), a friend of the family.

Mr. Trump's condolence phone call to Mrs. Johnson sparked a controversy last fall. Ms. Wilson, who was in the car with Mrs. Johnson when she received the call, said that the president was insensitive to the widow, and that the call upset her. Mr. Trump's chief of staff, John Kelly, said during a White House appearance that Ms. Wilson had politicized the call. Ms. Wilson stood by her account of it.



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## How JUUL is advancing comprehensive youth prevention

At JUUL our mission is simple: eliminate cigarette smoking throughout the world one smoker at a time. 38 million Americans and one billion people around the world still smoke. Smoking remains the world's number one source of preventable death.

We at JUUL have an innovative approach to smoker switching that can make a real impact. Our simple and convenient system incorporates temperature regulation to heat nicotine liquid and deliver smokers the satisfaction that they want without the combustion and the harm associated with it. From day one, our co-founders (both former smokers) have stressed the need for empathy, respect and optimism to smokers and their families. We want to disrupt the trillion-dollar global tobacco market and have a meaningful, positive impact on public health worldwide. We think that is within our reach.

After years of technology development, in 2015 we introduced JUUL. More than one million adult smokers have already made the switch to JUUL, proof that our approach shows great promise. But we also face some major challenges and complications, including the fact that our product has become popular among teens.

“ Let me be clear:  
we do not want teens or  
any other non-smokers to  
ever use our product.”

Let me be clear: we do not want teens or any other non-smokers to ever use our product. I'm not only a JUUL employee, but more importantly I am a parent of teenagers. I never want my 18-year-old-son or 15-year-old daughter to try JUUL. The product was designed with adult smokers in mind and their need to break the grip of cigarette dependency.

We are committed to doing more as a company in partnership with lawmakers, the FDA, social media firms, e-commerce marketplaces and law enforcement agencies. To this end, today our company announced a comprehensive strategy to combat underage use of JUUL. This effort includes supporting state and federal efforts to raise the legal age of purchase for tobacco products to 21+. JUUL will also make an initial \$30 million investment over the next three years dedicated to independent research, youth and parent education, and community engagement. We will work closely with Tom Miller, the Iowa Attorney General, and a group of public officials and tobacco control individuals he will assemble on these efforts.

Underage use is never acceptable. However, neither is it acceptable for those of us at JUUL to not fully commit ourselves to helping the 38 million smokers in the U.S. and the one billion smokers globally when we believe we have the ability, technology and sheer wherewithal to achieve this goal. We recognize this is a difficult balancing act, and to be successful we welcome the guidance, dialogue and even intense scrutiny from those who also seek real solutions to both of these important issues. I absolutely believe that together we can achieve our shared goals.

To read the full extent of our youth prevention plan, please visit [JUUL.com](http://JUUL.com).

Sincerely,  
Kevin Burns, CEO JUUL

JUUL

## WORLD NEWS

# Yemen Rebels Target Saudi Oil

The recent flurry of attacks represents a shift from a previous focus on cities

By ASA FITCH  
AND SUMMER SAID

DUBAI—Yemeni rebels have begun to aggressively target Saudi Arabian oil facilities in attacks that threaten the kingdom's economic engine and add another layer of geopolitical tension that is helping push oil prices to their highest levels since 2014.

The Houthi rebels say they have attacked Saudi Arabian Oil Co. installations using missiles and drones at least eight times since the beginning of March. The latest attack was Monday when Houthis said they fired missiles at a Saudi oil port near the Yemen border. Saudi forces said the missiles were intercepted and there were no casualties.

The barrage of attacks has edged the three-year conflict with the Houthis uncomfortably close to the core of the Saudi economy, crystallizing the risks to the region's oil industry. By striking a blow to Saudi wealth, the Houthis hope to inflict disproportionate damage on an enemy that is stronger militarily but hasn't been able to dislodge the rebels in Yemen.

Saudi Arabia leads a military coalition at war since 2015 with the Houthis, whom they see as proxies of their regional rival, Iran. The Houthis have controlled Yemen's capital, San'a, since ousting a Saudi-supported government, and skirmishes along the countries' border have kept the coalition engaged in the conflict.

Saudi forces have shot down several Houthi missiles aimed at oil installations, with no casualties reported. Aramco, as the Saudi national oil company is commonly known, has denied any disruption to its operations.



Pro-Houthi fighters in San'a, Yemen's capital. Houthis said they fired missiles at a Saudi oil port near the Yemen border on Monday.

VIA AP/REUTERS



Source: Staff Reports

## Targeting Aramco

Attacks launched or claimed against Saudi Arabian Oil Co. by Houthi rebels.

### ① Jizan

March 17, 2018: Company facilities  
March 31, 2018: Company facilities  
April 5, 2018: Storage tanks  
April 11, 2018: Company facilities  
April 23, 2018: Oil terminal

### ② Najran

March 22, 2018: Company facilities  
April 11, 2018: Distribution terminal

### ③ Red Sea

April 26, 2017: Oil terminal  
April 3, 2018: Oil tanker

that has not been previously considered," one official said.

Even a moderately successful attack could have implications for Saudi Arabia's oil industry and budget and for oil markets. The government expects to earn about \$131 billion this year from oil, accounting for half of its budgeted spending.

The Houthi strategy was meant to send "a message to the Saudi authorities that we are able to attack their strategic economic institutions if they will not stop the war against our country," said Loai al-Shami, a Houthi spokesman.

For almost a year until March, the Houthis had largely steered clear of oil facilities, focusing on Saudi cities including Riyadh and Mecca with longer-range missiles. Before that, the Houthis had targeted Aramco facilities on occasion—including in April 2017, when Saudi forces blew up a drone boat fitted with a warhead as it careened toward an Aramco oil distribution terminal.

# British Academic Detained In Tehran

By FARNAZ FASSIHI

UNITED NATIONS—Iran arrested a British-Iranian dual citizen who traveled to Tehran from London on an invitation to speak at an academic workshop, according to friends of his family and human-rights organizations.

The arrest of Abbas Edalat, a professor of computer science and mathematics at Imperial College in London, comes at a time of tense relations between Iran and the West over the fate of the nuclear deal.

Europe has assumed the role of liaison between Tehran and Washington, appealing to U.S. President Donald Trump to remain committed to the deal and to Iranian officials to negotiate for a broader agreement touching on regional policy and ballistic missiles.

Iran holds nearly a dozen dual and foreign nationals in prison, including two other British citizens, five Americans, one Austrian and one Swede. They have been charged with espionage and threatening national security and sentenced to a decade or more of prison.

Mr. Edalat has brought computers from Britain and given them to Iranian children in need. He is an antiwar and anti-sanctions activist.

Security forces raided his family home in Tehran on April 15 and arrested him, according to friends of the family and human-rights organizations. The charges against Mr. Edalat are unknown and he has had no access to a lawyer, friends of the family said. Iranian officials haven't commented on his arrest, and Iran's Mission to the U.N. didn't respond to a request to comment.

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## WORLD NEWS

# North Korea Nuclear Test Site Collapsed

Underground facility that Pyongyang has pledged to close may be unusable anyway

BY JEREMY PAGE

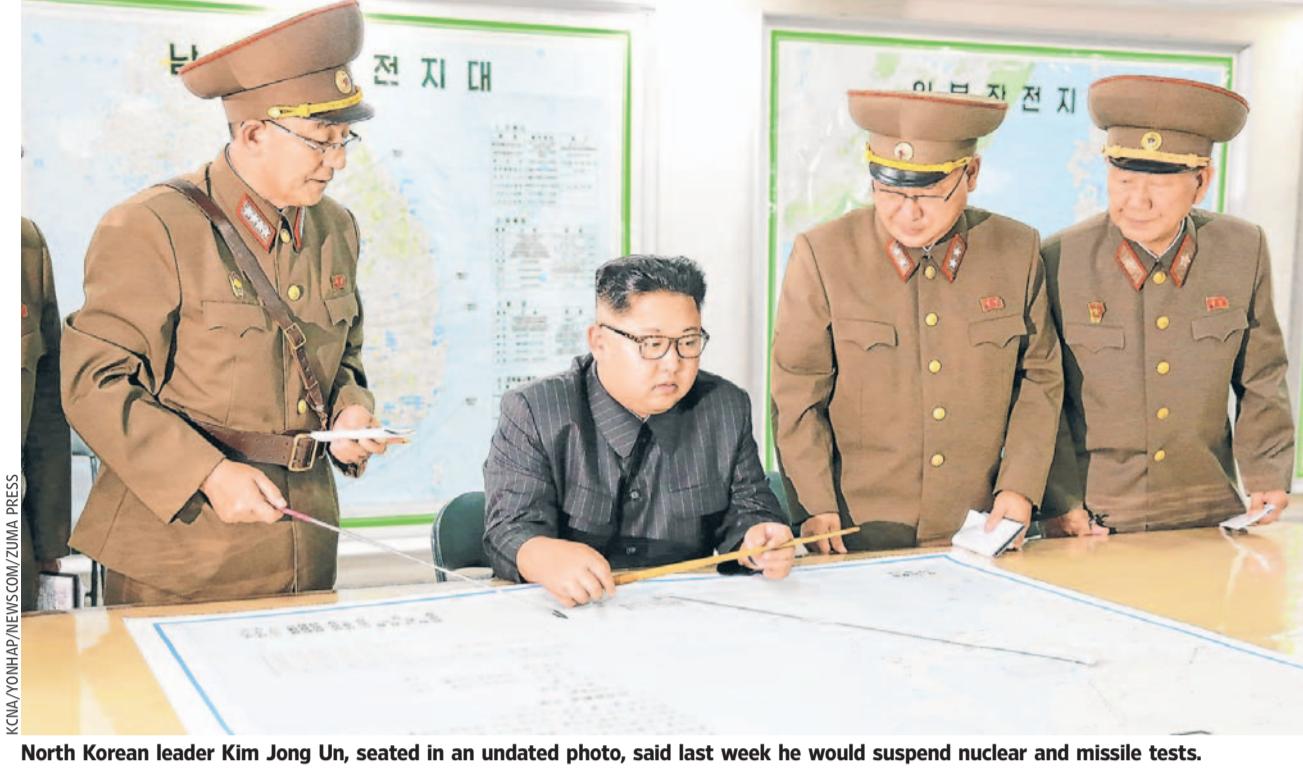
BEIJING—A large part of North Korea's underground nuclear test facility, which leader Kim Jong Un pledged to close, is unusable anyway due to the collapse of a cavity inside the mountain after the last blast there, Chinese scientists say.

Seismologists involved in a soon-to-be-published study also warned that another blast in the same spot and with similar yield could cause "environmental catastrophe."

Another study led by Chinese seismologists and published this month also concluded that a secondary tremor shortly after the blast was caused by the cavity's collapse, but didn't judge whether the Punggye-ri test site could still be used.

Mr. Kim said last week he was suspending nuclear and missile tests and closing the Punggye-ri facility, where all six of his country's nuclear tests took place. His announcement was welcomed by the U.S., South Korea and China as a positive step in the run-up to an inter-Korean summit on Friday and a planned meeting between Mr. Kim and U.S. President Donald Trump by June.

U.S. officials and North Korea watchers, however, are debating how meaningful Mr. Kim's moves are. Some see them as major concessions



North Korean leader Kim Jong Un, seated in an undated photo, said last week he would suspend nuclear and missile tests.

and others, arguing that Punggye-ri is unusable, call them empty gestures designed to gain leverage with Washington and Seoul while remaining determined to retain his nuclear weapons.

Mr. Kim hinted he wouldn't be giving up nuclear weapons. He celebrated the completion of his nuclear-missile program, calling it a "miraculous victory." And while he pledged not to carry out further long-range missile tests, he made no mention of shorter-range missiles that would be capable of striking U.S. allies in South Korea and Japan.

Soon after the sixth and

largest blast in September, satellite images suggested that one part of the site, a 7,200 foot granite peak called Mount Mantap had diminished in height. Some U.S. and South Korean experts suggested that tunnels inside the mountain—where five of North Korea's six nuclear tests took place—had collapsed, rendering much of the site useless.

Now, the two Chinese studies give credence to that theory. They both used data from seismic monitoring stations in China and abroad to analyze the initial 6.3-magnitude tremor caused by the blast and another smaller

tremor 8½ minutes later.

Both studies concluded that the second tremor, of 4.1-magnitude, was caused by the collapse of damaged rock above the blast cavity inside the mountain, rather than another explosion or a tectonic shift.

"The occurrence of the collapse should deem the underground infrastructure beneath mountain Mantap not be used for any future nuclear tests," said an abstract for the first study, led by researchers at the University of Science and Technology of China, or USTC.

Past tests caused previously inactive tectonic faults in the area to reach a state of "criti-

cal failure," according to the abstract presented at a meeting of the American Geophysical Union in December, posted to the group's website.

The researchers warned that a nuclear test of similar yield to September's "would produce collapses in an even larger scale creating an environmental catastrophe," according to the abstract.

Punggye-ri is less than 50 miles from the Chinese border, and Beijing has been ramping up its monitoring for radioactive fallout in recent years, out of concern, analysts have said, that contamination could provoke a public outcry and force



THE WALL STREET JOURNAL.

the government to harden its approach to Pyongyang.

Chinese officials have said that no contamination has been detected so far in the aftermath of the tests.

The USTC study was accepted on Monday for publication in the American Geophysical Union's journal, Geophysical Research Letters. The journal said the paper would be published on its website in the next few days.

A USTC official said the two lead authors couldn't comment because of the sensitivity of the subject, and referred questions to their supervisor and co-author, Wen Lianxing, a seismology professor at Stony Brook University in New York.

Prof. Wen said the version to be published in Geophysical Research Letters wouldn't include the wording about Mount Mantap being unusable for future tests, and the potential environmental catastrophe if it was. He didn't respond when asked why those words had been removed.

## South Koreans Temper Their Goals for Talks

BY JONATHAN CHENG  
AND YUN-HWAN CHAE

SEOUL—Expectations for lasting progress are decidedly modest here as President Moon Jae-in of South Korea heads into talks with North Korean leader Kim Jong Un on Friday.

After years of disappointments and failed negotiations, a harder attitude prevails: One of the main goals now, for South Korea's government and its people, is simply a lowering of tensions following a year of brinkmanship.

Unification of the two Koreas is widely seen here as a more remote prospect than when the two sides' leaders first met in 2000.

It is also a prospect that is viewed with trepidation.

A central concern for South Koreans, who built a wealthy capitalist economy while their northern kin faced repression and starvation, is whether the costs of unification might be too high. Many South Koreans have come to regard a dramatic change to the political status quo as an unwelcome threat to the country's prosperity.

Mr. Moon is 65 years old, his parents are from the North, and his life has been shaped by the division of the peninsula. He has made closer ties with Pyongyang a tenet of his political career and calls



A platform bears colorful goodwill messages near the Korean DMZ.

economic engagement with the North a precursor to eventual unification.

He has also said his meeting with Mr. Kim this week is essential for peace. Details are being worked out for a subsequent summit between Mr. Kim and President Donald Trump.

Messrs. Moon and Trump both face the question of whether North Korea can be trusted in negotiations aimed at persuading it to relinquish its nuclear weapons in exchange for economic inducements.

"I think the talks this week will just be a show," said Park Gyu-sik, a 29-year-old from

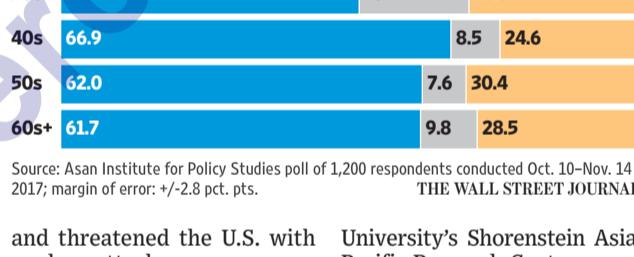
the southeastern city of Ulsan. North Korea will "end up stabbing us in the back," he said.

South Koreans in their 20s, who came of age as North Korea neared the ability to threaten the region and the world with nuclear-tipped missiles, regard a war as far more likely than their parents, according to a poll released last week by the Asan Institute for Policy Studies, a private Seoul-based think tank.

Some in this threat-hardened country began crafting emergency backup plans over the past year as North Korea advanced its weapons program

### Generational Shift

Younger South Koreans have far less affinity for the North than their forebears. Perception of North Korea by age



Source: Asan Institute for Policy Studies poll of 1,200 respondents conducted Oct. 10-Nov. 14, 2017; margin of error: +/- 2.8 pct. pts.

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and threatened the U.S. with nuclear attack.

The mood was very different 18 years ago, when leaders of both Koreas met for the first time. In June 2000, a backdrop of optimism prevailed amid hopes of progress toward unification.

"A new age has dawned for our nation," South Korea's then-president, Kim Dae-jung, said on his return from the meeting with Kim Jong Il in Pyongyang. "We have reached a turning point so that we can put an end to the history of territorial division." His efforts won him a Nobel Peace Prize.

That ebullience has all but evaporated. "That was the first time, and you could be more optimistic," said Daniel Sneider, a visiting scholar at Stanford

University's Shorenstein Asia-Pacific Research Center.

A younger generation of South Koreans largely sees itself as culturally separate from the North. Roughly half of South Koreans in their 20s view the North as a stranger or enemy, according to Asan's poll, twice the rate of the previous generation in the same poll.

Mr. Moon and his closest advisers, in contrast, came of age under the authoritarian South Korean governments of the 1970s and 1980s, and tend to be more supportive of engagement with the North.

This time around, said Kim Ji-yoon, a senior fellow at Asan, "a unification policy emphasizing 'oneness' and homogeneity wouldn't be well received by the younger generation."

## Suspected Cyberattack Called Wider

BY TIMOTHY W. MARTIN

SEOUL—A suspected North Korean cyberattack on Turkish banks in March is broader in scope than originally believed, and has expanded to a global data-theft campaign targeting nations including the U.S. and Australia, according to a new cybersecurity analysis.

The hacking campaign, identified as Operation Ghost-Secret by cyber researcher McAfee LLC, now spans 17 countries and many industries. The attacks highlight how hackers linked to Pyongyang have evolved beyond their traditional focus on military secrets and cyber provocations.

From roughly March 14 to March 26, suspected Pyongyang-linked hackers sought to obtain sensitive information from a variety of industries: critical infrastructure, telecommunications, health care, higher education and others. McAfee, which released the report on Wednesday, said most of the attacks were in the Asia-Pacific region.

The cyberoffensive remains active, McAfee said. As with nearly all digital assaults, it is difficult to know exactly what was taken.

## PROFIT

*Continued from Page One*

investing to make sure our tools are used for good," Chief Executive Mark Zuckerberg said during a call with analysts. "And we also need to keep moving forward, building new tools to help people connect, build community and bring the world closer together."

Facebook added about 70 million monthly users during the first three months of the year, bringing its overall user base to 2.2 billion, up from 2.13 billion at the end of 2017.

The Menlo Park, Calif., company also said it would buy back an additional \$9 billion in shares, adding to the \$6 billion previously authorized.

In after-hours trading Wednesday, Facebook shares rose about 7%. Since a record high in early February, the company's shares had fallen more than 18% before the earnings release.

Facebook's earnings report marks the first snapshot of how the company's ties to political-data firm Cambridge Analytica are affecting the Silicon Valley giant's business.

Cambridge Analytica aided the Trump campaign in 2016 and allegedly bought data about tens of millions of Facebook users from an outside developer. The incident, disclosed in mid-March, highlighted Facebook's at times lax oversight of how outside developers handled user data they extracted from the platform.

It also sparked anger toward the site and prompted a #deletefacebook campaign. Cambridge Analytica has denied wrongdoing.

Much of the fallout happened after the quarter ended in March and isn't fully reflected in the earnings report. But Facebook Chief Operating Officer Sheryl Sandberg said Wednesday that the company hadn't seen a "meaningful trend" of advertisers fleeing the platform amid the criticism of its privacy practices.



Mark Zuckerberg told lawmakers he was open to some regulation.

Major advertisers "were very aware of the controversies swirling and wanted to know more about what other brands were doing," said Andy Taylor, associate director of research at data marketing firm Merkle. "But really, in terms of making moves, advertisers are more in a wait-and-see mode."

Mr. Taylor added that most advertisers generally remain happy with Facebook's prod-

ucts. He noted that its struggles haven't yet provoked the same kind of outrage toward advertisers as last year's controversy surrounding Alphabet Inc.'s YouTube and its placement of ads adjacent to videos with objectionable content.

The uproar over Cambridge Analytica is the latest episode in the Cambridge Analytica episode, and Facebook has redoubled efforts to stamp out abuse.

Still, most analysts and investors believe additional regulation is inevitable, although it isn't clear what form it will take or what impact it would have on Facebook's bottom line.

Mr. Zuckerberg told lawmakers that he was open to some forms of regulation but

added that too many rules could impede American tech companies from competing head-to-head with Chinese rivals.

In one indication of how tougher oversight could limit growth, Facebook Chief Financial Officer David Wehner said Wednesday that average monthly and daily user growth in Europe could be flat or down as a result of new privacy regulations scheduled to go into effect there in May.

Earlier this week, Google's parent company, Alphabet—Facebook's biggest rival in the online-ad space—reported a profit for the first three months of the year that topped expectations, but investors grappling with the company's higher expenses sent the shares down 4.8%, the stock's worst session in more than two months.

However, Alphabet executives played down the expected impact of the European rules, saying its search ads rely less on the type of personal targeting that will be limited by the regulation.

## FROM PAGE ONE

## PROFIT

*Continued from Page One*

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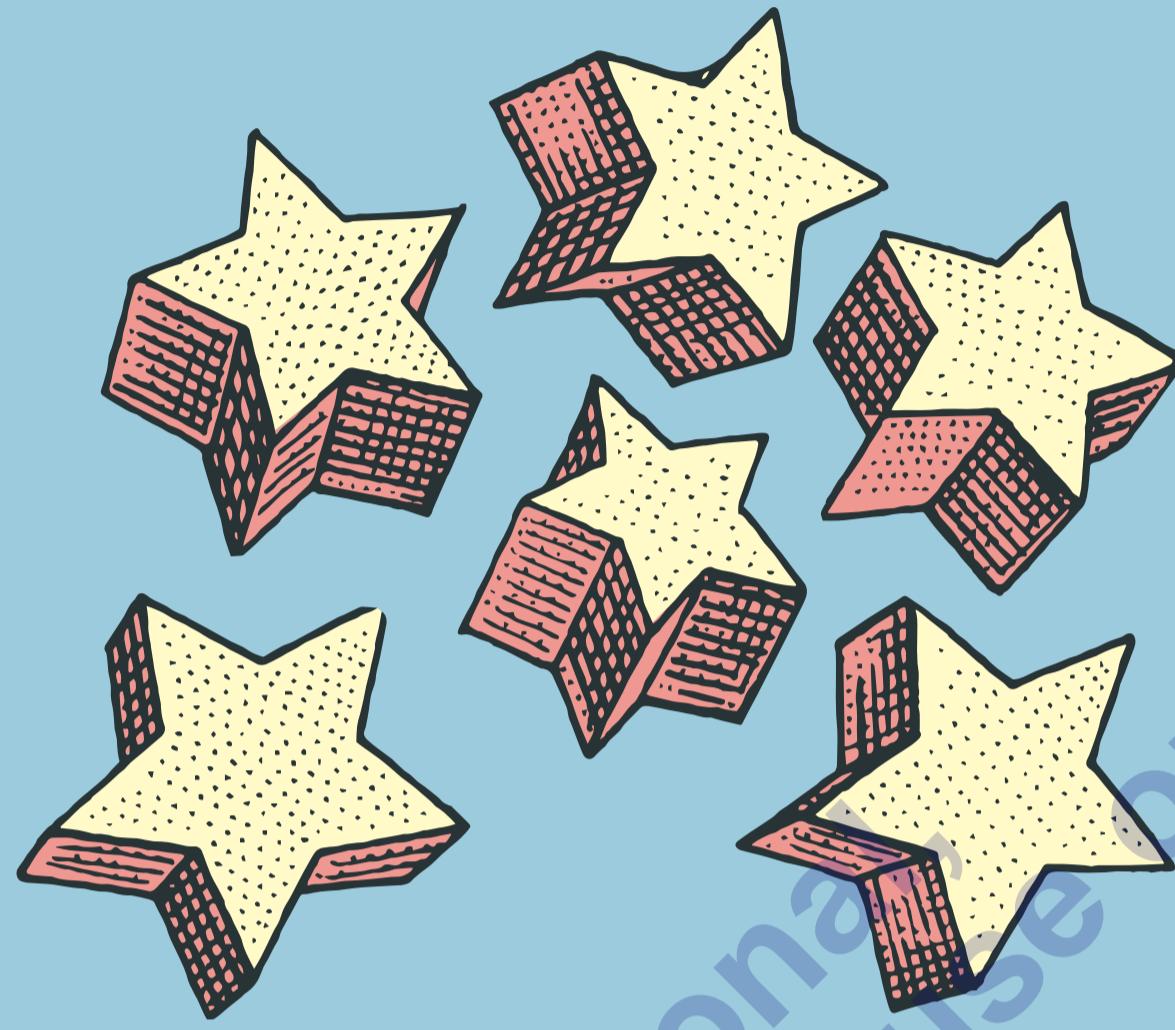
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 DOW JONES

## WORLD NEWS

# Antibiotic Benefits Very Young in Africa

Researchers surprised by azithromycin's efficacy in a study of 190,000-plus children

BY BETSY MCKAY

Researchers have identified a low-cost medication that they say could protect millions of young children in poor nations from dying of pneumonia, malaria and other preventable diseases.

But they and other experts acknowledge they will have to decide carefully how best to deploy the new tool—an antibiotic widely prescribed in the U.S. for bacterial infections—because heavy use could fuel antibiotic resistance. Taking antibiotics at a young age may also increase the risk of other health problems later on, some experts say.

In a large study published Wednesday in the New England Journal of Medicine, researchers gave prophylactic doses of azithromycin, an anti-

biotic also known by the brand name Zithromax, to children between the ages of 1 month and 5 years in three sub-Saharan African countries. The children received one dose every six months for two years.

A control group received a placebo. More than 190,000 children in total were involved in the study, which was funded by the Bill & Melinda Gates Foundation.

At the end of the test period, the death rate of the children who got the drug was 13.5% lower than those who didn't get it, the researchers found. The effect was greatest in the youngest children: mortality was 24.9% lower in 1-to-5-month-olds who got the antibiotic than in those who didn't.

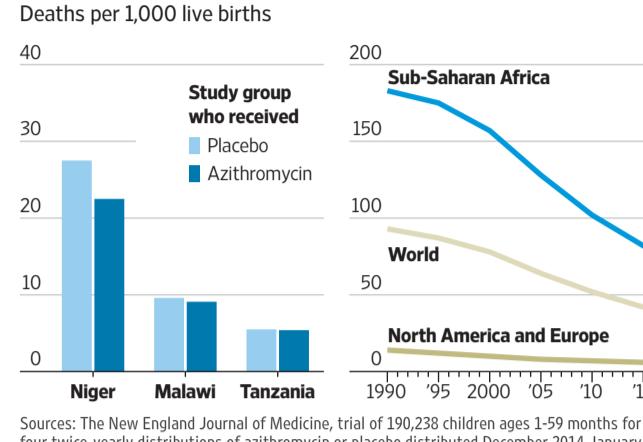
Almost all of the reductions were in Niger, the country in the study with the highest mortality rate. The other two countries that participated were Tanzania and Malawi.

The magnitude of the effect surprised researchers, who said it potentially signals a

## Saving Lives

An inexpensive antibiotic widely used in the U.S. reduced the number of deaths among children under the age of five in some of the world's poorest communities, a new study shows. Childhood mortality remains high despite vaccines and other advances since 1990.

### Mortality rate for those under the age of five



Sources: The New England Journal of Medicine, trial of 190,238 children ages 1-59 months for four twice-yearly distributions of azithromycin or placebo distributed December 2014-January 2017 (study groups); United Nations Inter-agency Group for Child Mortality Estimation (regions by year)

powerful new tool to save children in places with high death rates. Childhood mortality has dropped 56% world-wide since 1990, thanks largely to vaccines. But 5.6 million children under 5 years old died in 2016, according to the United Nations, which aims to end preventable deaths in children

under 5 by 2030. The leading causes of death include pneumonia, malaria, and preterm birth complications.

"There are still some areas where more than 10% of kids don't make it to their fifth birthday," said Thomas Lietman, senior author of the study, professor of ophthalmology and director of the Francis I. Proctor Foundation at the University of California, San Francisco. "People are thinking, what can we do?"

The benefits of azithromycin will have to be weighed against the risk that widespread use could promote antibiotic resistance, which can render bacteria-killing drugs ineffective, Dr. Lietman said.

Azithromycin has been administered prophylactically for two decades to communities in parts of Africa, the Middle East and Asia en masse to prevent trachoma, a bacterial infection that causes blindness.

Some bacteria have developed resistance to azithromycin during these programs, but "when we stop our trachoma

program, that resistance goes away after a few years," Dr. Lietman said. He and his colleagues are examining data from the NEJM study for signs of resistance.

The idea for the childhood-mortality study arose when researchers and public-health officials noticed that fewer children were dying in communities receiving azithromycin in trachoma programs.

The NEJM study didn't probe exactly how the drug prevented deaths. But azithromycin is known to work against pneumonia and other major childhood killers. Azithromycin has also reduced infections in pregnant women and their babies in studies.

Experts who weren't involved in the study called its findings important.

"There are not many things we can do to have that much impact on child survival," said Karen Kotloff, professor and head of the infectious disease and tropical pediatrics division at the University of Maryland School of Medicine.

## WORLD WATCH

## CHINA

## Ministry: Firms Cool On U.S. Investments

The Commerce Ministry said threatened investment restrictions from the U.S. are denting the enthusiasm of Chinese businesses, with some canceling or slowing plans to invest in the American market.

