

THE WALL STREET JOURNAL.

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DJIA 24748.07 ▼ 38.56 0.2%

NASDAQ 7295.24 ▲ 0.2%

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10-YR. TREAS. ▼ 15/32, yield 2.867%

OIL \$68.47 ▲ \$1.95

GOLD \$1,351.20 ▲ \$4.00

EURO \$1.2376

YEN 107.23

What's News

Business & Finance

The Permian oil field at the heart of the U.S. shale boom appears to be choking on its own growth, with ramifications for energy profits and global markets. A1

◆ Morgan Stanley posted a record quarterly profit, benefiting from lower taxes and expenses, active markets and economic growth. B1

◆ Fox rejected a Comcast bid for its entertainment assets largely over antitrust concerns, a filing said. B1

◆ Cerberus named as its president former JPMorgan operating chief Zames, who was once seen as a possible successor to Dimon. B1

◆ Amazon and Best Buy are joining forces to sell smart TVs powered by Amazon's Fire operating system. B1

◆ P&G agreed to acquire the consumer-health business of Germany's Merck KGaA in a \$4.2 billion deal. B3

◆ The SEC proposed a "best-interest" standard for stockbrokers that is less restrictive than the fiduciary rule. B10

◆ The S&P 500 rose for a third straight day, lifted by industrials. The Dow fell 38.56 points to 24748.07. B11

◆ Deutsche Bank said its chief operating officer will leave, the latest executive to quit the German lender. B10

◆ GM replaced the head of Cadillac, as executives push for a swifter turnaround at the luxury-car brand. B2

◆ Wynn added three women to its board as the firm continues to manage fallout from sexual-misconduct allegations against its former CEO. B5

World-Wide

◆ The Southwest accident that killed a passenger has prompted safety experts to focus on an apparent vulnerability in the engine cover. A1, A6

◆ An al Qaeda offshoot that vows to impose Islamic rule is consolidating power in northwest Syria as the U.S. focuses on other battles. A1

◆ A U.N. team came under assault while examining the site of an alleged chemical-weapons attack in Syria. A8

◆ Trump, at a summit with Japan's Abe, offered North Korea a "bright path" if it abandons nuclear weapons but demanded fruitful talks. A7

◆ A South Korean official said Seoul could push for a more permanent peace pact to replace the armistice that ended the Korean War. A7

◆ The U.S. is testing procedures for the evacuation of its citizens from South Korea, simulating preparations for a conflict. A9

◆ A longtime Trump legal adviser told the president that Cohen would cooperate with federal prosecutors if faced with criminal charges. A4

◆ Pompeo met with Senate Democrats in his bid to win confirmation as secretary of state, which currently looks uncertain. A4

◆ German leaders will press the U.S. to exempt their country's companies from sanctions on Russia. A18

◆ The EU is drawing up a peace offer to the U.S. in a bid to avoid looming steel and aluminum tariffs. A18

◆ Puerto Rico suffered an islandwide blackout triggered by a power-line failure. A3

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Please see GAMES page A2

Trump Lays Down Parameters for North Korea Summit



JOINT APPEARANCE: President Trump, speaking Wednesday in Florida with Japanese Prime Minister Abe, said he wouldn't meet with North Korean leader Kim Jong Un if he felt the session would be unsuccessful. He also said he would walk out if the meeting was 'not fruitful.' A7

New Islamist Group Rises in Syria

An al Qaeda offshoot entrenches itself in the northwest, urging a 'war of perseverance'

By SUNE ENGEL RASMUSSEN

group, Hayat Tahrir al-Sham has battled Western-backed rebel groups to extend its control across Idlib province, enforcing its version of Shariah, or Islamic law, and raising funds by taxing people and goods.

The group's leader, Abu Mohammad al-Julani, a former al Qaeda fighter, has vowed to conquer Damascus and impose Islamic rule across Syria. In a January speech, he exhorted followers to engage in "a war of ideas, a war of minds, a war of wills, a war of perseverance," according to the SITE Intel Group, which monitors jihadist activities.

Since surfacing as the country's most-potent militant

Thousands of fighters with the group—an offshoot of the Nusra Front, al Qaeda's former Syrian affiliate—have dug in around Idlib, analysts said, as the U.S. concentrates on Syria's other battles and moves toward what President Donald Trump has said would be a quick exit from the country.

"The area seems to be out of focus for Western powers," said Hassan Hassan, a Washington-based analyst with the Tahrir Institute for Middle East Policy, a think tank. "The jihadis are having a honeymoon there."

The group has fought

fiercely against its adversaries. In February, after four months of fighting, it announced the surrender of Islamic State cells it battled in Idlib. In March, it said it overran about 25 villages in Aleppo and Idlib provinces, capturing tanks and lighter armored vehicles.

This month, the group has been fighting Syrian government forces with artillery and snipers in Homs, Hama and Aleppo.

In areas under its control,

Please see SYRIA page A8

◆ Attack on U.N. team delays chemical probe in Syria..... A8

Total Blackout Hits Puerto Rico



NEW OUTAGE: Puerto Rico suffered an islandwide blackout on Wednesday triggered by a power-line failure, the latest setback in efforts to repair the electrical grid after last year's hurricanes. A3

When Power Dissolves: The Fall of Tony Podesta

The Democratic lobbyist had money, connections and a taste for art

By BRODY MULLINS AND JULIE BYKOWICZ

Tony Podesta was in line to be king of K Street.

His lobbying firm ended 2015 as the third largest in Washington, D.C., with nearly \$30 million in revenue from more than 100 clients, spanning Alphabet Inc.'s Google to Wells Fargo & Co. With his longtime friend Hillary Clinton expected to win the White House, 2016 promised to be even better.

Mr. Podesta, a conspicuous presence in his red shoes and Italian suits, hosted lawmakers and power brokers at his flat in Venice during the Art Biennale. It was one of many homes around the globe, including the Washington mansion where he displayed a collection of museum-grade artwork. In early 2016, he was ready to buy a \$7.4 million condo overlooking Madison Square Park in New York City.

Then he fell, a calamitous collapse propelled by unexpected blows, delivered by fate and made worse by hubris. Financial problems, legal threats and the election of President Donald Trump took it all away—the clients, the firm and, finally, Mr. Podesta's position as one of Washington's most influential players.

His troubles, some long hidden, surfaced in the summer of 2016. The Podesta Group lost its banker over news the firm did work for the U.S. subsidiary of a Russian bank under sanctions. Then came headlines that the firm's work with Paul Manafort, Mr. Trump's former campaign chairman, and an associate may have violated government rules. And in October, WikiLeaks published 20,000 pages of emails stolen from his brother John Podesta, chairman of Mrs. Clinton's presidential campaign.

The string of embarrassing news accounts

Please see LOBBY page A10

Parents Rig Board Games To Lose Faster

* * *

Children are off phones, but mom and dad are bored

By GREG BENINGER

Most people cheat to win. Sarah Croston cheats to lose.

Ms. Croston says she resorts to deception about 45 minutes into playing another seemingly endless game of Candy Land with her dogged 5-year-old, "when I just can't stand it anymore." The Cambridge, Ontario, homemaker stacks the card deck to ensure her son's selections advance him quickly to the Candy Castle—and victory.

In an effort to recapture their youth and pull children from their iPhones, parents have led a resurgence of board games. Sales of games and puzzles in the U.S. grew 27% between 2015

U.S. Shale Boom Faces Bottlenecks

BY ALISON SIDER
AND BRADLEY OLSON

The oil field at the heart of the U.S. shale boom appears to be choking on its own growth, a surprising development with big ramifications for energy profits and global markets.

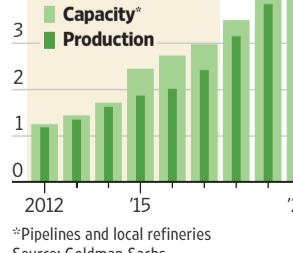
The Permian basin of West Texas and New Mexico has been one of the few growth engines for oil production worldwide. The region's output is on track to rival that of Iran or Iraq and has lifted American production to record highs.

Output is projected to climb from three million barrels a day to more than four million barrels a day within two years. The International Energy Agency forecasts that last year's production level will double by 2023.

But Permian producers are starting to encounter congested pipelines and shortages of materials and workers—bottlenecks that have caused

Growing Pains

The Permian is producing so much oil that pipelines are getting crowded.



*Pipelines and local refineries
Source: Goldman Sachs

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some investors to sour on the region. Some energy executives question whether sky-high forecasts are achievable.

While production is expected to continue rising, the Permian's stumbles could ripple out to the global oil market at a time when OPEC has cur-

Please see SHALE page A2

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Tax Cut to Widen Trade Gap That Riles Trump



Among President Donald Trump's most deeply held economic convictions is that trade deficits are bad, yet his signature economic policy—a major tax cut—likely will deepen the trade deficit for years to come.

For now, that's more a problem of optics than economics.

But in the long run wider trade deficits will make Americans poorer. That's not because foreigners are stealing American jobs, as Mr. Trump often contends. Rather, it's because Americans will increasingly borrow from foreigners to sustain their standard of living. Paying them back will wipe out a sizable chunk of the tax cut's benefit.

The U.S. runs a trade deficit because it consumes more than it produces while its trading partners, collectively, do the opposite. (Another way of saying this is that the U.S. invests more than it saves, while other countries save more than they invest.) Lately, the gap has grown, to an average of \$54 billion a month since October from \$46 billion a month in the prior 12 months.

Some of the wider trade deficit reflects a recent fall-

off in foreign growth and a surge in post-hurricane construction and replacement demand in the U.S. But some is more long-lasting, in particular the huge tax cut that took effect on Jan. 1. Anticipation of the tax cut spurred business investment and sent stock prices up sharply, generating more spending by newly enriched shareholders. Since then, Congress passed and Mr. Trump signed a budget that boosts federal spending by nearly \$300 billion over two years.

As those two measures push up business and household spending, U.S. imports should climb. Indeed, the spillover of American fiscal stimulus is a major reason for the International Monetary Fund's upbeat global outlook released this week. For the U.S., this is a good thing: With unemployment at 4.1%, the U.S. doesn't have enough spare workers to meet all the new demand, so imports are a safety valve against overheating. It's one of many reasons economists don't get worked up about trade deficits: The alternative is less investment and maybe a recession.

Not so Mr. Trump, who sees trade as a zero-sum game and deficits as proof

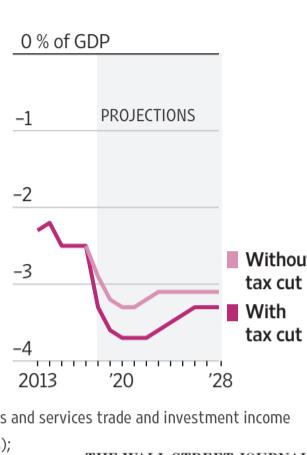
of living beyond our means. The U.S. trade deficit has widened as U.S. growth picks up, and it will remain elevated because of bigger budget deficits.

Change in goods trade balance since January 2016*



*12-month total. Sources: Commerce Department (trade balances); Congressional Budget Office (current account)

Current account deficit†



†Balance on goods and services trade and investment income

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years, China bolstered domestic saving by holding down its currency and controlling capital inflows, effectively restricting how much Chinese households could consume. But it hasn't lately, contrary to Mr. Trump's tweet Monday that China was playing a "devaluation game."

Permanently higher bud-

get deficits make trade deficits worse by diminish national sav-

ing. Larry Kudlow, Mr.

Trump's chief economic ad-

viser, in an interview with

The Wall Street Journal, dis-

puted the link between the

budget and trade deficits. But

economists at Goldman Sachs

recently studied the historical

record and found that all else

equal, every \$100 boost to

the budget deficit raises the

trade deficit by \$35.

In last week's annual bud-

get outlook, the Congressio-

nal Budget Office predicted

the tax cut will nudge up

economic growth, interest

rates and the dollar, which

sucks in more imports and

discourages exports.

The CBO agrees with the

White House that the tax cut

will encourage Americans to

work and invest more—but

this will not match their in-

creased consumption. It pre-

dicts the current-account def-

icit (which comprises goods

and services trade and invest-

ment income) will top \$100

billion five years from now

because of the tax cut, which

the U.S. will have to finance

by borrowing from abroad.

The CBO thinks U.S. gross

domestic product will, on av-

erage, be 0.7% larger over

the next decade thanks to the

tax cut, or \$710 a person. But

the CBO goes on to conclude

that gross national product,

which excludes income paid

to foreigners, will be just

0.4% larger, or \$470 a per-

son. In other words, a third

of the growth boost goes not

to Americans but to the for-

iegners who bought the bonds

Treasury issued.

There is a real possibility

that Mr. Trump, who entered

office promising to save

Americans from the predi-

tions of foreigners, will leave

office with the U.S. more in-

debted to them than ever.

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Nation Pays Tribute to Former First Lady Barbara Bush



REMEMBRANCE: Barbara Bush, who died Tuesday, was honored on Wednesday at the George H.W. Bush presidential library in Texas.

SHALE

Continued from Page One tailed output and many companies have cut back on mega- projects. That could become a source of volatility that propels oil prices elsewhere higher.

"It makes sense that the basin with the lowest costs, seeing the biggest increase in growth would also see the most bottlenecks and the most challenges to that growth," said John Dowd, manager of the Fidelity Select Energy Portfolio. "It's not physically easy to grow production one million barrels a day in the U.S."

After crude prices fell from more than \$100 a barrel in 2014 to less than \$30 two years later, companies in many areas shut down rigs and cut spending.

But in the Permian basin, production never stopped. As oil prices have climbed, the pace of work in the region has become frenetic, with production rising by about 800,000 barrels a day in the past year.

Pipeline capacity is emerging as a problem. Oil is starting to back up in West Texas and has recently sold at a \$6 to \$9 discount to crude prices elsewhere in the U.S. That is a warning sign that some oil might have to travel by more expensive ways like trucks to market and that producers could be forced to take drastic measures like halt drilling.

Pipelines that carry the natural gas gushing from wells alongside oil are also facing looming constraints. Some producers face the prospect of shutting wells.

"The industry will figure out a way to get through, but there could be some bumps along the

road," said Rich Dealy, chief financial officer of Pioneer Natural Resources Co., in an interview. For smaller companies, "the speed at which they can place wells [online] and move commodities may be delayed."

Mr. Dealy said it has been hard to get enough workers and find places for all of them to sleep. Pioneer is well prepared, with secured space on pipelines, its own fleet of fracking equipment, and its own sand mine, he said.

A number of major Permian operators reduced their output forecasts last year, often citing weather-related issues—claims that some executives such as shale pioneer Mark Papa have questioned, suggesting that poor acreage, subpar drilling techniques and service constraints are a much more likely culprit. They argue that the bottlenecks could be more severe than some companies have acknowledged.

Even Pioneer, one of the biggest operators in the Permian, lowered its forecast for 2017.

Many analysts expect prices

output in August, citing "unforeseen drilling delays." Mr. Dealy said Wednesday that the current logistical challenges in the Permian won't stand in the way of the company's objectives there.

Permian operators are likely to see their costs rise up to 15% in the area, an issue that could affect profit margins even as oil prices rise. Investors will be watching the pace of output as companies report earnings in coming weeks.

Several seasoned U.S. oil executives have begun to extol the prospects of other areas. Steve Chazen, the former chief executive of Occidental Petroleum Corp., the biggest producer in the Permian basin, built Magnolia Oil & Gas, a company that drills in South Texas.

"When you get to a certain size, growing at 25% every year becomes a mathematical impossibility," Mr. Chazen said in an interview.

Many analysts expect prices

in the region could tumble further before new pipelines arrive in 2019.

Labor and supply scarcity are adding to the challenges. Operators are scrambling to acquire the sand and water needed for enormous fracking jobs.

About 87% of the supplies and equipment needed for fracking jobs in the Permian are in use, and producers are likely to reach full capacity within months, said Matt Johnson, a principal at Primary Vision Inc., a firm that tracks crews, sand, water and other services needed for drilling across the U.S.

Chris Cuyler, vice president of exploration and geoscience at Elevation Resources LLC, a private oil and gas producer, said his small firm has to schedule fracking crews at least a month in advance—compared with two or three weeks a year ago.