Ministry spokesman Gao Feng said Beijing is prepared to take unspecified actions in response if the U.S. goes ahead and introduces the restrictions. "We are sticking to our bottom-line thinking and are prepared to take action," he said Thursday.

Mr. Gao said rising uncertainties about the situation are causing some Chinese firms to reconsider their U.S. investment plans. He didn't cite specific businesses.

—Liyan Qi

## TURKEY

## Central Bank Raises An Interest Rate

The central bank tightened policy in a bid to contain galloping inflation—a challenging course to take when President Recep Tayyip Erdogan is seeking re-election on a pledge to keep the economy humming thanks to low interest rates.

The central bank on Wednesday raised one of its main rates, the late-liquidity lending rate, to 13.5%, from 12.75%.

The increase, economists said, was indispensable if Turkey aims to rein in a fast-growing economy that is displaying many signs of overheating, from double-digit inflation to a rapidly weakening national currency, the lira.

—Yeliz Candemir

## EUROPEAN UNION

## Brussels Sticks to Existing Nuclear Deal

Foreign-policy chief Federica Mogherini said Europe would adhere to the existing Iran nuclear agreement, apparently distancing herself from a French proposal for a new arrangement to address the concerns of the Trump administration.

As Tehran reiterated its stance that the deal wasn't up for negotiation, Ms. Mogherini said the existing deal is preventing Iran from developing a nuclear weapon.

Her comments came hours after French President Emmanuel Macron advocated a new, broader pact with President Donald Trump, who has ridiculed the existing deal finalized in 2015.

—Julian E. Barnes



SOLEMN SERVICE: A piper plays at dawn in Çanakkale, Turkey, to mark ANZAC Day, remembering Australian and New Zealand war dead, especially those of the Gallipoli campaign of World War I.

OZAN KOSE/AFP/Getty Images



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## IN DEPTH

## MEGYN

*Continued from Page One*  
drop in viewers, and staffers on other NBC News shows have been grumbling about Ms. Kelly's lofty budget. Hollywood publicists started steering their A-list talent away from the program when a feud erupted with Jane Fonda after Ms. Kelly asked the actress on-air about her plastic surgery.

Ms. Kelly's Sunday night newsmagazine, which premiered to disappointing ratings last summer, has been cut to occasional prime-time specials.

NBC News Chairman Andrew Lack's big bet on Ms. Kelly was a throwback to the golden age of broadcast news when networks routinely awarded so-called star anchors huge contracts, believing the face delivering the news was as important as the news itself.

Today, the landscape of network and cable television is so big that there isn't one person who necessarily draws the kind of audience to justify that cost, said Marcy McGinnis, a 30-year veteran of CBS News who is now a consultant.

The turmoil during Ms. Kelly's first year at NBC, and the high-profile exits of NBC's Matt Lauer and CBS's Charlie Rose due to sexual-harassment allegations, have shaken up morning TV news, underscoring the big risks of high-stakes wagers on celebrity news personalities.

With the audiences for morning and evening news shows on a slow decline for decades, the focus of most network news managers is on profit margins and reducing the high salaries of the former era.

When Diane Sawyer stepped down from anchoring ABC's "World News Tonight" in 2014, relative unknown David Muir

### NBC wooed Megyn Kelly with a three-year, \$69 million contract.

was given the job and ratings actually went up. After Katie Couric gave up anchoring "CBS Evening News," she was replaced by the less-known Scott Pelley, who has subsequently been replaced by the even lesser-known Jeff Glor without a hit to ratings. Those anchors commanded significantly lower salaries than Ms. Sawyer and Ms. Couric.

"Andrew Lack made the mistake with Megyn Kelly [from the beginning] with the decision to hire her to an anachronistic celebrity contract in the mistaken belief that star quality could turn into ratings gold," said Andrew Tyndall, a television news analyst and consultant.

Mr. Lack, who persuaded Ms. Kelly to join NBC, defended Ms. Kelly's morning and prime-time roles at the network. "Megyn has continued to prove that she's a tremendously skilled, hard-hitting journalist, who adds valuable insight and analysis to all she touches," he said in a statement.

Since joining "Today," Ms. Kelly is averaging 2.4 million viewers an episode, 18% below

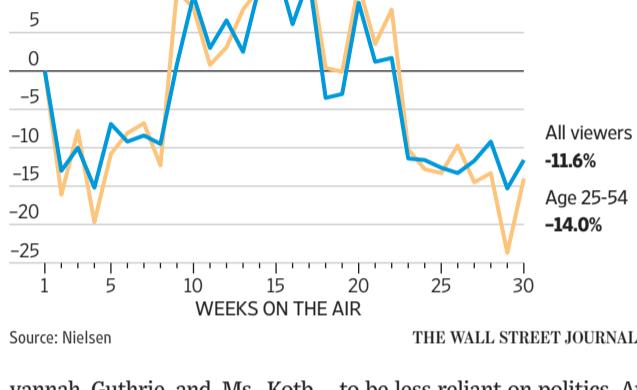


NATHAN CONGLETON/NBC/GETTY IMAGES

Megyn Kelly has had trouble making the shift to daytime television on 'Today' with its delicate balance of soft features and hard news.

### Audience Slide

Change in average weekly 'Megyn Kelly Today' viewers since her show premiered on NBC



Source: Nielsen

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### Rivals have gained

Ms. Kelly's ratings are also hurting the 10 a.m. hour of "Today" with Hoda Kotb and Kathie Lee Gifford, according to Nielsen data. That hour of the show is down 6% in viewers and 19% among adults 25-54.

The performance of "Megyn Kelly Today" has allowed its chief rival, Walt Disney Co.'s syndicated chat show "Live with Kelly & Ryan," to more than double its lead over NBC in that hour to 747,000 viewers.

"I'm sure they were hoping it was going to do better than this," said Stacey Schulman, an executive vice president of consulting firm Katz Media Group. "She is a polarizing personality."

The "Today" franchise is key to NBC News and its parent NBCUniversal, a unit of Comcast Corp. "Today" generates more than \$500 million in revenue and profits of more than \$100 million annually, people close to the show said. It is the most successful program on the network and is the main profit center for NBC News.

"Megyn Kelly Today" is vastly more expensive for NBC than its predecessor. The combined salaries of previous hosts Al Roker and Tamron Hall were less than half of Ms. Kelly's \$23 million-a-year payday, according to several people familiar with the matter. Ms. Kelly declined to comment on her salary.

The show also carries a much higher budget, including staff who work as Ms. Kelly's stylist and publicist. Some people close to the show said it makes less than its predecessor. An NBC News spokeswoman said Ms. Kelly's show is profitable.

In November, longtime "Today" anchor Mr. Lauer was fired after he was accused of sexual harassment. (Mr. Lauer apologized but contested some accounts of his behavior.) Initially, the new morning team of Sa-

vannah Guthrie and Ms. Kotb drew strong numbers, but more recently rival "Good Morning America" on ABC has passed "Today" in viewers.

Ms. Kelly said it is too soon to make final judgments on her hour. "Our show is a baby. We're six months old," she said. "Morning TV is obviously new to me and I'm figuring it out as we go...I think any show needs about a year to just find its footing."

It's not unusual for new programs to stumble out of the gate, and given the myriad choices viewers have on broadcast, cable and streaming services, getting attention is increasingly difficult.

Ms. Kelly has yet to find a tone that makes sense for viewers, and she has said she wants

to be less reliant on politics. At times, in her evening program, she is a tough newscaster interviewing Russian President Vladimir Putin about election tampering. In her morning show, she can be found doing a Dr. Phil-esque segment asking "throubles"—three people in a relationship—about whether they all fit in a king-size bed.

Ms. Kelly said that while she loved the "throubles" episode, "I wouldn't say it was the future of 'MK Today.'

Ms. Kelly developed a reputation as a hard-nosed interviewer during her more than 12 years at Fox News. Known for her prosecutorial approach to interviews—Ms. Kelly is a lawyer—she often echoed the sentiments of other conservative Fox News

commentators when it came to the "war on Christmas," the Black Lives Matter movement and gay rights.

She won some fans outside of the channel's conservative base when she challenged then-presidential candidate Donald Trump over his statements about women during a live debate. But she has struggled to parlay that attention into a compelling TV personality who resonates with daytime viewers.

Her difficulty securing an audience is a sore spot for some local TV stations that carry NBC programming, a group that has historically held sway with broadcasters' programming decisions.

At WAVE-TV, the affiliate station in Louisville, Ky., the audience is more than 40% smaller than what the previous incarnation of that hour was averaging a year ago. "We're certainly not happy with the Nielsen numbers," said Ken Selvaggi, vice president and general manager of WAVE-TV.

Ms. Kelly said NBC News executives have shown no signs of wavering in their commitment to her nor challenged her direction for the show. "They've given us a long leash," Ms. Kelly said. "They know that I'm finding my footing and it's going to take time."

Ms. Kelly received praise from critics and a lift in the ratings when she leaned into the #MeToo movement, featuring women on her show who had made accusations against movie

mogul Harvey Weinstein, journalist Mark Halperin and others. Ms. Kelly has also mentioned her own experiences at Fox News, where she alleged harassment by Roger Ailes, the late CEO of the network, who denied the charge. Fox News parent company 21st Century Fox and News Corp, owner of The Wall Street Journal, share common ownership.

### #MeToo coverage

Last month her show received an Emmy nomination for best informative talk show, along with Steve Harvey, Dr. Oz, Larry King and "The Chew."

"I'm proud of the journalistic work we've been accomplishing," Ms. Kelly said. "The ratings are important, there's no question, but it's not the only metric."

Her coverage of sexual-harassment scandals has also resulted in some awkward moments, emphasizing the delicate balance that morning show anchors need—part best friend, part insightful guide to the news. The dynamics of a live audience further complicate the ability to make quick shifts in tone between segments.

On the Nov. 8 episode, Ms. Kelly opened her show by saying to her studio audience, "I can't wait to bring the cast of 'Sesame Street' out here, but first, is Harvey Weinstein going to get arrested?"

After Mr. Lauer was fired, Ms. Kelly had a former "Today" staffer on her show to talk about the staffer's consensual affair with Mr. Lauer. Many "Today" veterans were upset, seeing it as a cheap shot at Mr. Lauer and a ratings stunt.

"I understand that," Ms. Kelly said. "They loved him. They'd been working with him for decades, and it is hard when you care about the person who is at the center of these stories—trust me, I know."

Ms. Fonda took offense at Ms. Kelly asking about her plastic surgery during an interview about a new movie with Robert Redford. Ms. Fonda made jokes and mocked Ms. Kelly several times after that, prompting Ms. Kelly to launch a Fox News-style attack on Ms. Fonda.

"This is a woman who is synonymous with outrage. Look at her treatment of our military during the Vietnam War. Many of our veterans still call her 'Hanoi Jane' thanks to her radio broadcasts, which attempted to shame American troops," Ms. Kelly said on her show.

The "Hanoi Jane" rant, as it became known, was seen as an extreme overreaction inside "Today."

Ms. Kelly makes no apologies for firing back at Ms. Fonda. "I'm all for turning the other cheek but sometimes one has to stand up for one's self," she said. A spokeswoman for Ms. Fonda declined to comment.

Now, when Ms. Kelly does have entertainers on, they are usually from fellow NBCUniversal-owned properties such as Bravo's "Real Housewives" franchise or they are C-list celebrities such as Whitney Thore from TLC's reality show "My Big Fat Fabulous Life."

Ms. Kelly said she never wanted a "celebrity-driven show."

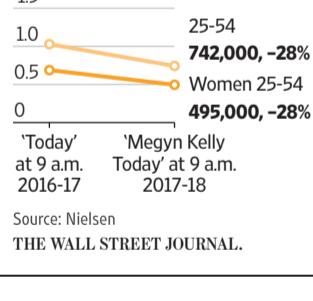
"The content of my show is driven by me and my team of producers and not by anyone else," she said.



Celebrities have avoided the program after Ms. Kelly asked Jane Fonda about plastic surgery during an interview about a new movie.

### Anchor Change

Viewership of 'Megyn Kelly Today' is down, especially with the key demographic of females 25-54, compared with last year's version of the show at the same time, which featured Al Roker, Tamron Hall and other hosts.



Source: Nielsen

THE WALL STREET JOURNAL.

Hundreds of illegally parked scooters have been impounded, while others have ended up in trash cans and bodies of water.

The sidewalk rage is likely a preview of things to come across the nation given that one of the startups, Bird Rides Inc., just raised \$100 million to bring

scooters to 50 cities this year.

These aren't mopeds. They are like children's Razor scooters—with a platform attached to small wheels and a handlebar—but souped-up with electric motors. Because some riders say they feel more vulnerable on a small scooter than on a bicycle,

and wear no helmet, they prefer to steer them on the sidewalks, even though riding them there is illegal.

Even self-professed fans bristle at riders who lack proper decorum. Daniel Singer, 18, an occasional scooter rider, said he was walking on a sidewalk, when he got into a face-off with three oncoming riders on scooters.

He stared them down and gestured to the street. One rider grimaced, then moved off the sidewalk. "It's a nuisance for pedestrians," he said.

Scooters, located and paid for with apps on phones, cost 15 cents a minute. There aren't any designated drop-off points; riders just leave them when they're done. The scooters have GPS, so at night, someone drives around, picks them up and recharges them.

Scooters sprawled in the middle of sidewalks have drawn ire among the aesthetically concerned. Stickers reading "HEY DUMB F— GET OFF THE SIDEWALK" have appeared on some scooters, and city officials have impounded illegally parked scooters blocking the use of sidewalks.

Travis VanderZanden, chief executive of Bird Rides, said "we weren't quite sure what to expect" in terms of a public reaction in San Francisco. Bird and

the other scooter companies say they instruct riders to stay off the sidewalk, park at the edge of the sidewalk and wear helmets.

Bird offers to ship riders a free helmet.

The massive pileup of opinions spilled into City Hall last week, as angry residents faced off with scooter proponents.

Karen Fishkin, who sits on a local seniors' organization, took to the lectern to plea for regulation. "We've been down here to discuss with you Segway, robots on the street, and now scooters," she said. "Pedestrians are kind of feeling like we're getting left out in the cold."

Happy riders seemed confused that people were so indignant about a small two-wheeled vehicle, noting they take cars off the road.

Andrew Lee, 33, said he used to enjoy riding a mini-Segway, but found it difficult to lug around. The day after he tried a rental scooter, "I gave away my Segway," he said. Now he rides scooters daily.

Even before scootermania, a stroll through downtown reveals a combination of autonomous cars, electric skateboards, electric unicycles, electric-assisted bikes, and of course, the famous Segway makes an appearance, while the fad of a few years ago, however,

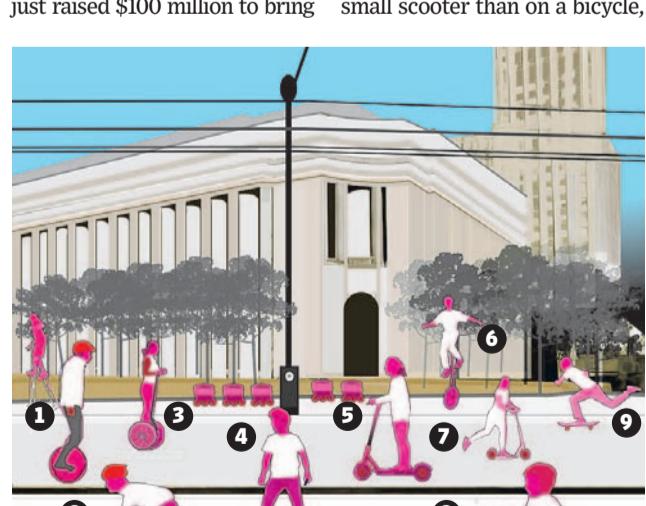
erboards, has mostly crashed and burned.

In the scooter skirmish, multiple sides are sparring. Pedestrian advocates are bickering with pro-transit residents. City officials, meanwhile, are upset the companies didn't wait for them to write the rules.

The transit fracas kicked off last fall when Mr. VanderZanden's company sprinkled scooters around Santa Monica, Calif., informing the Santa Monica mayor through a LinkedIn message. After a spat with city officials, scooter-share is now legal there, and popular.

Mr. VanderZanden says Bird's customers totaled 90,000 miles of scooter rides in the first three weeks in San Francisco.

A walk around the city's financial district reveals a constant stream of scooters. Riders weave in between pedestrians on sidewalks during rush hour, and zip next to bikes in bike lanes—sometimes to the ire of bikers. Occasionally two riders are crammed onto a small scooter. The city's solution for taming the Wild West? A permit program, where the city would grant companies the ability to rent out scooters, so long as they follow rules. City officials say they hope to have rules crafted next month.



Electric scooters join an array of transit options in San Francisco.

SIEMOND CHAN

Electric unicycle      4 Electric skateboard      7 Scooter  
2 Bicycle                5 Electric scooter      8 Electric moped  
3 Segway                6 Unicycle                9 Skateboard

# GREATER NEW YORK

## MTA Board Approves Spending Increase

Commissioners voice worries about rising costs and a lack of transparency

BY PAUL BERGER

Metropolitan Transportation Authority commissioners raised concerns about rising costs and a lack of transparency at the nation's largest transit agency as they voted to increase spending on major projects by \$800 million.

An MTA staff presentation to commissioners Wednesday emphasized that the requested

increase in the agency's five-year spending program to \$33.3 billion from \$32.5 billion requires no additional funds. The revised budget will be made possible, in part, by using unspent money from the previous spending plan.

Even commissioners who voted in favor of the amended budget said they were concerned about recent cost overruns on major projects. In particular, they pointed to the plan to bring the Long Island Rail Road to Grand Central Terminal.

The budget for that project, estimated at \$4.3 billion when it launched in 2001, has increased several times. This

month, MTA officials said costs had risen again, by \$1 billion, to \$11 billion.

James Vitiello, a commissioner who represents Dutchess County, noted that the MTA carries \$40 billion in debt, \$17 billion in postretirement benefit obligations and \$8 billion in unfunded pension liabilities. "When we incur another billion dollars, alarm bells should be going off and we should be deeply concerned," he said.

Scott Rechler, an appointee of New York Gov. Andrew Cuomo, said he wouldn't be surprised if costs for the project increase again before its

estimated completion in 2022. Nevertheless, Mr. Rechler added: "The train's left the station, so we have to try to get it to its final destination the best we possibly can."

Commissioners also questioned transparency at the agency. They asked why they weren't informed, before a report in The Wall Street Journal, that an almost \$1 billion program to renovate 32 subway stations was being scaled back to 19 stations because of cost overruns.

"It is indefensible that we did not receive this information prior to it being reported in the press," said Commis-

sioner Veronica Vanterpool, an appointee of New York Mayor Bill de Blasio.

Chairman Joe Lhota said he has worked to improve transparency since he was appointed to lead the agency last summer by Mr. Cuomo.

"Not a second in a day goes by when I don't think about transparency at this agency and what we need to do to provide information to all of you," he said.

The proposed budget increase passed the board with two city representatives voting against. It now goes before a state review board for approval.

The increase will be spent on several programs, including making subway stations more accessible to people with disabilities and elements of an \$836 million plan to improve subway service that Mr. Lhota announced last year.

The city recently was forced by the state to contribute \$400 million toward the plan.

The first phase of the initiative is aimed at attacking the most frequent causes of delays, such as repairing the most problematic signals, reducing water infiltration that damages rails and a system-wide cleaning program to prevent track fires.



Judges at the New York event will sample nearly 1,000 different oils from 27 countries—which entails a lot of sniffing and tasting.

## Olive Oil Competition Heats Up

BY CHARLES PASSY

At the New York International Olive Oil Competition, the most prized commodity may be a plate of apple slices.

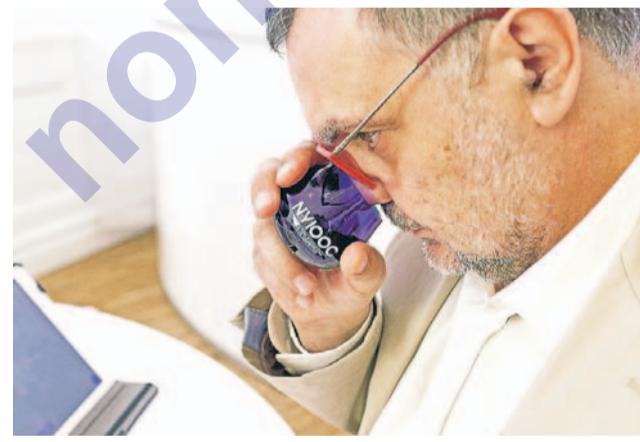
As 18 judges sample their way through nearly 1,000 different oils from 27 countries for this annual event, they frequently need to refresh their palates. Apple slices and the occasional spoonful of plain yogurt typically do the trick.

Still, it is no easy task. "We try to give each oil our focus and attention," said Carola Dümmer Medina, a judge from Santiago, Chile, at the start of the four-day competition, which began on Monday.

By Thursday, when the adjudicating is done, at least 200 oils will be recognized with gold or silver honors, and a smaller number with a "Best in Class" ranking. There is no actual prize money at stake, but at a time when consumers have become savvier about olive oil, producers say any blessing from the competition could boost sales.

"It's legitimacy," said Salvatore Russo-Tiesi, general manager of Bono, a Fairfield, N.J.-based company that imports oil from Sicily, Italy. Two of Bono's oils were recognized with gold honors at the competition in 2016.

The six-year-old New York competition, which is held at an event space in the Union Square area, is the brainchild of Curtis Cord, publisher of Olive Oil Times, an online publication. Mr. Cord declined to say how much it costs to run the competition or whether it



makes a profit, but he noted that entrants pay a \$300 fee to submit each oil.

Mr. Cord acknowledges there are several other olive oil competitions in the world, but he says the New York City one is distinguished by the sheer volume of entries, which have almost doubled since the

event started in 2012.

Mr. Cord also believes the competition benefits from the fact that New York isn't an olive oil-producing region, which removes an element of bias that he says is a factor with other events.

In Italian competitions, most of the winners are Ital-

ian. In Greek competitions, most of the winners are Greek," he noted.

In any case, the judging at the contest borders on the obsessive. Naturally, there is lots of sniffing and tasting, but the latter is more like a refined slurping referred to with an Italian term, "stripaggio."

Along the way, the judges, who are respected experts in the olive oil world, try to pick up on noteworthy flavors, ranging from pine seeds to camomile to pink pepper, in each entry. They also are quick to note defects: Yes, even in a world-class competition, a fair number of entries are deemed musty, muddy or just plain rancid, and are ruled ineligible for an award.

Judging also requires a high degree of concentration. That was proved to be the case as Monday's deliberations continued and the competition's kitchen staff started preparing the end-of-day meal for the team. A few judges rose from their seats in a panic.

The issue? The judges could smell the cooking—specifically, the rosemary seasoning the dish—and it was playing havoc with their senses. Turning on an exhaust fan solved the problem.

Judges say they do work up an appetite by the end of the day because they aren't "eating" all that much. But Paul Vossen, a judge from California, said he also craves something beyond food—namely, a cold beer.

"It just cleans your mouth," he said.

## City Schools Get Boost in Funding

BY LESLIE BRODY

New York City Mayor Bill de Blasio and City Council Speaker Corey Johnson Wednesday announced an increase in a major funding source for the city's public schools, with the goal of helping many high-need students.

Mr. de Blasio said he would increase the budget for Fair Student Funding by \$125 million. With state funds, the total will reach \$6.2 billion for the coming fiscal year. The aid will be divvied up among schools based on enrollment and needs, such as special education and bilingual services. It can be used at a principal's discretion.

"We do not want to see some schools in some neighborhoods have what they need and other schools in other neighborhoods not have enough," Mr. de Blasio said.

Many schools have gone for years without the amount of Fair Student Funding they are due under a complex formula. The average increase for schools in the coming fiscal year would be \$11,500, with the largest reaching about \$836,000, a Department of Education spokesman said.

The city said the increase means all schools will get at least 90% of the money they are due under the Fair Student Funding formula in the coming fiscal year, up from the floor of 87%. The mayor said he couldn't allot 100% to all schools now because of budget constraints. The boost affects 854 of the system's roughly 1,800 schools, officials said.

On Thursday, the mayor is expected to release his executive-budget proposal for fiscal 2019, set to be adopted in June. The city's total budget for education is \$30.8 billion.

Philip Santos, principal of Leadership and Public Service

### Union Bristles at Mayor's Remarks

The teachers union pushed back against comments New York City Mayor Bill de Blasio made Wednesday that seemed to question the validity of some sexual-harassment complaints made by Department of Education employees.

Data on sexual-harassment allegations at city agencies between the end of 2013 and last year show more than a third of the 1,312 complaints, or 471, were from Department of Education personnel. Of those, only seven were substantiated, city records show.

"We have to investigate everything but it is a known fact that unfortunately there has been a bit of a hyper-complaint dynamic sometimes for the wrong reasons," Mr. de Blasio said. "So I think that has inflated their numbers. We need to address that cultural reality within the DOE."

Union officials took issue with the mayor's remarks. "Our teachers have a tough enough job that they don't have time to make frivolous claims," said Michael Mulgrew, president of the United Federation of Teachers.

Mr. de Blasio later tried to walk back his comments, saying on Twitter: "Let me be clear, every single person who has the courage to come forward with a sexual harassment complaint deserves to be believed."

—Kate King

High School, said his school gets 87% of what it should under the formula. A rise could pay for a college counselor, SAT test preparation and other services. "Every dollar counts," he said.

## Saying Goodbye to a Mets Legend



HONORS: A memorial Mass for Rusty Staub, who died March 29 at age 73, was celebrated Wednesday at St. Patrick's Cathedral.

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## GREATER NEW YORK

# Retail Rents Plunge in Manhattan Shopping Areas

Landlords are lowering their asking prices and offering more incentives as merchants balk at high amounts

BY KEIKO MORRIS

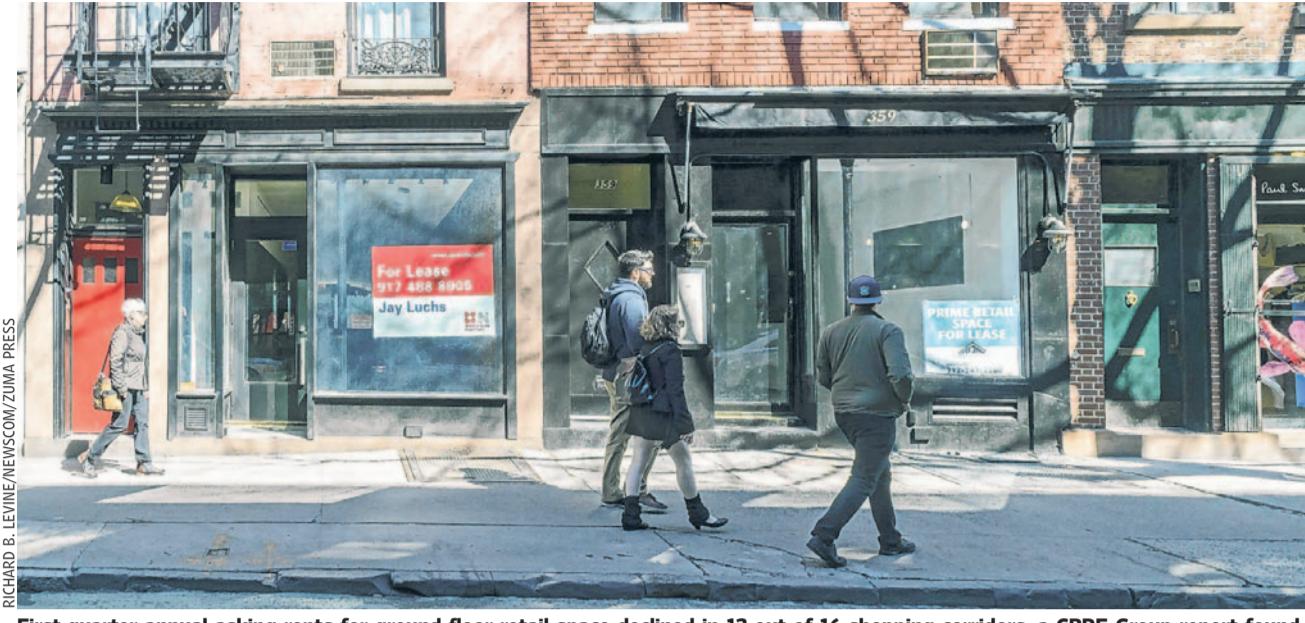
Retail rents in Manhattan fell in the first quarter as landlords adjusted pricing and offered more remodeling allowances, shorter terms and options for tenants to exit.

In all, first-quarter annual asking rents for ground-floor retail space declined in 13 out of 16 shopping corridors, and the overall average asking rent for those areas dropped 19.5% from the previous year to \$653 a square foot, according to a report from real-estate services firm CBRE Group Inc.

Most of the decline resulted from landlords repricing retail space down, the report said.

"If you have TI [tenant improvement allowances] to offer, you're not shy. You're putting it up front," said Nicole LaRusso, director of research and analysis at CBRE. "Landlords want to make deals."

The continued drop in retail asking rents comes as no surprise—as traditional companies reshape their busi-



First-quarter annual asking rents for ground-floor retail space declined in 13 out of 16 shopping corridors, a CBRE Group report found.

nesses to the growth in online shopping, retailers reduce the number of brick-and-mortar stores they operate. Also, merchants continue to balk at high rents. Between 2010 and 2014, average asking rents in Manhattan jumped more than 100% across the 16 retail corridors, according to an earlier report from CBRE.

The average asking rent on Washington Street between 14th and Gansevoort streets in the Meatpacking District dropped to \$490 a square foot from last year's \$623, a 21.3% decrease and the largest percentage drop in asking rents among the shopping corridors CBRE tracks.

Average asking rents tum-

bled 18.1% on both SoHo's Broadway Avenue and the Upper East Side's Third Avenue, where asking rents were \$556 and \$280 a square foot, respectively.

Availability remained flat compared with last year, with 209 ground-floor spaces marketed for direct leasing. The report noted, however, that landlords look-

ing to lease space directly also will have to compete with sublease space, which has increased, according to anecdotal reports. Some space available for sublease comes as retailers leave behind old quarters for better locations, Ms. LaRusso said.

Conditions are favorable for tenants, said Andrew Goldberg, vice chairman at

## Going Down

Ground-floor, retail asking rents for shopping corridors in Manhattan, by square foot

	Q1 2018	Q1 2017
Times Square	\$1,938 a sq. foot	\$2,187
Upper Madison Avenue	1,239	1,406
SoHo	556	678
Meatpacking District*	490	623
Meatpacking District†	406	453
Upper East Side	280	342

\*Washington Street, 14th to Gansevoort streets †Gansevoort Street, Little West 12th Street, 13th Street, Ninth to Tenth Avenues

Source: CBRE Group

THE WALL STREET JOURNAL.

CBRE. Landlords are more open to shorter-term leases and provisions allowing tenants to get out of leases if a retail concept doesn't work.

"I think we will start to see some more of the savvier tenants of companies realize we're starting to get to a point where they can drive some good deals for themselves," Mr. Goldberg said.

## New York City Is Getting a Pizza Museum

BY CHARLES PASSY

New York City is slated to get its very own pizza museum.

Nameless Network, a Brooklyn-based media company, plans to launch the Museum of Pizza, or MoPi, at a still-to-be-announced location. Billed as the "world's first experiential pizza adventure," the pop-up museum would be open from Oct. 13 to Oct. 28, though Nameless Network Chief Executive Karim Rahma said the company will consider extending the run.

The museum will give visitors a history of the ever-popular food item, Mr. Rahma said.

It also will celebrate pizza's place in pop culture through art and interactive elements, such as a "cheese cave" made from silicone and a "pizza beach" where visitors could experience, in Mr. Rahma's words, "a huge wave of cheese" via a video.

Mr. Rahma declined to reveal how much it will cost to create the museum, though he said the budget was in the seven figures.

Admission will cost \$35, in-

cluding a slice of pizza.

Food vendors will be on hand for those who want to satisfy their cravings beyond that, he said. But he emphasized that dining will be secondary to the experience.

"It's not a food festival," he said. "It's a museum."

The pizza museum follows the success of the Museum of Ice Cream, another pop-up that sold out its run in New York City in 2016 and has gone on to other cities.

Similar food museums have since been developed nationwide, and a Museum of Candy, by the Sugar Factory restaur-

rant chain, is planned for New York.

But a pizza museum should have special appeal in New York because of the city's storied connection with the dish, said Arthur Bovino, a food writer.

"I guarantee you this will have a line down the block," he said.

Still, some say the pop-up food-museum concept may have a limited market and audiences could lose interest.

"It's going to run its course," said Susie Wilkening, a Seattle-based museum consultant.

## Doing a Double Take at Madame Tussauds



DOPPELGÄNGERS: Former White House press secretary Sean Spicer on Wednesday helped unveil a new wax figure of Melania Trump, which joined a likeness of the president at the Manhattan museum.

## GREATER NEW YORK WATCH

### MANHATTAN

#### Judges Vote to Keep U.S. Attorney in Job

Federal judges in New York have taken the unusual step of voting to keep U.S. Attorney Geoffrey Berman in his job as the chief U.S. prosecutor in Manhattan in the absence of a nomination by President Donald Trump.

Mr. Berman's Jan. 3 interim appointment by the Justice Department to oversee an office of more than 220 prosecutors was set to expire May 4.

Without a presidential nomination, judges were free to choose a U.S. attorney to serve until a permanent appointee is confirmed.

Chief Judge Colleen McMahon and District Court Executive Edward Friedland said in a press advisory Wednesday that the judges chose Mr. Berman unanimously. The appointment would be effective May 4.

The judges' decision comes as prosecutors in Mr. Berman's office oversee a criminal investigation of Mr. Trump's personal attorney, Michael Cohen. In court filings, prosecutors revealed that Mr. Cohen's personal business dealings are under investigation. Mr. Berman has been recused from involvement in that investigation.

—Associated Press

### NEW YORK STATE

#### Rogue Democrat Urged to Rejoin Fold

Gov. Andrew Cuomo on Wednesday urged a rogue Democratic lawmaker to end his alliance with Republicans and allow Democrats to lead the state Senate as the battle for control of the chamber escalates ahead of the fall elections.

Democrats won two special Senate elections Tuesday, giving them 32 members in the 63-seat Senate. But Republicans are expected to stay in control of the Senate at least until the end of the legislative session in June because of the support of Sen. Simcha Felder, a Democrat who nonetheless sits with Republicans.

Mr. Cuomo released a public letter to Mr. Felder urging him to reconsider. He told reporters Mr. Felder's decision allows Republicans to block proposals to strengthen gun-control laws, reform voting rules or rein in the state's campaign-finance laws.

Mr. Felder announced his intention to stay with the GOP on Tuesday. On Wednesday, he said he had not yet read Mr. Cuomo's letter. Asked by reporters if he was open to reconsidering, he said, "I never say never."

—Associated Press

### CONNECTICUT

#### Legislation Proposed To Help Homeowners

Connecticut's Democratic U.S. senators are introducing federal legislation to help state homeowners with concrete foundations crumbling due to the presence of an iron sulfide.

One bill would provide \$100 million over five years for states such as Connecticut that have programs to help repair residential structures damaged by pyrrhotite. A second proposal would create a similar grant program through the Federal Emergency Management Agency.

Democratic Gov. Dannel Malloy previously sought financial assistance from FEMA for the homeowners but was told the issue didn't constitute an emergency or major disaster.

Sen. Richard Blumenthal said he and Sen. Chris Murphy, both Democrats, can't wait for FEMA "to recognize their responsibilities" and decided to "change the law to force them" to provide funding.

An estimated 30,000 or more homes and condominiums built in eastern and central Connecticut from the mid-1980s to 2016 could have failing foundations because of the presence of pyrrhotite.

—Associated Press

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# LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

## 'Avengers' Gets an Incomplete



MARVEL STUDIOS (4)

**WORLD-SHAKING EVENTS** are kid stuff in "Avengers: Infinity War," the first installment of a two-part sequel to "The Avengers" and "Avengers: Age of Ultron." The whole universe is under attack from Thanos, an infinitely villainous villain sporting a multicleft, prognathous chin. Universe-shaking throwdowns succeed one another with truly stupefying regularity as the Avengers and their Guardians of the Galaxy allies take turns rising to the challenge. But moments that touch the heart are few and far between in this almost-culmination of a decade of Marvel Comics movies. The finale, scheduled for release in May 2019, may well bring the adventure to fittingly grand fruition. What's on screen now, however, is table-setting for events to come, a groaning board of superheroes, a superabundance of undifferentiated superpowers, and an ending that's more exciting than anything that precedes it.

If you stop to think about it—though the pounding pace of "Infinity War" doesn't give you much time to think about anything—Marvel has populated this picture with a remarkable profusion of characters who have already made their multiplex marks. After Thanos, impressive at umpteen feet tall and eloquently voiced by Josh Brolin, the list of returnees includes Chris Hemsworth as Thor; Robert Downey Jr. as Tony Stark/Iron Man; Chris Evans as Steve Rogers/ex-Captain America; Chadwick Boseman as T'Challa/Black Panther (who got cheers from my preview audience, thanks to the recent triumph of "Black Panther" the movie); Chris Pratt as Peter Quill/Star-Lord; Mark Ruffalo as Bruce Banner/Hulk; Tom Holland



In front row, Danai Gurira, Chadwick Boseman, Chris Evans, Scarlett Johansson and Sebastian Stan, top; Tom Holland as Spider-Man, above left; Chris Pratt, Groot (voiced by Vin Diesel), Zoe Saldana and Pom Klementieff, above right

as Peter Parker/Spider-Man; Zoe Saldana as Gamora; and Benedict Cumberbatch as Doctor Strange. And those are only the stars of the bunch. Lesser lights shine almost as bright. Elizabeth Olsen's Wanda Maximov/Scarlett Witch has a touchingly tragic demeanor, and good reason for it in her present circumstances.

Yet this diversity, plus a comparable density of incident—battle after battle after battle—leads to narrative sprawl on an epic scale. The story, hopping around the universe, is unified only by the villain's determination to acquire all six Infinity Stones, or glowing keys to the cosmic kingdom. (Thanos seems to be driven by a conviction that the regular universe, unlike the Marvel Comics Universe, has finite resources, and must be



saved from itself by his murderous intercession.)

When the story begins—Anthony Russo and Joe Russo directed from a script by Christo-

pher Markus and Stephen McFeely—the Avengers are in disarray. (That's news to Bruce, who's baffled by the notion that the

group broke up. "Like a band?" he asks. "Like the Beatles?")

Iron Man, for his part, has been on the outs with Captain America, but the threat from Thanos is so great that Tony decides to enlist Steve's help, and calls him on his little flip-phone.

Flip is one of the movie's two main modes, the other being full-bore mayhem. "Infinity War" is often very funny, in a self-deprecating vein, and not just thanks to Mr. Downey, who can get a laugh with a conjunction, or Mr. Pratt, who charms with a raised eyebrow. Bruce sweats and strains, to no avail at first, as he tries to transform into Hulk. (It's the flip side of anger management.) Spidey, the new boy on the block (played by Mr. Hol-

land, the new actor in the role), swings his way into Thanos's doughnut-shaped space ship, with an inner ring that rotates like the magnet in a gigantic MRI, and says it smells like a new car. "I'm Doctor Steven Strange," announces Doctor Strange, who makes a theatrical entrance worthy of a stage magician in a ring of fire in New York's Central Park. (His sententiousness is witty for a while, then wears thin.)

In between the humor and the action sequences—the best of the latter involves clangorous combat in Washington Square Park—the film does find time for real feelings, just not a lot of them. The most affecting encounter brings Gamora together with Thanos, who raised her; the most elating moment comes when Thor, who's been without a hammer, gets a replacement; Chris Hemsworth may not be the world's greatest actor, but he's invincibly likable. There are shocking deaths to be reported, but certainly not here, and especially since you can never be sure if those who've died will stay dead from one chapter to another.

Of all the developments in "Infinity War," one is genuinely stunning, eerily moving and so crucial to the climax that it can't be revealed. I'll say only that it calls into question everything that may happen next time around, which is exactly what a climactic development should do. As for everything that happens this time around, it's a function—or malfunction—of the sequel's two-part structure. The problem is penultimate, too much setup and too little payoff. The solution comes, presumably, around the same time next year.

## FILM

## EVERYTHING IS BIGGER IN 'INFINITY WAR'



Benedict Cumberbatch, Robert Downey Jr., Mark Ruffalo and Benedict Wong in 'Avengers: Infinity War.'

BY BEN FRITZ

**TWENTY-FIVE** superheroes and sidekicks.

Four intersecting story lines. A 150-minute running time. And a budget of about \$300 million.

In an era when cinematic excess seems to know no bounds, "Avengers: Infinity War" takes things to a whole new level.

The film, set to open in much of the world on Thursday, is the culmination of 18 other comic-book movies made by Disney-owned Marvel Studios that together have grossed nearly \$15 billion. Seeing at least a few and ideally most of them is strongly advised before buying an "Infinity War" ticket.

Unsure why Chris Hemsworth's Thor and Mark Ruffalo's Hulk open the movie on a spaceship together?

You haven't been stressing for the past two years about whether Robert Downey Jr.'s Iron Man and

Chris Evans's Captain America still despise each other after the fallout of 2016's "Civil War"?

And you haven't been awaiting the coming of Thanos, the interstellar mass murderer voiced and motion-captured by Josh Brolin?

Then "Infinity War" may not be for you.

You probably won't understand what's going on. You certainly won't scream in joy when the Avengers first visit the Black Panther's homeland of Wakanda, or laugh hysterically when Chris Pratt's Star Lord, leader of the Guardians of the Galaxy, mocks Thor with a dead-on impression of his stentorian voice—reactions of thousands of fans earlier this week at a Hollywood premiere that shut down a city block and filled up two theaters.

You won't even miss Paul Rudd's Ant-Man or Jeremy Renner's Hawkeye, the only two Marvel Studios superheroes not present for duty.

Please see FILM page A14

## LIFE &amp; ARTS

## MUSIC

# Folsom Prison Blues, in Spanish

Fifty years after the groundbreaking Johnny Cash concert, Los Tigres del Norte plays before inmates at the California prison

BY JIM CARLTON

*Folsom, Calif.*

**IN 1968**, "the man in black" made music history when he recorded a live performance for inmates at Folsom State Prison. Fifty years later, five men in black—the band Los Tigres del Norte—commemorated that Johnny Cash concert with one of their own, in Spanish.

Much has changed in the world since the late Mr. Cash pulled out his guitar in the Folsom cafeteria and began singing for cheering inmates. As it was back then, life in American prisons remains so bleak that—like Mr. Cash—Mexican *norteño* group Los Tigres del Norte held a filmed performance at the prison last week to help focus attention on what the members see as an enduring problem.

Mr. Cash put this 138-year-old prison on the map with his hit "Folsom Prison Blues" in 1955, and again in 1968 when he appeared before prisoners here to record a live album. "At Folsom Prison" revived his career and stoked interest in other entertainers performing for prison audiences.

Los Tigres del Norte, known for its *norteño* folk music, was interested in performing at Folsom, the band members said, in part because of the large increase in Latino incarceration—they total 43% of the 130,000 inmates in the California penal system, up from 34% in 1998—including many who are Mexican immigrants like themselves.

"We don't want people to forget about them," Jorge Hernández, the 64-year-old lead vocalist and accordion player, said before he, his three brothers and a cousin—all wearing black in tribute to Mr. Cash—took the stage here on a prison yard. "I feel like I am with them because they are my blood." The San Jose, Calif.-based band, originally from Mexico, started out in 1968 in the U.S. by playing before prisoners at a state prison in Soledad, Calif.

Officials of the California Department of Corrections and Rehabilitation share concerns about the many Latinos in prison and see a performance like this one, of music from their culture, as helpful in the rehabilitation effort. That is why the request by Los Tigres del Norte and executive producer Zach Horowitz was the only one accepted of many to film a concert performance marking the 50th anniversary of the Cash concert, said Ralph Diaz, undersecretary of operations of the California prison agency.

Mr. Horowitz is producing a documentary in partnership with the band for the Spanish-language television network Univision set for prime-time broadcast late this year that will include the Folsom concert footage as well as excerpts from interviews with 23 Latino inmates. Los Tigres performed a second concert at a women's compound housing about 400 of the total 2,800 Folsom inmates. Oscar-winning composer and producer Gustavo Santaolalla is producing the music for the documentary.

"This is a first-of-its-kind event



FROM TOP: GENE BELEY; DAN POUSH/ASSOCIATED PRESS

to speak to this segment of the [prison] population—the Latinos," Mr. Diaz said.

James Garner, a Johnny Cash tribute artist who performed at Folsom prison in 2008, said the prisoners at that time seemed overjoyed to get a break from their routine. "There's not a lot they get to do, and to have someone come from the outside world is great for them," said Mr. Garner, 39, of Galt, Calif.

Mr. Horowitz, former president and chief operating officer of Universal Music Group, said he and Los Tigres got the idea to do the Folsom concert a year ago. Mr. Diaz was key to giving the approval, as he had grown up with the music of Los Tigres.

Mr. Diaz's condition for this performance was that Los Tigres refrain from playing its well-known *narcocorridos*, or ballads about Mexican drug traffickers. "I knew the band and I knew their catalog went way beyond *narcocorrido* music," Mr. Diaz said.

Among the songs permitted were "Mi Sangre Prisionera" (My Imprisoned Blood), which told of the heartbreak and guilt a father felt for his son being in prison. Los Tigres also played a Spanish version of "Folsom Prison Blues," co-written for the band by Mr. Cash's Latina daughter-in-law, Ana Cristina Cash, Mr. Horowitz said.

On the day of the concert, the band and its entourage arrived hours early to clear security checks that included passing through three gates before enter-

ing the prison yard, where their crew set up a stage. Some inmates who had been filmed for the documentary were allowed to mingle with the band in Folsom's Greystone Chapel, which Mr. Cash made famous at the 1968 concert when he sang a song about it written by a Folsom prisoner.

"I never thought I would have Los Tigres del Norte right here, talking to us like family members," said Luis Flores, 41, who has been in prison since 2010 with a life sentence for second-degree murder. "It makes me feel like I'm outside."

As Mr. Cash did 50 years ago, Los Tigres started off with "Folsom Prison Blues." Jorge Hernández then addressed the audience of around 800 inmates in Spanish and English. "You cannot go where we play, but we come and see you," Mr. Hernández said to cheers. "It's an honor for us."

Then for the next two hours, one of the most popular *norteño* bands on the planet went through a set list including "Prisión de Amor" (Prison of Love). While the prisoners seemed mostly upbeat, correctional officers kept a close watch. "Anything can happen," said Lt. Jack Huey, the prison spokesman.

The band asked inmate Manuel Mena—a former *norteño* musician in prison since 1998 on a sentence of 36 years to life for first-degree murder—to join them on "Un Día de la Vez" (One Day at a Time). "That's beautiful!" a Latino inmate shouted as the 50-year-old Mr. Mena sang and played the accordion.

**Los Tigres del Norte's** Jorge Hernández (with accordion) and his brother Hernán Hernández April 17 at Folsom State Prison. Below, Johnny Cash in 1968.



Elizabeth Olsen and Paul Bettany, far left, play superheroes Scarlet Witch and Vision in 'Avengers: Infinity War.' Tom Hiddleston, near left, plays Loki, one of the villains. Above, a poster showing the movie's extensive cast.

## FILM

Continued from page A13

The actual "Infinity War" story, in which Thanos seeks six "infinity stones" that will give him the power to slaughter half the living beings in the universe, was almost secondary to those in attendance. For many of them, the fun was

recognizing characters ("Black Panther again? I love that guy!") and of geek dreams answered ("What does Captain America say when he meets Groot?").

Because the Marvel Cinematic Universe is the most popular franchise in the business, with fans in every country that has a theater (even Saudi Arabia, which opened its first cinema with a screening of "Black Panther"), "Infinity War"

doesn't have to worry about drawing fresh faces. Presales and public surveys indicate it will come close to or beat the record \$248 million opening weekend of "Star Wars: The Force Awakens."

Unlike many Marvel ensemble movies, where one or two superheroes take center stage and others don't get much time, "Infinity War" balances its two-dozen costumed characters roughly evenly.

Though Black Panther, whose February film is still in theaters, shows up relatively late, along with his fellow Wakandan warriors, everyone else gets significant screen time and fight scenes fueled by screen-filling effects.

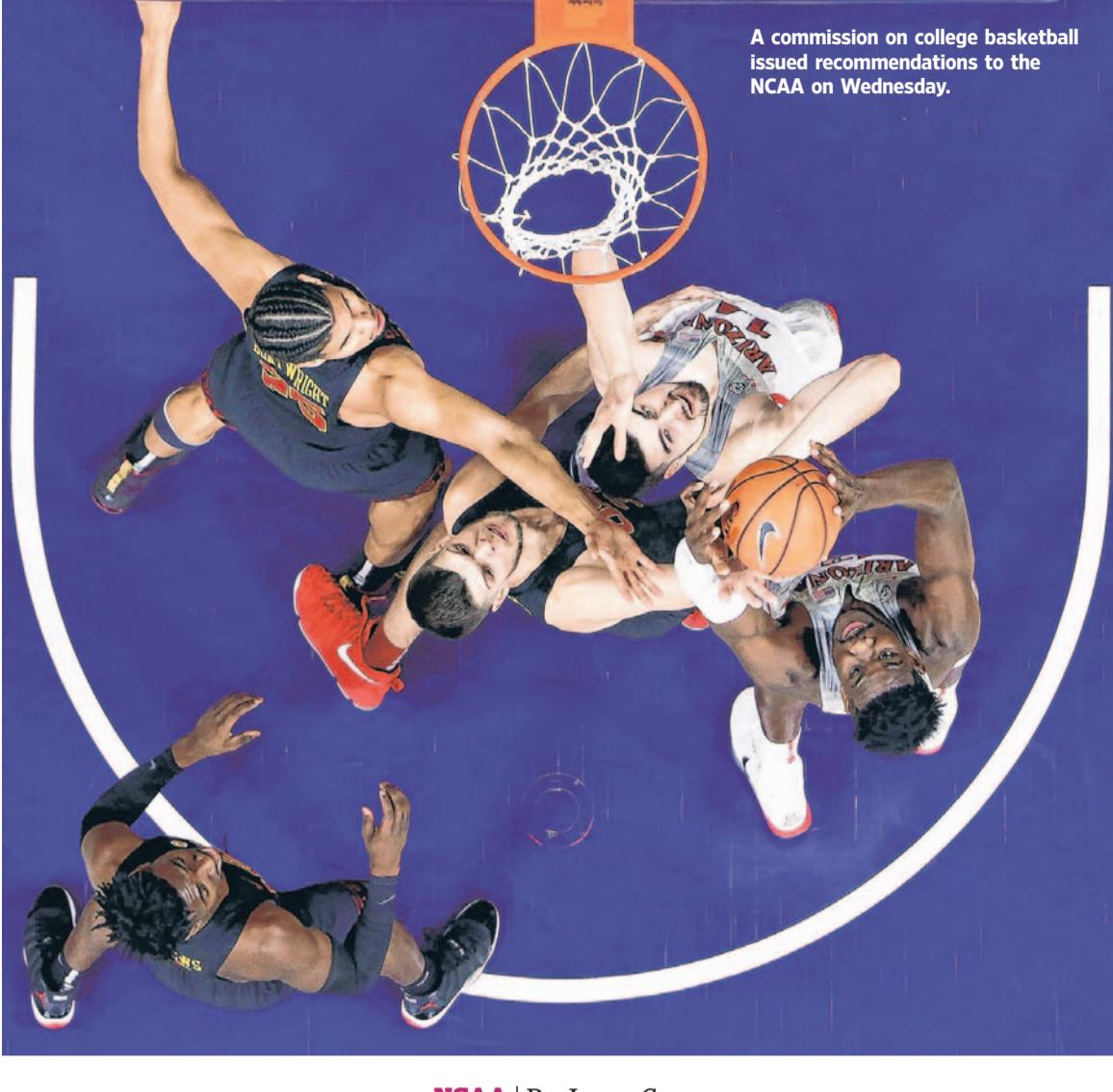
For loyal Marvel fans who have already spent 38 hours watching its movies, "Infinity War" is like the season finale to a prestige drama. It resolves plot points that

have been building since the early episodes and brings together beloved characters whose stories haven't previously intersected. It raises the stakes even higher by killing major players.

And like all good season finales, it ends on a cliffhanger that is certain to keep viewers eager for the next episode—or in this case, the next "Avengers" sequel, coming in May 2019.



## SPORTS



NCAA | By Jason Gay

## They Fixed College Sports. (Just Kidding!)

**It's not...nothing.** Look, it would be fun to dump all over this, the NCAA's latest clean-up initiative—it's always fun to poke at the lumbering ol' NCAA—but it wouldn't be completely fair. Wednesday's proposal from Condoleezza Rice and the recently formed Commission on College Basketball contained more than a few good, if wildly overdue, recommendations.

Pushing the NBA to get rid of "one-and-done": great! (Though college players leaving after one season is a function of the NBA's 19-year-old age minimum, and changing the policy is entirely up to the NBA and its players association, so basically this is like me proposing that pizza should be free.) Allowing players to retain agents and stay eligible: wise! Widening latitude for undrafted players to return to school: yes! Pumping in more money so players can complete degrees: fab! Attempting to tame the global shoe/apparel companies that sink zillions into the sport: Uh...good luck! But sure, worth a try.

It's not a radical set of diktats—it's not diktats at all, just suggestions that the NCAA has the option to act upon—but let's acknowledge what it is: mild progress.

Now let me start whining.

First, it's a letdown that the commission mostly tinkered under the hood, instead of making an aggressive, foundation-rattling recommendation. It didn't suggest, as some

hoped, that college basketball adopt the Olympic model and let players benefit from their names and images. There's growing sentiment that the NCAA should do as the Olympics did, and offer college athletes—all of them, in every sport, not just men's basketball players—

Condoleezza Rice's commission offers some wise words but doesn't go nearly far enough.

the opportunity to accept endorsements and capitalize on their image. That move didn't ruin the Olympics, and it won't ruin college sports.

Rice does seem OK with the idea—she pinned the hold-up on current litigation. "It is hard for the public, and frankly, for me, to understand what can be allowed within the college model," the former Secretary of State said in her remarks at NCAA HQ in Indianapolis. "For the life of me, I don't understand the difference between Olympic payments and 'Dancing with the Stars.'"

Rice was referencing the NCAA's recent decision to allow the Notre Dame women's basketball star Arike Ogunbowale to compete on "Dancing with the Stars," the NCAA concluding that her dancing is unrelated to her basketball

skills. This appears to be a shift from the NCAA's traditional policy of having a complete cow over even the vaguest whiff of athlete entrepreneurialism, like when it made a college football kicker choose between the sport and making money off YouTube videos last year. (He chose YouTube.)

"Personally, I hope that there will be more room in the college model today for this kind of benefit to students without endangering the college model itself," Rice said. "And let me just say I hope that Arike wins."

Rice and the commission are offering some common sense fixes. My gripes are more holistic.

Change is being offered here—but it isn't drilling to the core of the problem, which is...the NCAA itself.

Once again, the NCAA is being portrayed as an agency under siege by unsavory forces—crooked agents, skeezy basketball camps, giant multinational shoe companies. Once again, a college education is being presented as adequate compensation in a multibillion-dollar economy in which literally every involved party (the NCAA, the schools, the conferences, the coaches, the networks, agent, the sponsors) are allowed to monetarily benefit, except for one (the players.)

This imbalance—and its inherent lack of fairness—is what drives the mess. It isn't rogue agents or wayward shoe peddlers, but the NCAA's insistence on amateurism that pushes money underground

### Increase Penalties, End One-and-Done

INDIANAPOLIS—The NCAA commission on college basketball on Wednesday recommended increased penalties for rule-breakers and more transparency from apparel companies. It also called for the NBA and its players association to allow players to enter the draft out of high school. The current rule requires players to be 19 years old or a year out of high school.

But the commission stopped short of recommending the NCAA find a way to allow its star attractions, the players, to share more of the revenue they help create.

The recommendations, presented by committee chair Condoleezza Rice, the former Secretary of State, will need to be adopted by NCAA membership to take effect.

"It is time for coaches, athletic directors, University Presidents, Boards of Trustees, the NCAA leadership and staff, apparel companies, agents, pre-collegiate coaches—and yes, parents and athletes—to accept their culpability in getting us to where we are today," Rice said in prepared remarks.

The commission sprang from what federal prosecutors alleged last September was a scheme among agents, financial advisers and shoe-company executives to bribe families of elite high school players to sign with certain college basketball programs. The allegations have implicated several top programs and forced out Louisville's Hall of Fame coach, Rick Pitino.

Rice said the commission was sending letters to the boards of directors of the major apparel companies, "calling on their boards to publicly support and implement financial transparency and accountability for all of their employees—and those who seek to act on behalf of the apparel companies in non-scholastic basketball."

The commission also recommended:

- That athletes be able to test their professional prospects without losing college eligibility if they don't sign a professional contract.

- Appointment of an executive to vet and register player agents.

- Working with USA Basketball, the NBA, National Basketball Players Association and others to establish and administer new youth basketball programs.

- Creation of independent investi-



Condoleezza Rice

gative and adjudicative arms for handling high-stakes rules-infringements cases. The appointed panel would make binding decisions and have authority to impose substantial punishments.

- Increased penalties for top-level violations of rules to allow five-year postseason bans and loss of revenue sharing from postseason play, and increased penalties for coaches who repeatedly break rules.

- The NCAA clarify its role in addressing academic fraud or misconduct by member institutions and make application of those rules consistent—a rebuke of the organization's handling of allegations of widespread academic fraud that benefited athletes at North Carolina but resulted in no major sanctions.

- That the NCAA's highest governance body, the board of governors, include at least five independent public members with voting rights.

The commission did not recommend significantly altering the NCAA's core principle of amateurism, which limits college athletes mainly to no more than tuition, room and board. One possibility would have been to allow athletes to profit directly from the use of their name, image or likeness. Player endorsement deals with outside entities are prohibited under current NCAA rules.

"There will be those that believe that we should have come out and said, 'Well, the collegiate model is dead given all the money in the sport, so let's pay players,'" Rice said in an interview with The Wall Street Journal. "This is a commission that has people who are in a position in their life, a standing in their life, if they wanted to say that, they would have said it. But that's not what we believe."

The NCAA makes most of its \$1 billion in annual revenue from the men's basketball tournament.

—Rachel Bachman

L-R: CHRIS CODUTO/GETTY IMAGES; DARRON CUMMINGS/ASSOCIATED PRESS

### NBA PLAYOFFS

## THE CHANGING OF THE GUARD IN THE NBA

BY BEN COHEN

PHILADELPHIA—The first round of the NBA playoffs usually doesn't matter.

It seems memorable as it's happening, and then almost nobody actually remembers it. The first round gets elbowed aside by the second round, the conference finals, the Finals and free agency. The memes endure longer than the games.

Except this year. Because the effects from the first round of this year's NBA playoffs are not limited to this year.

The NBA has entered the type of generational shift that has long defined the league. LeBron James belongs to one generation. Stephen Curry, Kevin Durant, Russell Westbrook and James Harden belong to the next generation. But the next, next generation is the one making its presence felt in the playoffs.

This generation consists of the young stars who are known more for what they could accomplish than what they have accomplished. These players who are oozing with promise—Ben Simmons, Joel Embiid,

Giannis Antetokounmpo, Donovan Mitchell and especially Anthony Davis—are going to inherit control of the sport and define the post-LeBron James era of the NBA in the years to come.