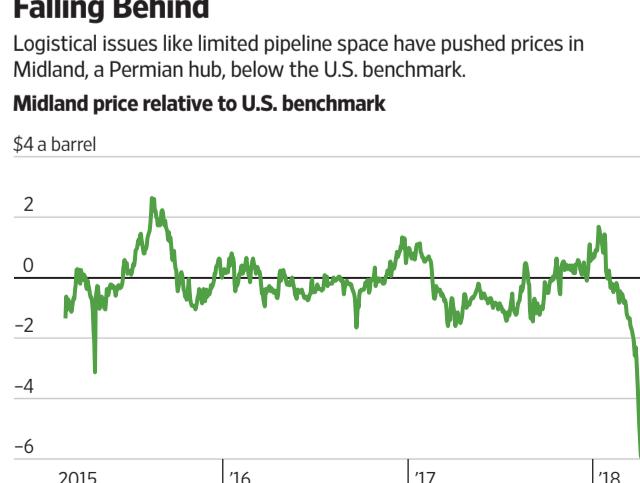
Companies are bringing workers from out of town. John Volke owns companies that find housing for oil-field workers and owns trailer parks known as "man-camps." Hotel rates have spiked as high as \$600 a night. Mr. Volke has already ordered 30 new trailers and will likely have to order another 30.

The constraints are taking some of the shine off Permian producers, which were Wall Street darlings in recent years.

The shares in a group of 15 such companies, including Pioneer and Concho Resources Inc., have fallen by an average of nearly 1% this year. A broad index of U.S. producers has risen 1.3% in that time. In 2016, the Permian group rose by more than 60%, almost double the increase to a broad subset of U.S. operators.

Logistical issues like limited pipeline space have pushed prices in Midland, a Permian hub, below the U.S. benchmark.

Midland price relative to U.S. benchmark



Sources: Argus

along party lines, with one Dem- ocrat—Sen. Joe Manchin (D, W.Va.)—joining Republicans. The House is expected to follow suit.

Republicans targeted a 2013

Consumer Financial Protection Bureau action that curbed common lending practices at auto dealerships. Long derided by auto dealers, the CFPB rule restricted their ability to charge extra interest on certain loans offered at dealerships. The CFPB said it developed the rule because some minority borrowers were charged more than white borrowers through a practice called "dealer markups."

Opponents of the rule ac- cused the bureau of overstepping its jurisdiction, and ques- tioned its methodology.

—Yuka Hayashi

CALIFORNIA

Guard to Help With Mexico Border Effort

California Gov. Jerry Brown has signed an order authorizing 400 state National Guard troops to be deployed as part of President Donald Trump's order for troops to be sent to the U.S. border with Mexico.

Mr. Brown's decision comes after days of discussions with the Trump administration about the role of California troops under the president's decision to use troops at the border to help the U.S. Border Patrol.

Mr. Brown's order calls for state troops to be used strictly to combat transnational crime.

—Alicia A. Caldwell

CONSUMER FINANCE

Senate Votes to End Auto-Loan Rule

U.S. NEWS



A cyclist uses the protected bike lane on Roland Avenue in Baltimore that many neighborhood residents want the city to remove.

Bike Lanes Hit Wall in Many Cities

Critics complain about parking and congestion even as fatalities for riders hit 35-year high

BY SCOTT CALVERT

Cities' drive to expand bike lanes keeps running into a wall of opposition—even in bike-friendly places like Seattle.

In Baltimore last week, residents of the upscale Roland Park neighborhood besieged city transportation officials at a boisterous public meeting to remove a roughly mile-long protected bike lane that opened about two years ago along a major thoroughfare.

When the city's transportation director called it a "complex situation," several people in the crowd of more than 100 responded with shouts of "It's very simple!" and "Put it back the way it was!"

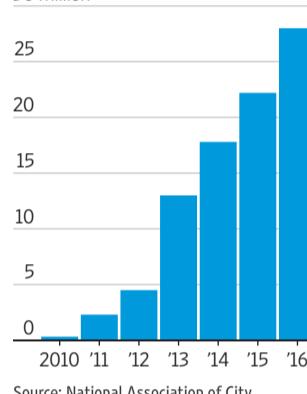
"This is tearing us apart as a community," said Claudia Diamond, one of the residents asking the city for a "reset" and renewed planning process.

Baltimore is hardly alone. Similar fights have broken out from Philadelphia to Seattle. At issue are protected bike lanes that use barriers like parked cars or bollards to separate bikers from moving cars. Creating such lanes often requires eliminating parking or a lane for cars, changes that affect people's daily lives.

Supporters say they help prevent car-bike collisions and are a big step up from painted lanes or shared road access.

Pedal Pushers

Rides in U.S. city bike-sharing programs



Source: National Association of City Transportation Officials

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Boulder, Colo., Surprised by Its 'Bikelash'

The city of Boulder, Colo., installed a protected bicycle lane three years ago and three months later removed part of it, after howls of protest over the loss of one of two vehicle travel lanes in both directions.

"There was kind of a full-speed assumption that we're Biketown USA, let's do this. Of course, people will understand it," said Bill Rigler, chairman of the city's Transporta-

tion Advisory Board. "People felt very strongly that it was the dumbest thing Boulder had ever done."

Although Boulder's disputed bike lane quickly yielded benefits—less speeding and a 58% jump in cycling traffic, with only minimally longer car travel times—the city did a poor job of explaining the rationale beforehand and preparing the public, Mr. Rigler said.

"The backlash was so significant it became a case study in how to never roll out a program like this again," said Mr. Rigler, adding that the city has improved its public outreach.

1991, according to the National Highway Traffic Safety Administration. Only 3% of those fatalities occurred in bike lanes, the agency said, compared with 28% at intersections and 61% on roadways.

The protected bike lane trend began in New York City about a decade ago under former Mayor Michael Bloomberg, said Kate Fillin-Yeh, who directs strategy at the National Association of City Transportation Officials.

A partial list maintained by Colorado-based advocacy group People for Bikes shows U.S. cities, led by New York, have added more than 230 miles of protected bike lanes since 2014, a far quicker pace than in prior years.

Tim Blumenthal, president of People for Bikes, said the in-

crease in protected lanes is fueling what has come to be known as "bikelash."

In Philadelphia, officials nixed plans to add a protected bike lane on a downtown street after neighborhood pushback, but they are moving ahead with similar projects around Center City.

A battle has also emerged in Seattle over a protected lane on the north side that officials say will be under construction by early summer. Rival groups have squared off over the plan, which would limit parking to one side of the street. Opponents are rallying to "Save 35th Ave.," as supporters clamor for a "Safe 35th Ave."

At the meeting in Baltimore, one man said, "Don't try to solve a problem by creating a massive new problem."

Cosby Lawyers Begin Defense

BY KRIS MAHER

NORRISTOWN, Pa.—Bill Cosby's lawyers opened their defense at his sexual assault retrial Wednesday by calling a key witness to bolster their contention that his main accuser made up her story about being abused by him for a big payday.

Marguerite Jackson, an academic adviser at Temple University, described watching a news account about a high-profile sexual-assault case in 2004 with her former colleague Andrea Constand. Ms. Constand at first said she too had been assaulted but then quickly reversed herself and said it hadn't happened, Ms. Jackson said.

"She said, 'It didn't, but I could say it did. I could say it happened and get a lot of money,'" Ms. Jackson testified.

The 80-year-old former star of "The Cosby Show" is accused of drugging and then molesting Ms. Constand in his home in January 2004 when she was director of operations for the women's basketball program at Temple, where he was a trustee.

Earlier Wednesday, prosecutors wrapped up their case by quoting the entertainer's own words about giving powerful sedatives to women he wanted to have sex with at parties in the 1970s.



Juan Castro fueling up a generator in San Juan, Puerto Rico, on Wednesday amid the latest power outage.

New Blackout in Puerto Rico As Outages Hit Entire Island

BY ARIAN CAMPO-FLORES

Puerto Rico suffered an islandwide blackout on Wednesday triggered by a power-line failure in the south, the latest setback in the island's halting efforts to repair the electrical grid after last year's hurricanes.

The Puerto Rico Electric Power Authority estimated it would take 24 to 36 hours to restore power to all customers. It is focusing first on re-establishing service for hospitals, water pumping systems, the main airport in San Juan and other critical facilities, said Prepa spokesman Carlos Monroig. The utility will then turn to businesses and residents.

It is the latest in a string of blackouts that have plagued Puerto Rico in the wake of last year's hurricanes, which wiped out power to the entire island and severely damaged the antiquated power grid.

Seven months after Hurricane Maria, there are still tens of thousands of customers who haven't had electricity restored.

The blackout Wednesday stemmed from a failure of a power line running between the southern cities of Salinas and Guayama, according to Prepa. That caused other parts of the system to shut down. Generating power is being restored gradually, Mr. Monroig said.

Before the hurricanes last

year, a federal board overseeing Puerto Rico's finances placed Prepa, a public monopoly with \$9 billion of debt, in bankruptcy. The move was designed to help advance plans to modernize the utility and transform it into a regulated private utility.

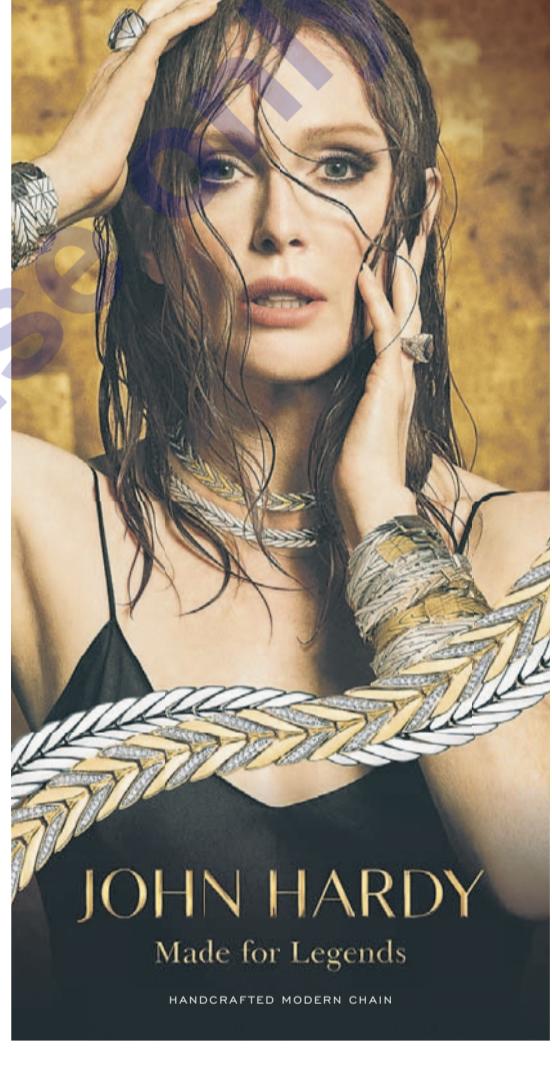
In January, Gov. Ricardo Rosselló announced plans to put the utility up for sale.

Hurricane Maria produced the largest blackout in U.S. history, according to a study released last week by Rhodium Group LLC, an economic consultancy. It has caused 3.4 billion lost customer-hours in Puerto Rico, more than in the rest of the U.S. over the past five years, the study said.



HAPPY DIAMONDS
Chopard

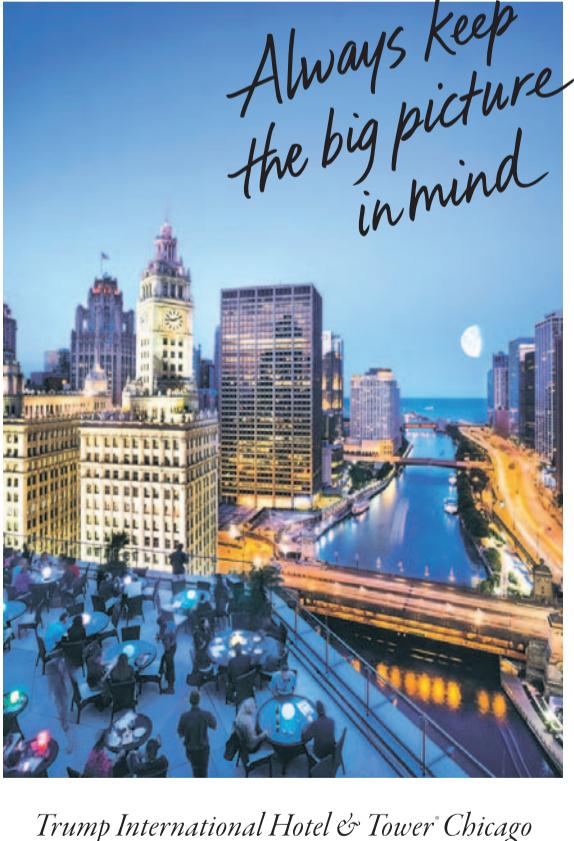
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U.S. NEWS

Lawyer Warns Trump on Trusting Cohen

One of President Donald Trump's longtime legal advisers said he warned the president in a phone call Friday that Michael Cohen, Mr. Trump's

*By Joe Palazzolo,
Michael Rothfeld
and Michael Siconolfi*

personal lawyer and close friend, would turn against the president and cooperate with federal prosecutors if faced with criminal charges.

Mr. Trump made the call seeking advice from Jay Goldberg, who represented Mr. Trump in the 1990s and early 2000s. Mr. Goldberg said he cautioned the president not to trust Mr. Cohen. On a scale of 100 to 1, where 100 is fully protecting the president, Mr. Cohen "isn't even a 1," he said he told Mr. Trump.

Mr. Cohen is under criminal investigation for potential bank fraud and campaign-finance violations. FBI agents raided Mr. Cohen's home, hotel and office last week, seeking documents about, among other things, a \$130,000 payment he made in October 2016 to a former adult-film actress to prevent her from publicly discussing an alleged sexual encounter with Mr. Trump in 2006. The Wall Street Journal previously reported, citing people familiar with the matter. Messrs. Trump and Cohen deny such an encounter occurred.

Investigators are examining whether Mr. Cohen committed bank fraud in using a home-equity line of credit to pay the former porn star for her silence, as well as potential campaign-finance violations related to the payment, the people said.

"Michael will never stand up



Michael Cohen, longtime personal lawyer of Donald Trump, leaving court in New York on Monday.

[for you]" if charged by the government, Mr. Goldberg said he cautioned the president.

Neither Mr. Cohen, who hasn't been charged, nor his lawyer responded to requests for comment. The White House confirmed the phone call of Messrs. Trump and Goldberg.

The 15-minute discussion between the two men provides an inside peek at the president's efforts to seek guidance amid the rapidly escalating developments involving Mr. Cohen. Mr. Goldberg is one of several long-time advisers Mr. Trump has reached out to as he and his legal team try to assess the potential fallout from the criminal investigation of Mr. Cohen and devise a response.

Mr. Goldberg said the volume of correspondence taken and the potential pressure the

government can bring to bear on Mr. Cohen to testify put the president in more potential peril from the Cohen matter than from special counsel Robert Mueller's investigation. Mr. Mueller is examining whether members of Mr. Trump's campaign team colluded with Russians to affect the 2016 election, and Mr. Trump has denied any collusion took place.

Messrs. Trump and Cohen have publicly supported each other. Mr. Goldberg said Mr. Trump told him on Friday that Mr. Cohen is "very strong." For his part, Mr. Cohen this month tweeted: "I will always protect our @POTUS."

Mr. Goldberg, a former prosecutor who represented Mr. Trump in divorce and real-

estate matters, said he told the president Mr. Cohen could even agree to wear a wire and try to record conversations with Mr. Trump. "You have to be alert," Mr. Goldberg said he told the president. "I don't care what Michael says."

Mr. Goldberg recalled the conversation in a two-hour interview in his apartment on New York's Upper East Side Wednesday, emphasizing that he didn't believe Mr. Trump had broken the law.

Speaking from his experience as a prosecutor, he said even hardened organized-crime figures flip under pressure from the government. "The mob was broken by Sammy 'The Bull' Gravano caving in out of the prospect of a jail sentence," Mr. Goldberg said.

Mr. Goldberg provided fresh

McDougal, Media Group Settle Suit

A former Playboy playmate who sold her story of an extramarital affair with President Donald Trump to the publisher of the National Enquirer settled a lawsuit against the company that releases her from a contract she said was meant to muzzle her during Mr. Trump's presidential campaign.

Karen McDougal reached an agreement with American Media Inc. that "restores to me the rights to my life story and frees me from this contract," she said in a statement provided by her lawyer Peter Stris.

American Media, run by a friend of both Mr. Trump and his personal attorney, Michael Cohen, agreed in August 2016

to pay Ms. McDougal \$150,000 for her exclusive story of the alleged 2006 affair, which it then didn't publish, a tactic known in the tabloid world as "catch and kill."

Ms. McDougal doesn't have to return the payment she received from American Media.

The AMI contract with Ms. McDougal has become a focus of the federal criminal investigation of Mr. Cohen, whose home, hotel and office were raided by federal agents last week. The search warrant sought information about American Media's payment to Ms. McDougal, as well as a \$130,000 payment Mr. Cohen made to silence former adult-movie star Stephanie Clifford, The Wall Street Journal previously reported.

—Joe Palazzolo
and Michael Rothfeld

them in cartons in a truck, Mr. Goldberg said.

Representatives for the FBI and Manhattan U.S. attorney's office declined to comment.

Mr. Goldberg is 85 years old and a former prosecutor who has practiced law for more than five decades.

Mr. Goldberg said he also warned Mr. Trump in the call about the risks of submitting to an interview with Mr. Mueller's office. He told Mr. Trump "talking is a certain trap," adding: "Don't ever do it."

Prompted by the president for his advice, he also said he recommended Mr. Trump fire Rod Rosenstein, the deputy attorney general who appointed Mr. Mueller.

—Rebecca Ballhaus
and Erica Orden
contributed to this article.

In Confirmation Battle, Pompeo Woos Democrats

WASHINGTON—Central Intelligence Agency Director Mike Pompeo has been one of the few cabinet members to thrive in President Donald

*By Michael C. Bender,
Nancy A. Youssef
and Byron Tau*

Trump's administration. He recently had a successful meeting, by the White House's accounting, with North Korean leader Kim Jong Un.

His next task: winning over Senate Democrats to become secretary of state.

Mr. Pompeo met with a round of Senate Democrats on Wednesday, and with his confirmation looking uncertain, White House officials pointed to Mr. Pompeo's meeting with Mr. Kim as evidence of his foreign-policy bona fides.

"Mike will be in good shape," Mr. Trump said in Florida, where he was meeting with Prime Minister Shinzo Abe of Japan. "He will go down as a great secretary of state."

Mr. Pompeo is likely headed for an unfavorable vote as soon as next week in the Sen-

ate Foreign Relations Committee. One Republican, Sen. Rand Paul of Kentucky, and nine Democrats on the panel have already said they would vote against him.

A rebuke by the committee wouldn't preclude a confirmation from the full Senate, and Mr. Trump said Wednesday he is convinced Mr. Paul will change his mind on the nomination.

Mr. Paul said he would meet with Mr. Pompeo at the request of the president. "I'm open to meeting right now, and we'll see what happens in the meeting," he said. No date has been set.

Republicans are also hoping to win over at least a handful of Democrats to reach the majority needed to confirm him, including Democrats in GOP-leaning states such as Sens. Joe Manchin of West Virginia and Claire McCaskill of Missouri. The GOP holds 51 seats, and one Republican, Sen. John McCain of Arizona, is currently at home undergoing cancer treatment.

On Wednesday, Mr. Pompeo met with Sen. Mark Warner of

Virginia, the top Democrat on the Senate Intelligence Committee, and Ms. McCaskill, who is the party's leader on the Armed Services Committee.

Mr. Trump's optimism about Mr. Pompeo's chances in the Senate reflected his faith in Mr. Pompeo, White House aides said. Mr. Pompeo has garnered the trust of a president known for his suspicion, skepticism

and derision of nearly all things Washington, including, at times, the federal agencies run by his own appointees.

"Mike Pompeo knows how to navigate a Washington that gets more ruthless every day," said Steve Bannon, Mr. Trump's former chief strategist. "He's a very savvy player—highly regarded because of his performance by

both President Trump and the CIA. His ability to pull off those two mutually exclusive things is why he's going to be the next secretary of state."

White House officials were reluctant Wednesday to divulge details about Mr. Pompeo's visit to North Korea, but described "warmer feelings" between the two sides as a result of the trip. Mr. Pompeo didn't bring other diplomats or White House officials on the trip, a U.S. official said, drawing instead on staff and information from the CIA's Korea Mission Center.

Kellyanne Conway, counselor to the president, said the president's decision to send Mr. Pompeo to North Korea for the talks was indicative of the trust Mr. Trump has in his nominee.

CIA Director Mike Pompeo, the president's nominee to be secretary of state, met with Democrats on Capitol Hill on Wednesday.

TOLGA AKMEN/AGENCE FRANCE PRESSE/GTY IMAGES

Construction-Panel Makers Back Curbs Due to Fire Worry

The manufacturers of metal panels with combustible cores similar to those that burned last year in a deadly London high-rise fire are backing height limits for their use on buildings in the U.S.

*By Bob Tita in Chicago
and Scott Calvert
in Baltimore*

It is an about-face from nearly a decade ago, when a panel maker successfully lobbied to expand use of the panels on tall buildings, the Journal reported last year.

During hearings this week, the fire-safety committee of the International Code Council, which writes building codes used in the U.S., will consider proposals to roll back a section of the code that has allowed panels with polyethylene cores or other combustible materials to be used on high-rise exteriors of any height, under certain conditions, since 2012.



Combustible panel cores were partially blamed for a deadly fire at Grenfell Tower in London last year.

A Wall Street Journal article published in October examined the little-known provision in the code that governs most high-rise buildings in the U.S. The Journal's investigation documented high-rise fires in Dubai, Australia, Azerbaijan and elsewhere in which combustible-core panels were

cited as a factor. The Journal also found buildings in the U.S. that have large concentrations of the combustible panels on their facades, including a 32-story hotel in Baltimore.

A return to stricter height limits for the exterior panels is among hundreds of proposed updates to building fire-

safety regulations set to be considered by the committee.

States and cities generally adopt the council's model code, although they can make changes. Any amendments recommended by the committee would require approval of the full council and wouldn't go into effect until the next scheduled code update in 2021. Leading the charge for the regulatory rollback on metal-composite panels is the Metal Construction Association, the trade group representing U.S. panel manufacturers. A panel maker successfully lobbied for the lighter regulation in the 2012 version of the code, the Journal found.

When the ICC's fire-safety committee met in 2009, ICC records show an amendment removing the height limit for panels that fail the fire test was presented on behalf of Alcan Composites, later renamed 3A Composites. 3A hasn't responded to repeated requests for comment.

Now the metal association is recommending a limit on the use of combustible-core panels to 40 feet. "The manufacturers have agreed that this is the right move to make," said Andy Williams, the metal association's director of codes and standards.

The association's proposed

amendment drew praise from Robert Solomon, an official with the National Fire Protection Association. "They're really hitting the reset button on this, which is good," he said.

Before the 2012 change, the model building code required that panels used at high elevations first pass a stringent fire test. Metal-composite panels that featured a rigid core of polyethylene, for example, between two thin sheets of aluminum couldn't pass that test because of polyethylene's tendency to burn intensely.

Builders and architects in the U.S. have usually opted for panels with fire-resistant cores for the exteriors of tall buildings. Starting with the 2012 version of the code, combustible-core panels were permitted at high elevations if a building had interior sprinklers—as all new high-rises are required to have—and as long as the panels didn't constitute a majority of the building's exterior surface.

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U.S. NEWS

Southwest Pilot Is Praised For Landing Crippled Plane

BY SCOTT CALVERT

Tammie Jo Shults, the Southwest Airlines Co. captain who safely landed a Boeing 737 jetliner Tuesday after an engine broke apart mid-flight, is being hailed as a level-headed hero.

"We owe her our lives," passenger Marty Martinez said in a text message Wednesday. "Most people don't get to walk away from an experience like this, but she was able to safely get us home."

One passenger was killed and seven others received minor injuries after an engine broke apart at more than 30,000 feet, spraying metal pieces through the fuselage.

Capt. Shults, a former Navy fighter pilot and mother of two, navigated the Dallas-bound flight with 144 passengers and five crew members on board down to a runway at Philadelphia International Airport.

Capt. Shults and First Officer Darren Ellison said in a statement Wednesday they appreciated the outpouring of support.

"We all feel we were simply doing our jobs. Our hearts are heavy," they said.

Capt. Shults, a New Mexico native who was one of the first female Navy fighter pilots, can be heard in audio transmissions calmly explaining the situation to an air-traffic controller. "Yeah, we have a part of the aircraft missing, so

for an emergency landing.

The controller asked if the plane was on fire. "No, it's not on fire," she replied, "but part of it's missing. They said there's a hole and, uh, someone went out."

The controller responded, "I'm sorry, you said there was a hole and somebody went out?" After an inaudible exchange, the controller said, "We'll work it out there," in Philadelphia.

Mr. Martinez said after passengers were safely off the plane in Philadelphia, they were told Capt. Shults had commanded the flight. "All the passengers wanted to know who we owed our lives to," he said.

A Southwest spokeswoman said of the flight crew: "We couldn't be more proud of their actions."

In the Navy, Capt. Shults served at the Tactical Electronic Warfare Squadron in Point Mugu, Calif., as an instructor pilot flying the EA-6B Prowler and F/A-18 Hornet, the Navy said. She served eight years of active military duty.

In a first-person account in

Capt. Shults was an instructor pilot in a tactical-warfare squadron in the Navy.

"We're going to need to slow down a bit," Capt. Shults said.

The controller told her she could choose her speed and maintain any altitude over 3,000 feet. "OK, could you have the medical meet us there on the runway as well? We've got injured passengers," she said moments later, as the plane headed to Philadelphia

the book "Military Fly Moms," by Linda Maloney, Capt. Shults traced her desire to fly to her youth in New Mexico, where she lived on a ranch under the "dogfighting airspace" of Holloman Air Force Base.

She got a boost during college when she met a woman who had just received her Air Force wings. Capt. Shults, whose maiden name is Bonnell, graduated in 1983 from MidAmerica Nazarene University

in Olathe, Kan., according to the school.

But the challenges continued. She said in the book that the Air Force wasn't interested but the Navy gave her an opening. The Navy "let me take the test and fill out the application for aviation officer candidate school, but there did not seem to be a demand for women pilots," she said.

A year after taking the Navy exam, she found a recruiter to

THOMAS P. MILNE/U.S. NAVY/REUTERS



Former Navy pilot Tammie Jo Shults, shown in a 1992 photo, safely landed a damaged airliner Tuesday.

ENGINE

Continued from Page One

NTSB and Pentagon air-crash investigator. Fragments of the cowling may have ended up penetrating the fuselage and causing some of the worst damage, Mr. Diehl said. "Loss of a single blade inside the engine shouldn't have such a dramatic impact," he said.

Such damage to external engine sections isn't supposed to happen under current manufacturing and inspection systems, which have ushered in an era of record airline safety in the U.S. and globally.

Though investigators are still analyzing data from cockpit-voice and flight-data recorders, the Federal Aviation Administration late Wednesday announced it will order enhanced inspections of certain engines on Boeing Co. 737s. The FAA said that within two weeks, it intends to issue a safety directive mandating ultrasound examination of designated fan blades once they reach a specified number of trips. Airlines will have to replace blades that fail those checks.

"I'm very concerned about this particular event," NTSB Chairman Robert Sumwalt told reporters at Wednesday's briefing. Noting that this widely used family of Boeing 737 engine has a solid safety record, he said it was too early to determine if the accident pointed to a broader hazard for travelers.

"If we feel there is a deeper issue, we have the capability to issue urgent safety recommendations," he said.

Historically, engine designers and maintenance crews have

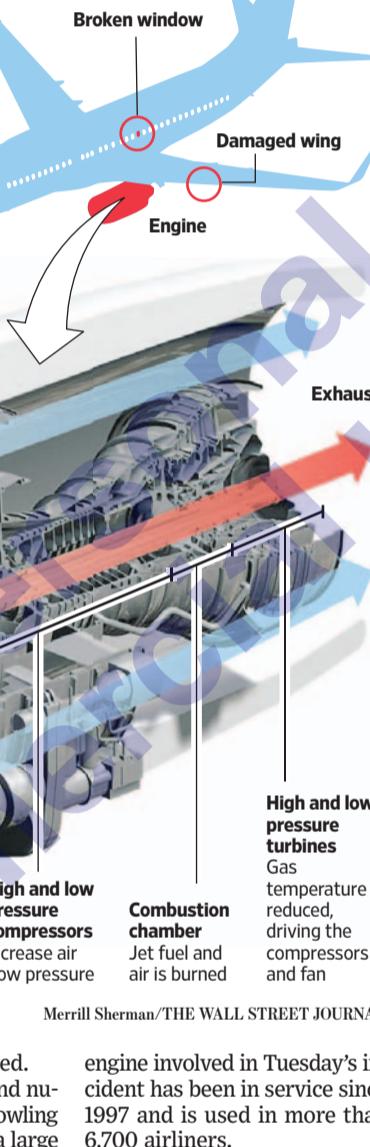
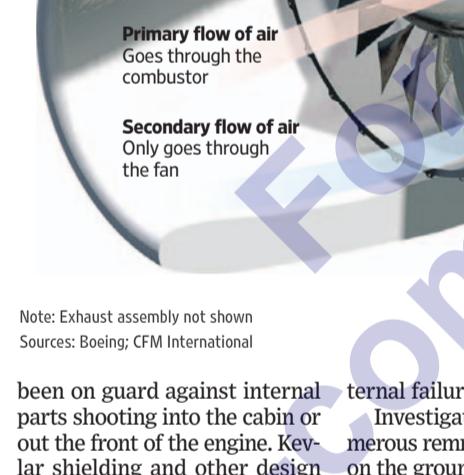
Anatomy of an Engine Failure

An engine fan blade came loose on Tuesday's Southwest flight 1380 causing the engine to fail and forcing an emergency landing. The blade flew outside of the engine in an uncontained failure causing engine parts to damage the wing, fuselage and a cabin window.

CFM56-7B Engine

Engine fan blade
Came off and apparently hit the cowling, or outer cover of the engine. Blades can come off due to maintenance lapses, metal fatigue, defects or other reasons.

Uncontained failure
When a piece goes outside the engine. The engine is designed to withstand impact from internal ruptures.



internal failure that occurred. Investigators have found numerous remnants of the cowling on the ground, including a large piece roughly 65 miles from where the plane touched down, Mr. Sumwalt said.

Engine failures are rare. Mr. Sumwalt said investigators see three or four incidents a year.

The version of the CFM56-7B

engine involved in Tuesday's incident has been in service since 1997 and is used in more than 6,700 airliners.

Ray Valeika, a former maintenance and engineering chief at Delta Air Lines Inc., said the accident suggests traditional risk-reduction approaches may need adjustment. "To have a single blade split the cowling

A Mainstay Used Throughout Industry

The engine failure that killed a passenger aboard a Southwest Airlines Co. flight puts the spotlight on one of the industry's most commonly used engines.

CFM International—a joint venture of **General Electric** Co. and France's **Safran** SA—makes engines that have become a mainstay of commercial aviation. The engines power most of **Boeing** Co. and **Airbus** SE single-aisle planes, the workhorses of the industry.

On Tuesday, one of two CFM56-7B engines ruptured on a Boeing 737-700 operated by Southwest. The engine broke apart while the plane was at cruising altitude, flying from New York's LaGuardia Airport to Dallas Love Field, with 149 passengers and crew aboard.

like that is concerning," he said.

Among the issues likely to come under question is whether Southwest fully followed nonbinding recommendations for enhanced inspections by the engine maker.

Investigators are expected to delve into whether ultrasound inspections were conducted as recommended in June 2017 by engine maker CFM International—a joint venture between **General Electric** Co. and France's **Safran** SA. They are trying to determine whether the recommendations applied to the specific engine in the accident, according to people familiar with the details.

Such safety bulletins are nonbinding, but typically airlines follow them carefully and

Metal pieces struck the fuselage, though the details of what happened inside the cabin are still unclear, and one passenger died.

Southwest two years ago suffered a similar failure on another CFM56 engine, forcing the plane to land but not resulting in injuries. A probe of that incident showed evidence of fatigue cracks in some of the blades. In response, the Federal Aviation Administration last year proposed enhanced inspections of certain CFM engines.

The National Transportation Safety Board said it would examine whether there were any common factors in the two CFM56 incidents at Southwest.

The widespread use of the engine and its unusually dramatic failure are likely to spur more scrutiny across fleets around the globe.