But the scene here in Philadelphia on Tuesday night, as the Sixers polished off their 4-1 series win over the Miami Heat to chants of "Trust the Process!" echoing across the arena, was only the latest sign this next, next generation may not have to wait much longer.

The changing of the guard is happening. The future of the NBA is already here.

It's time to acknowledge what has become increasingly apparent: A team that lost more than any team only two years ago is now the team to beat in the Eastern Conference. Before their closeout Game 5, Sixers center Joel Embiid went as far as saying: "I think our time is now." It's no longer only the delightfully brash Embiid who believes that.

"I agree with Joel," Sixers coach Brett Brown said after the game.

"Our time might be now."

Which might sound like a strange thing to say after only the first



JASON VELASCO/REUTERS

Philadelphia 76ers center Joel Embiid goes in for a basket against the Heat.

round of the NBA playoffs about a team that had 10 wins two seasons ago and 28 wins last season. But the Sixers have become so good so quickly—they had 52 wins this season with the league's best net rating since Feb. 6—that it's easy to forget they're so young they're still getting better with every game.

Embiid is a 7-foot-something force who somehow averages more 3-point attempts per game than Reggie Miller did in the first two

seasons of his career, and Simmons is a 6-foot-10 rookie point guard who already plays with the internal metronome of someone who doesn't have his sheer talent. The Sixers played 1,305 minutes with Embiid and Simmons on the court this season. They outscored their opponents by the largest margin of any two-man lineup in the entire league. If they stay healthy and continue developing at this breakneck pace, the league will belong to the Sixers.

Unless it belongs to the Boston Celtics. The team the Sixers could play in the next round—the Celtics are clinging to a 3-2 lead over the Milwaukee Bucks—is not the team the Sixers could play in the next few seasons. Jaylen Brown and Jayson Tatum, who are 41 years old combined, have been revelations for Boston this year, and they should be playing alongside Kyrie Irving and Gordon Hayward when they're back from injuries next year.

But it's not only Philadelphia and Boston that have found reasons in this first round of the playoffs to salivate about their places in the league moving forward.

Giannis Antetokounmpo is a foundational piece in Milwaukee. Mitt Romney can get away with taunting Russell Westbrook because of Utah rookie Donovan Mitchell's sensational play. Anthony Davis was unstoppable as New Orleans rolled to a first-round sweep and is enough to worry even the Golden State Warriors.

Now look around the rest of the league. The San Antonio Spurs are gone. The Oklahoma City Thunder are on the brink of elimination. The Cleveland Cavaliers have shown as much life in the playoffs as a mannequin.

The clash between the past, present and future of the league is only going to continue in the next three rounds, and it might only be a tremor before what could be another seismic NBA off-season.

## OPINION

## From Parkland to Waffle House

WONDER LAND  
By Daniel Henninger

The death toll at a Nashville Waffle House stopped at four because James Shaw pushed back.

That may be changing. There is evidence that people in positions of social authority are rediscovering the value of pushback.

On the same day the Waffle House shooting happened, The Wall Street Journal published a story with the headline "Schools Take Zero-Tolerance Approach to Threats After Parkland Shooting."

It reported that school officials around the country "are warning parents and students in memos, community meetings and school assemblies that language perceived as threatening, even done in jest, could land younger students in juvenile detention centers and older ones in jail with criminal records."

You read that right. Forget the chat in the school counselor's office. Your next talk will be with the folks at the precinct house. The squad car is waiting at the schoolhouse door.

A return to the 1940s? We could do worse. And you know that we have when the only solution left is turning schools into armed sentry posts.

A prosecutor in Macomb County, Mich., said: "If you threaten a school, you are going to be charged." Beyond common sense, the reason is astonishing: Since the February Parkland shooting, 54 students in Michigan have been charged for making threats against schools.

Up to now, apparently, you could shoot your mouth off

like this—threatening classmates or the entire school—and get off with what in our times has become the one-size-fits-all excuse: "What's your problem? I was kidding."

Amy Klinger of the Educator's School Safety Network told the Journal, "There are kids being arrested today that would have not gotten arrested for the same thing in January. We have come to some sort of place where people realize you can't say that stuff."

After decades of social mayhem, we have indeed come to some sort of place. Better late than never.

Pushback is a social virtue. Its utility is a society's self-preservation. Pushback from people in positions of authority—school principals, university presidents, the cops, parents—has always been the ballast against disorder in a free society.

If you stepped over a line—and a general consensus once existed on where those lines were—a small personal price was paid, if only in embarrassment for one's parents.

(Please, no false analogies to Maoist social-media shaming.)

That consensus fell apart. In the 1980s, sophisticates



After the shooting in Nashville, April 22.

laughed at First Lady Nancy Reagan's antidrug slogan, "Just say no." She was defending a broader social attitude. She lost.

Similarly in schools, the opponents of pushback theory discovered a remarkable weapon: the Supreme Court. Proponents of standing aside turned decades of school disciplinary tradition into constitutional issues. They won.

In a series of decisions, the justices made the disciplinary authority of principals legally complicated. Fearful of triggering expensive litigation, school authorities pulled back. The environment for learning degraded and remains so to this day in both good and poor public schools.

The No. 1 reason inner-city parents give for trying to get their children into charter or parochial schools is safety, to escape the chaos and danger of the public schools.

In 2007 the Supreme Court recognized what had happened, and ruled in the "Bong Hits 4 Jesus" case (*Morse v. Frederick*) that principals could tell a student advocating illegal drug use near the school to shut up. In his concurrence, Justice Stephen Breyer wrote, "Students will test the limits of acceptable behavior in myriad ways better known to schoolteachers than to judges." So we learned.

The phrase used to explain killer Travis Reinking and Nikolas Cruz is that authorities "dropped the ball." This week, James Shaw picked up the ball inside a Waffle House. It's time for the people in charge of our institutions to start doing the same thing.

*Write henninger@wsj.com.*

## Society 'dropped the ball' on Nikolas Cruz and Travis Reinking. A hero picked it up.

Over a long time, going back decades, the opposite instinct became the norm in the United States when confronted with threats.

The threats could be large, like school shootings and terrorism, or they could be small, daily assaults on the most basic civilized orderings of everyday life. Such as 14-year-old girls using four-letter words.

We used to push back instinctively. Then, we routinely began to step aside.

The new instinct—don't do it—happened for all sorts of reasons: You'll get in trouble with the lawyers. Somebody else is supposed to take care of these things. There must be

## Comey's Loyalty Isn't to the Truth

By Karl Rove

For 10 days, former FBI Director James Comey has been on a high-profile media tour to promote "A Higher Loyalty." With more than 600,000 copies sold in the first week, the book leaves competing "resistance" favorites "What Happened" and "Fire and Fury" in the dust. But behind the aw-shucks, I-was-the-only-honest-man-in-the-room persona, Mr. Comey's book demonstrates his real higher loyalty is to self-aggrandizement.

Consider two episodes from George W. Bush's presidency. Mr. Comey writes that in 2003 he was drawn into the Valerie Plame investigation when administration officials leaked the identity of "a covert CIA employee," allegedly as retaliation for a critical op-ed written by Ms. Plame's husband. Mr. Comey, then deputy attorney general, appointed special counsel Patrick Fitzgerald, and writes that he stands by the decision to charge Vice President Dick Cheney's chief of staff, I. Lewis "Scooter" Libby, with false statements, perjury, and obstruction of justice. Mr. Libby was convicted in 2007.

But vital facts are missing from Mr. Comey's account. The most important is that no one revealed a covert CIA agent's name. Though Mr. Comey refers to Ms. Plame seven times as a "covert agent," she was not. That's why Deputy Secretary of State Richard Armit-

age, who revealed Ms. Plame's name to columnist Robert Novak, was never indicted.

Mr. Comey also fails to note that the star witness against Mr. Libby, former New York Times reporter Judith Miller, recanted her testimony in 2015. She said Mr. Fitzgerald misled her and withheld exculpatory evidence that would have kept her from "unwittingly giving false testimony."

## Vital facts are missing from his accounts of two episodes from the Bush presidency.

In a rebuke to Messrs. Fitzgerald and Comey, the District of Columbia Court of Appeals cleared Mr. Libby to practice law again in 2016, well before President Trump pardoned him earlier this month.

Then there is Mr. Comey's account of the March 2004 meeting of President Bush's Chief of Staff Andy Card and White House Counsel Alberto Gonzales with Attorney General John Ashcroft over reauthorization of a vital post-9/11 intelligence program code-named Stellar Wind.

Here Mr. Comey summons all the melodramatic flair he can muster. In his telling, he and other Justice Department lawyers objected to renewing Stellar Wind unless changes were made. They had won Mr.

Ashcroft to their view, but he was hospitalized with acute pancreatitis—so ill that Mr. Comey was made acting attorney general. As he was driven home from work one night, Mr. Comey received an urgent message: Messrs. Card and Gonzales were en route to Mr. Ashcroft's hospital room "to do an end run" around Mr. Comey. Flashing lights blazing, his SUV moving as if on "a NASCAR track," Mr. Comey raced to the hospital. His "vehicle screeched to a stop." He "jumped out and ran up the stairs . . . relieved" to arrive ahead of both Mr. Card and Mr. Gonzales. He took a seat in the darkened room "just to the right of Ashcroft's bed" and waited for the president's agents to arrive.

When they did, Messrs. Card and Gonzales were shocked to find the attorney general so ill. Mr. Gonzales explained they'd come seeking Stellar Wind's reauthorization and, Mr. Comey reports, "willing to work to fix any legal issues." Mr. Ashcroft momentarily recovered, delivered "a rapid-fire blast," claiming he "had been misled" about Stellar Wind's scope and had "serious concerns about the legal basis for parts" of it. The two White House officials beat a hasty retreat. (The program was soon reauthorized with agreed-upon changes.) "I felt like crying," Mr. Comey reports. "The law had held."

Such high drama! But again, Mr. Comey leaves out critical

facts. When Messrs. Card and Gonzales arrived at the hospital, neither they nor the president knew that the attorney general's authority had rested with Mr. Comey for nearly a week. Justice Department staff later claimed they faxed the White House the news, though you'd think if an attorney general couldn't perform his duties, his designated successor would personally alert the president or his aides. White House officials don't even recall Mr. Comey's presence at Mr. Ashcroft's bedside. He might have been seated in a dark corner or hiding behind a room divider, but he was a silent observer at best.

Mr. Comey approached Stellar Wind, like many other issues, by assuming not honest differences but venal motives on the part of those with whom he disagreed. This tendency left him inclined to histrionics, such as allegedly telling his security detail "not to permit me to be taken from Ashcroft's room" if Mr. Card ordered Secret Service to remove him.

"A Higher Loyalty" leaves

the impression no one has a

higher opinion of James

Comey than himself. How dif-

ficult to be a white knight in a

fallen world!

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

In a rebuke to Messrs. Fitzgerald and Comey, the District of Columbia Court of Appeals cleared Mr. Libby to practice law again in 2016, well before President Trump pardoned him earlier this month.

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Ashcroft to their view, but he was hospitalized with acute pancreatitis—so ill that Mr. Comey was made acting attorney general. As he was driven home from work one night, Mr. Comey received an urgent message: Messrs. Card and Gonzales were en route to Mr. Ashcroft's hospital room "to do an end run" around Mr. Comey. Flashing lights blazing, his SUV moving as if on "a NASCAR track," Mr. Comey raced to the hospital. His "vehicle screeched to a stop." He "jumped out and ran up the stairs . . . relieved" to arrive ahead of both Mr. Card and Mr. Gonzales. He took a seat in the darkened room "just to the right of Ashcroft's bed" and waited for the president's agents to arrive.

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Such high drama! But again, Mr. Comey leaves out critical

facts. When Messrs. Card and Gonzales arrived at the hospital, neither they nor the president knew that the attorney general's authority had rested with Mr. Comey for nearly a week. Justice Department staff later claimed they faxed the White House the news, though you'd think if an attorney general couldn't perform his duties, his designated successor would personally alert the president or his aides. White House officials don't even recall Mr. Comey's presence at Mr. Ashcroft's bedside. He might have been seated in a dark corner or hiding behind a room divider, but he was a silent observer at best.

Mr. Comey approached Stellar Wind, like many other issues, by assuming not honest differences but venal motives on the part of those with whom he disagreed. This tendency left him inclined to histrionics, such as allegedly telling his security detail "not to permit me to be taken from Ashcroft's room" if Mr. Card ordered Secret Service to remove him.

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Comey than himself. How dif-

ficult to be a white knight in a

fallen world!

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

In a rebuke to Messrs. Fitzgerald and Comey, the District of Columbia Court of Appeals cleared Mr. Libby to practice law again in 2016, well before President Trump pardoned him earlier this month.

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BOOKSHELF | By Richard Adams Carey

## Sea-to-Table Stewardship

## Fishing Lessons

By Kevin M. Bailey  
(Chicago, 246 pages, \$24)

The Coast Salish people of the Pacific Northwest had a good thing going, back when the world was young and salmon ran up the streams of that region in abundance. Thanks to the salmon—writes Kevin M. Bailey in "Fishing Lessons: Artisanal Fisheries and the Future of Our Oceans"—the Salish "didn't have to spend all winter foraging for food, and they could spend time on their art and culture."

But then, in 1778, Capt. James Cook anchored offshore, traded for sea otter pelts that would be sold for great profit in China, and . . . well, you know how it played out. First the otters, then the Salish, then the salmon were devastated in that familiar cycle of exploitation, colonialism, dispossession, economic development, crowding and industrial waste.

These events were all opportunistic commercial transactions carried out with little regard for their human and environmental consequences. To Rachel Carson—in a passage from "Silent Spring" used as an epigraph by Mr. Bailey—they represented the road more traveled by, "a smooth superhighway on which we progress with great speed, but at [whose] end lies disaster. The other fork of the road—the one

'less traveled by'—offers our last, our only chance to reach a destination that assures the preservation of our earth."

Mr. Bailey's book is a direction signal to the less-traveled road. To the Salish, the author writes, the salmon were a public resource and a sacred trust; to those who displaced them the fish were, like the otters, a commodity. And once a fish is sold for profit, the momentum created by the trans-

action continues. And this momentum—fueled by rising populations, expanding markets and industrial fishing techniques—leads us promptly to that place along the ocean highway where the nets start coming up empty.

Governments and fisheries agencies have jabbed on the brakes over recent decades with measures like limited fishing permits, gear restrictions and closed seasons. But increasingly management's instrument of choice has become the Individual Transferable Quota (ITQ). This is a fixed percentage of the allowable catch of a certain stock allotted to some private entity—an individual fisherman or vessel, for example, or a cooperative or corporation.

Since an ITQ is as transferable as an otter pelt—it can be handed down, traded, leased or sold—it acquires a momentum of its own on the open market. Hard-pressed small-boat fishermen have trouble competing against the efficiencies of larger vessels—especially since the ITQ system robs small fishermen of their freedom to move among different species during the course of a year. As they quit, or age out with their children looking for different ways of work, their ITQs tend to accrue to those larger vessels—and especially to the corporations that support fleets of such vessels.

This process of privatization and consolidation not only entails a wholesale loss of jobs and infrastructure along the waterfronts of coastal communities, it invests power in entities that have the political muscle to evade or shape regulations to their convenience. Dockside shanty workers get replaced by lobbyists who too often have no interest in the long-term health of fisheries or fishing communities.

## OPINION

## REVIEW &amp; OUTLOOK

## The Regressive State of America

**T**he 50 American states have long competed for people and business, and the 2017 tax reform raises the stakes by limiting the state and local tax deduction on federal returns. The results of bad policy will be harder to disguise.

A case in point is Connecticut's continuing economic decline, and now we have even more statistical evidence as a warning to other states. The federal Bureau of Economic Analysis recently rolled out its annual report on personal income growth in the 50 states, and for 2017 the Nutmeg State came in a miserable 44th.

The progressive paragon's performance is even worse when you look at the details. The nearby chart shows that the state's personal income grew at the slowest pace among all New England states, and not by a little. Governor Dannel Malloy's eight-year experiment in public-union governance

saw income grow by a meager 1.5% for the year, well below Vermont (2.1%). The state even trailed Maine (2.7%) and Rhode Island (2.4%), which are usually the New England laggards.

The only states to do worse than Connecticut were Alaska (0.4%), which is heavily dependent on oil and gas production, and Kansas (1%), Nebraska (1.4%), Iowa (0.3%) and North (-0.3%) and South Dakota (1.4%), all farm states that struggled with low commodity prices. National income growth was 3.1%.

The data are even more depressing if you strip out dividends and government transfer payments and consider only wages and salaries. Connecticut had essentially no growth (0.1%), which was worse than every state save Alaska (-1.6%). The figure for the U.S. was 3.3%. Total nonfarm earnings in Connecticut were also the

second worst in the country after Alaska.

Lest you think this was a one-year anomaly, we looked at the personal income figures for every year since 2011. That's the year Mr. Malloy took office, and the state rebounded well from the recession with 4.9% income growth, the best in New England.

It has been downhill from there. In personal income growth, Connecticut was 49th out of 50 states in 2012, 37th in 2013, 39th in 2014 and 2015, and 33rd in 2016. The consistently poor performance, especially relative to its regional neighbors, suggests that the causes are bad economic policies, not the business cycle or a downturn in a specific industry.

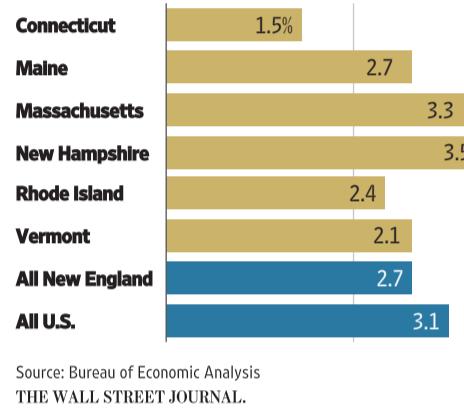
In Mr. Malloy's case this has included tax increases starting in 2011 and continuing year after year on individuals and corporations that eventually drove GE to move its headquarters to Massachusetts. Unfunded pension liabilities continue to grow in Hartford without reform, in contrast to Rhode Island, where Democratic Gov. Gina Raimondo has put public pensions on a more stable footing.

The personal income figure isn't a macroeconomic abstraction. It is the measure of rising or falling living standards—whether someone can afford a new car, or a family vacation, or send the kids to summer camp.

The fact that Connecticut, which is next to America's financial capital, has grown so poorly amid an expansion that was especially good for financial assets is a damning indictment of its political leadership. It is a particular tragedy for the state's poorest citizens who may not be able to flee to other states that aren't run by and for government employees. Maybe we should call it the Regressive State.

### Measuring Connecticut's Decline

Percent change in personal income in New England states and the U.S. in 2017



Source: Bureau of Economic Analysis  
THE WALL STREET JOURNAL.

## Pentagon Spending Sanity

**C**ongress recently increased military spending, but if the Pentagon wants this to be more than a one-time boost it needs to show it can get more bang for the buck. The House is considering several proposals that would help, and Democrats ought to support the effort.

Armed Services Chairman Mac Thornberry recently rolled out a bill to streamline the 28 independent agencies that are part of the military-bureaucratic complex. This back-office support army is often called the "fourth estate" and costs more than \$100 billion a year, or nearly 20% of the defense budget, with some 200,000 civilian employees and 600,000 contractors. Spending since the Reagan buildup has fallen about 16% for the Navy and 21% for the Air Force in constant dollars. But the fourth-estate budget has exploded by 242%. Growth in the civilian workforce has outstripped that of war fighters.

The House bill would eliminate seven agencies by 2021 and ask others to find savings of 25%. One deserving target for elimination is the Office of Economic Adjustment, which exists to subsidize areas affected by base closures. This is a matter for private development, not bureaucratic planning.

Another target is the Defense Human Resources Activity, which adds bureaucracy to hiring. The Defense Information Systems

Agency's functions would be folded into military cyber capabilities. The Pentagon would be free to plow any savings from these reforms into war fighting capabilities, which is an incentive to save.

Democrats are objecting because the bill would reduce the number of federal employees, though they typically complain that the Pentagon wastes money. Would they prefer if all Pentagon employees were civilians? Contractors are leaking concerns about \$7 billion in potential lost business, but then they should make the case for how their contracts serve actual military defense.

None of this is a panacea, and the bill doesn't overhaul the Defense Health Agency that is a big line item. Former Senator Tom Coburn in 2012 produced a memorable "Department of Everything" report about Pentagon waste. For instance: Why does it still run grocery stores (commissaries) on bases?

Pentagon leaders have typically resisted reform, and the military protects its iron rice bowl like any government agency. But a Reagan-size defense buildup isn't coming; the military competes with entitlements that suck up ever-more of the federal budget. The only way for the Pentagon to continue to protect the nation is if it becomes as ruthless in fighting waste and mismanagement as it is other adversaries.

### Some good ideas to kill redundant defense programs.

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## Operation Muppet Freedom

**O**ne place you might not expect to find the federal government is Saturday morning cartoons. Yet the Federal

### The TV habits of children have changed. Regulators haven't.

can queue up shows any time.

FCC Commissioner Michael O'Reilly has taken on the worthy project of revisiting the rules. Mr. O'Reilly said in a recent speech that the broadcast share of children audiences ages 2 to 11 has plummeted 99%. He's also right that the rules seem to have carried some unintended consequences.

For instance, Mr. O'Reilly has explained that the 30-minute requirement has reduced air time for shorter content or afternoon specials that are better suited to a child's attention span or interests but don't satisfy regulators. Not every plot device on *Dora the Explorer* requires the full half-hour treatment.

If the rules are amusing, some of the compliance costs are not. Mr. O'Reilly noted in January that one group that owns 15 television stations filed 473 pages of reporting to the FCC in the first quarter of 2017. One ostensible purpose is to list everything the broadcaster aired in the past quarter, which is a waste of time even for government workers to review.

The FCC is expected to revisit the rules in the coming months, and the right answer is to eliminate the requirements. Networks are not going to stop showing content that children want to watch, but they would be free to tailor offerings. Parents are better regulators of what their children watch than are the feds.

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## LETTERS TO THE EDITOR

### Justinian Didn't Have to Deal With Congress

F.H. Buckley's proposal for wholesale regulatory reform is sensible and long overdue, except for his call to replace detailed rules with common-sense standards ("The Swamp's Justinian," op-ed, April 20). As Justice Neil Gorsuch emphasized recently, the law can demand compliance only with laws that provide enough detail to give the person fair notice of what is on what side of the line; those laws must be enforced as written, not as one wishes they had been written or as someone in Congress thought they were written when the yeas and nays were cast. In the rare cases where standards rather than detailed rules apply, the relevant standards—like "reasonable person" in many contexts or "materiality" in securities law or the various levels of "negligence"—work fairly only because they have decades or centuries of baggage that inform their meaning to which affected persons can turn. I would not want to live under a regime where the amount of tax that I owe is the amount that the IRS says is my "fair share."

ROBERT KANTOWRZ

Lawrence, N.Y.

Since 2010 over 1,000 regulations have been added to the Social Security Disability program adjudication process. Most appalling is the elimination in 2016 of the treating physician rule which required the Social Security Administration and its 1,600 law

judges to give controlling weight to the opinion of a claimant's treating doctor, if that opinion was found to be backed by substantial evidence.

I worked for 20 years as an attorney and disability advocate in this field. The effect of tedious new rules of evidence, the aforementioned abolition of the treating physician rule, the disregard for the credibility of the hardworking wage-earners who pay for this program, their doctors and the opinions of other government agencies (such as Veterans Affairs) is astounding.

JACQUES M. FARHI  
Bronx, N.Y.

Prof. Buckley is rightly frustrated, as are many of us, by the arcane process currently required to undo a federal regulation. I am not convinced, however, that adding another layer of bureaucracy is the solution. Why not simply amend the Administrative Procedure Act to allow the executive department to repeal regulations with the proverbial "stroke of a pen"? If Congress disapproves of such an action, it can overrule it by statute. (If Congress can't muster the requisite majority, what does that say about the recently rescinded regulation?)

It might be difficult to get the above proposal through Congress, but no more so than Prof. Buckley's.

GEOFFREY C. PRICE  
Austin, Texas

### Growth: The Only Way Out of U.S. Debt Hole

Regarding William A. Galston's

"The National Debt Is Worse Than You Think" (Politics & Ideas, April 18): Our economy will benefit by ex-

panding the legal immigration of skilled trade workers and technology workers to alleviate labor shortages

in construction and innovative technologies that provide steady growth.

Our low population-growth rate,

similar to other advanced economies, won't be adequate to fill the gap in demand. Demand for skilled workers among all advanced economies is bound to increase to meet

economic growth rates that support

public services.

Both parties must recognize their

primary responsibility to maintain

economic growth that promotes genu-

ine fiscal improvement. Distracting

voters with divisive social issues isn't

going to solve economic problems.

ROHIT DESAI

Princeton Junction, N.J.

Mr. Galston states: "Absent big changes in the labor force, advocates of 3% growth are left hoping for a productivity miracle." My comment

ELLERY BLOCK  
Westerville, Ohio

### Chennault Helped to Lengthen Vietnam War

James Nicker's "A Vietnam Myth That Refuses to Die" (op-ed, April 20) based largely on an interview with Anna Chennault, absolves Chennault, leading female fundraiser of the 1968 Nixon presidential campaign, of her role in sabotaging Vietnam peace

talks to help Nixon's election. It is un-

true in all respects. As Vice President

Hubert Humphrey's assistant, I had

direct knowledge of the matter.

The Johnson White House learned through intelligence intercepts of Chennault's discussions on Nixon's behalf with the South Vietnamese ambassador. She urged the South Vietnamese to boycott peace negotiations with North Vietnam. Nixon, she said, would continue to support the South Vietnamese war effort

whereas Humphrey had pledged to

end the war in 1969. President Lyndon Johnson met with his national security team and chose not to pub-

licly disclose the Nixon-Chennault

initiative. On Humphrey's behalf I

then asked James Rowe, a law part-

ner of Chennault attorney Tommy Corcoran, to tell Corcoran and the South Vietnamese ambassador that we knew of the Nixon initiative and to urge South Vietnam to come to the conference table.

Two days before the election the South Vietnamese responded with an unequivocal no. Humphrey was furious. He stated he would enter negotiations with North Vietnam without the South Vietnamese. We didn't publicly disclose the Nixon-Chennault intervention because we couldn't reveal we knew of it from intercepts, and we anticipated that Nixon would simply brand it an election-eve campaign ploy.

Nixon did sidetrack peace negotiations immediately after his inauguration. More Americans died in Vietnam during the Nixon presidency than during the Kennedy and Johnson presidencies combined.

TED VAN DYK  
Bellingham, Wash.

### Corps and Corpses In Texas

Regarding Adam J. White's review of Adam Winkler's "We The Corporations" (Bookshelf, April 9): As Robert Reich once put it: "I'll believe corporations are people when Texas executes one."

BOB RABER  
New York

### Pepper ... And Salt

THE WALL STREET JOURNAL



## OPINION

# Climate Activists Are Lousy Salesmen

By Stewart Easterby

**P**oliticians, bureaucrats, activists, scientists and the media have warned Americans for decades that the Earth is headed toward climate catastrophe. Yet surveys consistently show that less than half of U.S. adults are "deeply concerned" or "very worried" about climate issues. If, as Leonardo DiCaprio insists, climate change is the "most urgent threat facing our entire species," why do a large percentage of Americans not share his fear? Climate crusaders tend to lay fault with nonbelievers' intransigence. But this is its own form of denial and masks the real reason: poor salesmanship.

**From turgid battle cries to hypocritical spokesmen, it's no wonder they turn so many Americans off.**

The promotional efforts of the climate catastrophists have lacked clarity, credibility, and empathy. These are the cornerstones of effective persuasion. Successful advocacy campaigns use lucid names to frame and sell their issues—"living wage," "welfare queen" or "death tax." Climate can be confounding; it is long-term weather, but environmentalists chide anyone who dares call it that. Since Earth's climate is always fluctuating, the word "change" muddles it with redundancy. Swapping between "climate change" and "global warming" confuses the public.

A good battle cry can rally the troops, but the Paris Agreement's

aim is "to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius." That is a far cry from "Remember the Alamo!" And Americans are always turned off by the use of metric units. In the U.S., Toyota wisely markets the 2018 Prius's fuel economy as 52 miles a gallon, not 22 kilometers a liter.

American TV audiences bought Carl Sagan's explanations of how the universe works because of his obvious scientific expertise. Bold statements about complex systems are always more plausible when they are made by people with impeccable credentials. As a Harvard sophomore, Al Gore received a D in a natural sciences course. Mr. DiCaprio dropped out of high school in 11th grade.

The rank hypocrisy of many of the environmental movement's superstars also alienates potential followers. Messrs. Gore and DiCaprio lead lavish, jet-setting lives. It is hard to heed Tom Steyer's demand to ban offshore oil and gas drilling when Farallon, his hedge fund, invested hundreds of millions of dollars in coal mining. Climate change activists tend to be aggressive advocates, but over-the-top selling doesn't sway people who are undecided. This is as true for political surrogates attributing society's ills to the other party's candidate as it is for green activists linking all manner of extreme



PHIL FOSTER

weather to climate change. Scientific impropriety has triggered a popular backlash against the climate change activists. The hockey stick chart, Climategate and questions about the integrity of National Oceanic and Atmospheric Administration climate data have all fueled public suspicion. Only 39% of Americans believe climate scientists can be trusted a lot to give full and accurate information on causes of climate change according to Pew.

Failed forecasts diminish believability. A Wall Street firm with multiple wrong market calls would lose clients. The actual rate of warming has come in below what climate models projected, casting doubt on future calculations. Likewise, claims that anyone can precisely estimate what global average temperatures

will be decades from now don't pass muster with the average person. There are currently no betting odds for Super Bowl CX in 2076 or S&P 500 futures with December 2099 expiration dates.

The burden of proof in the climate debate lies with those claiming rising temperatures stem primarily from human activity and not other factors. While the prosecution may feel it has a winning case, the jury's verdict is what counts. Labeling dissenting jurors "deniers"—an insidious association with Holocaust denial—is a losing courtroom strategy. Most people are naturally disinclined to obsess daily about a phenomenon that started long before they were born and won't reach fruition until long after they die.

It's true that almost all climate

scientists believe human-caused global warming is real. Similarly, American adults understand that expert opinions can change or turn out to be spectacularly wrong. Think of the recently overturned consensus on the link between egg consumption and coronary heart disease, or the reports during the 1970s that a new ice age was imminent. Against this backdrop, calling skeptics "anti-science" is counterproductive, especially since skepticism is the essence of the scientific method.

From 2006 to 2016, China increased its annual carbon dioxide emissions 37% while America's yearly output decreased far more than any other country. In the Paris Agreement, China pledged to begin reducing emissions around 2030, meaning it can spew even more greenhouse gas for years to come. The U.S. vowed to reduce its 2025 emissions by 28% from 2005 levels. Yet questioning if the accord is fair to America or will forestall global warming is reliably met with sanctimonious scorn.

My advice to the activists is this: you will attract more supporters to your cause if you can pick a name and stick with it, create a clear call to action, enlist a convincing spokesman with a small carbon footprint, tone down the alarmism, and fix the computer models. Most important, listen to the doubters, don't lambaste them.

*Mr. Easterby has worked as a sales executive for three publicly traded technology companies.*

## Trump's Travel Ban Traps U.S. Citizens

By Steve Inskeep

**T**he war in Yemen is testing one of President Trump's stated principles. It's no surprise that the U.S. is admitting hardly any refugees from that Arab state. Yet on a reporting trip to Yemen and nearby countries, my colleagues and I discovered something startling: American citizens are among the Yemenis who have tried and failed to reach safety in the U.S.

Children of Yemeni-American families are effectively trapped outside America. These are typically small children with U.S. passports, whose mothers are not citizens. The mothers haven't

**Young children of Yemeni-American men are stuck in Djibouti because their mothers can't get visas.**

received visas, often because of President Trump's restriction on travel from several countries, including Yemen. (The Supreme Court heard oral arguments Wednesday in a case challenging the ban.)

My colleagues and I identified a dozen families that included U.S. citizens. They were stranded in Djibouti, an East African country across the Gulf of Aden from Yemen. One mother, Saba Hamza, welcomed us into her temporary home in the ramshackle capital city of the former French colony.

Sitting on the floor in her windowless apartment, she opened a manila envelope. She removed a blue U.S. passport, which belongs to her 3-year-old son, Suleiman. He climbed on her lap and played with the passport as we talked.

Suleiman's father, Mohamed Hamza, lives in the Bronx. "I wish I could be with him," Mrs. Hamza said. Her husband has worked in the U.S. for some 20 years, first in a Michigan auto plant and more recently in a New York cellphone

storefront. Like many immigrants, he left his family in the old country, sending money and visiting when he could. He naturalized, so that the couple's children are U.S. citizens by birth. When the war forced the family to flee to Djibouti, Mr. Hamza flew out to affirm Suleiman's citizenship and bring his family back to New York.

But Mrs. Hamza is not a citizen. After months of waiting, she told me, she had yet to receive a visa. The family concluded they could not separate a 3-year-old from his mother. Both are stuck in Djibouti.

As Mrs. Hamza and I talked, more people emerged from other apartments. Amr Mozeb was a U.S. citizen who grew up in Michigan and now lives in New York. He had come to Djibouti to recover his wife and two small children. The children are citizens—I saw the passports—but his wife had been refused a visa. Mr. Mozeb showed me a document citing Presidential Proclamation 9645, the current version of the travel ban.

"I can't take any more loans," Mr. Mozeb said. "I have to do something, so now I'm going back to the U.S." He planned to return to New York alone and wasn't sure where his wife and children would go. Djibouti is expensive. Mozeb said a U.S. consular officer recommended settling in Somaliland, where the cost of living is lower.

These refugees are only a few among millions in this age of migrants. Yet they should be peculiarly meaningful to President Trump. When defending his travel ban and other immigration policies, the president's supporters offer a rationale: He is simply giving priority to American citizens. "The distinction of citizenship means something," then-National Security Council spokesman Michael Anton told me in 2017. "And citizens are in it together fundamentally in a way that the world community is not." So why do these citizens languish outside their country?

Some form of this problem might have emerged in any administration. Diplomats offer reasons

why mixed families might struggle to gain visas. Consular officers worry about fraud schemes, in which unrelated people claim ties to citizens. Documents can be hard to check in a war zone. And because Yemen is a base for al Qaeda, the U.S. is on guard against terrorism.

Yet State Department mechanisms exist to admit families who

have been properly vetted—vetting that can include DNA tests. Even the president's travel ban need not stand in the way. The State Department says the administration has granted 490 waivers to the ban around the world since it went into effect in December. But not for the families we met in Djibouti.

The president who vowed to put

American citizens first has the power to back up his words. If he believes all citizens are equal, he has all the reason he needs to order compassionate consideration of Yemeni refugee families. He can bring these American citizens home.

*Mr. Inskeep is host of NPR's "Morning Edition."*

## THE WALL STREET JOURNAL.

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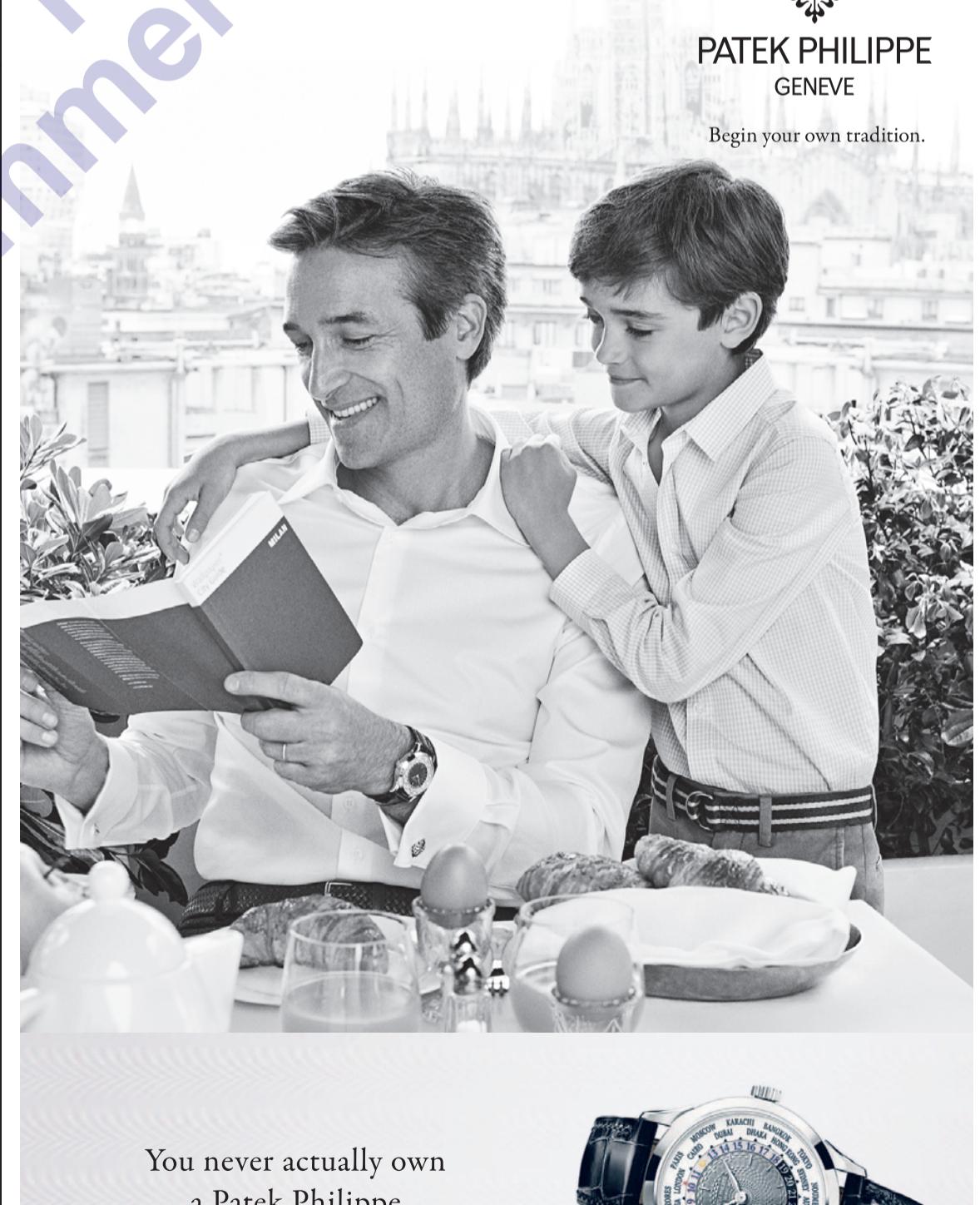
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# Creating Opportunities

For countless low-income Americans and people around the world, the path to success takes many turns. Finding the right advisors to start that small business or student loans that don't hinder the graduate are the signposts on the road to prosperity.

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, April 26, 2018 | B1

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## Wall Street Reaps What Fear Sows

By TELIS DEMOS

A surge on Wall Street stock-trading desks is being driven by manic investor moves in derivatives, as fund managers scramble to protect their gains from future volatility.

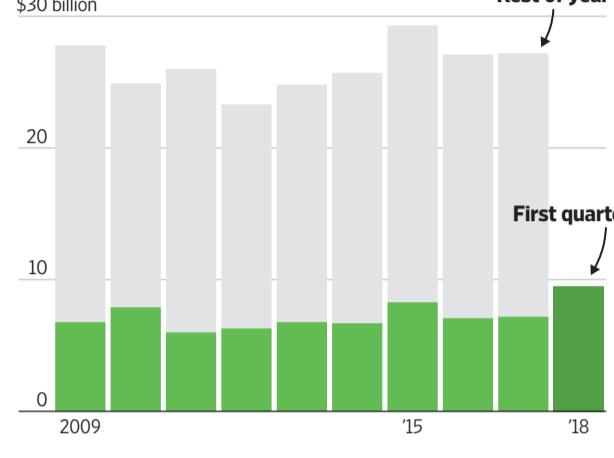
Following a leap in stock-market volatility this year, the biggest U.S. banks generated more revenue from stock trading than in any first quarter since the financial crisis, according to a Wall Street Journal analysis of bank regulatory filings.

It has been a long time coming. The business of trading is still far from its pre-crisis peak, when fewer trades were done electronically and overall fees charged by banks were higher. Now, more trades are done automatically, leaving razor-thin margins for traders. And while activity has had ups and downs, it has been muted in recent years due to low interest rates and sagging volatility.

This past quarter, however, volatility returned and derivatives such as stock-index futures and options picked up along with activity in exchange-traded funds, which also reside in banks' stock-trading, or equities, departments.

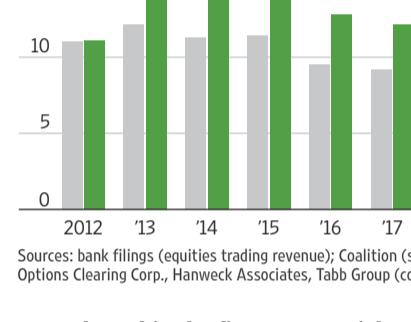
Overall, U.S. options trading enjoyed its busiest quarter in history, by one measure, according to research from consulting firm Tabb Group and data provider Hanweck. Nearly 1.4 billion options contracts

Equities trading revenue at big U.S. banks in the first quarter was the highest in years.



Derivatives activity has driven equities trading revenue at the biggest banks.

Revenue ■ Equity derivatives ■ Stock trading



Sources: bank filings (equities trading revenue); Coalition (stock trading, equity derivatives revenue); Options Clearing Corp., Hanweck Associates, Tabb Group (contracts); WSJ Market Data Group (VIX)

were cleared in the first quarter, up 33% from a year ago, the firms said.

"Some days, it was like nothing I've ever seen before," said Peter Maragos, chief executive of Dash Finan-

cial Technologies, an options and equities electronic-trading technology provider.

Only a small portion of the revenue upswing came from the buying and selling of actual shares in companies, ac-

ording to bank trading executives. Instead, the biggest gains came from clients such as mutual funds, hedge funds and pension portfolios trading stock derivatives, with some investors aiming to

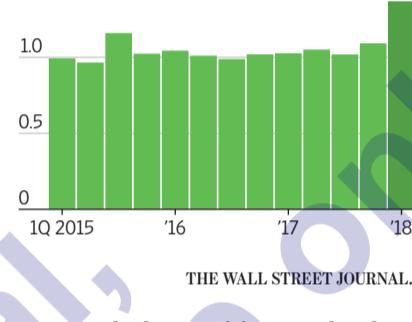
hedge positions and others speculating on more big swings.

If the volatility remains elevated and clients stay active, moving their money to take

Please see BANKS page B11

...and that helped lead to a big increase in options trading activity.

Cleared U.S.-listed options contracts



THE WALL STREET JOURNAL.

Boeing Co. aims to have a new facility in China ready to complete some of its 737 jets by the end of this year, a sign that the aerospace company is taking trade tensions in stride.

Chief Executive Dennis Muilenburg said Wednesday that construction is under way on a finishing center near Shanghai that Boeing first announced in September 2015. The company said it is needed to compete with Airbus SE, which already builds jets in China.

His comments on a post-earnings call came as Boeing's first-quarter results soared past analysts' expectations, and as the company boosted its full-year guidance for profits and operating cash flow. The new guidance signals Boeing is working through challenges in the broader aerospace supply chain related to engines and other plane parts as it and Airbus—which reports Friday—boost jetliner production.

The results also suggest that Boeing's business hasn't

been hurt by trade-related rhetoric between officials in the U.S. and China. Mr. Muilenburg said Boeing hadn't been affected by to-and-fro tariff proposals from the U.S.

and China or sanctions involving Russia, a big supplier of titanium for aircraft parts.

China accounts for one-fifth of Boeing's jetliner deliveries. The new facility to install seats and other fittings such as in-flight entertainment systems had drawn scrutiny from then-presidential candidate Donald Trump, who cited it as an example of U.S. jobs being moved overseas.

Mr. Muilenburg has said such overseas facilities aren't a direct threat to the U.S. jobs, and will help protect and expand domestic employment. He said the effort is an essential part of doing business in China.

The aerospace company will continue assembling 737s at its factory near Seattle but send some planes to China for completion at the new plant, a joint venture with the state-controlled Commercial Aircraft Corp. of China Ltd.

Mr. Muilenburg also said on Wednesday that Boeing is following guidance from U.S. officials on potential airplane sales to carriers in Iran. He said planned deliveries of jets had been deferred beyond 2018 as officials in Iran, the U.S. and Europe debate sanctions tied to Iran's nuclear program.

Potential sales to Iran aren't in Boeing's order book, which has swelled to more than 5,800 jets worth \$415 billion.

Boeing is boosting production of its 737 and 787 jets to

Please see BOEING page B2

A Boeing plant in South Carolina. The aircraft maker reported earnings that exceeded expectations.

Some people use their email inbox casually, as a way to collect receipts, appointment reminders and the occasional check-in from the relatives. Others use it hard: Email is where they get most of their work done, where they plan and organize and communicate. And, you know, the receipts and appointment reminders and relatives.

Starting this week, Google is rolling out a redesign to the Gmail web experience, its biggest change since 2011. While it eventually will come to all of the service's 1.4 billion users, it's part of a Google-wide effort to win more users over to its premium business software, dubbed G Suite. It is especially meant to woo current Outlook users.

In my tests, I found the

new Gmail is remarkably more powerful, with overdue productivity and security enhancements. It's also more cluttered and complex. Though it took a little time to figure out, I'm already feeling better about my inbox.

For now, the new Gmail is opt-in—click the gear icon on the top right side of your inbox and select "Try the new Gmail." If you do, don't be alarmed when everything looks different. Google has brought a more modern design sensibility to the app, similar to the latest versions of Android, but other than some rounded corners and new fonts, the basic structure hasn't changed.

There is something new, though. A sidebar to the right of your inbox can now display your Google Calendar events, plus notes from Google Keep and to-dos from Google Tasks, two lesser-known services.

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## BUSINESS NEWS

# Pricier TVs Seen As Tariffs Loom

BY ANDREW TANGEL

Prepare to pay more for your next television.

The Trump administration's proposed tariffs on Chinese imports include a 25% levy on TVs and related components. A report commissioned by two trade associations says the levy could push up television prices in the U.S. by 4% overall, and by 23% for those from China. It isn't clear whether manufacturers or retailers would shoulder the added costs or pass them along to consumers.

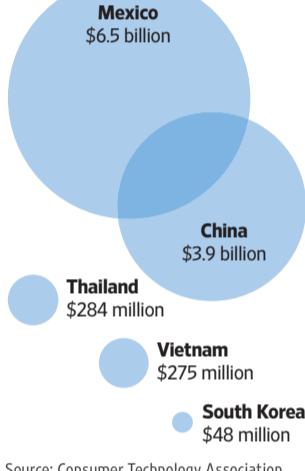
The tariffs threaten to affect plans for this year's holiday shopping season, said Gary Shapiro, chief executive of the Consumer Technology Association, one of the trade groups that commissioned the report. Retailers by this time of year begin to plan their orders for the end-of-year rush.

"The uncertainty level is ex-

## Foreign Channels

China is the second-biggest source of U.S. television imports, behind Mexico.

## Top exporters of TVs and related components, 2017



Source: Consumer Technology Association analysis of U.S. government trade data for products subject to proposed tariffs.

THE WALL STREET JOURNAL.

traordinarily high," Mr. Shapiro said. The report, based on trade data and an analysis of demand, suggested U.S. consumers could pare TV purchases by 8%, in terms of dollars spent, if the tariffs lead to higher prices.

Last year, the U.S. imported about \$3.9 billion in flat-screen TVs and components from China that would be subject to the tariffs, or 35% of total U.S. imports of those products, according to the technology association.

Among the biggest importers of TVs from China last year were retailer Target Corp.; Funai Corp., seller of electronics brands including Magnavox and Sanyo; and Samsung Electronics Co., according to data from the trade-analysis firm Panjiva.

"Like all companies, we are monitoring the situation very closely and assessing the potential impact to our business and our guests," a Target spokesman said. Funai and Samsung representatives didn't respond to requests for comment.

Samsung, the Seoul-based conglomerate, might be well-positioned to deal with tariffs on Chinese imports, according to a research note by Panjiva and S&P Global Market Intelligence. Aside from its products made in China, Samsung sends most of its U.S.-bound TVs from Mexico, according to Panjiva. Over half of U.S. TV imports that would be subject to the U.S. tariffs on Chinese products came from Mexico last year, or \$6.5 billion.

TVs and related components are among the more than 1,300 products from China, valued at \$50 billion, that would be subject to tariffs the Trump administration announced in March.

The tariffs are subject to a public-comment period before the administration decides whether to implement them in coming months.



A rocket carrying Globalstar satellites in Kazakhstan in 2013. Globalstar is seeking firmer financial footing with its FiberLight deal.

# Globalstar Sets Telecom Merger

**Satellite company plans to combine with landline firm in a deal valued at \$1.65 billion**

BY DREW FITZGERALD

Globalstar Inc. plans to merge with landline operator **FiberLight LLC** in a \$1.65 billion combination designed to put the unprofitable satellite company on firmer footing as it chases new customers.

The complex deal engineered by telecommunications investor Jay Monroe would also fold in assets of invest-

ment firm Thermo, which holds minority stakes in several companies, including CenturyLink Inc., and \$100 million of cash.

Globalstar, FiberLight and Thermo are all controlled by Mr. Monroe, who serves as Globalstar chairman and chief executive. He said in an interview that the new structure suits a changing telecom marketplace in which satellite, wireless and fixed broadband providers are all moving onto the same turf.

Globalstar, which is based in Covington, La., provides satellite links to devices around the world and holds a trove of U.S. airwave licenses.

Mr. Monroe said the new company will try to partner with cellphone carriers and other network operators to make better use of those licenses. The company also has rights to use airwaves outside of the U.S.

"If they're looking for global spectrum assets, Globalstar becomes a one-stop shop for them," Mr. Monroe said.

The company generated \$112.7 million of revenue last year but has struggled with losses for a decade.

In 2012, it sought to broaden its options by seeking approval to use its spectrum

licenses for land-based service. U.S. regulators later approved a scaled-back version of the plan.

Closely held FiberLight operates 14,000 route miles of fiber-optic cables in and around cities including Atlanta, Houston and Miami. Its network serves cellphone towers, data centers and other large business customers.

The combined company, to be named Thermo Cos., would have about \$1.7 billion of net operating losses that can be used to cut its U.S. taxes.

Globalstar shares fell 11% to 65 cents on the New York Stock Exchange on Wednesday.

# Water Utilities in 4-Way Bid War

BY DANA CIMILLUCA  
AND DANA MATTIOLI

**California Water Service Group** has made a takeover offer for water utility **SJW Group**, according to people familiar with the matter, possibly setting up a rare four-way bidding war.

SJW last month agreed to a \$750 million merger with **Connecticut Water Service Inc.** Last week, Connecticut Water said it received an offer from **Eversource Energy**, which it rejected.

Now there is an interloper on the SJW side too, which the company noted in a securi-

ties filing Wednesday without naming the party. According to the people, the bidder is California Water. Its cash bid, worth \$68.25 a share and made April 4, was also rejected, the filing said.

SJW stock closed Wednesday at \$56.90.

The merger scrum is unusual in a number of respects. There are few precedents for an announced deal that faces bids to break it up on both sides.

The SJW-Connecticut Water deal would be the first such tie-up in some 20 years in the tightly regulated water industry.

For California Water or Eversource to succeed, they likely would need to raise their offers and win the backing of their respective targets; companies rarely succeed in hostile bids in regulated industries.

The frenzied bidding war is an illustration of how a merger announcement, even in a sleepy industry, can jolt other companies into action and kick off a wave of consolidation.

A combined SJW-Connecticut Water would be the third-largest U.S. water and wastewater utility based on rate base and enterprise value.

# Electric Car Makers Lean on China

BY TREFOR MOSS  
AND YOKO KUBOTA

Some of the world's biggest auto makers say they will rely on their Chinese partners to help them meet Beijing's mandates for electric vehicles, using the joint-venture arrangements that China has now agreed to phase out.

Beijing recently said it would gradually end rules that effectively forced foreign auto makers to establish 50-50 partnerships with Chinese companies if they wanted to manufacture cars in China. Foreign auto makers can set up independent companies to

build electric vehicles later this year, according to the new rules.

The action—following Trump administration claims that the joint-venture rules compromise U.S. auto makers' trade secrets—has triggered debate over whether foreign auto makers would exit the JVs and reap more profit, or continue them as necessary to do business in the world's largest auto market.

When it comes to meeting EV-production targets, auto makers including **Ford Motor Co.**, **Toyota Motor Corp.** and **Volkswagen AG** said Wednesday at the China Auto Show

that they would be leaning on their Chinese partners to meet the government requirements.

All auto makers operating in China must build EVs equivalent to roughly 3% to 4% of their total output in 2019, rising to about 4% to 5% in 2020, according to Beijing's new system, which is designed to drive electric-car uptake.

Toyota will start producing and selling an EV called the ix4, based on technology supplied by its JV partner **Guangzhou Automobile Group Co.**, this year, a company spokesman said.

—William Boston  
and Zhu Lin  
contributed to this article.



A Ford GT on display in Beijing. The auto maker plans an electric-vehicle joint venture in China.

**SUNTRUST ROBINSON HUMPHREY**

## Congratulations to Our New Managing Directors

These talented leaders have displayed a steadfast commitment to our purpose of Lighting the Way to Financial Well-Being. They have demonstrated a deep dedication and drive to deliver industry-leading corporate and investment banking solutions. Together, their expertise spans the broad array of capabilities at SunTrust Robinson Humphrey, and represents the best our company has to offer our clients.

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**Mark Kilduff**  
Market Risk Management

**Eric Brune**  
Loan Sales

**Bart Busby**  
Financial Sponsors Coverage

**Dana Dhaliwal**  
Financial Risk Management

**David Fournier**  
Acquisition Finance,

Execution & Structuring

**Ben Ginsberg**  
Investment Grade Institutional Sales

**Brian Guffin**  
Corporate & Investment Banking

Portfolio Management

**Ryan Harrell**  
Corporate Banking

**Torey Hinkson**  
Industrials M&A

**Ryan Hubbard**  
Technology & Services M&A

**Jon Hudson**  
Healthcare M&A

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Equity Trading

**Michael Lewis**  
Equity Research

**Dan Mayer**  
Syndicated & Leveraged Finance

**Bill Monroe**  
Syndicated & Leveraged Finance

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**Hassan Sayed**  
Corporate Banking

**Marc Schlachter**  
Syndicated & Leveraged Finance

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## TECHNOLOGY

# Twitter Gets in the Growth Habit

Company posts 21% rise in quarterly revenue, expects to be in black for full year

BY GEORGIA WELLS

It's two in a row for Twitter

After starting its life as a public company with 16 straight quarters of losses, the social-media company reported its second consecutive profitable quarter, a heartening sign as it works to turn the attention of its users into a viable business.

Twitter said it expects to be profitable for the full year. It had reported its first three months in the black as a publicly traded company in the quarter ended Dec. 31, after having set a goal of "driving toward" profitability in 2017.

Revenue in the first quarter rose 21% from a year earlier to \$664.9 million. The company said video ads now account for more than half of its revenue. Analysts polled by Thomson Reuters had expected \$605.4 million in revenue.

Twitter posted a profit of

\$61 million, or 8 cents a share, swinging from a loss of \$61.6 million, or 9 cents a share, a year earlier. On an adjusted basis, per-share earnings came in at 16 cents, above the 12 cents analysts expected.

The profit was small. Still, the growth was important because investors wanted to see whether Twitter's performance was a blip or the start of a trend, said Youssef Squali, an analyst with SunTrust Robinson Humphrey Inc.

"It seems like momentum is accelerating," Mr. Squali said. "2018 is shaping up to be pretty strong."

Twitter's stock, however, was down 2.4% at \$29.75 in Wednesday trading. Analysts blamed several factors, including Twitter's warning that revenue growth likely will slow for the remainder of the year and that a pullback was expected after the stock's 40% run-up over the past six months.

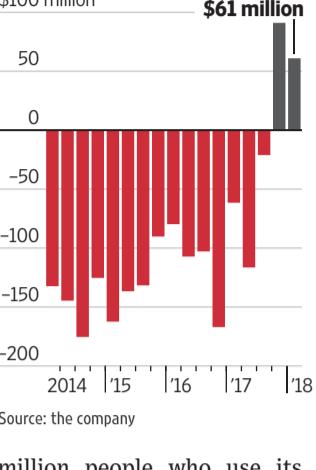
"It wasn't enough to drive another leg of growth and Twitter's valuation looks high relative to peers," said Michael Nathanson, senior research analyst at MoffettNathanson.

Twitter said it added six

## Staying Aloft

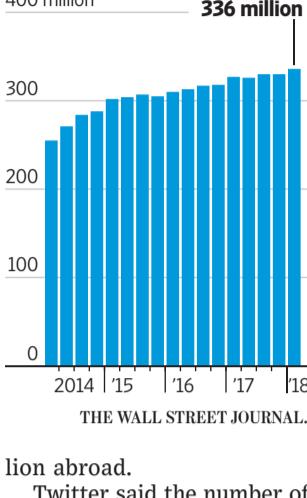
After years of losses, Twitter posted its second consecutive profitable quarter as its user base continues to grow.

### Quarterly profit/loss



Source: the company

### Monthly active users



THE WALL STREET JOURNAL.

million people who use its product each month during the quarter, bringing the total to 336 million. Analysts expected Twitter to add five million monthly users, according to data company FactSet.

But just one million of the new monthly users came from the U.S. The company now has 69 million monthly users in the U.S. and 267 mil-

lion abroad.

Twitter said the number of users who use its product daily grew 10% from a year ago, a smaller rate of growth than seen last year. The company doesn't disclose the actual number of daily users.

Advertising revenue rose 21% to \$575 million as users engaged with more sponsored posts, the company said, even

as the cost of those sponsored engagements fell.

Twitter said global revenue from data licensing and other areas rose 20%. Data, which makes up about 13% of Twitter's revenue, has been a bright spot as its margins are wider than those for its ad business.

Twitter collects information about what users tweet publicly, for example, to help brands figure out how people feel about their products. The company, though, has come under scrutiny for selling data about its users' tweets.

On the call with analysts, Chief Executive Jack Dorsey defended the business, saying Twitter doesn't provide any personal data that isn't already visible on the social network. "We are different from our peers in that Twitter is public," Mr. Dorsey said.

For the current quarter, Twitter projected adjusted earnings before interest, tax, depreciation and amortization of between \$245 million and \$265 million—more than the \$217 million analysts expect, according to FactSet.

—AUSTEN HUFFORD  
contributed to this article

# Qualcomm Profit Falls As Royalty Spat Hurts

BY TED GREENWALD

Qualcomm Inc. said its profit plunged 52% from a year earlier as it dealt with a tangle of challenges, including Apple Inc. and Huawei Technologies Co. continuing to withhold royalties for using the company's patents.

The San Diego-based chip maker reported a profit of \$363 million for its fiscal second quarter. Revenue rose 4.9% to \$5.26 billion.

The chip maker's shares were up 2.1% in after-hours trading. The stock finished Wednesday's session down 0.4% at \$49.75, below its price of \$53 a year ago and well below the \$79 a share offered by Broadcom Inc. in an unsuccessful takeover effort that ended in March.

The results included a \$310 million charge resulting from the company's efforts to save \$1 billion in expenses by 2019. That program recently resulted in 1,500 layoffs in California.