—Robert Wall and Doug Cameron

the FAA routinely follows up to make them mandatory.

After a 2016 incident on a Southwest jet, CFM urged operators to conduct ultrasound inspections on certain Boeing 737 engines to guard against fan blades breaking off due to metal fatigue. Later, the FAA proposed such checks but the final mandatory version of that directive wasn't issued before Tuesday's accident.

Now, Southwest is ramping up voluntary engine checks. As in other probes of major engine failures, the FAA and NTSB are bound to examine Southwest's safety culture and dissect maintenance records.

—Doug Cameron and Robert Wall contributed to this article.

FROM PAGE ONE

GAMES

Continued from Page One
and last year, hitting \$2.09 billion, according to NPD Group Inc., far outpacing sales growth for all toys.

The downside to all that old-fashioned family time? Tedium.

"Your kid almost gets to the end and then they draw that card that sends them aaaall the way back down to the start," says Ryan O'Connor, a Deerfield, N.H., father of 5- and 6-year-old daughters. "I've got things to do, like make them dinner."

That's why parents are palming cards, strategically adding pieces when the children aren't looking and sometimes outright lying. Not without irony, some parents have used technology to make games go faster.

Data analyst Ethan Markowitz employed statistical analysis to figure out a more efficient way of hastening Chutes and Ladders after one too many mind-numbing games. "Just like a senior citizen at the bingo parlor, my son is hooked," he wrote on his blog detailing his findings. "All we do is spin, move, spin, move until my son performs his victory dance or, if I am unlucky enough to actually win the game, he demands a rematch."

Mr. Markowitz says there are nine ladders and 10 chutes, "which means a bias toward losing." So he programmed a simulation of 10,000 two-player games, which showed the dreariness could last as many as 146 turns. His solution was to tape a new ladder to the board between space 47 and 72. That lowered the longest game to 110 moves.

Barry Wise, a father who set out to help preserve "the sanity of parents" with his own data analysis, suggests eliminating the longest chute, spanning square 87 to 24. Mr. Wise, the president of data analytics firm Eigenvector Research Inc., ran his own simulations of the popular games 200,000 times.

He recommends avoiding Candy Land, with its 3.4% chance of running longer than 75 moves (compared with 0.76% for Chutes and Ladders), or eliminating the rule of sending pieces backward.

Jennifer Hogan Jones, of Wichita, Kan., has argued on board-game blog Nonstop Tabloid against purposeful losing, writing that children like her daughter need to learn how to handle disappointment. "The plan is to prepare her for losing in life so 15 years from now she won't throw a hissy fit and slam doors the first time she loses a deal at the office," she writes.



Ryan and Sara O'Connor with daughters Ryleigh, left, and Emily.

Even Ms. Jones admits to miscounting spaces to advantage her daughter in Sorry and Chutes and Ladders so the games will end. "It's self-preservation," says the human-resources executive.

Dalton James Reese of Franklin, Ky., agrees there are valuable lessons children can learn from losing. He shows his 4- and 7-year-old daughters no mercy when playing Candy Land and Monopoly. "If you want to

win you've got to do it the right way," he says.

Cheating to win is, of course, a time-honored tradition, even among professional board gamers. The Association of British Scrabble Players this winter imposed a three-year ban on a star player following accusations he tried to switch out undesirable tiles.

Prompted by a late 2017 survey of customers, Hasbro Inc. plans this June to release a Cheaters Edition of Monopoly. About half of respondents admitted to duplicity while playing the real-estate game. "We were quite surprised it was that high," says marketing executive Jonathan Berkowitz. The new edition will reward players who can, say, move a rival's piece without notice or collect rent for an opponent's property.

Purposeful losing, on the other hand, is about making bad choices. Mr. O'Connor says card games such as Uno and Go Fish are especially easy to lose. "Kids are really bad at holding the cards, so I can see what's in their hand," the nuclear systems operator says.

With two daughters under 7 years old, his troubles are two-fold because he has to take turns losing to each. "It's been getting trickier—my 6-year-old has definitely caught me," he says. "Fortunately, I can still just

pretend that she didn't see what she saw."

Candy Land, whose multicolored cards unsparingly punish players nearing victory, stands apart as the patron saint of board-game monotony. Hasbro's Mr. Berkowitz says the company is aware customers may stray from the official rules of the game. "We want our fans to enjoy the games however they wish," he says.

Matthew Stanizzi's daughter lost recently at card game Old Maid and flung herself on the couch in a crying fit. To avoid the same outcome with Candy Land, Mr. Stanizzi uses his skills as an amateur magician to give the 3-year-old every advantage.

Some parents, like appellate attorney Melinda Ebelhar, kept their deception away from their children for years. When playing Candy Land, she used to palm the best cards and give them to her kids at opportune moments. She let her secret slip when her now-adult children were teenagers and they haven't let her forget.

"I'd say 'let's just play one game before bedtime,' but the game would go on and on, so you'd have to do something," she says. When they were children, "I am glad they didn't figure out their mom, a lawyer of all things, was a cheater. What kind of lesson would that be?"

WORLD NEWS

Trump Will Demand 'Fruitful' Kim Talks

President offers a 'bright path' to North Korea if it abandons nuclear weapons

BY REBECCA BALLHAUS
AND PETER NICHOLAS

PALM BEACH, Fla.—President Donald Trump said there would be a "bright path" available to North Korea if it successfully shut down its nuclear weapons program, but he vowed to walk out of a planned meeting with North Korean leader Kim Jong Un if it wasn't yielding results.

Mr. Trump's remarks, made at a news conference at his Florida resort Mar-a-Lago with Japanese Prime Minister Shinzo Abe, came as U.S. officials have been negotiating the terms of a North Korea summit with Mr. Kim that the president said he expects to happen "in the coming weeks." CIA Director Mike Pompeo traveled to North Korea earlier this month to meet with Mr. Kim to discuss the details and logistics.

"If I think it's a meeting that is not going to be fruitful, we're not going to go," Mr. Trump said. "If the meeting, when I'm there, is not fruitful, I will respectfully leave the meeting and we'll continue what we're doing, or whatever it is that we'll continue. But something



Japanese Prime Minister Shinzo Abe and President Donald Trump also have been discussing trade tensions between their countries.

try to bring those folks back home, very, very hard," Mr. Trump said.

"I appreciate his very encouraging comment and for the families of the abductees this is a massively, powerfully encouraging comment," Mr. Abe said.

Japanese leaders have worried the U.S. will strike a deal that eliminates the threat of North Korea's long-range nuclear missiles striking the U.S., while leaving in place shorter-range North Korean missiles that pose a threat to Japan.

Mr. Abe, in his remarks at the news conference, also praised the Japanese alliance with the U.S. and said he and Mr. Trump had discussed bringing home the abductees and were "fully agreed about our direction going forward."

The two leaders disagreed over the best path for trade cooperation, with Mr. Trump backing negotiations toward a bilateral trade agreement and Mr. Abe saying his country prefers the U.S. rejoining a group of a dozen countries that previously negotiated the Trans-Pacific Partnership.

"Unless they offer us a deal that we cannot refuse, I would not go back into TPP," Mr. Trump said. "We are negotiating a one-on-one deal with Japan."

—William Mauldin
in Washington
contributed to this article.

will happen."

Mr. Trump said the U.S. and Japan are working together to persuade North Korea to denuclearize, praising Japanese support as "critical" to the U.S. efforts. He also thanked Chinese President Xi Jinping for his efforts in putting pressure on

North Korea.

"There is a bright path available to North Korea when it achieves denuclearization in a complete and verifiable and irreversible way," Mr. Trump said. "It will be a great day for them. It will be a great day for the world."

Messrs. Trump and Abe have spent much of their two-day summit discussing the planned meeting with Mr. Kim, as well as trade tensions between Japan and the U.S.

Mr. Abe came into the summit wanting assurances that the president wouldn't forsake

Japan's interests when he meets with Mr. Kim. Mr. Trump on Wednesday said he would work to ensure the release of Japanese citizens who had been abducted in North Korea "as soon as possible," a reference to one of Mr. Abe's top priorities for the summit. "We will

Seoul Floats Idea for Enduring Korean Peace

BY ANDREW JEONG

SEOUL—A South Korean official said Seoul could push for a more-permanent peace agreement on the Korean Peninsula, potentially involving the U.S. and China, to replace the armistice that ended the Korean War.

Such a move could pave the way for a deal to end the standoff over North Korea's nuclear weapons.

to give up his weapons.

The inter-Korean summit precedes a planned meeting weeks later between Mr. Kim and U.S. President Donald Trump.

The South Korean security official said any conclusive peace deal involving the two Koreas would need contributions and backing from others. That is a likely reference to China and the U.S., the other main combatants in the

1950-53 conflict.

"This is not something that can be achieved bilaterally between South and North Korea. If needed, we may coordinate this among four countries," the official told reporters at a briefing in Seoul.

The U.S. Embassy in Seoul said it didn't have an immediate response to the remarks. There was no response from North Korea via its state media.



Soldiers in Panmunjom, South Korea, look toward the North.

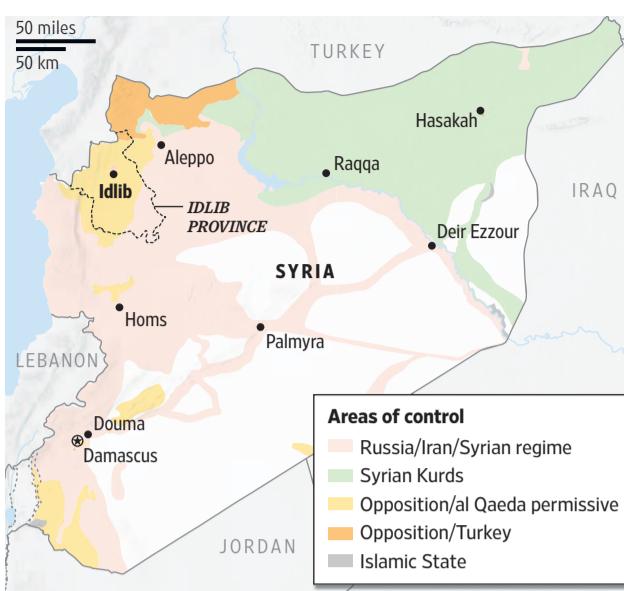


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WORLD NEWS



Note: Areas of control as of April 2

Source: Institute for the Study of War

SYRIA

Continued from Page One

Hayat Tahrir al-Sham has set up a religious police force similar to that deployed by Islamic State, residents said.

It initially rewarded children with candy for memorizing the Quran, but soon moved on to breaking hookahs as part of a ban on smoking. Beauty salons were told to stop using makeup, Idlib residents said.

In its propaganda, the group likens Syria to a frail ship that can be kept afloat only by the rule of Islamic law. Shariah ensures that "the ship doesn't sink," goes a slogan of the group. Griping about shortages under its rule, residents retort: "There is no water, so the ship can't sink."

The group has jailed men and women who socialize without being related, residents said, and closed a university in the town of al-Dana late last year because it held mixed-gender classes.

In the town of Saraqeb, where residents last year faced down threats from extremists and held the first direct elections in Syria since 1953, the group has seized control of the local council.

"Yes, we are a conservative society, but these actions are very extreme," one young resi-

THE WALL STREET JOURNAL.

dent of Idlib said.

Compounding the anarchy in Idlib has been the recent arrival of nearly 50,000 people, including rebels, from Eastern Ghouta outside Damascus, the scene of a brutal crackdown by the regime of Bashar al-Assad.

The new arrivals have exacerbated a humanitarian crisis in Idlib, already home to about a million internally displaced Syrians. The poor conditions and lack of jobs have proven fertile ground for the recruiting efforts of extremist

groups, which promise to pay anyone willing to fight.

For now, the Syrian regime has been fixated on crushing smaller pockets of fighters, including with the suspected use of chemical weapons in Eastern Ghouta on April 7, an attack that killed dozens of civilians. But Damascus is expected to eventually turn its attention to the high concentration of militants in Idlib in what could be as bloody a fight as the battle for Aleppo, which fell in 2016.

A week after the apparent

chemical-weapons strike, President Trump ordered military strikes on several regime targets alongside British and French allies. The attack hit facilities connected with Syria's chemical-weapons program and was unlikely to diminish the regime's conventional-weapons capabilities.

A few days earlier, with Islamic State on the verge of defeat, Mr. Trump had vowed a drawdown of U.S. troops. After the weekend strikes his administration stepped up efforts to replace the U.S. military's 2,000-strong contingent in Syria with troops from allied Middle Eastern countries.

Meanwhile, some U.S. officials have expressed worries over the resilience of other extremist groups now supplanting Islamic State. Brett McGurk, presidential envoy to the international coalition fighting Islamic State, has called Idlib "the largest al Qaeda safe haven since 9/11."

U.S. troops in Syria are mostly focused on eastern Syria, joining Kurdish and other fighters battling the shrinking pockets of Islamic State militants. Turkey has been fixated on preventing a Kurdish militia that it considers terrorists from expanding on its border with Syria.

As a result, a hodgepodge of armed groups, many with

extremist agendas, have thrived in Idlib, to the detriment of other forces opposing the Assad regime.

"The space for moderate opposition continues to close in the northwest," said a senior Western official who tracks Syria.

Hayat Tahrir al-Sham now seeks to control important administrative sectors across Idlib through a body it calls the Salvation Government, which generates revenue by charging residents for electricity and water. The group also controls the Bab al-Hawa border crossing with Turkey.

Members of Hayat Tahrir al-Sham couldn't be reached for comment.

"The Salvation Government tries to win people's hearts by providing services," one 27-year-old man in Idlib said. "At the same time, they try to dominate people."

Some have pushed back cautiously. University students attend classes in the open. Hospitals have threatened to close if the group interferes in their work. Among its many critics, Hayat Tahrir al-Sham is privately known as "Hitish," an echo of the pejorative acronym "Daesh" that people disdainfully use for Islamic State.

—Nour Al Akraa and Nazih Osseiran contributed to this article.

IBAA NEWS AGENCY/ASSOCIATED PRESS



Purported Hayat Tahrir al-Sham fighters gather in Idlib province.

IBAA NEWS AGENCY/ASSOCIATED PRESS

Attackers Delay U.N. Inspection In Syria

BY JULIAN E. BARNES

BRUSSELS—A United Nations security group came under assault while examining the site of an alleged chemical-weapons attack in Syria, international inspectors said, delaying an investigation into a strike that provoked a retaliatory Western military response.

The U.N. team was attacked with small-arms fire Wednesday in the town of Douma, the Damascus suburb where Syrian forces allegedly unleashed a chemical-weapons attack on April 7, said the Organization for the Prohibition of Chemical Weapons, a fact-finding organization based in The Hague, the Netherlands.

An explosion also went off during the visit, which was meant to conduct reconnaissance ahead of the OPCW's arrival, the OPCW said. The U.N. confirmed its team had been attacked in Douma. It said no one was injured and U.N. staff returned to Damascus.

"An additional security-assessment trip is now required to enable the fact-finding mission to do its work," said U.N. spokesman Stéphane Dujarric.

U.S. officials have said they suspect the use of chlorine and possibly a nerve agent in the formerly rebel-held area. The attack killed at least 43 people and injured dozens. Photographs showed victims foaming at the mouth. In response, the U.S., France and the U.K. fired missiles at what officials said were Syria's chemical-weapons facilities early Saturday morning.

Syria and its Russian allies have denied chemical weapons were used in the April 7 attack. Russian officials have blamed the rebels, first for allegedly faking the attack, then for allegedly carrying one out.

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WORLD NEWS

U.S. Simulates War Evacuation From Seoul

About 100 civilian volunteers are flown out of South Korea in a low-key exercise

The U.S. is testing procedures for the emergency evacuation of its citizens from South Korea in an unusual military exercise in which a small group of Americans are being flown to Dallas in conditions meant to simulate preparation for conflict.

*By Michael R. Gordon
in Washington
and Jonathan Cheng
in Seoul*

With a possible summit meeting between President Donald Trump and North Korean leader Kim Jong Un approaching and inter-Korean talks a little more than a week away, U.S. officials have sought to play down the exercise, dubbed "Focused Passage," that began without fanfare this week.

The U.S. mission to defend South Korea remains in place, and the long-planned exercise will enable the military and a host of government agencies

to coordinate the movement of about 100 civilians from the country to an air base in Japan, and from there to Dallas-Fort Worth International Airport.