Further cost cuts will be made "over the next few months," Qualcomm finance chief George Davis said in an interview.

Qualcomm said revenue from the sales of chips used in mobile devices rose 6% to \$3.9 billion, continuing their steady growth in recent quarters.

Qualcomm's revenue from licensing patents, though, tumbled 44% to \$1.26 billion, amid fallout from the company's lengthy disputes with Apple and Huawei, which have withheld billions of dollars in royalty payments. That part of the business typically contributes more than half of Qualcomm's pretax earnings.

Patent-licensing revenue will decline further in the months ahead, Qualcomm said on a conference call with analysts. For the current fiscal third quarter, it forecast lower revenue in that division by 10% to 27% from a year earlier.

# Samsung Gets Lift From Chips

BY TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. reported its fourth consecutive quarter of record operating profit, capitalizing on high demand for its memory chips.

But investors are focused on how much longer Samsung, the world's largest smartphone maker, can maintain this pace. Memory-chip prices aren't likely to surge as much as they did over the past year, and high-end handset sales could be underwhelming as consumers upgrade their devices less frequently.

The South Korean company said first-quarter net profit rose 52% to 11.69 trillion South Korean won (\$10.8 billion) from 7.68 trillion won a year earlier. Revenue increased to 60.56 trillion won from 50.55 trillion won. Operating profit grew by 58% to 15.64 trillion won from 9.9 trillion a year earlier. Analysts polled by S&P Global Market Intelligence had expected the company to post a net profit of about 11 trillion won and revenue of 60.2 trillion.

First-quarter operating profit rose to a record. But net profit, which includes expenses and other costs, was eclipsed by the 12.26 trillion won reported for the final three months of 2017. Samsung has been spending aggressively to boost sales for its latest iteration of its flagship device, the Galaxy S9.

The company's memory chip sales are in high demand from manufacturers of internet-connected devices and data servers.

While Samsung said it expects the memory business to remain strong next quarter, the company acknowledged that driving profit in other divisions "will be a challenge" due to a weaker market for flexible displays and tougher competition among high-end phone makers.

# HUAWEI

Continued from page B1  
mobile communication. The company is also the world's No. 3 maker of smartphones.

Washington's treatment of Huawei has exacerbated tensions with Beijing as the two sides do battle over trade issues. Meanwhile, the heightened U.S. scrutiny, tied originally to fears the Chinese government could use Huawei for cyber-subterfuge, has unsettled some allied countries where the company has big business.

The Justice Department investigation into Huawei follows administrative subpoenas on sanctions-related issues from both the Commerce Department and the Treasury Department's Office of Foreign Assets Control, according to those people.

The Commerce and Treasury departments can impose administrative penalties and regulatory sanctions on the company.

The Justice Department probe, which previously hadn't been reported, represents a more serious level of potential misconduct.

If investigators conclude the company intentionally violated U.S. export laws, Huawei could face criminal penalties, the imposition of a corporate monitor and the prosecution of individuals involved in any illicit activity, among other potential consequences.



The Chinese company, a leading seller of smartphones, says no government has ever asked it to spy on or sabotage another country.

Last year, ZTE agreed to pay \$892 million in penalties imposed by the Justice, Commerce and Treasury departments related to violating sanctions. The company pleaded guilty and admitted it broke a law that controls the export of sensitive goods by shipping U.S. telecom equipment to Iran.

Last week, the Commerce Department banned U.S. companies from selling components to ZTE. That punishment has slammed ZTE, which relies on American suppliers to make both telecom equipment and smartphones. The

Commerce Department said Friday that it would let ZTE present evidence in an informal appeal.

Representatives of the Justice, Commerce and Treasury departments declined to comment.

The New York Times reported last year that the Treasury had sent Huawei a sanctions-related administrative subpoena in December 2016, after a separate Commerce Department inquiry into Huawei.

The company came under U.S. pressure in 2012 when a congressional report concluded both Huawei and ZTE

could become a tool for state-sponsored spying or sabotage. U.S. officials say Beijing could order the companies to take control of the telecom equipment they make to disable communications, spy or launch other cyberattacks.

Washington sees itself battling China for dominance of an increasingly digital world, and since late last year has taken additional steps to curb the two companies.

Huawei and ZTE have denied they are a threat. A Huawei spokesman said the company is employee-owned and that no government has ever

asked it to spy on or sabotage another country. He said Huawei poses no greater risk than its rivals, given they share a global supply chain.

Huawei in 2017 led the global telecom-equipment market with a 27% share, while ZTE ranked fourth with 10%, according to research firm Dell'Oro Group.

Largely because of the 2012 congressional report, the Chinese companies' U.S. market share is less than 1% for cellular and landline networks, compared with 48% each for Finland's Nokia Corp. and Sweden's Ericsson AB.

open the message.

One of email's biggest security holes is phishing, in which hackers posing as a trusted contact try to get you to share information or even click on a compromised link. With this redesign, Gmail will now splash a huge, impossible-to-ignore red banner over any email it thinks is a scam.

"No user should accidentally click on an email we knew was phishing," said Mr. Bank. Google can't prevent all security breaches, he says, but this can help.

## What your email knows about you might be scarier than what Facebook knows.

you can set the message to be deleted after a period of time. You can un-send any Confidential Mode message. You can even require the recipient to enter a passcode before they can read it. Messages still live in your sent folder as long as you let them, though, so you should periodically purge the most important stuff.

If everyone on the chain uses Gmail, Confidential Mode messages work like any other email, except nobody can print or forward it. If your company uses Gmail, you might want to make heavy use of Confidential Mode. If you're emailing people outside of Gmail, it's a little clunky but it works—they have to click a link to

read your emails. Last year, Google stopped using that content as part of its ad-targeting systems—the ads you see in the free Gmail are based on your overall Google profile.

(Gmail that comes as part of a business G Suite plan doesn't serve ads at all.) But Google's still processing all that data. And what your email knows about you might be scarier than what Facebook knows.

There are a few good email providers that don't collect this kind of data, like ProtonMail. But Gmail is the de facto email standard now. With this redesign, I'm using it more than ever, and it's cut down on the number of tabs I need open to live my life.

For the first time ever, I even feel like if you email me there's a good chance I'll respond. In a few days. When Gmail reminds me.

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## TECHNOLOGY

# Thiel Will Drop Bid for Gawker

BY JONATHAN RANDLES



ANDREW HARRER/BLOOMBERG NEWS

Billionaire investor Peter Thiel has agreed to end his pursuit of Gawker.com to avoid a potential lawsuit over his secretly funding litigation that drove the news and gossip blog's publisher out of business.

The agreement between Mr. Thiel, his firm **Thiel Capital LLC** and an adviser liquidating **Gawker Media LLC** was filed Wednesday in the U.S. Bankruptcy Court in New York. The accord concludes more than a year of legal wrangling over a possible lawsuit and clears the way for a sale of Gawker, which ceased publishing in 2016 but remains on the web.

Mr. Thiel has agreed to withdraw from the sale process and to provide the eventual buyer a legal release for articles in the Gawker archive. The release also covers writers who wrote articles for the site before the blog shut down, according to the filing.

Lawyers for Gawker Media have asked a judge to sign off on the agreement.

The sparring with Mr. Thiel was one of the last issues in Gawker Media's nearly two-year-old bankruptcy. Mr. Thiel funded retired professional wrestler Hulk Hogan's successful case against Gawker over its publishing excerpts from a surreptitiously recorded video of a sexual encounter with the wife of his former friend, radio show

**Peter Thiel underwrote lawsuit.**

A Florida jury awarded Terry Bollea, Mr. Hogan's real name, a \$140 million judgment in March 2016. The award forced Gawker Media into chapter 11 after the publisher was denied an opportunity to appeal. The case was settled in bankruptcy for \$31 million. Gawker Media maintained the judgment would have been overturned on appeal.

Mr. Thiel has said he underwrote the case because publishing the tape invaded Mr. Bollea's privacy. The venture capitalist and Facebook Inc. board member has said he wanted to keep his role out of public view so as not to distract from the entertainer's day in court. Gawker published an article in 2007 identifying Mr. Thiel as gay, which he has said also violated his privacy.

## Amazon's Echo Becomes a Nanny



**Amazon.com Inc.** is focusing on a new niche for Echo speakers: children's bedrooms and playrooms.

An over-the-air free update is set to allow owners of the talking speakers to turn on the so-called FreeTime setting, which locks down certain functions, adds new controls and transforms artificially intelligent Alexa from virtual assistant to virtual nanny.

Most Echo speakers are kept in common areas, but they are increasingly migrating to bedrooms—even children's bedrooms. Starting May 9, parents will be

—Wilson Rothman

able to apply the controls to particular Echo speakers from inside the Alexa app. They can set a bedtime, after which Alexa won't field requests. They can turn off voice purchasing and filter explicit lyrics from Amazon Music. They can approve certain apps, which Amazon calls skills.

Those already subscribing to Amazon's FreeTime Unlimited service can bring up premium content on FreeTime-enabled Echo speakers, including children's Audible audio books and ad-free age-appropriate music streams.

—Wilson Rothman

## BUSINESS WATCH

## JUUL LABS

### E-Cigarettes Maker Backs Regulation

E-cigarettes maker **Juul Labs Inc.** plans to back efforts to raise the minimum age for buying tobacco products and spend at least \$30 million on measures that could help keep its items away from minors.

Juul said Wednesday it would support state and federal measures to restrict tobacco purchases to people 21 and older.

The announcements came a day after the Food and Drug Administration requested information from the company that could help explain why its products appeal to youngsters.

In August, Juul raised the minimum age requirement for buying products on its website to 21 from 18. Federal regulation prohibits anyone under 18 from purchasing e-cigarettes. Some states have higher minimum ages of up to 21.

—Aisha Al-Muslim

## FORD MOTOR

### Auto Maker to Cut Spending, Some Cars

Ford Motor Co. plans to boost profit margins faster than initially forecast, saying it will slash capital spending in coming years and kill unprofitable vehicle lines.

Ford said it aims to meet an 8%

profit-margin goal two years earlier than expected. The commitment comes as first-quarter net profit rose 9% to \$1.7 billion because of a lower corporate tax rate.

Ford said it will sell only the Mustang and a crossover version of the compact Focus in the U.S. soon. That means the Fusion and Taurus sedans and the small Fiesta will be eliminated.

—Christina Rogers

## AT&amp;T

### Video Service Fails To Offset Other Lines

**AT&T Inc.**'s quarterly revenue declined as growth in the company's streaming video service wasn't enough to offset losses of more profitable wireless and satellite accounts.

The streaming DirecTV Now service added 312,000 subscribers to reach nearly 1.5 million in the first quarter. That covered 188,000 satellite-TV customers it lost, though the shift to the low-price service pressured results.

Under new accounting rules, first-quarter revenue totaled \$38.04 billion, compared with \$39.37 billion in the year-ago quarter. On a comparable basis, revenue fell 1.1% to \$38.9 billion.

Overall profit reached \$4.7 billion, or 75 cents a share, compared with \$3.5 billion, or 56 cents a share, a year earlier.

—Austen Hufford and Drew Fitzgerald

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares of common stock of Whirlpool Corporation. The Offer (as defined below) is made solely by the Offer to Purchase, dated April 26, 2018, and the related Letter of Transmittal, and any amendments or supplements thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of holders of shares of common stock in any jurisdiction in which the making or acceptance of offers to sell shares of common stock would not be in compliance with the laws of that jurisdiction. In any jurisdiction where the securities, blue sky, or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed made on behalf of Whirlpool Corporation by the Dealer Managers (as defined below) or one or more brokers or dealers registered under the laws of such jurisdiction.



### Notice of Offer to Purchase for Cash

by

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of

### Shares of its Common Stock

**At a Cash Purchase Price Not Greater than \$170.00 per Share****Nor Less than \$150.00 per Share**

Whirlpool Corporation, a Delaware corporation (the "Company"), is offering to purchase up to \$1 billion in value of shares of its common stock, \$1.00 par value per share (the "Shares"), at a price not greater than \$170.00 nor less than \$150.00 per Share, to the seller in cash, less any applicable withholding taxes and without interest, upon the terms and subject to the conditions described in the Offer to Purchase, dated April 26, 2018 (the "Offer to Purchase"), and the related Letter of Transmittal (the "Letter of Transmittal") (which together, as they may be amended and supplemented from time to time, constitute the "Offer").

**THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT ONE MINUTE AFTER 11:59 P.M., NEW YORK CITY TIME, ON MAY 23, 2018, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS THEY MAY BE EXTENDED, THE "EXPIRATION DATE").**

The Offer is not conditioned on the receipt of financing or any minimum number of Shares being tendered. The Offer is, however, subject to other conditions as set forth in the Offer to Purchase.

Upon the terms and subject to the conditions of the Offer, which will be conducted through a modified "Dutch auction" process, the Company will determine a single per Share purchase price, not greater than \$170.00 nor less than \$150.00 per Share, to the seller in cash, less any applicable withholding taxes and without interest, that the Company will pay for Shares properly tendered and not properly withdrawn in the Offer, taking into account the total number of Shares tendered and the prices specified, or deemed specified, by tendering stockholders. The Company will select the single lowest purchase price (in multiples of \$0.50) within the price range specified above that will allow it to purchase up to \$1 billion in value of Shares. Upon the terms and subject to the conditions of the Offer, if, based on the purchase price determined by the Company, Shares having an aggregate value of less than \$1 billion are properly tendered and not properly withdrawn, the Company will select the lowest price that will allow the Company to buy all the Shares that are properly tendered and not properly withdrawn before the Offer expires. All Shares the Company purchases in the Offer will be acquired at the same purchase price regardless of whether any stockholder tenders at a lower price. Only Shares properly tendered at prices at or below the purchase price selected by the Company and not properly withdrawn will be purchased. However, because of the "odd lot" priority, proportion and conditional tender provisions described in the Offer to Purchase, the Company may not purchase all of the Shares tendered at or below the purchase price if, based on the purchase price determined by the Company, more than \$1 billion in value of Shares are properly tendered and not properly withdrawn. If any properly tendered Shares are not purchased under the Offer or are properly withdrawn before the Expiration Date, or if less than all Shares evidenced by a stockholder's certificate(s) are tendered, the Company will credit the certificates to book-entry for unpurchased Shares promptly after the expiration or termination of the Offer.

The Company reserves the right, in its sole discretion, to change the per Share purchase price range and to increase or decrease the value of Shares sought in the Offer, subject to applicable law. In accordance with the rules of the Securities and Exchange Commission, the Company may increase the number of Shares accepted for payment in the Offer by no more than 2% of the outstanding Shares without extending the Offer.

As of April 24, 2018, there were 70,795,312 Shares issued and outstanding. At the maximum purchase price of \$170.00 per Share, the Company could purchase 5,882,352 Shares if the Offer is fully subscribed, which would represent approximately 8.31% of the issued and outstanding Shares as of April 24, 2018. At the minimum purchase price of \$150.00 per Share, the Company could purchase 6,666,666 Shares if the Offer is fully subscribed, which would represent approximately 9.42% of the issued and outstanding Shares as of April 24, 2018. The Shares are listed and traded on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "WRH." **Stockholders are urged to obtain current market quotations for the Shares before deciding whether and at what purchase price to tender their Shares.**

The Company expressly reserves the right, in its sole discretion, to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and payment for, any Share by giving oral or written notice of such extension to Computershare Trust Company N.A., the depositary for the Offer (the "Depositary"), and making a public announcement of such extension not later than 9:00 a.m., New York City time, on the first business day after the previously selected Expiration Date.

The Offer will expire at one minute after 11:59 p.m., New York City time, on Wednesday, May 23, 2018, unless the Company exercises its right, in its sole discretion, to extend the period of time during which the Offer will remain open. Beneficial owners should be aware that their broker, dealer, commercial bank, trust company or other nominee may establish its own earlier deadlines for participation in the Offer. Accordingly, beneficial owners wishing to participate in the Offer should contact their broker, dealer, commercial bank, trust company or other nominee as soon as possible in order to determine the times by which such owner must take action in order to participate in the Offer.

In accordance with the instructions to the Letter of Transmittal, stockholders wishing to tender Shares must specify the price or prices, not greater than \$170.00 nor less than \$150.00 per Share, at which they are willing to sell their Shares to the Company in the Offer. Alternatively, each stockholder desiring to tender Shares can choose not to specify a price and, instead, elect to tender their Shares at the purchase price ultimately paid for Shares properly tendered and not properly withdrawn in the Offer. If a stockholder agrees to accept the purchase price determined in the Offer, its Shares will be deemed to be tendered at the minimum price of \$150.00 per Share, which could result in the tendering stockholder receiving the minimum price of \$150.00 per Share. See the Offer to Purchase for recent market prices for the Shares.

Stockholders wishing to tender Shares must follow the procedures set forth in the Offer to Purchase and in the related Letter of Transmittal. Generally, for Shares to be properly tendered pursuant to the Offer, the certificates for such Shares (or confirmation of receipt of such Shares pursuant to the procedure for book-entry transfer set forth in the Offer to Purchase), together with a properly completed and duly executed Letter of Transmittal, including any required signature guarantees, or an "Agent's Message" (as defined in the Offer to Purchase), and any other documents required by the Letter of Transmittal, must be received before one minute after 11:59 p.m., New York City time, on Wednesday, May 23, 2018 (or the earlier deadline with respect to Shares held within the 401(k) Plan (as defined in the Offer to Purchase)) by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase.

Upon the terms and subject to the conditions of the Offer, if, based on the purchase price determined by the Company, Shares having an aggregate value in excess of \$1 billion (or such greater amount as the Company may elect to pay, subject to applicable law) are properly tendered at or below the purchase price and not properly withdrawn prior to the Expiration Date, the Company will purchase Shares as follows:

- *first*, all Odd Lots (as defined in the Offer to Purchase) of less than 100 Shares at the Final Purchase Price (as defined in the Offer to Purchase) from stockholders who properly tender all of their Shares at or below the Final Purchase Price and who do not properly withdraw them before the Expiration Date (tenders of less than all of the Shares owned, beneficially or of record, by such Odd Lot Holder (as defined in the Offer to Purchase) will not qualify for this preference);
- *second*, after purchasing all the Odd Lots that were properly tendered at or below the Purchase Price, subject to the conditional tender provisions (whereby a holder may specify a minimum number of such holder's Shares that must be purchased if any such Shares are purchased), the Company will purchase all Shares properly tendered at or below the Final Purchase Price on a pro rata basis with appropriate adjustment to avoid purchases of fractional Shares; and
- *third*, only if necessary to permit the Company to purchase \$1 billion in value of Shares (or such greater amount as the Company may elect to pay, subject to applicable law), the Company will purchase Shares conditionally tendered (for which the condition was not initially satisfied) at or below the Final Purchase Price, by random lot, to the extent feasible. To be eligible for purchase by random lot, stockholders whose Shares are conditionally tendered must have tendered all of their Shares. Random lot selection would be facilitated by the Company.

For purposes of the Offer, the Company will be deemed to have accepted for payment (and therefore purchased), subject to proration, and conditional tender provisions of the Offer, Shares that are properly tendered at or below the purchase price selected by the Company and not properly withdrawn only when, as and if the Company gives oral or written notice to the Depositary of the Company's acceptance of the Shares for payment pursuant to the Offer.

Upon the terms and subject to the conditions of the Offer, the Company will accept for payment and pay the per Share purchase price for all of the Shares accepted for payment pursuant to the Offer promptly after the Expiration Date. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made promptly, subject to possible delay in the event of proration, but only after timely receipt by the Depositary of: (i) certificates for Shares or a timely book-entry confirmation of the deposit of Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase); (ii) a properly completed and duly executed Letter of Transmittal, including any required signature guarantee (or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase)); and (iii) any other required documents.

Because of the difficulty in determining the number of Shares properly tendered and not properly withdrawn, and because of the proration and conditional tender provisions described in the Offer to Purchase, the Company expects that it will not be able to announce the final proration factor or commence payment for any Shares purchased pursuant to the Offer until after the Expiration Date. The preliminary results of any proration will be announced by press release as promptly as practicable after the Expiration Date.

Tenders of Shares are irrevocable, except that such Shares may be withdrawn at any time prior to the Expiration Date and, unless such Shares have been accepted for payment as provided in the Offer, stockholders may also withdraw their previously tendered Shares at any time after one minute after 11:59 p.m., New York City time, on June 21, 2018. For a withdrawal to be effective, a written notice of withdrawal must be received in a timely manner by the Depositary at one of its addresses listed on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of those certificates, the serial numbers shown on those certificates must be submitted to the Depositary and, unless an Eligible Institution (as defined in the Offer to Purchase) has tendered those Shares, an Eligible Institution must guarantee the signatures on the notice of withdrawal. If a stockholder has used more than one Letter of Transmittal or has otherwise tendered Shares in more than one group of Shares, the stockholder may withdraw Shares using either separate notices of withdrawal or a combined notice of withdrawal, so long as the information specified above is included. If Shares have been delivered in accordance with the procedures for book-entry transfer described in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with the Book-Entry Transfer Facility's procedures.

The Company will decide, in its sole discretion, all questions as to the form and validity, including time of receipt, of notices of withdrawal, and each such decision will be final and binding on all parties absent a finding to the contrary by a court of competent jurisdiction. None of the Company, its Board of Directors, Citigroup Global Markets Inc., J.P. Morgan Securities LLC (together, with Citigroup Global Markets Inc., the "Dealer Managers"), Computershare Trust Company, N.A., as the Depositary, D.F. King & Co., Inc., as the information agent (the "Information Agent"), or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Based on our confidence in the long-term outlook for our business, enhanced by the recently announced pending sale of our Embraco compressor business, and consistent with our balanced approach to capital allocation, we have determined to use up to \$1 billion of cash to repurchase Shares in this Offer.

The Company is making the Offer because we believe that the modified Dutch auction tender offer set forth in the Offer to Purchase represents an efficient mechanism to provide all of the Company's stockholders with the opportunity to tender all or a portion of their Shares and, thereby, receive a return of some or all of their investment if they so elect. In addition, if the Company completes the Offer, stockholders who do not participate in the Offer will automatically increase their relative percentage ownership interest in the Company and its future operations.

The Offer also provides stockholders with an efficient way to sell their Shares without incurring broker's fees or commissions associated with open market sales.

Generally, if you are a U.S. Holder (as defined in the Offer to Purchase), your receipt of cash from us in exchange for the Shares you tender will be a taxable transaction for United States federal income tax purposes. The cash you receive for your tendered Shares will generally be treated for United States federal income tax purposes either as consideration received in respect of a sale or exchange of the Shares purchased by us or as a distribution from us in respect of Shares. We urge you to consult your own tax advisor as to the particular tax consequences to you of the Offer. If you are a non-U.S. Holder (as defined in the Offer to Purchase), because it is unclear whether the cash you receive in connection with the Offer will be treated (i) as proceeds of a sale or exchange or (ii) as a distribution, the Depositary or other applicable withholding agent may treat such payment as a dividend distribution for withholding purposes. Accordingly, if you are a non-U.S. Holder, you may be subject to withholding on payments to you at a rate of 30% of the gross proceeds paid, unless you establish an entitlement to a reduced rate of withholding by timely completing, under penalties of perjury, the applicable Form W-8. Non-U.S. Holders are urged to consult their tax advisors regarding the application of United States federal income tax withholding and backup withholding, including eligibility for a withholding tax reduction or exemption and the refund procedure. All stockholders should read carefully the Offer to Purchase, in particular Section 3 and Section 13, for additional information regarding the United States federal income tax consequences of participating in the Offer and should consult their financial and tax advisors.

The Company's Board of Directors has authorized us to make the Offer. However, none of the Company, the members of its Board of Directors, the Dealer Managers, the Depositary or the Information Agent makes any recommendation to any stockholder as to whether to tender or refrain from tendering any Shares or as to the price or prices at which stockholders may choose to tender their Shares. None of the Company, the members of its Board of Directors, the Dealer Managers, the Depositary or the Information Agent has authorized any person to make any recommendation with respect to the Offer. Stockholders should carefully evaluate all information in

## MANAGEMENT

# Pressure Tactics Diversify Boards

Mandates in Europe have pushed firms to bring more women into the boardroom

BY VANESSA FUHRMANS

The pressure is on for companies around the world to put more women on their boards.

Diversity advocates have been making a business case for women in high-ranking roles for years.

Now blunt-force measures, rather than financial arguments, appear to be moving the needle.

The U.S., once the leader in female directors, is lagging behind Europe where mandates have forced corporations to boost the ratio of women holding board seats.

In Italy, Germany and several other European nations, the number of women on big company boards has tripled and, in some cases, quadrupled in recent years, according to a new report by the Corporate Women Directors International, a research and advocacy group.

France passed a law in 2011 requiring that blue-chip firms fill at least 40% of board seats with women and gave them six years to meet the requirement. In that time, the share of directors at the country's biggest companies more than doubled to 43% of board representation, CWDI data show.

Sophie Bellon, chairwoman of Sodexo SA—a French food and facilities services firm founded by her father, Pierre Bellon—also joined the board of cosmetics giant L'Oréal SA in 2015. She says quotas are prodding companies to develop more rigorous processes for recruiting new directors.

"There is more energy and more thought put into how people are chosen, what kind of talent or skills companies want," she said.

The European mandates, however, so far appear to have



Proponents of the European quotas hope to see more women in management. A L'Oréal laboratory.

"The institutional investors are definitely having an impact," said Beth Stewart, whose firm Trewstar Corporate Board Services specializes in placing qualified women on boards.

In the first three months of the year, Ms. Stewart said she placed more women on previously all-male boards than she did in all of 2017. The common refrain she hears: "We've gotten enough letters. We've had enough pressure. We're doing something about it."

Even people pushing for greater boardroom diversity balk at the idea of a U.S. mandate like those in parts of Europe.

Rakhi Kumar, a senior managing director at State Street, said rushing companies to comply with a quota could create new problems. "You don't want to create unintended practices," she said.

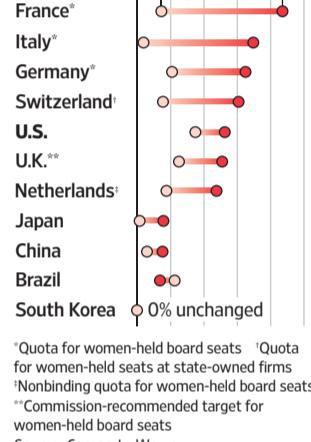
Instead, she said investor efforts like State Street's were prompting real change. In the past year, State Street has put on notice more than 700 companies in the U.S., U.K. and Australia with no women on their boards.

**Sophie Bellon,**  
who is  
chairwoman of  
Sodexo, also is  
on the board  
of cosmetics  
giant L'Oréal.

## Boardroom Evolution

External pressure is putting more women on boards of directors.

### Women board directors in Fortune Global 200 Companies



Quota for women-held board seats \*Quota for women held seats at state-owned firms \*\*Nonbinding quota for women-held board seats \*\*Commission-recommended target for women-held board seats

Source: Corporate Women Directors International

THE WALL STREET JOURNAL.

with no women tend to suffer more corporate governance-related scandals than average.

Studies from consultants, banks and investment research firms, including McKinsey & Co., Credit Suisse, Catalyst and MSCI, bear out the correlations. Detractors of those reports counter that it is difficult to prove female directors are the true cause underpinning more positive outcomes.

**BlackRock Inc.**, the world's largest money manager, said earlier this year that companies in which it invests should have at least two female directors. New York State Common Retirement Fund said last month it would oppose the reelection of directors on hundreds of U.S. corporate boards with no women.

Such efforts appear to be quickening the pace of change, albeit not as fast as across the Atlantic.

In the first quarter, women accounted for 32% of all new board seats at Russell 3000 companies—which represent the majority of U.S.-traded stocks—up from 29.4% for all of last year and 21.4% in 2016, according to Equilar, a research firm that gathers data on executives and boards.

Ultimately, it voted against certain directors at more than 500 firms that it said failed to show progress in boardroom diversity.

But 152 companies it contacted have since recruited at least one female director, and 34 more have pledged to do so.

Despite the recent uptick, the share of women on S&P 500 company boards rose 1 percentage point last year to 22%, according to Spencer Stuart, an executive recruitment firm. It said one big reason is the lack of boardroom turnover: The average director stays on more than eight years.

# GE Chief's Goal: 'Fix Business'

BY THOMAS GRYTA

IMPERIAL, PA.—General Electric Co. Chief Executive John Flannery told shareholders he was "keenly aware" of the pain caused by a dividend cut and the troubles of the past year, and said the best way to make amends was to "fix the business."

GE shareholders gathered Wednesday at a company facility here and elected a smaller, revamped board after a difficult year at the industrial conglomerate. Several investors stood up to voice their concerns about the company's direction and leadership. The share price has tumbled more than 50% to \$14.

"2017 has been immensely disappointing to those of us on the board, the GE leadership team, employees across the business," said Mr. Flannery, a company veteran who took the reins in August and is working to turn around the maker of everything from jet engines to lightbulbs.

"I strongly feel we have very, very good businesses that need to be the center of gravity of the company going forward," Mr. Flannery told the crowd. "It is a lot of change. Change is not easy in any organization...the company is going to come out stronger."

A year ago, the company was worth more than twice its current value and former CEO Jeff Immelt was pushing GE as a "digital industrial" company. Now, Mr. Flannery is selling assets and considering new structures for the company, including breaking apart its major divisions.

Some shareholders used the gathering to express their frustration. Several unions and a group of retiree advocates protested outside, including workers from the company's Erie, Pa., locomotive plant and other operations in the Northeast.

# Tips From Wall Street Women

BY LIZ HOFFMAN

Stephanie Cohen is used to the reaction. The petite 41-year-old has spent the past two decades at **Goldman Sachs Group** running big deals for industrial companies and private-equity firms.

"I walk into a boardroom and I'm not who they expect to see," she said. But that can be an advantage, she said. The client "will always remember what you said."