U.S. evacuation exercises are carried out from South Korea on a regular basis, but this is the first time the evacuees are being taken all the way to the U.S.

Under the best of circumstances, any mission to evacuate Americans would be difficult. "The numbers are staggering," Adm. Harry Harris, the head of the U.S. Pacific Command, told Congress in February, noting that there are more than 200,000 U.S. civilians in South Korea. Adding to the challenge, the U.S. has understandings with some allies that American forces will evacuate their citizens as well, according to a former U.S. official.

The Seoul area is a sprawling, traffic-clogged metropolis that is home to roughly half of South Korea's 50 million people. A main evacuation route from Seoul to the southern port city of Busan consists of rail lines and one major highway. At the peak of holiday traffic, it can take more than



Participants in a June 2017 evacuation exercise left a transport aircraft at a passenger air terminal at Yokota Air Base, Japan.

eight hours to drive the roughly 250 miles there by car.

"The challenge is not transportation across the Pacific," said James Laney, who served as U.S. ambassador to South Korea from 1993 to 1996. "The challenge is getting out of Seoul. It is one thing to have a practice evacuation when everything is normal. It would be quite another thing to do that effectively when bombs are bursting all around."

In a crisis, an evacuation might occur at a time when the U.S. military is bringing in tens of thousands of troops. If fighting broke out, the U.S.

also might be dealing with civilian casualties, some of whom could be contaminated by North Korea's chemical and biological weapons.

Some critics warn that preparations for an evacuation could escalate tensions on the peninsula during a crisis; others say evacuation planning adds to the U.S. ability to deter North Korea.

"You have to have a system for managing the evacuation of U.S. and allied citizens for a military option to appear credible, albeit undesirable," said Daniel Russell, vice president of the Asia Society Policy Institute and a former State

Department official.

An evacuation would be easier if tensions on the peninsula built gradually over a period of months and many U.S. and allied civilians used that time to leave on their own. According to the South Korean Immigration Service, about 26,800 Canadians, 10,500 Australians, 7,800 Britons and 51,000 Japanese citizens reside in the country.

There are also more than a million Chinese nationals in South Korea.

"This is an opportunity for the organization on a very small scale to test out their procedures and see if they

work," said Bruce Bennett, an expert on Korean security issues at Rand Corp.

"What you can't do on such a small scale is make sure you have the capacity," he added. "Are you going to have enough ships and planes? What is the ability to get control of buses and trains to move people within South Korea? What do you do with the people you aren't able to move right away? How do you feed all these people and provide security? Until you scale up, you cannot get a good sense of that."

—Yun-hwan Chae in Seoul contributed to this article.

Car-Bomb Attack in Libya Raises Fears of Power Struggle

**BY JARED MALSIN
AND AMIRA EL FEKKI**

CAIRO—Libyan strongman Khalifa Haftar's disappearance from public view last week while he underwent medical treatment in Paris raised fears of turmoil in the vast section of eastern Libya he controls. Those concerns deepened Wednesday after an assassination attempt.

According to Mr. Haftar's

Libyan National Army, a car bomb targeting the group's chief of staff exploded near Benghazi. The official survived, the organization said.

Mr. Haftar, 75 years old, hasn't been seen in public since French media reported last week that he was being treated for a stroke. It isn't clear who would succeed Mr. Haftar if he were unable to rule, and a power vacuum in eastern Libya would compli-

cate a stalemate set in place

since the fall of Moammar Gadhafi in the country's 2011 popular uprising.

The Libyan National Army's sway in eastern Libya is the result of a unilateral military campaign Mr. Haftar began in 2014 aimed at ridding the country of what he called terrorists. Libya remains split between two rival governments, one allied to Mr. Haftar's forces, and another backed by

the United Nations.

Turmoil in eastern Libya

could complicate international efforts to reunify the country, stamp out remnants of Islamic State, and ensure the flow of oil from the country with Africa's largest crude reserves.

"It's a power struggle," said Rami El Obeidi, the Benghazi-based former head of intelligence for Libya's post-revolutionary transitional government. "How will this chaos

unfold, I can't really answer that, but what we're seeing is the start of it."

The bombing Wednesday targeted Abdelrazik Al-Nadouri, who was named by Libyan media as a contender to succeed Mr. Haftar. Mr. Nadouri told a Libyan TV channel he was unhurt following the attack that took place as he traveled in a convoy to the town of Al-Marj, site of Mr. Haftar's headquarters.



Khalifa Haftar has been out of view, stoking unease in Libya.

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IN DEPTH

LOBBY

Continued from Page One
disturbed many of the Podesta Group's corporate clients, companies that preferred to stay clear of such publicity. Mr. Podesta operated as if the whole mess would soon blow over.

He spent most of the fall traveling the world. He returned to the U.S. on Election Day but skipped Mrs. Clinton's campaign party. Her victory would go a long way to fixing many of his problems. She lost that night, and Mr. Podesta, like many who had banked on her victory, did too.

Clients who had hired him for access to a new Clinton administration fell away. By the end of the year, the departures cost the firm more than \$10 million in annual business, according to an internal Podesta Group accounting viewed by The Wall Street Journal.

Years of spending on art, vacations and real estate left Mr. Podesta overleveraged and deeply in debt when he finally closed the doors of his 62-person firm at the end of last year. He is selling his New York City condo, along with some of his prized sculptures.

Mr. Podesta responded to questions through a spokeswoman for the Podesta Group. Mr. Podesta's clients, colleagues, friends, and "even many of his political adversaries through the years continue to rely on his wise counsel," the spokeswoman said. "When he stepped down from the firm he expressed his ongoing gratitude to all of them and his commitment to continue his advocacy for the issues and ideals he's always fought for."

This account of Mr. Podesta's rise and fall is based on interviews with dozens of former employees of his firm and his associates, as well as internal financial documents, calendars and communications viewed by the Journal.

Joining forces

Anthony Thomas Podesta, 74 years old, and his younger brother John grew up in Chicago. Their father operated a cardboard-cutting machine in a factory that made advertising displays for grocery stores.

The brothers gravitated to politics, working with Bill Clinton and Hillary Rodham on the 1970 Senate campaign of a Democratic Party candidate in Connecticut. They attended law school at Georgetown University and then worked in government—John in the Justice Department, and Tony in the U.S. Attorney's Office in Washington, D.C.

They founded Podesta Associates, a lobbying firm, in 1987. John Podesta left in 1993 to work in the Clinton White House, later rising to chief of staff.

Tony Podesta built up his lobbying firm over the years—renamed the Podesta Group in 2007—with such blue-chip clients as General Electric Co. and Boeing Co.

At age 59, he married Heather Miller, a congressional staffer 26 years younger. The April 2003 marriage was his second, her third. Mrs. Podesta started her own lobbying firm, Heather Podesta + Partners, and they emerged as a Washington power couple. In 2006, they bought a \$4 million home in the upscale Kalorama neighborhood and spent millions more renovating it to showcase their art collection.

The Kalorama house—two doors from where the Obamas now live—was the crown jewel of Mr. Podesta's real estate portfolio that over the years included apartments in New York City, the Venice flat, and houses in Sydney and Tasmania as well as on Lake Barcroft in Virginia.

Mr. Podesta drew an annual salary of more than \$2 million and made millions more in commissions and bonuses. He and Heather Podesta together donated more money to the Democratic Party and its candidates than any other Washington lobbyists in the past decade, records show.

Mr. Podesta operated as a lifestyle concierge for clients. He had a regular table at Tosca, a popular Italian restaurant, and was part-owner of Centrolina, an Italian restaurant in a new billion-dollar development. The firm leased \$200,000-a-month offices on two floors, joined by a spiral staircase.

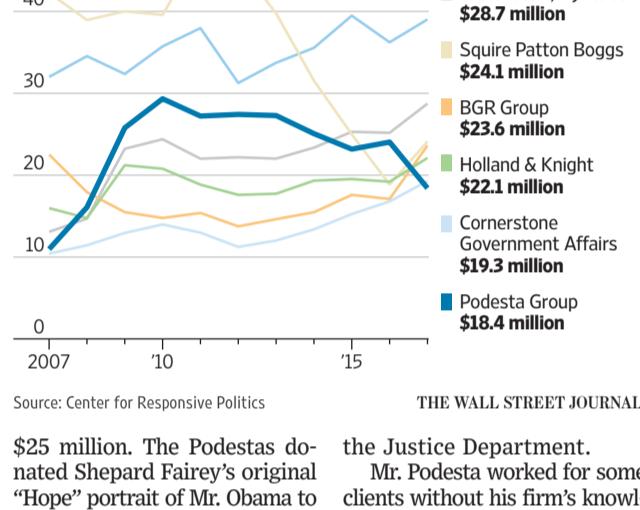
The Podestas' 1,300-piece art collection included photographs by Andreas Gursky, as well as eight sculptures by Louise Bourgeois valued at an estimated



Tony Podesta, a collector of museum-grade art, flanked in 2002 by the work of artists Valeska Soares, left, and Beatriz Milhazes, right. Workers, below, installed Shepard Fairey's portrait of President Barack Obama at the National Portrait Gallery in January 2009.

Washington's Kings of Clout

Top lobbying firms ranked by annual fees



Source: Center for Responsive Politics

THE WALL STREET JOURNAL.

\$25 million. The Podestas donated Shepard Fairey's original "Hope" portrait of Mr. Obama to the National Portrait Gallery.

The Internal Revenue Service determined that in 2007 and 2008, the Podesta Group paid more than \$300,000 for the shipping and handling of art bought by Mr. Podesta—money that was improperly reported as a business expense, according to documents viewed by the Journal. Later, Mr. Podesta began to bill his firm \$360,000 a year to rent pieces for the office. The firm also paid part of the salary of Mr. Podesta's art curator.

Employees of the Podesta Group set up a system to prevent Mr. Podesta from being reimbursed for personal expenditures. A 36-page instruction manual for Mr. Podesta's executive assistants included this directive: "It is up to you and your best judgment as to what gets reimbursed."

Mr. Podesta's passion for art drove a wedge in the marriage after Mrs. Podesta learned he was secretly making purchases, according to people familiar with the matter. In 2014, the couple filed for divorce, with the art collection caught in a legal tug of war.

In the settlement, Mr. Podesta kept most of the collection. He gave up homes in Washington and Manhattan, and nearly \$5 million in retirement savings. He agreed to pay his former wife \$200,000 every three months for five years.

The day the divorce was final in July 2014, Mr. Podesta took a loan, using art as collateral, public records show. That month, Mr. Podesta told senior employees the firm could make more money by agreeing to represent clients unpopular with Democrats, such as the National Rifle Association.

The discussion prompted one lobbyist to quit, costing the firm more than \$2 million in yearly revenue from his former clients, according to public records and former employees.

Firm employees approached Mr. Podesta in early 2014 about selling them a share of the business. The Podesta Group was worth at least \$50 million at the time, former employees estimated. Over dinner, Mr. Podesta told them he was open to the idea and suggested they meet with lawyers.

On the day of the meeting, Mr. Podesta didn't show.

Mr. Podesta sought out higher-paying clients, including foreign governments, according to disclosure reports. By 2015, Mr. Podesta had doubled his overseas business from four years earlier to \$5 million. Firm clients included the Kingdom of Saudi Arabia, the Republic of Iraq and the government of South Sudan, according to reports filed with



New Arrivals

FROM TOP: THE WASHINGTON TIMES/ZUMA PRESS; JEWEL SAMAD/GETTY IMAGES

the Justice Department. Mr. Podesta worked for some clients without his firm's knowledge. In November 2015, he signed up the U.S. subsidiary of Pirelli, the Italian tire maker, for \$113,500 a year, according to the contract. The Podesta Group had represented the U.S. operations of Michelin, the French tire manufacturer, since 2009. Neither Michelin nor its Podesta Group lobbyists knew about Mr. Podesta's side deal, according to the people involved.

During the 2016 presidential election, Mr. Podesta helped raise money for Mrs. Clinton's campaign, including a fundraising event at his Kalorama house. However deep his financial hole, a Clinton victory would relieve much of the pressure.

Then came the summer of bad news. SunTrust Banks Inc. sought to sever ties with the firm over the sanctioned Russian bank. The Podesta Group's chief executive sent an exasperated email to a colleague. "Tony thinks these types of clients have no repercussions on the firm," she said, but "this should really provide evidence that we have to take the clients we bring on seriously."

Following Mrs. Clinton's defeat, the Podesta Group cut bonuses and commissions.

When employees returned to the office after the holidays they were greeted by a new art display Mr. Podesta had installed: "Shifting Degrees of Certainty."

Deadlines

Early in 2012, Mr. Manafort and his associate Richard

Gates, longtime Republican lobbyists, hired the Podesta Group and another firm to lobby for the European Centre for a Modern Ukraine. The Podesta Group registered as a domestic lobbyist for the Centre.

Over the next two years, the Podesta Group was paid more than \$1 million for its work, which would later prove to be costly.

In April 2017, the Podesta Group filed a report with the Justice Department acknowledging its work "could be interpreted as principally benefiting a foreign government." In his February guilty plea, Mr. Gates admitted he had arranged for the Centre to "represent falsely" that it wasn't supervised by the Ukrainian government.

Law-enforcement officials subpoenaed the Podesta Group and several of its lobbyists. Mr. Podesta offered to have the firm pay employees' legal fees.

As special counsel Robert Mueller dug into the Ukraine work, the string of headlines and ongoing federal probe chased off Podesta Group clients. Compounding the firm's troubles, it lost the governments of Iraq, Vietnam and Kosovo in May and June, which, since 2012, had paid \$6 million.



REBECCA D'ANGELO/WASHINGTON POST/GETTY IMAGES

Heather and Tony Podesta at a 2011 summer party in Washington, D.C. They divorced in 2014.

Podesta Group's Reach for the Top

Tony Podesta and Heather Podesta together donated more money to the Democratic Party and its candidates than any other Washington lobbyists in the past decade.



Source: Center for Responsive Politics

THE WALL STREET JOURNAL.

At the end of May, Mr. Podesta moved into his new condo in New York City.

Employees again approached Mr. Podesta about buying the firm. Over a three-hour dinner on Aug. 7, Mr. Podesta said again that he would consider selling. By week's end he was at the French beach town of Saint-Pierre-Quiberon for a vacation.

On Monday Oct. 23, 2017, NBC News reported that Mr. Mueller was preparing to indict Mr. Manafort and implicate Mr. Podesta regarding the Ukraine work. The phones started ringing: Clients wanted to know what was going on. The firm's bank wanted to discuss its account.

The following night, Mr. Podesta threw himself a birthday party, serving hundreds of guests pizza from a brick-oven stove in his backyard in Kalorama.

On Friday that week, news outlets reported that Mr. Mueller's first indictments would be unveiled Monday. On Saturday afternoon, Mr. Podesta attended a surprise 70th birthday party for Mrs. Clinton.

On Monday, Oct. 30, U.S. prosecutors announced the indictment of Messrs. Manafort and Gates. The indictment alleged the Podesta Group, identified as "Company B" had worked with them for Ukraine. Mr. Podesta in a staff meeting said he would step back from the firm.

The following day, the firm's new bank, Chain Bridge Bank, demanded \$655,000 in collateral within 24 hours—or it would cut the firm's credit line.

Mr. Trump tweeted that day: "The biggest story yesterday, the one that has the Dems in a dither, is Podesta running from his firm."

With clients leaving, the Podesta Group had no money. Rent was due the next day. One idea was to use Mr. Podesta's art collection as collateral for a loan, but he refused.

"At that time, it was inadvisable to provide additional guarantees as an individual for the obligations of the corporation," the Podesta Group's spokeswoman said.

That night, Mr. Podesta ducked out to a birthday party for former Republican Mississippi Gov. Haley Barbour, who gave him a hug. "He did good quality work," Mr. Barbour said.

The Podesta Group's chief financial officer sent Mr. Podesta a 7:23 p.m. email: "If we don't have collateral pledged prior to 5pm tomorrow, we will be in default." If the firm went into default, the CFO wrote, "we will not be able to meet our rent, your art payments, ad campaigns, and most importantly payroll."

Mr. Podesta responded: "need list of next 5 layoffs," among other questions. The next day, he left for an art show in Turin, Italy. The bank's deadline passed.

By the end of the workweek, Wells Fargo, Walmart Inc., and Oracle Corp. had quit the Podesta Group. Some employees packed up their personal items.

On Friday, the firm's CFO quit. That night, a senior manager emailed Mr. Podesta, still in Italy, saying the bank had frozen the firm's funds.

"If we do not alert employees immediately that we have no way to pay them for their work, the firm is committing fraud," the email said. Mr. Podesta said he would call the bank.

"At this point, there's no money to meet payroll on the 15th so you should plan to have staff meeting on Monday to alert the staff," the manager replied. Mr. Podesta said he was "not going into personal bankruptcy" to keep the firm afloat.

The next week, movers began taking down Mr. Podesta's art from the office walls.

On Thursday, Kimberley Fritts, the firm's chief executive, told the staff the Podesta Group was closing. Employees would get their last paycheck in six days. Health-care coverage would cease by year's end.

As Ms. Fritts broke the news, Mr. Podesta was in New York for the rollout of a fashion calendar published by Pirelli. The two-day bash was capped by dinner with Naomi Campbell, Sean "Diddy" Combs and other celebrities.

Before closing the firm's doors, Mr. Podesta gave himself an advance on his commissions.

—Kelly Crow, Christina Rexrode, Jim Oberman, Lisa Schwartz and Aruna Viswanatha contributed to this article.

GREATER NEW YORK

Manhattan Nanny Found Guilty of Killing Children

Yoselyn Ortega knew what she was doing when she stabbed the two siblings, jury finds

BY CORINNE RAMEY

A Manhattan jury on Wednesday convicted a former nanny of murder, concluding she understood her actions when she fatally stabbed her two young charges with a kitchen knife in 2012.

Yoselyn Ortega, 55 years old, was found guilty of two counts of first-degree murder and two counts of second-degree murder for killing 6-year-old Lucia "Lulu" Krim and her 2-year-old brother, Leo.

In a packed Manhattan courtroom, the jury foreman answered "guilty" to each of the four murder counts. Kevin Krim, the children's father, sat in the front row with two alternate jurors, shaking his head and swaying as the verdict was read.

Ms. Ortega, wearing a bright pink shirt, sat motionless at the defense table. She faces life

in prison when Justice Gregory Carro sentences her on May 14.

The Krim's tragedy is "the worst nightmare any parents could ever endure," Manhattan District Attorney Cyrus Vance said at a news conference after the verdict. "We are here to protect the most vulnerable among us—to speak for them when they cannot, and to fight for them when they have been victimized in ways we cannot even conceive."

Mr. Krim, with tears in his eyes, didn't comment at the news conference.

For about two years before the killings, Ms. Ortega had worked without incident for the Krim family, who lived in a luxury apartment building on Manhattan's Upper West Side.

On Oct. 25, 2012, Marina Krim came home to find her children's bloodied bodies in the bathtub with the nanny, making an apparent suicide attempt by slashing her throat.

The jurors began deliberating Tuesday. On Wednesday at 3:32 p.m., the panel sent the judge a note saying they had reached a verdict. One juror, David Curtis, said they initially

were split. "There were some raised voices and a lot of tears," he said, his voice cracking.

Mr. Curtis said the jurors ultimately agreed the defense hadn't proved that Ms. Ortega didn't understand her actions.

Lawyers for Ms. Ortega didn't comment after the verdict.

The six-week trial was unusual because Ms. Ortega's guilt rested not on whether she killed the children but on her mental state and understanding of her actions at the time of the crime. The former nanny pleaded not guilty by reason of insanity.

The insanity defense is rarely used and even more rarely succeeds. In New York state, out of about 5,000 murder cases resolved from 2007 to 2016, six defendants were found not guilty by reason of insanity, according to the state's Division of Criminal Justice Services.

Much of the trial testimony focused on Ms. Ortega's mental state. Defense witnesses included members of Ms. Ortega's family who said she had loved the children but began acting strangely in the weeks before the killings. Ms. Ortega's



Yoselyn Ortega claimed she wasn't in her right mind when she killed the two youngsters in 2012.

sister, Delci Ortega, said her sister heard voices and saw a "black man," who lawyers indicated could have been the devil.

"You had a person who was slowly, slowly disintegrating but kept it inside," said defense lawyer Valerie Van Leer-Green-

berg during closing arguments.

Prosecutors argued that Ms. Ortega had been motivated by money troubles and workload conflicts with the children's mother. Both parents testified during the trial, recounting the day they discovered their chil-

dren were dead. "I was hoping this was just a nightmare and it wasn't," Mr. Krim said.

Assistant District Attorney Stuart Silberg said Ms. Ortega's preparations demonstrated she had planned to stab the children and kill herself.

New NYPD Officers Ready to Report for Duty



DRESS BLUES: More than 400 recruits were sworn in Wednesday at a police academy graduation ceremony at Madison Square Garden.

New at Tribeca Film Festival: Live Theater

BY CHARLES PASSY

At this year's **Tribeca Film Festival**, attendees have their pick of more than 100 films, television programs and streaming shows.

But those who go to the screening this Saturday afternoon of the quirky documentary "Bathtubs Over Broadway" will see something beyond the picture itself. They will also take in the equivalent of a live mini Broadway-style show.

The film is about the golden age of "industrial musicals," when such prominent companies as Ford, General Electric and Xerox presented elaborately staged promotional shows. Tribeca's idea is to bring production numbers from these musicals to life, as a way to expand on the movie.

"There's no substitute for experiencing it yourself," said Tribeca programming director Cara Cusumano.

The 17-year-old festival, which runs from Wednesday through April 29, is offering a number of such experiences



Steve Young in the documentary 'Bathtubs Over Broadway.'

packaged together with the movies.

The examples run the gamut. At a screening of "Mr. Soul!," a documentary about a black-led and themed public-television show that aired from 1968 to 1973, the festival will offer a 50th anniversary tribute to the groundbreaking program. Led by the actor Blair Underwood, who is executive producer of the film, the tribute will essentially bring the show back to life for a night and feature a range of musical

and literary guests.

Other films will be paired with concert-style events. In one case, the talent will include a Rock & Roll Hall of Famer: Patti Smith will perform following a screening of "Horses: Patti Smith and Her Band," a concert documentary.

The idea of offering audiences something more than a film isn't new. Tribeca, like other festivals, has always hosted talks with actors, directors and others in the movie-making world and continues to

do so. For example, a screening of "Schindler's List," in honor of the 25th anniversary of the film's release, will be accompanied by a conversation with director Steven Spielberg and actors Liam Neeson, Ben Kingsley and Embeth Davidtz.

But Tribeca executives and others in the film world say it has become increasingly important to go beyond the post-screening talks, especially in an era when audiences can easily opt to see a picture at home or on their mobile device. "It's our job to create a sense of urgency and excitement around going to the movies," said Ms. Cusumano.

Not that this add-on programming necessarily comes cheap. The festival, a for-profit venture founded in 2001 by Robert De Niro, Jane Rosenthal and Craig Hatkoff, doesn't release budget figures. Still, officials say something like the "Bathtubs Over Broadway" live event involves a five-figure production commitment and months of planning.

The governor's executive order comes as he faces a Democratic primary challenge from actress and activist Cynthia Nixon who took credit Wednesday for nudging the governor to the left.

"For eight years, Cuomo governed like a Republican," Ms. Nixon said in a statement. "Now he's scared of communities...who want to replace him with a real Democrat."

Dutchess County Executive Marcus Molinaro, the Republican front-runner for the 2018 gubernatorial nod, said the move is "wrong" and an overreach of gubernatorial power.

The action echoes proposals by other Democratic lawmakers.

In New Jersey, a group of legislators is pushing a bill that would make the state the third in the U.S. to allow incar-

cerated people to vote.

States around the country approach this issue differently.

New York has given voting rights to people on probation, but hasn't permitted inmates to cast ballots.

In 2015 the Maryland state Legislature gave voting rights to citizens who are on probation or on parole; in 2006, Rhode Island did the same through a ballot referendum.

Mr. Cuomo's decision to bypass the state Legislature on issues that appeal to some of the Democratic base is a tactic he has used throughout his second term as he faces more resistance among legislators.

Past Cuomo orders have hiked the minimum wage for state workers and set antidiscrimination policies regarding transgender people.

Mr. Cuomo said he had pushed the voting measure in state budget negotiations earlier this year but was blocked

35K

Number of current parolees the governor's action would affect.

by the Republican-led Senate.

However, Senate Majority Leader John Flanagan said later Wednesday that it never came up in their negotiations.

The move comes a few weeks after advocates for criminal-justice reforms said they were disappointed that a package of Cuomo proposals, included eliminating cash bail for certain crimes, was excluded from the state budget.

Advocates for voting rights praised Mr. Cuomo's action on Wednesday.

"Gov. Cuomo has taken an enormous step forward for our democracy today," said Myrna Pérez, a deputy director at the Brennan Center for Justice.

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ROLEX OYSTER PERPETUAL AND SKY-DWELLER ARE TRADEMARKS.

GREATER NEW YORK

Fancy Dorm-Style Living for Adults

Long Island City high-rise offers more affordable shared apartments with hotel-inspired perks

BY JOSH BARBANEL

On the outside, the ALTA LIC, a new 43-story rental high-rise in Long Island City, is similar to the other glassy towers with extravagant amenities that have sprung up near the approaches to the Ed Koch Queensboro Bridge to Manhattan.

PROPERTY But inside, folding bed by folding bed, it is challenging the conventional model followed by New York City's housing developers for generations.

ALTA LIC includes 13 floors of compact co-living units among its 467 apartments, making it the largest ground-up collection of shared apartments in the U.S., according to the developers, Quadrum Global and Simon Baron Development.

The idea, they said, is to reduce the cost of renting—in this case a room in a shared apartment—while increasing their total rental income per square foot for the same space.

If the approach works and is widely copied by other developers and endorsed by lenders in high-rent cities like New York, it could tame surging rents for all types of rental housing by packing more people into less space. That could reduce demand and make rents more affordable to many working people.

"ALTA LLC is the cusp of what I think will be a major disruption in the rental market," said Chris Bledsoe, co-founder and CEO of Ollie, a co-living startup that is managing the shared units. "It will just right-size rents to where people's budgets are."

While roommates and residential hotels have been common in pricey cities for generations, organized co-living spaces are gaining popularity. In New York City, WeWork's WeLive unit since 2016 has offered co-living



A rendering of ALTA LIC, which features 13 floors of compact co-living units. To maximize space, a bed folds down over the couch.



space at a converted office building at 110 Wall St., while Common Living Inc. operates co-living spaces in a nine-story building in Brooklyn's Boerum Hill neighborhood, among other sites.

The promises and limits of high-rise co-living were on display at ALTA LLC, during a tour before the rental office opened at the building at 29-22 Northern Blvd. last Saturday. The co-living apart-

ments include well-appointed spaces that look like living rooms, with a couch, bookshelves and a large-screen TV, until a fold-down bed is lowered over the couch. Through transformative furniture "we are creating the usefulness of two rooms in one," said Matthew Baron, president of Simon Baron Development. Mr. Baron and his partner, Jonathan Simon, are investors in Ollie.

The units typically feature shared bathrooms, a small shared kitchen and a hallway. The floor plans were engineered to free up as much space as possible. In return, renters of co-living units known as Alta by Ollie get the benefits of a new building with dramatic views of the Manhattan skyline and Queens railroad yards. They also will have plenty of public space: 27,000 square feet

of amenities, including a lap pool, a golf simulator and a dog spa. The units feature hotel-style amenities: weekly cleaning services, fresh linens, dishes, pots and silverware, as well as access to social events.

The rents per bedroom for one listing, a three-bedroom Ollie unit on the eighth floor, range from \$1,376 to \$1,880 a month—far below the \$2,375 monthly asking rent for the most inexpensive studio listed on a higher floor in the same building.

Despite the extra costs of providing co-living services, Anoop Rustgi, senior vice president of Quadrum Global, said while many other new buildings are asking an average of nearly \$60 to \$65 a square foot in rent annually, Alta is projecting to get mid-to-high \$70s for the lowest floors of the building.

Attorney General Takes Aim At Pardons

BY MIKE VILENSKY

New York Attorney General Eric Schneiderman on Wednesday asked state lawmakers to expand his powers to prosecute people who have received a presidential pardon.

In a letter to Gov. Andrew Cuomo and New York's legislative leaders, Mr. Schneiderman, a Democrat, said: "Recent reports indicate that the president may be considering issuing pardons that may impede criminal investigations."

He is seeking a change to state law that would reshape New York's "double jeopardy" policy. New York law bars state prosecutors from trying people for crimes for which they were already tried federally.

The move comes amid special counsel Robert Mueller's probe into Russian 2016 election interference. Mr. Mueller has brought charges against several Trump campaign associates.

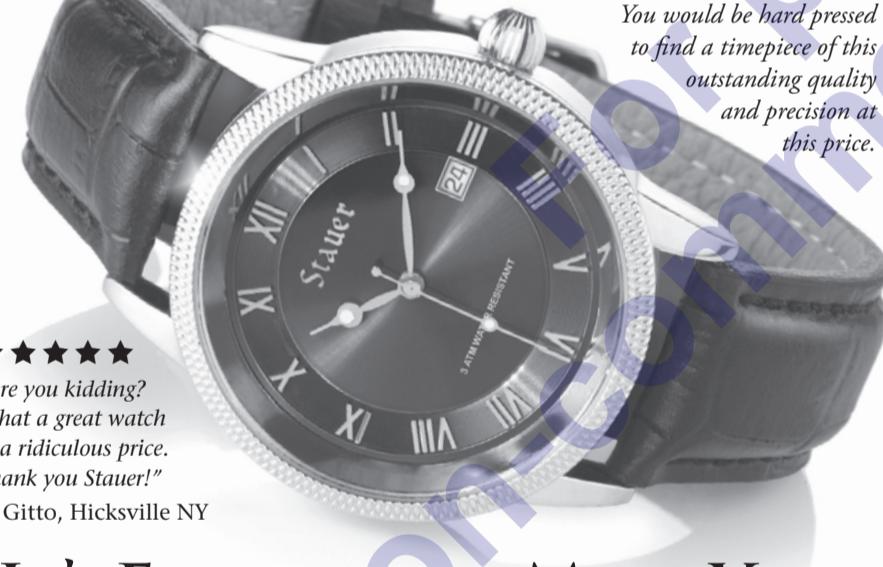
Mr. Schneiderman didn't mention any potential charges he had in mind. President Donald Trump, a Republican, hasn't pardoned anyone linked to the Russia probe.

New York's Assembly has a large Democratic majority and has been critical of Mr. Trump. Through a spokesman, Speaker Carl Heastie said "we will take a close look" at Mr. Schneiderman's request.

Republicans have a razor-thin majority in the state Senate. The majority leader didn't comment on the letter.

A spokeswoman for Mr. Cuomo, a Democrat, said the governor's office is "reviewing the proposal and looks forward to working with the attorney general on the issue."

A White House spokeswoman didn't comment on the letter Wednesday. Mr. Trump has called the Mueller probe a "witch hunt."



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LIFE & ARTS



SERGE BLOCH

AMONG THE TRICKS of the airline trade, one of the wiliest may be which wines carriers serve to premium international business-class passengers. Top sommeliers tout selections with breathless descriptions—even for the \$9 bottles.

A price check on the wine menus of a dozen top international airlines uncorked a wide array of answers. A few pour expensive bottles, some even aged in airline cellars. Others serve lesser-known, inexpensive labels with dreamy descriptions and nary a whiff of the average retail price.

You might think of British Airways Club World as high-end business class, but as a passenger would you expect a New Zealand Chardonnay for \$11, even if it is "fresh and creamy with notes of vanilla and posh lemon tart"?

British Airways defends the quality of the wine: "We take great care in the sourcing of our wines and all of our wines are blind-tasted by experts to ensure we serve the very best."

Another trick: Never serve the good stuff on the ground, where airlines must pay taxes. If they open wine in the air during international flights, airlines are off the hook.

So the business-class welcome bubbly on Delta Air Lines is an \$11 Italian Prosecco, while the in-flight champagne is \$48 Lanson Black Label Brut Champagne for the June-September menu. Delta recently got caught by a travel blogger serving \$4 Andre—a sparkling wine from California—pre-departure in business class. The airline called it a catering mistake.

But overall Delta's wine list, which includes a \$9 French Chardonnay, was among the lowest-priced of 12 airlines in an informal survey. American also has a \$9 bottle on its current trans-Atlantic menus.