Ms. Cohen was speaking at The Wall Street Journal's Women in Finance event Monday night, along with Sandra Horbach, who runs the U.S. buyouts business for **Carlyle Group**, and Eileen Nugent, global head of M&A for law firm **Skadden, Arps, Slate, Meagher & Flom LLP**. The women discussed their careers and stumbling blocks in hard-driving, male-dominated fields.

Over the past year, accusations of sexual harassment and

assault have toppled dozens of powerful men and sparked a national conversation about women's role in the workplace.

Few industries are as dominated by men as finance.

Today 15% of Goldman's 450 or so partners are women—up from 4% in 1996, but hardly approaching parity. Ms. Cohen, who was promoted last year to be Goldman's head of strategy, is one of few women with an office in the firm's 41st-floor executive suite.

There is a lot of "implicit bias" that keeps women from landing big assignments and leadership roles, said Ms. Nugent, who began her career in the 1980s go-go hostile M&A boom. "But trust me, once upon a time it was actual outspoken, out-there bias," she said.

External forces are pushing financial-services firms to be more diverse. Big companies including **Facebook Inc.** are requiring advisers working on their matters to have more

women and minorities. And investors are using their heft to vote against companies whose boards aren't diverse enough.

"This isn't philanthropy," Ms. Cohen said. "It's about what's right for the business, one, because it will make us better, but also because this is what our clients want."

One way to get more women in seats, Ms. Horbach said, is to mandate it. Carlyle began requiring half of incoming classes be women or minorities, overruling hiring managers who had complained they couldn't find enough qualified candidates. "When you took away their ability to hire a white man...all of a sudden they found great diverse candidates," she said. "The pool is out there."

Ms. Horbach said Carlyle's entire incoming class of senior associates—new M.B.A.s recruited from business schools, rather than from investment-bank trainee programs—are women.

## Borrowing Benchmarks | [WSJ.com/bonds](http://WSJ.com/bonds)

### Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

	Inflation	Week Latest	-52-Week-	Week Latest	-52-Week-
	March Index level	Chg From (%) Feb.'18/March'17	High Low	Latest	High Low
<b>Treasury bill auction</b>					
4 weeks	<b>1.680</b>	1.630 1.720 0.695			
13 weeks	<b>1.830</b>	1.760 1.830 0.820			
26 weeks	<b>1.985</b>	1.945 1.985 0.955			
<b>Secondary market</b>					
<b>Fannie Mae</b>					
30-year mortgage yields					
30 days	<b>4.275</b>	4.070 4.275 3.253			
60 days	<b>4.304</b>	4.102 4.304 3.281			
<b>Other short-term rates</b>					
Call money	<b>3.50</b>	3.50 3.50 2.75			
<b>Commercial paper (AA financial)</b>					
90 days	<b>2.26</b>	2.22 2.31 1.01			
<b>Libor</b>					
One month	<b>1.89988</b>	1.89707 1.89988 0.98856			
Three month	<b>2.36561</b>	2.35866 2.36561 1.16956			
<b>DTCC GCF Repo Index</b>					
Treasury	<b>1.756</b>	31.750 2.068 0.791			
MBS	<b>1.775</b>	117.676 1.971 0.794			
Open Implied					
Settle Change Interest Rate					
<b>DTCC GCF Repo Index Futures</b>					
Treasury Apr	<b>98.185</b>	unch. 5665 1.815			
Treasury May	<b>98.200</b>	0.005 1043 1.800			
Treasury Jun	<b>98.055</b>	unch. 675 1.950			

### Notes on data:

**U.S. prime rate** is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective March 22, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective March 22, 2018. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rate** is Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Life US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

**"My victory was admitting I had a traumatic brain injury and getting help."** While on patrol in Iraq, Wade's Humvee struck an IED. With DAV, he's found the support he needs to overcome his injuries. DAV helps veterans get the benefits they've earned—helping more than a million veterans each year in life-changing ways. Support more victories for veterans. [Go to DAV.org](http://Go to DAV.org).



## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24083.83** ▲ 59.70, or 0.25%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.31 20.91  
P/E estimate \* 16.45 17.60  
Dividend yield 2.21 2.33  
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open

Jan. Feb. Mar. Apr. 22000

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2639.40** ▲ 4.84, or 0.18%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.98 24.39  
P/E estimate \* 17.02 18.24  
Dividend yield 1.95 1.98  
All-time high 2872.87, 01/26/18

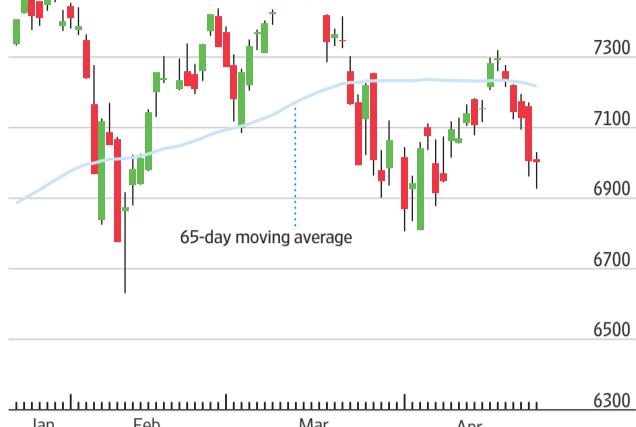


Jan. Feb. Mar. Apr. 2450

## Nasdaq Composite Index

**7003.74** ▼ 3.61, or 0.05%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 26.01  
P/E estimate \* 20.03 20.37  
Dividend yield 1.04 1.11  
All-time high 7588.32, 03/12/18



Jan. Feb. Mar. Apr. 6300

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
<b>Dow Jones</b>									
Industrial Average	24146.34	23823.08	<b>24083.83</b>	59.70	<span style="color: green;">▲</span> 0.25	26616.71	20606.93	<b>14.8</b>	-2.6 <b>10.0</b>
Transportation Avg	10551.04	10369.75	<b>10508.13</b>	108.03	<span style="color: green;">▲</span> 1.04	11373.38	8783.74	<b>14.6</b>	-1.0 <b>5.8</b>
Utility Average	697.61	690.11	<b>694.93</b>	-0.48	<span style="color: red;">▼</span> -0.07	774.47	647.90	<b>-1.5</b>	-3.9 <b>5.1</b>
Total Stock Market	27467.63	27143.20	<b>27399.47</b>	31.40	<span style="color: green;">▲</span> 0.11	29630.47	24391.29	<b>10.5</b>	-1.0 <b>7.3</b>
Barron's 400	718.22	709.30	<b>715.96</b>	0.52	<span style="color: green;">▲</span> 0.07	757.37	624.99	<b>11.4</b>	0.7 <b>7.2</b>
<b>Nasdaq Stock Market</b>									
Nasdaq Composite	7030.74	6926.97	<b>7003.74</b>	-3.61	<span style="color: red;">▼</span> -0.05	7588.32	6011.24	<b>16.2</b>	1.5 <b>11.2</b>
Nasdaq 100	6540.76	6426.57	<b>6513.94</b>	4.89	<span style="color: green;">▲</span> 0.08	7131.12	5541.09	<b>17.6</b>	1.8 <b>12.8</b>
<b>S&amp;P</b>									
500 Index	2645.30	2612.67	<b>2639.40</b>	4.84	<span style="color: green;">▲</span> 0.18	2872.87	2357.03	<b>10.6</b>	-1.3 <b>7.6</b>
MidCap 400	1895.85	1873.11	<b>1888.01</b>	1.19	<span style="color: green;">▲</span> 0.06	1995.23	1691.67	<b>8.0</b>	-0.7 <b>7.2</b>
SmallCap 600	958.78	949.80	<b>955.03</b>	-2.34	<span style="color: red;">▼</span> -0.24	979.57	817.25	<b>10.7</b>	2.0 <b>9.6</b>
<b>Other Indexes</b>									
Russell 2000	1556.09	1539.95	<b>1550.47</b>	-2.81	<span style="color: red;">▼</span> -0.18	1610.71	1355.89	<b>9.2</b>	1.0 <b>6.9</b>
NYSE Composite	12539.59	12408.78	<b>12517.86</b>	3.87	<span style="color: green;">▲</span> 0.03	13637.02	11423.53	<b>8.0</b>	-2.3 <b>3.8</b>
Value Line	553.62	548.10	<b>552.20</b>	0.39	<span style="color: green;">▲</span> 0.07	589.69	503.24	<b>4.4</b>	-1.8 <b>2.0</b>
NYSE Arca Biotech	4503.97	4424.32	<b>4436.70</b>	-41.92	<span style="color: red;">▼</span> -0.94	4939.86	3507.64	<b>22.9</b>	5.1 <b>2.7</b>
NYSE Arca Pharma	523.09	518.82	<b>523.04</b>	-1.70	<span style="color: red;">▼</span> -0.32	593.12	508.06	<b>2.9</b>	-4.0 <b>-3.9</b>
KWB Bank	108.63	106.62	<b>107.87</b>	-0.05	<span style="color: red;">▼</span> -0.05	116.52	88.87	<b>16.2</b>	1.1 <b>14.0</b>
PHLX® Gold/Silver	83.24	81.98	<b>82.47</b>	-0.81	<span style="color: red;">▼</span> -0.97	93.26	76.42	<b>-1.0</b>	-3.3 <b>5.6</b>
PHLX® Oil Service	156.46	152.20	<b>156.01</b>	2.23	<span style="color: green;">▲</span> 1.45	165.78	117.79	<b>-1.9</b>	4.3 <b>-9.7</b>
PHLX® Semiconductor	1253.69	1223.09	<b>1242.19</b>	-1.47	<span style="color: red;">▼</span> -0.12	1445.90	1004.62	<b>23.1</b>	-0.9 <b>21.4</b>
Cboe Volatility	19.84	17.75	<b>17.84</b>	-0.18	<span style="color: red;">▼</span> -1.00	37.32	9.14	<b>64.4</b>	61.6 <b>13.2</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	16,844.9	264.89	1.26	<span style="color: green;">▲</span> 0.48	265.03	262.61	
Facebook Cl A	FB	10,259.2	171.45	11.76	<span style="color: green;">▲</span> 7.36	172.11	158.60	
General Electric	GE	5,744.5	14.11	0.06	<span style="color: green;">▲</span> 0.43	14.13	14.00	
Ford Motor	F	4,113.6	11.40	0.29	<span style="color: green;">▲</span> 2.61	11.46	11.04	
Bank of America	BAC	2,826.7	30.24	0.10	<span style="color: green;">▲</span> 0.33	30.25	30.08	
iShares Russell 2000 ETF	IWM	2,567.0	154.72	0.52	<span style="color: green;">▲</span> 0.34	154.78	154.03	
AT&T	T	2,271.1	33.62	-1.58	<span style="color: red;">▼</span> -4.49	35.25	33.57	
PwrShrs QQQ Tr Series 1	QQQ	2,256.9	160.55	1.90	<span style="color: green;">▲</span> 1.20	160.70	158.63	

## Percentage gainers...

O'Reilly Automotive	ORLY	266.2	254.10	26.43	<span style="color: green;">▲</span> 11.61	261.00	226.01	
Ultra Clean Holdings	UCTT	76.0	17.64	1.81	<span style="color: green;">▲</span> 11.43	17.65	15.81	
Facebook Cl A	FB	10,259.2	171.45	11.76	<span style="color: green;">▲</span> 7.36	172.11	158.60	
General Electric	GE	5,744.5	14.11	0.06	<span style="color: green;">▲</span> 0.43	14.13	14.00	
Ford Motor	F	4,113.6	11.40	0.29	<span style="color: green;">▲</span> 2.61	11.46	11.04	
Bank of America	BAC	2,826.7	30.24	0.10	<span style="color: green;">▲</span> 0.33	30.25	30.08	
iShares Russell 2000 ETF	IWM	2,567.0	154.72	0.52	<span style="color: green;">▲</span> 0.34	154.78	154.03	
AT&T	T	2,271.1	33.62	-1.58	<span style="color: red;"></span>			

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.							
April	3,1300	3,1300	3,1275	3,1320	-0.005	202	
July	3,1555	3,1770	3,1390	3,1575	-0.0065	112,386	
Gold (CMX)-100 troy oz.; \$ per troy oz.							
April	1324.00	1325.00	1320.00	1321.20	-10.20	528	
June	1332.00	1333.80	1320.20	1322.80	-10.20	370,700	
Aug	1337.80	1339.90	1326.40	1329.00	-10.20	53,312	
Oct	1337.80	1338.70	1334.00	1335.30	-10.20	9,178	
Dec	1351.00	1351.20	1339.00	1341.80	-10.20	58,229	
Dec'19	...	...	1381.60	1381.60	-10.20	3,532	
Palladium (NYM)-50 troy oz.; \$ per troy oz.							
June	968.20	971.00	951.80	967.50	-4.15	18,988	
Sept	958.00	964.00	948.40	962.80	-4.25	4,472	
Dec	960.00	960.00	953.65	959.30	-4.25	244	
Platinum (NYM)-50 troy oz.; \$ per troy oz.							
April	933.90	934.90	911.40	912.70	-22.30	4	
July	933.90	934.90	911.40	912.70	-22.30	71,354	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.							
April	16,555	16,555	16,555	16,486	-0.201	20	
July	16,785	16,795	16,550	16,577	-0.210	112,205	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
June	67.75	68.18	67.11	68.05	0.35	53,498	
July	67.65	68.03	66.97	67.92	0.35	248,920	
Aug	67.25	67.62	66.59	67.53	0.36	156,732	
Sept	66.74	67.02	66.07	66.98	0.36	234,897	
Dec	65.06	65.37	64.46	65.34	0.37	279,810	
Dec'19	58.86	59.16	58.47	59.09	0.19	152,156	
NY Harbor USLD (NYM)-42,000 gal.; \$ per gal.							
May	2,1297	2,1390	2,1159	2,1360	.0084	34,620	
June	2,1198	2,1260	2,1059	2,1235	.0052	147,041	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
May	2,0957	2,0985	2,0694	2,0897	-.0052	36,008	
June	2,0999	2,1029	2,0748	2,0949	-.0047	163,467	
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.							
May	2,784	2,798	2,755	2,786	.005	17,651	
June	2,812	2,825	2,784	2,807	-.006	283,136	
July	2,848	2,859	2,823	2,844	-.003	190,736	
Sept	2,840	2,848	2,814	2,835	-.003	136,622	
Oct	2,848	2,860	2,825	2,846	-.004	118,017	
April'19	2,616	2,622	2,608	2,621	.005	88,748	

## Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.							
May	381.00	387.25	380.50	386.50	5.25	171,429	
July	390.00	396.50	389.50	395.75	5.75	761,964	
Oats (CBT)-5,000 bu.; cents per bu.							
May	222.00	227.00	221.75	222.75	-1.50	812	
July	225.25	229.75	225.00	228.75	3.50	4,449	
Soybeans (CBT)-5,000 bu.; cents per bu.							
May	10,222.25	10,335.25	10,200.50	10,275.00	5.25	88,329	
July	10,330.50	10,405.00	10,302.00	10,395.25	5.25	436,878	
Soybean Meal (CBT)-100 tons; \$ per ton.							
May	372.20	380.10	371.70	376.20	4.10	37,114	
July	376.30	384.10	375.70	380.50	4.20	242,455	
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
May	31.00	31.07	30.73	30.79	-.22	41,674	
July	31.25	31.35	30.99	31.06	-.21	242,102	
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.							
May	1310.00	1318.00	1309.00	1310.50	-2.50	1,490	
July	1321.00	1320.00	1317.50	1322.00	.50	5,389	
Wheat (CBT)-5,000 bu.; cents per bu.							
May	473.00	488.50	472.25	486.25	13.75	28,041	
July	485.25	501.50	484.50	499.00	14.75	238,600	
Wheat (KC)-5,000 bu.; cents per bu.							
May	493.00	509.25	493.00	507.00	14.50	19,823	
July	512.75	529.00	511.75	526.50	14.50	131,478	
Wheat (MPLS)-5,000 bu.; cents per bu.							
May	592.75	601.25	592.00	599.50	6.75	7,993	
July	598.75	608.75	598.75	606.50	7.75	32,280	
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
April	139,200	139,900	139,200	139,850	.750	2,557	
Aug	145,975	147,775	145,425	147,425	.950	22,233	
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
April	121,300	122,050	121,300	121,925	.825	3,523	
June	105,025	105,800	104,625	105,575	.525	148,923	
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
May	67,050	68,700	66,700	68,550	1.100	3,398	
June	74,725	75,600	73,950	75,350	.525	94,746	
Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.							
May	556.60	561.70	554.70	556.20	-.40	2,817	
July	546.00	548.30	544.60	545.40	.40	3,483	
Milk (CME)-200,000 lbs.; cents per lb.							
April	14,52	14,53	14,50	14,53	.01	3,276	
May	15,08	15,12	14,97	15,02	-.11	3,952	
Cocoa (ICE-US)-10 metric tons; \$ per ton.							
May	2,875	2,875	2,875	2,856	21	85	
July	2,820	2,865	2,786	2,836	21	135,313	

## Contract

## Open

## High

## hilo

## Low

## Settle

## Chg

## Open interest

## Coffee (ICE-US)-37,500 lbs.; cents per lb.

## Sugar-World (ICE-US)-112,000 lbs.; cents per lb.

## Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.

## Cotton (ICE-US)-50,000 lbs.; cents per lb.

## Orange Juice (ICE-US)-15,000 lbs.; cents per lb.

## Treasury Bonds (CBT)-\$100,000; pts 32nds of 100%

## Treasury Notes (CBT)-\$100,000; pts 32nds of 100%

## 5 Yr. Treasury Notes (CBT)-\$100,000; pts 32nds of 100%

## 2 Yr. Treasury Notes (CBT)-\$200,000; pts 32nds of 100%

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables****Footnotes:**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, April 25, 2018

Net Stock Sym Close Chg

A B C

ABB ABB 23.33 -0.43

ADT RDL 9.12 -0.13

AECON ACM 35.49 -0.21

AES AES 12.03 0.03

Aflac AFL 45.41 -0.24

AGNC Inv AGNC 18.94 0.08

ANGI Homesvcs ANGI 13.41 -0.24

Ansys ANSS 159.86 -1.09

ASML ASML 191.66 -2.39

AT&amp;T T 35.20 -0.24

AbbottLabz ABBV 58.65 0.34

AbbVie ABV 91.87 0.51

Albomed ABMD 293.20 2.27

Accenture ACN 150.09 -0.98

ActivationBlitz ATVI 64.82 -0.52

Adient ADNT 63.72 0.60

AdobeSystems ADBE 217.32 -0.57

Advantech APE 107.82 0.89

AdvMroDevices AMD 9.71 -0.38

Aegon AEG 7.30 -0.09

AerCap AER 52.26 -0.13

Aetna AET 178.99 1.79

AffiliatedMtrs AMG 169.89 0.03

AgileTechs ACH 65.80 -0.84

AgnicoEagle AGN 43.29 -0.28

AirProducts APD 165.57 1.57

AkamaiTech AKAM 70.78 -0.19

AlaskaAir ALK 66.39 1.13

Albemarle ALB 95.46 -0.32

Alcoa AA 51.95 1.13

AlexandriaEst ARE 121.86 0.20

AlegionPharm ALXN 106.04 -0.47

Alibaba BAB 170.22 -0.27

AlignTech ATSG 245.65 5.97

Alkermes ALKS 44.07 -0.30

Alleghany Y 585.06 0.06

Allegion ALLE 83.03 0.88

Allergan AGN 157.12 0.22

AllianceData AADS 204.10 -1.27

AlliancEnergy LNT 42.23 0.13

AllyFinancial ALLY 27.92 -0.21

AlyniamPharm ALNY 94.33 -0.40

Alphabet A GOOG 1021.18 0.20

Alphabt A GOOGL 1029.99 0.35

Altaba AABA 68.27 -0.99

AlticeUSA ATUS 19.46 0.34

Altria MO 55.84 0.54

AlumofChina ACH 13.96 -0.02

Amazon.com AMZN 1460.17 0.08

Ambev ABEV 6.61 -0.04

Amdocs DOX 66.63 -0.19

Americo UHAI 345.59 4.08

Ameren AEE 57.21 0.01

AmericaMovil AMX 18.64 -0.01

AmericanMovil AMOV 18.48 -0.04

AmerAirlines AAL 45.25 -0.44

AEP AEP 69.09 0.21

AmerExpress AXP 98.76 -1.66

AmericanFin AXP 114.14 0.31

AIG AIG 55.40 1.40

AmerTower APT 135.73 -1.23

AmerWaterWorks AWK 84.75 -0.02

Ameriprise AMP 141.44 -1.22

AmerisourceBrgn AIC 91.43 1.29

Ametek AME 71.95 0.13

Amgen AMGN 174.83 2.89

Amphenol APH 82.81 0.31

AnadarkoPetrol APLC 66.83 0.74

AnalogyDevices ADE 87.72 0.11

Andeaer ANDV 120.09 1.17

AndeaorLog AON 49.09 1.49

AIBn BUD 103.23 0.27

AntalyaCapitl APT 19.21 -0.04

Antenn APTM 238.84 13.84

Aon AON 141.97 -0.36

Apache APA 41.00 0.36

Apartmentting APT 39.35 0.08

Aptiv APTV 35.11 0.40

ArcherDaniels ADP 104.07 -0.20

ArkoBt ABBV 102.99 0.35

Atalla AATL 50.79 2.23

Atlasite ATLS 44.07 -0.30

Attal AATL 27.22 -0.34

## BANKING &amp; FINANCE



An American Express celebration marking the opening of a Hong Kong airport lounge. The company has its sights on the mainland.

## AmEx Is Poised for China Entry

BY LINGLING WEI  
AND CHAO DENG

**BEIJING—American Express** Co. cleared a hurdle in its yearslong effort to operate in China, potentially becoming the first U.S. card network to receive permission to offer services in the Chinese market.

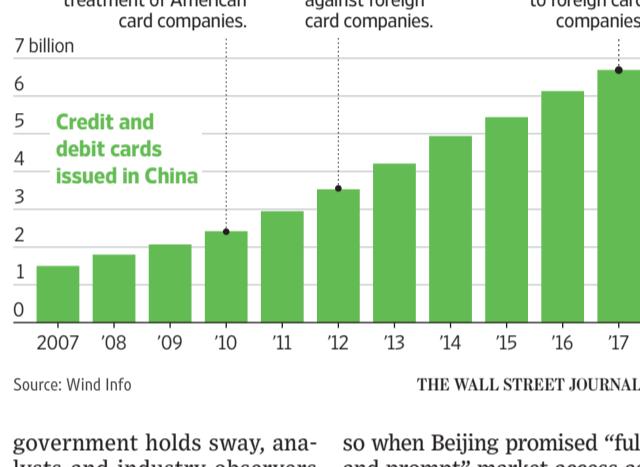
China's central bank informed the New York-based card issuer that it would "formally accept" its application to clear and settle domestic bank-card transactions, an AmEx spokesman said. The firm has applied to do so by forming a joint venture with a Chinese mobile-payment provider, Lianlian Group, the spokesman said. People close to the central bank confirmed officials have given "verbal acceptance" to AmEx's application.

Obtaining such regulatory consent marks an important, if only initial, step toward gaining a foothold in China's fast-expanding electronic-payment market. Chinese authorities hope to tout AmEx's application as an example of progress in opening its markets when President Donald Trump's top economic advisers travel to Beijing next week to try to settle escalating trade disputes, according to people involved in China's decision making.

AmEx's decision to take on a Chinese partner, instead of forming a wholly owned entity, shows the difficulties foreign firms face in going solo in a market where the

## Hard Lobby

Foreign card networks have pushed for years to enter China's market.



government holds sway, analysts and industry observers said. Barriers to foreigners have been high for so long that Chinese institutions now thoroughly dominate many sectors, especially in finance, be they for payment services, credit rating, brokerages or banking, sectors in which China has said greater foreign participation would be allowed.

Authorities "aren't establishing a level playing field," said Lester Ross, a Beijing-based lawyer at WilmerHale, who advises U.S. businesses operating in China. Instead, he said, they're "opening a door but only for firms to crawl through."

Opening the market to foreign card companies was a pledge Beijing made a dozen years ago. It still hadn't done

so when Beijing promised "full and prompt" market access as part of a quick 100-day market-opening package made after a summit between President Trump and President Xi Jinping a year ago. Credit-rating, brokerage and financial firms are all areas Beijing has over the past year said greater foreign participation would be allowed, but in which foreign executives complain that licensing and other regulatory roadblocks leave those promises unfulfilled.

China already has 6.7 billion bank cards in circulation, with government-owned **China UnionPay** Co. commanding more than 90% of the domestic market.

Joint ventures, like the one being formed by AmEx, have drawn particular ire from some Trump administration

officials who see them as a tool China uses to reduce American companies' profits and siphon off their technical know-how.

The AmEx spokesman said the firm's strategy has always been to form a joint venture in China. AmEx has worked with Lianlian as far back as 2012, providing technologies to power Lianlian's digital wallet.

In addition to AmEx, **Mastercard** Inc. has also formed a partnership with three Chinese entities and has applied with the central bank to conduct card-clearing and settlement transactions in the country, according to people with knowledge of the matter. Its joint-venture application so far hasn't been accepted by the People's Bank of China, the people said.

**Visa** Inc. recently has withdrawn and resubmitted its application to form a wholly owned entity in China, according to people familiar with the matter. So far, the firm's application hasn't been accepted by the central bank, the people said, and Visa is also weighing potentially teaming up with Chinese banks as way to get into the Chinese market if it doesn't get the green light.

A Visa spokeswoman said the company would continue to work through the application process and is committed to China for the long run. She declined to elaborate.

—Yang Jie  
and AnnaMaria Andriotis  
contributed to this article.

## Credit Suisse Profit Affirms Restructuring

BY PIETRO LOMBARDI  
AND BRIAN BLACKSTONE

**Credit Suisse Group** AG posted a strong rise in first-quarter net profit, beating expectations and bolstering evidence that the Swiss lender's yearslong restructuring has put it back on track to growth.

Net profit grew by 16% to 694 million Swiss francs (\$709.1 million) as revenue rose 1.8% to 5.64 billion francs. Analysts had expected Credit Suisse to report net profit of 653 million francs on revenue of 5.49 billion francs.

The results kick off a crucial year for Credit Suisse, which reported its third consecutive annual loss in 2017 after a charge related to U.S. tax changes hit its fourth-quarter results.

The bank is in the last year of a three-year overhaul, shifting its emphasis toward wealth management and away from investment banking, which can be profitable but is also volatile and costly to run.

Chief Executive Tidjane Thiam, who launched the restructuring after joining the bank in the middle of 2015, said the revamp laid the foundation for last quarter's results. "What you are seeing today is the impact of what we did in 2016," he said.

"The big idea for growth is wealth management," he said, calling investment banking a "flat industry."

Investors welcomed the re-

sults, with shares in the bank rising 3.5% Wednesday.

"We continue to believe that 2018 is set to be a year in which [Credit Suisse] should be able to deliver turnaround benefits from the large-scale restructuring program," said analysts at Baader Helvea Equity Research.

Rival UBS Group AG's first-quarter results on Monday also mostly beat expectations, though not as clearly as Credit Suisse's did. Its shares dropped around 4% in the following hours.

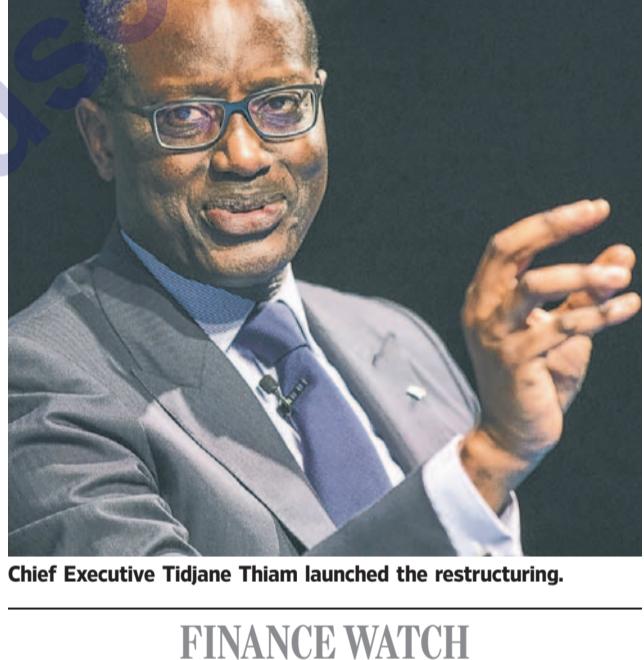
For the first quarter, Credit Suisse's international wealth-management division reported a 45% increase in adjusted pretax income.

The Swiss universal bank and Asia-Pacific operations reported a double-digit percent increase in adjusted pretax income.

The investment-banking and capital-markets division reported lower net revenue "in a quarter characterized by muted client activity," the bank said.

Credit Suisse warned that financial markets would be exposed to periods of heightened volatility due to global trade negotiations, monetary policy tightening and other geopolitical events.

"Client activity levels remain sensitive to these factors, specifically within our more market dependent activities," Credit Suisse said.



Chief Executive Tidjane Thiam launched the restructuring.

## FINANCE WATCH

## PAYPAL

## Mobile Payments Cited in Profit Gain

**PayPal Holdings** Inc. said on Wednesday that first-quarter profit rose by one-third thanks to increases in mobile payments and cross-border trade.

The San Jose, Calif.-based financial-technology firm reported a quarterly profit of \$511 million, or 42 cents a share. That compares with a profit of \$384 million, or 32 cents a share, a year earlier. On an adjusted basis, PayPal's per-share earnings rose to 57 cents, above the estimate of analysts polled by Thomson Reuters. Net revenue rose 24% to \$3.69 billion, more than the \$3.59 billion analysts were expecting.