It's well-known among airlines and travelers that arid airplane cabins diminish taste, leaving even the most sophisticated palates

Highs and Lows of Airline Wine

Wine plays a big part in customer satisfaction for airlines. Here's a look at the highest- and lowest-priced among the reds and whites on business class menus from five carriers.

AMERICAN

High: \$19
2015 Kaiken Ultra Cabernet Sauvignon, Argentina

Low: \$9
2017 Kleine Zalze Vineyard Selection Chardonnay, South Africa

BRITISH AIRWAYS

High: \$17
2016 The Hedonist Shiraz, Australia

Low: \$11
2016 Seifried Chardonnay, New Zealand

DELTA

High: \$17
2016 Pazo de Villarei Albarino, Spain, and 2015 Ritual Pinot Noir, Chile

Low: \$9
2016 Maison Ventenac Les Plos Chardonnay, France

EMIRATES

High: \$41
2010 Château Saint-Georges Bordeaux, France

Low: \$20
2015 Schloss Vollrads Alte Reben Riesling, Germany

UNITED

High: \$22
2016 Domaine Joseph Drouhin Chablis, France

Low: \$17
2015 Bouchard Pere et Fils, France

Sources: Airlines provided the labels. Average world-wide retail prices, in U.S. dollars, were checked on Wine-Searcher.com on April 17 and 18.

dulled. To compensate, airlines select wines that are fruitier and lower in acidity than some sommeliers might recommend on the ground. Cheaper wines can taste really good in the air. Expensive wines can taste average.

"To have a really very fine, very classy, very old wine is not really the thing you should do," says Hermann Freidanck, manager of food and beverage for Singapore Airlines. "You must have a wine that has a bit more freshness, a little bit more life."

Airlines aggressively battle in their international business-class cabins, leapfrogging each other on lie-flat beds and now personal suites. Wine lists can get ultracompetitive. Many business-class customers consider themselves wine connoisseurs.

The Middle Seat asked airlines for current wine lists for business-

class flights to North America and then priced selections with Wine-Searcher.com. Fliers routinely plug wines into apps or websites.

In our survey, Emirates had the highest average price for business-class wines, based on a menu for recent New York-Dubai flights. The average of the two reds and two whites was \$29 a bottle, more than twice as high as the average of bottles British Airways served on recent Chicago-London flights. A 2010 Château Saint-Georges Bordeaux was the highest-priced bottle in the survey. Wine-Searcher says the 2010 vintage was last available in March at \$41 a bottle.

Emirates has used wine to boost its reputation for quality more than any other airline. The Dubai-based carrier has its own wine warehouse in Burgundy, France, where it ages wines sometimes as

long as 10 years. The cellar has 4.7 million bottles in it, Emirates says.

Many factors can skew price comparisons, and there are delicious low-price wines just as there are overpriced mediocre ones.

Space, like budgets, is limited on airplanes, so carriers limit selection. Most offer a choice of two reds and two whites on a business-class flight, plus one in-air Champagne, a pre-departure sparkling wine and often a port or other dessert wine.

U.S. airlines don't have much taste for U.S. wines. United had none on its business-class menu, opting instead for two French labels, a German Riesling and an Argentinian Cabernet. For flights between the U.S. and Europe, American is serving wines from South Africa, Spain and Argentina—countries known for good wine at lower prices. Delta's sum-

mer wine list had wine bottles from France, Spain and Chile only.

United had the highest average price among the Big Three U.S. airlines and ranked fourth among the 12 surveyed. Its labels stuck to a narrow price range of \$22 to \$17, according to prices checked Tuesday and Wednesday on Wine-Searcher.com. American's wines ranged from \$19 to \$9. Delta's wines were from \$17 to \$9. That means Delta's two most expensive wines, according to the summer menu, were about the same price as United's cheapest.

Delta says it knows customers pay attention to wine, including prices. The airline's wine strategy is to have a blend of recognizable brands and little-known surprises, says Lisa Bauer, vice president of onboard services. "I think it's really less about the price point and more about, is it something that they really enjoy?" she says.

American says it also selects good wines with the help of both a master sommelier and a Napa, Calif., wine management firm. The key is offering a product pleasing to everyone and meeting spending budgets, says Russ Brown, American's director of food and beverage.

Qantas pours a blend of prominent Australian labels, plus small-winery sleepers, some with quintessentially Aussie names like Ladies Who Shoot Their Lunch Chardonnay.

Neil Perry, an Australian restaurateur, serves as the airline's creative director for food, beverage and service. He thinks that taste in-flight is improving with new aircraft that have higher cabin humidity levels, reducing passenger dehydration.

"My view is that food and wine that taste really good on the ground taste really good in the air as well," Mr. Perry says. "I think it's a bit of a cop-out from a lot of airlines that don't try hard enough with their food to wave the white flag of diminished taste buds."

MUSIC

EDM'S NEW TWIST: ACTUAL INSTRUMENTS

BY ANNE STEELE

ELECTRONIC MUSIC is tapping an unlikely ally to help it stay relevant: actual musical instruments.

Nearly a decade after a craze for electronic dance music, or EDM, swept the U.S. festival scene, the genre has evolved as fans demand more from their live experiences than a DJ on a laptop. The shift is playing out at musical festival Coachella, where live electronic acts like Odesza and Kygo are performing with keys, vocals, strings and horns in addition to electronic equipment, on the festival's high-profile main stage.

"Live instruments bring an energy and timbre to our music that is impossible to re-create digitally," says Odesza's Harrison Mills. "They give the show a certain presence and connection for the listener. It's

one of the ways we translate our recorded music, which we consider very personal and intimate, into a more communal live experience."

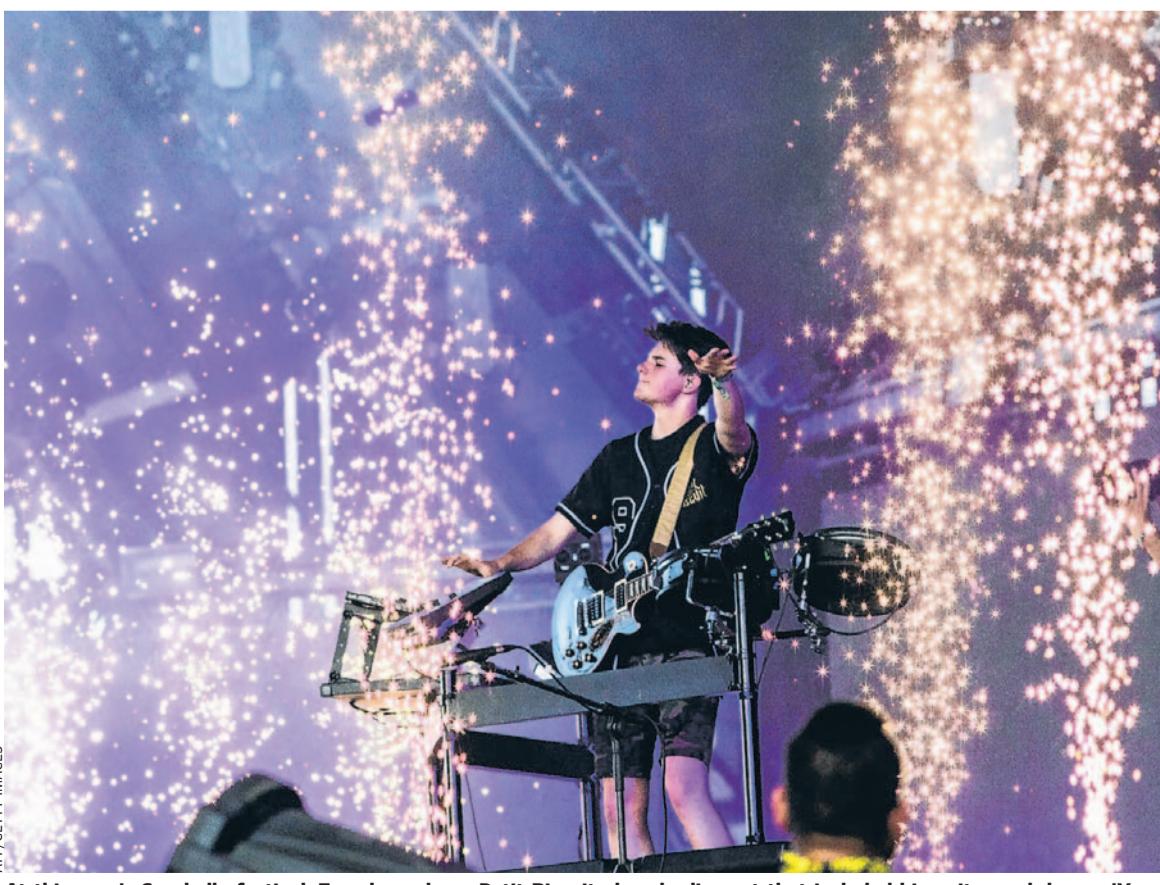
Coachella kicked off last Friday and continues this weekend. On Sunday at the Sahara tent, where the music festival typically schedules its EDM performances, the 18-year-old French producer Mehdi Benjelloun, aka Petit Biscuit, played a live set surrounded by electronic gear, his guitar and drums.

"It's not just a synthesizer and a drum machine. I try to create something more organic," says Mr. Benjelloun, who is classically trained on piano, guitar and cello.

Performing live makes his music more understandable, he adds. "You can just feel the energy of the instruments and the energy of the guy who's playing the instrument."

"It's engaging to an audience that thinks of him as a live band,"

Please see MUSIC page A13



At this year's Coachella festival, French producer Petit Biscuit played a live set that included his guitar and drums. 'You can just feel the energy of the instruments and the energy of the guy who's playing the instrument,' he says.

LIFE & ARTS



'Westworld' cast members, playing humans and nonhuman 'hosts,' include, clockwise from top: Evan Rachel Wood, James Marsden, Ed Harris, Thandie Newton and Jeffrey Wright.

BY JOHN JURGENSEN

"THIS WILL GET GROSS," says a character early in the season premiere of "Westworld," set to air Sunday, as he slices open the scalp of an android and pulls out the computer nodule that serves as its brain.

The quip may serve as a warning to viewers about what is to come in the HBO series, which during its first season established a more-is-more approach to violence and a plot that kept its audience guessing till the end.

Adapted from the 1973 sci-fi film of the same name, "Westworld" is set in a theme park populated with hyper-realistic, artificially intelligent robots called "hosts." In season one, these hosts—played by actors such as Evan Rachel Wood and Thandie Newton—were maimed and killed by human visitors living out Wild West fantasies, only to be repaired and returned to the park with no memory of what happened. Gradually, some of the hosts gained more self-awareness and led a mutiny against their patrons and controllers.

The show is intended to spark discussion about human behavior and technology, and the bloodshed is part of that, says Jonathan Nolan, who created the series with his wife and fellow executive producer Lisa Joy. "We're making a form of mass entertainment and asking the question at the very same time: Why do we enjoy this sort of entertainment?"

Are the producers trying to have it both ways, commenting on—and also feeding—the appetite



TELEVISION

New Season Of 'Westworld' Keeps the Blood Flowing

for sex and violence onscreen?

"Absolutely," Mr. Nolan says, adding an expletive between syllables.

The success of "Westworld," which premiered in 2016, is crucial for HBO as its megahit series "Game of Thrones" heads toward its final season next year. The network bets on only a handful of new series a year, compared with its rival Netflix, which adds a new

batch of original TV shows and movies to its menu every week.

"Westworld" set record ratings for a first-year HBO series and averaged 13.2 million viewers per episode across all platforms, but just as important, it kept fans stimulated between episodes. They searched for clues in each episode and debated theories about the show's many mysteries, especially on Reddit, the hyper-observant on-

line community.

"I can relate because I used to be that guy," says Mr. Nolan, still proud he predicted the famous twists at the end of "The Sixth Sense" and "The Usual Suspects." As a screenwriter, he helped play puppetmaster in labyrinthine films such as "Interstellar" and "Memento" that his brother Christopher Nolan directed.

Earlier this month, Ms. Joy and

Mr. Nolan fielded questions in a Reddit Q&A session, naming their favorite fan hypothesis and listing influences that included a children's story in which a pig and an elephant confront the fact that they are inside a book.

The producers said they wanted to get out in front of future fan theories by releasing a video that included all the plot revelations in the new season. It was a prank. What people who watched the video actually got was a riff on an old internet meme.

Some "Westworld" detractors have complained that the show is too beholden to the concealing and revealing of plot twists. "I would hate to reduce it to that," Mr. Nolan says. "We put an awful lot of thought and effort into the growth of the characters and the ideas and the philosophies in the show," which he describes as "a story about the origin of a new species of intelligent life, and the bloody and difficult way in which those creatures come to be."

When they created the show and invented the look and mannerisms of the hosts, "Westworld" producers struggled to make them characters whom viewers would empathize with, even though they aren't human. The challenge is somewhat inverted in season two, and Mr. Nolan says he is curious to see how audiences will react when human characters are increasingly on the receiving end of android violence.

"Now that the hosts have control," he says, "are they destined to repeat the same mistakes as the humans?"

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LIFE & ARTS

ARCHITECTURE REVIEW

Modest in Size, Not Distinction

Outside, it looks like a collision of familiar and unfamiliar forms, but only inside do you feel the building's full immersive power

BY JULIE V. IOVINE

Richmond, Va.
THE NEW MARKEL CENTER for the Institute of Contemporary Art, opening April 21 and designed by architect Steven Holl, whose notable projects include an addition to the Nelson-Atkins Museum of Art (2007) in Kansas City, Mo., and the horizontal skyscrapers for the Vanke Center (2009) in Shenzhen, China, beckons assertively from one of this city's busiest downtown corners. The exterior looks like an energetic collision of familiar and unfamiliar forms. On one side, shipping-container shapes speed toward a vanishing point; on another, a towering wall buckles like a volleyball net in the wind. The overall structure is enveloped in the uniform silvery blue-white of zinc panels and translucent glass, giving it a contemporary sculptural personality unlike anything else in Richmond, so history-laden with red brick and granite monuments.

But it is only when you explore the building's unfolding interiors that you feel the ICA's full immersive power. The architect is working on a relatively modest scale but very much at his best, and the outside shape offers only a fraction of the whole experience.

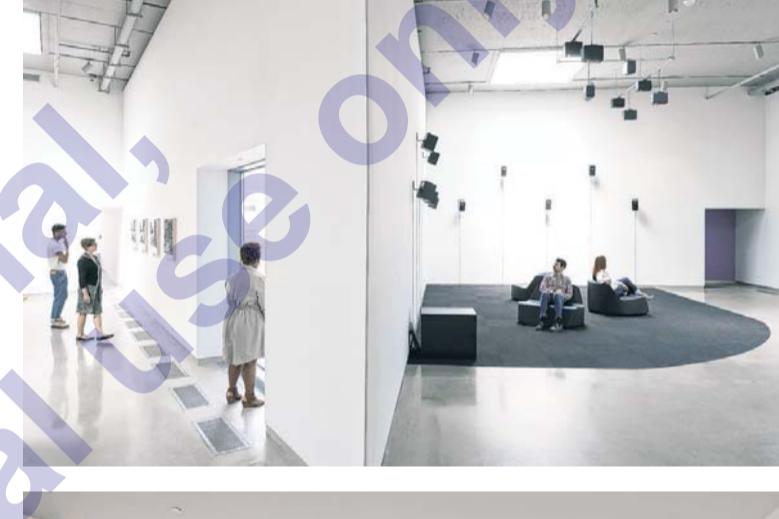
Affiliated with the highly regarded art school of Virginia Commonwealth University, the center is a combination *kunsthalle* and performing-arts venue, with no plans to collect art. Privately funded, the \$34 million building is on the site of a former parking lot along a revitalizing stretch of Broad Street. It is a few blocks from both a highway interchange and Thomas Jefferson's historic State Capitol. In addition to presenting local and traveling shows and performances, it needed to be a bridge between the campus and the rest of the city, specifically the African-American communities immediately adjacent.

No standoffish grand entry stairs here. The front edge of the building, with a 70-foot glass wall that is set to glow at night, reaches to the street corner, while the campus side offers a public garden with a reflecting pool. There are entrances and exits on every approach, all delivering visitors to the main lobby—a vaulted naturally lighted space encircled by balconies and with a wall-hugging staircase climbing directly to the top-most third floor.