Payment volume totaled \$132 billion, up nearly one-third from the same period a year ago. Venmo, PayPal's mobile person-to-person payments service, handled more than \$12 billion in volume during the first quarter.

—Peter Rudgeair

## NYSE

## Glitch Stops Trading In Big Nasdaq Stocks

The New York Stock Exchange temporarily suspended trading of shares of **Amazon.com** Inc., Google parent **Alphabet** Inc. and several other Nasdaq-listed stocks due to a technical glitch on its flagship exchange.

The issue, which the NYSE announced in a notice emailed to traders at 12:24 p.m. New York time on Wednesday, had no impact on the vast majority of investors. That is because stocks are traded on many other exchanges, and shares in Amazon and Alphabet could still be traded elsewhere even while being suspended at the NYSE.

Still, it was an embarrass-

ment for the Big Board, which only began to allow trading of stocks and exchange-traded funds listed on other exchanges earlier this month. The April 9 change reversed a decades-old policy in which trading on the NYSE's flagship exchange was limited to stocks listed there.

"We suspended trading in these symbols to minimize impact to a very small subset of customers, and the issue will be resolved by tomorrow," a NYSE spokeswoman said Wednesday.

—Alexander Osipovich

## VISA INC.

## Earnings Surge as Spending Increases

**Visa** Inc.'s quarterly profit surged sixfold in the latest period, bolstered by increased consumer spending on credit and debit cards and the integration of its European business.

Visa, the largest U.S. card network by such measures as cards in circulation and number of transactions, reported payments volume of nearly \$2 trillion in the quarter, up 15% from a year earlier. Total transactions increased 10% from a year prior.

Visa's numbers were aided by strong credit-card purchase volume at several large banks during the quarter, including JPMorgan Chase & Co. and Wells Fargo & Co., which issue many cards that run on Visa's network.

In addition, Visa's finance chief Vasant Prabhu on the earnings call cited strong spending growth in markets abroad, in particular in travel. Payments occurring in the U.S. with cards from consumers who reside in other countries increased by the largest amount since 2014.

Overall, second-quarter profit surged to \$2.61 billion, or \$11 a share, from \$430 million, or 18 cents a Class A share.

—Maria Armental and AnnaMaria Andriotis

BY ALEXANDER OSIPOVICH

**Gemini**, the bitcoin exchange founded by Cameron and Tyler Winklevoss, has teamed up with **Nasdaq** Inc. to beef up its defenses against market manipulation—the latest sign that the cryptocurrency industry is trying to get past its Wild West days.

The deal comes as regulators have stepped up scrutiny of digital-currency exchanges in recent months. Securities and Exchange Commission officials have warned of potential fraud and manipulation on the largely unregulated trading venues.

Under the agreement, Gemini will use Nasdaq's surveillance software, called Smarts, to monitor its markets for potentially abusive trading practices. The two companies announced the agreement on Wednesday. Financial terms weren't disclosed.

"We're doing this because we believe in the importance of creating a rules-based marketplace," Cameron Winklevoss, president and co-founder of Gemini, said in an interview. "We believe this is where things are headed."

Smarts is part of Nasdaq's market-technology business, in which the New York-based exchange group sells software to other market operators.

The surveillance technology is used by equities and derivatives exchanges around the world, including **Intercontinental Exchange** Inc., **Hong Kong Exchanges & Clearing** Ltd. and the Nige-



Gemini, founded by Tyler and Cameron Winklevoss, wants defenses against market manipulation.

KARINA TANG/GETTY IMAGES

rian Stock Exchange.

Nasdaq's technology monitors real-time market activity and raises alerts if it detects unusual trading patterns. It is then up to humans to investigate the event and determine whether the traders behind it broke any rules.

Nasdaq is in "active discussions" with a number of other cryptocurrency firms about Smarts, according to Chief Executive Adena Friedman. "The crypto space is a nice growth area," she said in an interview.

Some traders have voiced concerns that bitcoin futures could be manipulated through heavy buying or selling in the Gemini auctions.

At Gemini, Smarts will help

monitor trading of bitcoin and Ethereum, the second-largest cryptocurrency, and it will surveil the auctions that Gemini holds at 4 p.m. ET to determine a daily benchmark price for bitcoin, the companies said.

Gemini's auction price is used to underpin bitcoin futures offered by **Cboe Global Markets** Inc., which started trading in December.

Some traders have voiced

concerns that bitcoin futures could be manipulated through heavy buying or selling in the Gemini auctions.

At Gemini, Smarts will help

Cboe and Gemini say they have a variety of measures in place to combat any attempts at manipulation.

Last week, Gemini was among 13 cryptocurrency exchanges to receive a letter from New York Attorney General Eric Schneiderman demanding that they answer a list of questions about their practices, including what safeguards the exchanges had in place against attempted manipulation.

Gemini pledged to cooperate with Mr. Schneiderman's inquiry.

Still, it was an embarrass-

The New York Stock Exchange temporarily suspended trading of shares of **Amazon.com** Inc., Google parent **Alphabet** Inc. and several other Nasdaq-listed stocks due to a technical glitch on its flagship exchange.

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—Maria Armental and AnnaMaria Andriotis

## MARKETS

# Treasurys Plant Flag Strongly In 3% Zone

BY AKANE OTANI

Investors continued to sell Treasurys, sending the yield on the 10-year note to fresh multiyear highs above 3%.

The yield on the 10-year note, used as a reference for everything from auto loans to student debt to mortgage rates, settled at 3.026%, the highest closing level since Dec. 31, 2013. Yields had settled at 2.983% Tuesday after piercing 3% in intraday trading. Yields rise when bond prices fall.

The latest bout of bond selling has come in part as rallying crude-oil prices—as well as signs that Federal Reserve officials are confident about the economy's trajectory—have spurred fresh investor bets on growth and inflation. The yield on the 10-year note has notched six consecutive advances.

Now, investors are concerned about how much further bond yields will rise and whether bond selling could spill over into stocks. Earlier this year, investors shed stocks, fearing a faster-than-expected pickup in inflation could force the Fed to accelerate its pace of rate increases. A jump in borrowing costs could threaten to crimp spending among consumers and corporations, although some investors say that could act as a brake on the economy, ultimately capping the rise in bond yields.

Many also still believe the economy is on strong footing, and that bond yields haven't climbed high enough to, by themselves, derail the nine-year stock rally. The economic picture "is filled with solid GDP metrics, strong consumer sentiment and steady jobs numbers," said Mike Loewengart, vice president of investment strategy at E\*Trade.

## AUCTION RESULTS

Here are the results of Wednesday'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.

FIVE-YEAR NOTES	
Applications	\$91,691,209,000
Accepted bids	\$39,467,309,000
"noncompetitively"	\$54,545,200
Auction price (rate)	99.597097 (2.83%)
Interest rate	2.750%
Bids at clearing yield accepted	56,700
Cusip number	912828411

The notes, dated April 30, 2018, mature on April 30, 2023.

TWO-YEAR FRNs	
Applications	\$64,232,166,300
Accepted bids	\$19,169,908,300
"noncompetitively"	\$40,793,700
Spread	0.033%
Bids at clearing yield accepted	91.62%
Cusip number	9128284K3

The floating-rate notes, dated April 30, 2018, mature on April 30, 2020.

Continued from page B1

advantage of new opportunities, "you could see this revenue level for the next three quarters" at banks, said Guy Moszkowski, analyst at Autonomous Research.

But recent trends suggest that many fund managers won't necessarily be looking to put more money to work in the market if prices drop. In a volatile market, banks also face elevated risks that they could be caught on the wrong side of a trade. "Everyone in equities is now thinking about preparing and taking on more insurance," said Brad Bailey, research director at Celent, which advises financial firms on technology.

Derivatives contracts, which can tie to any instrument from stock indexes to interest rates, have a long and colorful history on Wall Street, generating lucrative paydays but also painful losses due in part to the ease with which they can be used with borrowed money.

The biggest banks, in particular, have seen swings in equities, including more than \$1 billion in losses last year tied to the former chairman of South African retailer **Steinhoff International Holdings NV**.

In the first quarter, equities trading revenue at the five biggest Wall Street banks—**Morgan Stanley**, **Goldman Sachs Group Inc.**, **JPMorgan**

# Dow Losing Streak Ends at 5 Days

Blue chips eke out small gain, fueled by earnings-driven increase in Boeing

BY AMRITH RAMKUMAR AND RIVA GOLD

The Dow Jones Industrial Average inched higher Wednesday to end its longest losing streak in more than a year, lifted by a surge in Boeing shares following the aerospace giant's latest earnings report.

Stocks have wobbled in recent days with bond yields climbing and investors wondering whether earnings are peaking for big U.S. companies, which could hinder future stock gains as interest rates and inflation continue rising.

But a spate of more upbeat earnings boosted stocks Wednesday, with eight of 11 S&P 500 sectors climbing.

"Tax reform and economic momentum suggests that

earnings are likely to peak this year, but not until later in the year," said Kristina Hooper, chief global market strategist at Invesco. "There's still more upside, it's just a different market environment than we experienced last year."

The blue-chip index added 59.70 points, or 0.2%, to 24083.83 to break a five-session losing streak after dropping as much as 0.8% earlier in the session. The S&P 500 added 4.84 points, or 0.2%, to 2639.40, and the Nasdaq Composite declined 3.61 points, or less than 0.1%, to 7003.74.

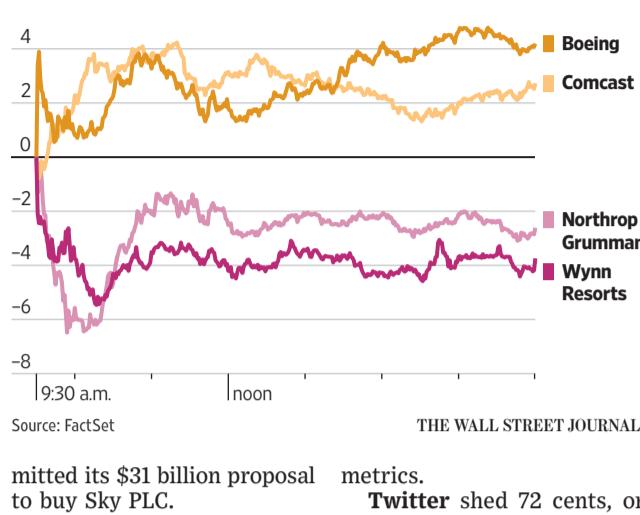
The tech-heavy index has fallen in five straight sessions, its longest streak since November 2016, and major indexes remain more than 7.7% off their records from earlier this year.

**Boeing** shares rose \$13.80, or 4.2%, to \$342.86, adding 95 points to the Dow industrials after the company boosted key financial guidance for 2018.

**Comcast** climbed 91 cents, or 2.7%, to 34.26 after it posted strong earnings growth, despite continuing cable TV subscriber losses. The media giant also formally sub-

## Earnings Swings

Boeing and Comcast rose after reporting first-quarter earnings, while Northrop Grumman and Wynn Resorts fell.



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mitted its \$31 billion proposal to buy Sky PLC.

**Northrop Grumman** was among the worst performers in the S&P 500, falling 8.90, or 2.6%, to 332.62. The defense contractor topped sales and profit expectations in the first quarter and boosted its earnings outlook for the year, though it maintained its outlook on revenue and other

metrics.

**Twitter** shed 72 cents, or 2.4%, to 29.75 even after posting its second profitable quarter as a public company. The social-media firm warned growth likely will slow for the remainder of the year.

Shares of **Wynn Resorts** declined 7.11, or 3.7%, to 182.89 after the casino operator said it swung to a loss in

its latest quarter following charges tied to a legal settlement that paved the way for Steve Wynn to sell his stake in the company he co-founded.

Trading was volatile again Wednesday, with major indexes swinging between gains and losses throughout the session before rising in the afternoon. Although S&P 500 earnings are expected to rise at the fastest pace in years, some analysts doubt companies can sustain that growth moving forward as the Federal Reserve raises interest rates and pushes up bond yields.

The yield on the benchmark 10-year U.S. Treasury note continued to climb as prices fell and settled at 3.026%, its highest level since 2013 and up from 2.983% Tuesday. It touched 3% for the first time in more than four years Tuesday.

In Asia early Thursday, South Korea's Kospi was up 1.2% after Samsung reported higher profit for the first quarter. Japan's Nikkei was up 0.7%, but Chinese markets were lower.

—Joanne Chiu and Mike Bird contributed to this article.

# WeWork's Bond Sale Raises \$702 Million

BY SAM GOLDFARB

WeWork Cos. sold \$702 million in bonds Wednesday, becoming the latest startup to win over debt investors despite a cash-burning history that is atypical for a bond issuer.

WeWork, a New York-based office-space provider with a hip reputation and \$20 billion valuation, was able to sell its seven-year bonds at par with a 7.875% interest rate, people familiar with the matter said. That rate was in line with the guidance set by a JPMorgan Chase-led group of underwriters on Tuesday, although the size of the deal was increased from \$500 million.

Investors looking at the deal cited concerns about WeWork's minimal assets, sizable lease obligations, negative cash flow and strategic challenges as the company expands beyond high-rent cities like New York and San Francisco.

Still, some were lured by a relatively high interest rate for the company's single-B credit rating, and comforted by the support it has won from equity holders such as **SoftBank Group Corp.**, which invested \$4.4 billion last August through its tech-focused Vision Fund.

Bond investors are typically nervous about lending to companies that don't generate stable cash flows. Unlike equity investors, bond investors reap



A bond-offering document offers a look into WeWork's finances. WeWork offices in San Francisco.

limited rewards if a young company goes on to great things, but face ample downside if the business can't make its interest payments.

At the same time, a lofty valuation implies equity investors are prepared to help the company through growing pains, making a default less likely.

"This is still a startup," said Scott Roberts, head of high-yield investments at Invesco. "Traditional credit metrics

don't apply here."

In a document presented to bond investors, WeWork offered some unusual measures of its earnings before interest, taxes, depreciation and amortization last year. While its adjusted Ebitda was negative \$193.3 million, its "adjusted Ebitda before growth investments" was \$49.4 million and its "community adjusted Ebitda," which excludes general and administrative expenses, was \$233.1 million.

WeWork resembles some other growing businesses that have tapped the debt markets in recent years, such as **Uber Technologies Inc.** and **Tesla Inc.**

In Uber's case, investors have twice lent to the ride-sharing company through the high-yield loan market, first in 2016 and most recently in March, when the company issued a \$1.5 billion loan the same week one of its self-driving cars struck and killed a pedestrian in Arizona.



Note: Option-adjusted

Source: Bloomberg Barclays

THE WALL STREET JOURNAL.

Uber, which was recently valued in a secondary sale at \$48 billion, burned through \$40 million in cash in the fourth quarter. Its \$1.5 billion floating-rate loan, which pays a 6.4% coupon at current interest rates, is quoted at around 101 cents on the dollar, according to Market.

After a rough patch earlier this year, the high-yield bond market has recovered of late, with risk premiums falling to near their lowest levels since the financial crisis. The average junk-bond yield was 3.3 percentage points above the comparable Treasury yield on Tuesday, down from 3.43 percentage points at the end of 2017, according to Bloomberg Barclays data.

# BANKS

Many also still believe the economy is on strong footing, and that bond yields haven't climbed high enough to, by themselves, derail the nine-year stock rally. The economic picture "is filled with solid GDP metrics, strong consumer sentiment and steady jobs numbers," said Mike Loewengart, vice president of investment strategy at E\*Trade.

Now, investors are concerned about how much further bond yields will rise and whether bond selling could spill over into stocks. Earlier this year, investors shed stocks, fearing a faster-than-expected pickup in inflation could force the Fed to accelerate its pace of rate increases.

A jump in borrowing costs could threaten to crimp spending among consumers and corporations, although some investors say that could act as a brake on the economy, ultimately capping the rise in bond yields.

Many also still believe the economy is on strong footing, and that bond yields haven't climbed high enough to, by themselves, derail the nine-year stock rally. The economic picture "is filled with solid GDP metrics, strong consumer sentiment and steady jobs numbers," said Mike Loewengart, vice president of investment strategy at E\*Trade.

Meanwhile, actual stock trading, known as "cash trading" in Wall Street parlance, was generally up only a small amount from a year ago, the people said.

The results helped make up for a slight drop in performance among those banks' larger fixed-income, commodities and currencies desks.

Morgan Stanley Chief Financial Officer Jonathan Pruzan said equity-derivatives trading was the highlight of the quarter, in which the bank's equities revenue rose 27%.

—Liz Hoffman contributed to this article.

## CFTC Chief Plans Swaps Rule Revamp

U.S. regulators want to make it easier for companies to complete swaps trades, responding to industry complaints that postcrisis rules have hurt market liquidity.

Commodity Futures Trading Commission Chairman J. Christopher Giancarlo is expected to detail his vision Thursday for overhauling the system, setting the stage for new rules to be rolled out in coming months.

Mr. Giancarlo, a Republican, has long criticized the swap-execution rules enacted by the CFTC under former Democratic Chairman Gary Gensler, saying they are overly prescriptive and run counter to what Con-

gress intended in the 2010 Dodd-Frank financial law.

Swaps are derivatives contracts in which two parties agree to exchange payments based on fluctuations in certain benchmarks. Companies use them to hedge risks or make bets in such areas as fuel prices or interest rates.

At an industry conference in Miami on Wednesday, CFTC Division of Market Oversight Director Amir Zaidi said he hoped the proposal could be ready as early as July.

The overhaul will be detailed in a white paper that is expected to be published Thursday. Mr. Giancarlo described the paper as "regulatory reform 2.0," an update, rather than a repudiation, of Dodd-Frank.

—Gabriel T. Rubin

The divisions are likely to come into sharper focus as more tech-focused companies report financial results in coming days.

With valuations already stretched by traditional measures, investors are contemplating which companies warrant the higher multiples that typically come with the tech label.

The moves follow a year when any name with a Silicon Valley ring to it seemed to rise. **Netflix Inc.** rose 55% in 2017, while shares of **Tesla Inc.** and **Apple Inc.** both surged 46%.

Netflix, though lumped into the consumer-discretionary sector, has climbed 59% this year as its video-streaming service has continued to post subscriber growth. But Tesla, an electric-car maker that isn't in the S&P 500, is down 9.9% amid concerns about the pace of production of its new Model

3. Apple has fallen 3.3%.

"It's more of a prove-it-to-the market," said Brian Johnson, chief investment officer at Viridian Advisors in the Seattle area, which has roughly \$600 million in assets. Mr. Johnson's firm sold its stake in Tesla last month. He noted that sentiment around the stock had soured after its remarkable run in 2017. His firm, however, still holds some big tech stocks.

After its run-up in 2017, the S&P 500 tech sector trades at roughly 31 times its past 12 months of earnings, carrying among the highest price/earnings ratio of the 11 sectors in the broad index. The S&P 500 trades at 22 times trailing earnings.

Rising valuations have made certain tech areas look less appealing, investors say, especially given the possibility of tighter regulations on some companies.

**Facebook Inc.**, which was the fifth-largest S&P 5

## MARKETS

## Consumer-Staples Stocks Are Stumbling

Sector is this year's worst performer, hurt by rising costs and online competitors

By AKANE OTANI  
AND MICHAEL WURSTHORN

Investors once attracted to the steady payouts of companies selling staples like breakfast cereal, toothpaste and razors are shopping elsewhere.

A series of disappointing earnings reports from industry giants such as **Philip Morris International Inc.**, **Procter & Gamble Co.** and **Kimberly-Clark Corp.** have sent consumer-goods shares tumbling in recent days—a sign that many investors remain skeptical of the companies' ability to cope with rising costs, as well as to fend off online competitors such as **Amazon.com Inc.**

The sector's underperformance comes as a surprise to analysts who had expected signs of a pickup in inflation to drive investors into shares of businesses that sell household goods and basic necessities, products that consumers would typically be willing to buy even when rising prices crimp their spending elsewhere. Instead, companies competing with discount retailers are struggling to raise prices for their marquee products—something recent earnings reports show has become a growing headwind for their businesses.

Even hefty dividend payouts haven't been enough to lure investors into shares of consumer-staples companies, which have shed 12% in the S&P 500 this year and posted the biggest losses of the broad index's 11 sectors. The S&P 500 has fallen 1.3%.

The industry's pricing issues have many money managers wondering whether the biggest makers of household staples have already seen their



## Performance, year to date

-1.3%	S&P 500
-21.7	Clorox
-21.8	Altria
-22.6	Philip Morris International
-25.7	General Mills
-26.9	Kraft Heinz

## Trailing 12-month price/earnings ratio

	21.7 times
S&P 500	
Real estate	37.3
Technology	30.7
Health care	26.3
Energy	24.0
Consumer discretionary	21.0
Industrials	20.8
Materials	19.6
Financials	17.7
<b>Consumer staples</b>	<b>17.2</b>
Utilities	16.9
Telecom	6.9

Sources: FactSet (share price, performance); WSJ Market Data Group (P/E ratio); S&P Dow Jones Indices (yield)

best days.

"What's happening is that these firms are struggling to pass on rising costs to consumers," said Shawn Cruz, manager of trader strategy at TD Ameritrade. "Big brands have counted on their brand name drawing customers in, and that's not necessarily happening anymore."

One of the worst days of the year for the consumer-staples sector came last Thursday, when tobacco giant Philip Morris said quarterly shipments fell more than expected as consumers world-wide continued to turn away from cigarettes. Philip Morris shares fell

16%, posting their biggest one-day percentage decline since going public in 2008, according to FactSet. The stock is off 23% for the year.

Many companies serving up consumer staples have suffered more broadly, though, from rising competition from online retail giants, which have put pressure on firms to keep product prices low.

Shares of Procter & Gamble, the maker of Tide detergent and Pampers diapers, have shed 21% this year, making them one of the worst performers in the sector. The company has cut prices across its businesses, including its

Gillette razors, to try to stave off competition from other low-cost rivals such as Dollar Shave Club—something that crimped its sales growth in the most-recent quarter.

Another company that has fallen behind: **General Mills Inc.**, whose shares have tumbled 26% this year as it has grappled with what Chief Executive Jeff Harmening said was an "unprecedented rise in logistics costs."

That has forced it to lower its earnings expectations for the year, with company projections now suggesting per-share earnings for the fiscal year ending in May will rise by

just 1%, compared with the 4% increase previously estimated.

Although freight and commodities costs have increased, companies such as **General Mills**, **Campbell Soup Co.**, **Kellogg Co.** and **Conagra Brands Inc.** have struggled to protect profits by raising prices for products, citing steep competition from discount retailers.

Even companies that have ventured into e-commerce to try to compete more directly with the likes of Amazon and Walmart Inc. have struggled. **Kroger Co.** shares fell 12% on March 8, its biggest one-day percentage slide since June, after the company said its in-

vestments in online operations cut into fourth-quarter profit.

Some consumer-products companies are taking more drastic steps to slash costs to protect thinning profit margins. Kimberly-Clark, which makes Huggies diapers and Kleenex tissues, kicked off a huge restructuring of its operations earlier this year that is expected to deliver annual pretax savings of as much as \$550 million by the end of 2021. But the overhaul is projected to be pricey, with total costs reaching as much as \$1.9 billion before then.

Those charges weighed on Kimberly-Clark's first-quarter earnings, which were reported Monday, but the company boosted its sales forecast for the year. The shares fell 1.5% Monday. CEO Thomas Falk said the cost cuts are necessary, along with the development of new products and some stronger pricing, to put the company, and the industry at large, on firmer footing.

Some analysts believe a wave of stock volatility that spurs demand for haven assets could prompt a rebound in consumer-staples shares, which many consider bondlike because of their dividend payments.

As of the end of March, 33 of 34 companies in the S&P 500's consumer-staples sector had boosted dividend payouts to shareholders, according to data from S&P Dow Jones Indices, with the sector's average yield clocking in at 3%, above the 2.4% average for dividend-paying stocks across the entire S&P 500.

Still, sectors that investors tend to think of as safety plays—telecommunications, real estate and utilities—have all underperformed the S&P 500 this year. Meanwhile, investors have added to their bets on technology companies that they believe will be able to deliver faster earnings growth.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

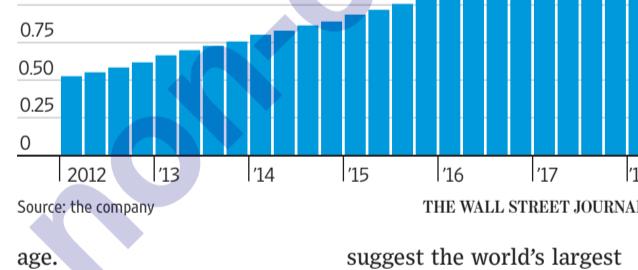
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## Facebook Still in the Friend Zone

## Steady Climb

Average daily active Facebook users



age.

The bill is pending. The company's total costs and expenses rose 39% year over year for the quarter, below the boost of 50% to 60% the company is now projecting for the full year.

But Wednesday's results

suggest the world's largest social network isn't easily unplugged. Facebook's ability to keep users and to convince even more to join means that advertisers aren't going anywhere, either.

Advertising revenue

jumped 50% to \$11.8 billion.

Also worth noting is that revenue in the U.S. and Canada—nearly half of the company's total—jumped 44% despite less than 2% growth in the company's daily user base in those countries during the period.

Much remains unknown, including what form new regulations may take and how they could impact social media profits. But even a 7% price jump in after-hours trading Wednesday keeps Facebook around 20 times forward earnings, adjusted for net cash. That is slightly below Google parent **Alphabet**'s valuation and a bargain compared with much smaller **Twitter**. Given the clouds hanging over it, it may be a while before Facebook can command much more.

—Dan Gallagher

## OVERHEARD

The disrupter of all sorts of industries is entering the parenting business.

**Amazon.com** announced a new program Wednesday for its Alexa digital assistant called FreeTime.

It "includes a new set of parental controls and family-focused features" that will enable parents to set bedtime time limits on device usage and block music with explicit lyrics.

FreeTime also will allow for automated household announcements.

FreeTime also has a feature called "Magic Word," which offers positive reinforcement to kids who use words like "please" when making requests of Alexa.

Who needs Mom and Dad anyway?

## Resurgent Twitter Isn't A Free Bird

**Twitter** has gone from a company that can do no right to one that can't do right enough. Both have their downsides.

The latter sentiment was evident Wednesday following strong first-quarter results. Advertising revenue jumped 21% year over year. It was the best performance in two years. The company also added six million monthly users, which had remained flat at 330 million for the preceding two quarters. Total revenue exceeded expectations by 10%.

That didn't prove enough to keep Twitter's already-highflying stock airborne as the shares dropped 2.4%. The company noted that growth in the latter half of the year won't look as good. It also didn't help that the stock already had surged by 27% in 2018, mostly on the strength of the company's last quarterly report. That made Twitter a standout against advertising-driven peers **Facebook** and Google parent **Alphabet Inc.**, both of which have been beaten down by worries about privacy and the potential government regulation.

Twitter isn't immune to those fears, but it began the year with an even bigger concern: the notion that its business had peaked. Such fears now seem premature. Twitter has now generated real earnings for two consecutive quarters.

Yet Twitter remains expensive relative to those earnings. Even Wednesday's decline keeps the stock at more than 200 times Wall Street's projections, nearly 10 times the multiple that Facebook and Alphabet command. Against that bar, Twitter's results were simply never going to fly high enough.

—Dan Gallagher

## Stock Value Means Wynn Resorts Remains a Risky Bet

## Gambling Problem

Wynn Resorts share price, past six months



knew about Mr. Wynn's alleged behavior and what, if anything, they did about it. That has prompted Wynn Resorts to begin talks to sell its partially built \$2.5 billion casino near Boston. If it is a forced seller then it may not receive a full price.

"We still like the Greater Boston area market," said Mr. Maddox, who cited the "risk due to heightened rhetoric."

Las Vegas remains far more material and the Nevada Gaming Commission is unlikely to revoke the company's license there, but in Macau, where revenue from **Wynn Macau** topped \$618 million this quarter, Chinese regulators could act. The allegations give them a pretext for replacing Wynn Resorts with a Chinese company, which they might prefer.

Betting on Wynn shares so close to their prescandal level is a real roll of the dice.

—Elizabeth Winkler

Matt Maddox, the new chief executive of **Wynn Resorts**, began the company's first-quarter earnings call on Tuesday by acknowledging that "it's definitely been an eventful three months."

He wins points for understatement, though not sensitivity to the serious matter of alleged sexual harassment and rape. After a few perfunctory words about Wynn's commitment to diversity and equality, Mr. Maddox quickly moved on to touting the company's stellar assets. "I'm not interested in looking in the rearview mirror," he said.

But objects in the mirror are closer than they appear and still could run this stock off the road. That risk barely is reflected in Wynn's share price, which is almost back to its prescandal level. Before The Wall Street Journal's story broke in January, Wynn was trading around \$200 a share. After a sharp

fall, it is now back up to \$190. But the hazards to which founder Steve Wynn exposed the company didn't vanish entirely with his departure. Mr. Wynn has said it is "preposterous" that he would assault a woman; he hasn't responded to other allegations of sexual misconduct.

First, the company has refused to overhaul its board, which was widely viewed as lacking independence from Mr. Wynn. True, it has added three women, but that doesn't solve the problem of the majority male board members who may have turned a blind eye to Mr. Wynn's behavior for years. Elaine Wynn, Mr. Wynn's ex-wife and now the largest shareholder, has pointed to the "exorbitant" pay package recently approved for Mr. Maddox as evidence that "very little has changed" at the company.

That matters not only be-

cause it gives little reassurance that reputational issues such as sexual harassment will be taken seriously in the future, but also because it suggests that the company's corporate governance in general isn't improving. A special committee of the board that is investigating the allegations includes John Hagen-

buch, a longtime close friend of Mr. Wynn. As Ms. Wynn has noted, that is "disconcerting."

A more immediate reason for shareholders to be concerned is that the company remains at risk of having its casino licenses revoked. The Massachusetts Gaming Commission is investigating who