There's a pronounced artistic bent to Mr. Holl's design process, beginning with an outpouring of intimately scaled watercolors by the architect, followed by hundreds of staff-produced models trying to pin down the magic light-play in those sketches. The final designs for the ICA took six



THE MARKEL CENTER



Clockwise from above: The Belvidere Street entrance of new Markel Center for the Institute of Contemporary Art at Virginia Commonwealth University; the building at night; the second floor galleries at the ICA; the Royal Forum at the ICA; architect Steven Holl

months to develop, according to Chris McVoy, senior partner in charge of the project, and included an elaborate inspirational framework around concepts the architect calls "forking time" and "plane of the present" that guided the dynamic shaping of the building. Such verbiage may well be part of the creative method, but it belies the architect's practical response to functional needs and budget restraints.

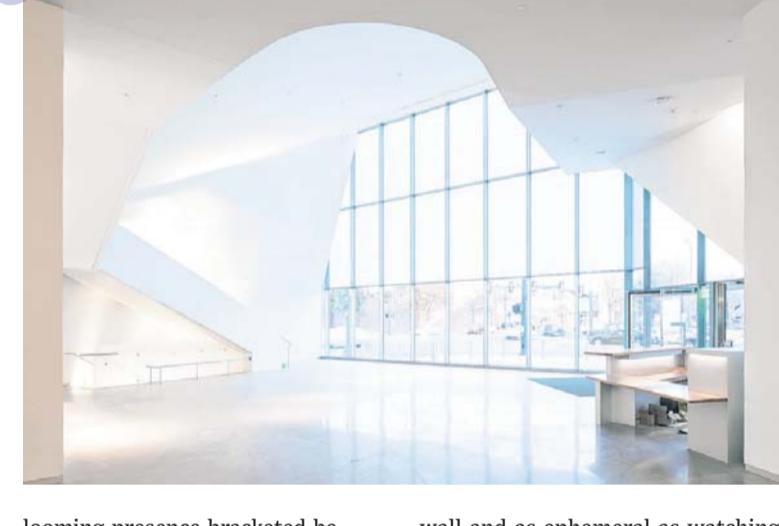
Fairly small at 41,000 square feet and only four galleries, the building has little room for unnecessary flourishes. Instead of employing hallways and vestibules, most of the circulation is incorporated directly into the main spaces. Galleries and the 240-seat auditorium empty directly into the lobby or by the elevators; the loading dock doubles as a backstage; and a restricted palette of monochromatic materials—concrete for ceilings and floors; gypsum and etched glass for walls and doors—looks



clean and trim, not luxurious.

Spatially, however, it feels rich. On the second floor, the galleries fork like two vectors from a single plane: You can stand at one end and see the length of both at the same time. These are galleries custom-made for stimulating dialogue, an aim high on the new center's agenda. The inaugural exhibition, "Declaration," includes 34 local and international artists exploring social issues.

On the top floor, a single gallery features a convex wall that rises up and over a 33-foot peak, a kind of



IWAN BAAN (4); STEVEN HOLL ARCHITECTS

looming presence bracketed between two-story arched windows. A cavernous asymmetrical space, it won't work at all for traditionally conceived art but will be a terrific invitation for installations as yet to be imagined.

Mr. Holl is expert at showing how experiencing architecture can be both as solid as running into a

wall and as ephemeral as watching how fugitive light through well-placed windows picks up speed as it flees across a curved surface. The ICA is a compact building, but there's nothing diminutive about its distinction.

Ms. Iovine reviews architecture for the Journal.

MUSIC

Continued from page A11
says Evan Hancock, an agent with the talent firm Paradigm who books live electronic acts and DJs. "It's trying to offer the crowd a little more of a view of what's actually making this music."

EDM broadly describes a propulsive, synth-heavy style of music created by producers using electronic equipment and played by DJs—usually operating portable computers, not vinyl records. It took off in the U.S. with hits by DJs like Yellow Claw and Steve Aoki drawing hundreds of thousands to giant festivals such as Electric Daisy Carnival.

"When the EDM explosion happened, kids were seeing a guy behind a laptop, and there were big lights and big videos, and everyone was enthralled," says Mr. Hancock. "Once culture moved forward, it became more who can provide a more engaging show."

That's what promoters are now trying to do, particularly as festivals proliferate and demand increases for live music.

Pete Tong, an influential DJ and record producer, sold out the O2 arena in London



Harrison Mills and Clayton Knight of Odesza at Coachella. 'Live instruments bring an energy and timbre to our music that is impossible to re-create digitally,' Mr. Mills says.

That group drew early attention by performing as a band with keyboards, guitar and drums, but for a residency at Wynn Las Vegas, it is taking the opposite approach: paring back to a more traditional EDM setup. In the process, the band members have found that pushing buttons and twiddling knobs can be fun in their own way.

"As producers who tour and perform as a live band, we don't often get the chance to DJ in big rooms," says drummer James Hunt. "It's exciting to be able to take it back to the clubs."

While Coachella's Sahara tent has become an important venue for the biggest DJs, Mr. Hancock sees some electronic acts with their sights set on the bigger, more mainstream crowds

and Hollywood Bowl accompanied by a 60-piece orchestra, and has added more dates this year. Another popular DJ, Deadmau5, performed some of his older music with a full orchestra at a pair of shows a few weeks ago.

"Like any genre, the sounds get a little tired, and they continue to evolve," says Tom Corson, chief operating officer at Warner Bros. Records, which recently signed indie dance trio Rufus Du Sol.

that live bands are drawing.

"The guys who see themselves not as EDM—they want to play other stages," he says. "They're wanting to play where bands are."

KEVIN WINTER/GETTY IMAGES

SPORTS

MLB

A 13-Man Pitching Staff Is the New Normal

BY JARED DIAMOND

WHEN NEW YORK Mets general manager Sandy Alderson first started working in baseball in 1981, his Oakland Athletics threw 60 complete games—or one more than every team in the majors combined last season. Their typical 25-man roster included no more than 10 pitchers. The idea that they could possibly need any more seemed ridiculous.

Things look quite a bit different today. The number of pitchers that teams carry at one time has slowly crept up to keep pace with changes in strategy. The accepted sweet spot settled in at 12.

But suddenly, most organizations have determined that even a dozen arms are not enough for the modern baseball landscape. It has resulted in a new standard of 13 pitchers, including eight relievers, a shift in how teams utilize their assets that reflects the latest phase of the sport's evolution.

This might not sound like a huge change, but it comes with significant ramifications and provides clear insight into how the game is played in 2018.

"In today's game, the 13th pitcher is more valuable than the 13th player," Alderson said.

In 2013, teams across MLB had 13 pitchers on their active rosters for 803 total games before rosters expanded in September, according to Stats LLC. That number grew to 2,243 games last season—a 179% increase—and it will almost certainly climb even further this year.

Relief pitchers, once considered the most interchangeable and least important parts of any team, matter more than ever, boosted by a surge of empirical evidence that



Los Angeles Angels pitchers sit in the bullpen during a game in Kansas City.

proves their significance. As a result, managers turn to the bullpen earlier and more frequently than at any other point in history, with starters accounting for less than 62% of the innings in 2017, a record low. The average starter lasted just 5½ innings per outing.

The data shows that performance drops dramatically when a pitcher faces an opposing batting order for a third time. Hitters posted an .801 on-base-plus-slugging percentage in those situations last season, up from .724 the first time through the lineup. In response, teams simply pull their starter before that happens, putting a greater burden on relievers.

"At some point, your worst reliever is more effective than your best starter," Alderson said. "That crossover point is fairly early in a game often."

This alone wouldn't require a larger bullpen if relievers threw

multiple innings at a time. But they don't, at least not with any semblance of regularity. The average reliever pitches to about 4½ batters per outing, down from five in 2000 and six in 1990.

"The stress of the bullpen has become so great that carrying the additional arm is where managers are most comfortable," said John Mozeliak, the Cardinals' president of baseball operations.

Once again, the reason for this change stems from the rise of analytics, which show the benefit of using relievers based on individual matchups, leading to extreme specialization. Mets left-hander Jerry Blevins, for instance, entered Wednesday night's contest having appeared in 10 games—and seen just 12 hitters.

Meanwhile, research shows that it is ideal for relievers to pitch in short, quick bursts, exerting maxi-

mum effort on every pitch instead of holding back for later. Last season, 110 different relievers threw at least one fastball of at least 98 mph, up from 91 in 2013.

"You're apt to go to that when you have a bunch of guys in the pen like that," Milwaukee Brewers manager Craig Counsell said.

Of course, an extra pitcher on the roster means teams often have one fewer option on the bench, a new normal with real implications, especially for the position players struggling to find major-league jobs. This past winter featured the slowest free-agent market ever, a freeze-out of veteran players that dominated the conversation in the baseball world all off-season.

Plenty of factors contributed to this phenomenon, but one that didn't receive much widespread attention relates directly to the rise of the 13-man pitching staff: With

smaller benches—as few as three reserves on American League teams—certain types of players who used to be coveted no longer have a place in the game.

Consider Mark Reynolds, who after finishing 2017 with 30 home runs and 97 RBI couldn't find work until he agreed to a minor-league contract with the Nationals last week. Or Adam Lind, who signed a minor-league deal with the Yankees after posting a .303 batting average and .875 OPS a year ago.

Both of them play first base and left field almost exclusively, offering little defensive flexibility. Mozeliak said that with so few bench spots—one of which reserved for a backup catcher—those types of players are "pretty tough to carry."

"Positional versatility has become critical in the game," Counsell said. "You need that player on your roster."

HORSE RACING

GRONKOWSKI BUYS STAKE IN GRONKOWSKI (THE HORSE)

BY JIM CHAIRUSMI

GRONK, the NFL star, is buying a share in Gronk, the horse. And together they're going to Churchill Downs.

New England Patriots tight end Rob Gronkowski will acquire a minority stake in Gronkowsky, a 3-year-old colt named after him that is slated to run in the Kentucky Derby on May 5.

The deal is set to be announced on Thursday with Phoenix Thoroughbreds, a global horse racing investment fund founded by Amer Abdulaziz with about 130 horses in its racing and breeding operations. Terms were not disclosed.

Phoenix purchased the son of Australian champion Lonrho for

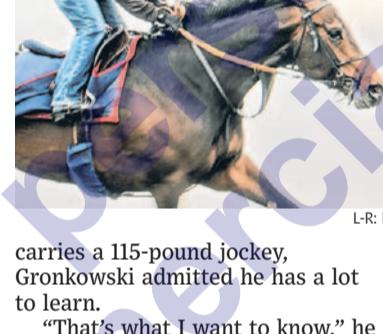
\$404,492 at a 2-year-olds in training auction in England last year. They named him after the tight end because the colt is "big and strong" and trainer Jeremy Noseda's family are big Patriots fans, according to Tom Lutd, vice president of equine operations for Phoenix Thoroughbreds.

Both are nearly the same height: the football player is listed at 6 feet 6, the horse stands 6 feet 5.

In a telephone interview, Gronkowski said he plans to meet his new horse in Louisville, Ky., a few days before the Run for the Roses.

"I've never dealt with horses," he said. "Hopefully I can get a ride on the horse."

When it was pointed out that a 265-pound football player might be too heavy for a horse that typically



L-R: EQUUS PHOTOGRAPHY; TOM SZCZERBOWSKI/GETTY IMAGES

carries a 115-pound jockey, Gronkowski admitted he has a lot to learn.

"That's what I want to know," he said. "I'm not trying to ride it for a full speed ride. I just want to get the feel of what it's like to be on top of one. Maybe I'll go for a full speed ride once I get comfortable."

Gronkowski said he first heard buzz about his namesake about a month ago. But when the colt secured a spot in the starting gate for the Derby after winning the Burra-don Stakes in England on March 30, "everyone was hitting me up," the

28-year-old All-Pro said. "[They] thought it was my horse."

After contact was made with representatives from Phoenix, Gronkowski said, a partnership was struck for the Kentucky-bred colt, who has won four of six life-time starts.

Lutd said the attention that a star football player brings will benefit the entire sport.

"[Rob] has a reach that the traditional thoroughbred industry doesn't have anymore," Lutd said. "We're in the horse industry. Hopefully this just brings that many

more eyeballs to horse racing."

Although the equine Gronkowski is undefeated in three races in England this year, all three wins came on a synthetic track, a different surface than the dirt track he will be running on at Churchill Downs on Derby day. It is one of the factors that will likely make the colt a long shot in the race.

"It's a challenging race. If he runs top three, we'll continue on to the Preakness. If for some reason, he doesn't run to the level we think, there are plenty of other races," Lutd said.

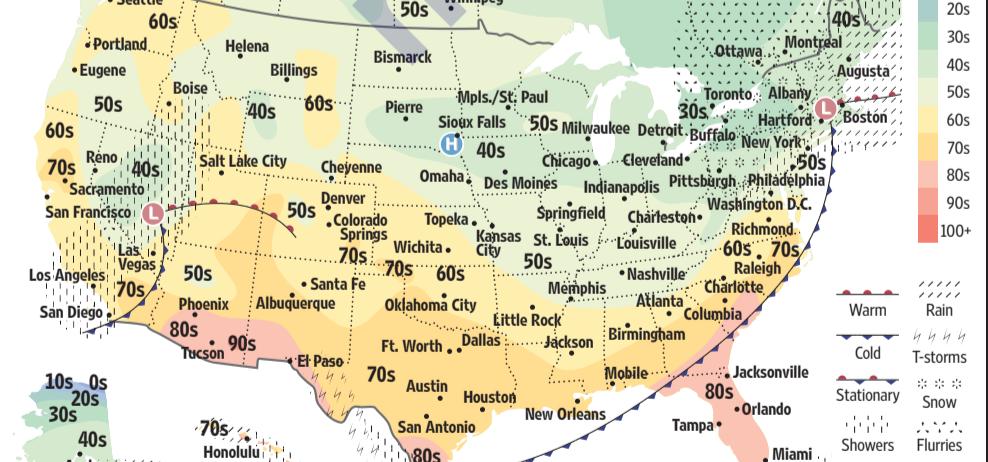
Gronkowski said he is acquiring the stake as an investment but also to have a little bit of fun.

"It will be a new experience. Hopefully it will be something I like. I like new hobbies," he said.

Although he attended the Derby with teammate Tom Brady in 2015, he said he wasn't familiar with the race's traditional cocktail, the mint julep.

"I've never even heard of it. Yeah. I'm a whatever guy. Whatever is chilling at the moment."

Weather



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

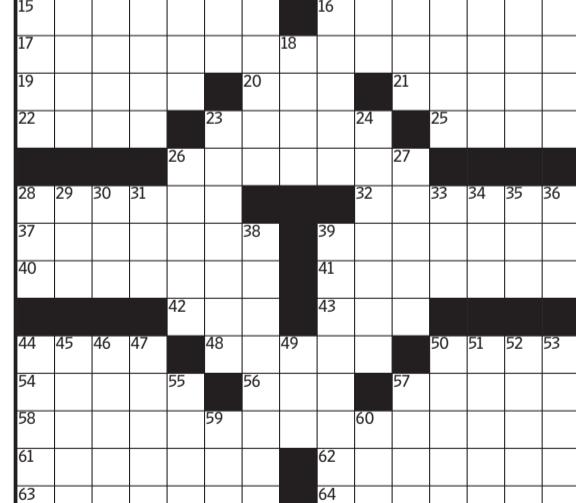
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	49	36	pc	45	36	c
Atlanta	63	41	s	68	45	s
Austin	76	51	pc	74	57	c
Baltimore	56	35	pc	55	36	s
Boise	67	40	c	70	45	s
Boston	44	37	r	49	37	c
Burlington	46	34	r	46	33	c
Charlotte	66	37	s	67	41	s
Chicago	46	30	s	55	36	s
Cleveland	42	32	sn	45	30	s
Dallas	72	49	s	70	51	c
Denver	68	43	pc	56	33	r
Detroit	49	29	pc	52	32	s
Honolulu	81	73	sh	83	73	c
Houston	74	55	s	74	57	c
Indianspolis	51	30	pc	57	35	s
Kansas City	54	33	pc	59	42	c
Las Vegas	67	53	pc	77	59	s
Little Rock	63	38	s	66	43	pc
Los Angeles	65	51	pc	71	53	s
Miami	86	69	pc	87	74	c
Milwaukee	44	28	s	48	34	s
Minneapolis	48	28	pc	47	31	pc
Nashville	56	36	pc	64	38	s
New Orleans	74	54	pc	69	57	pc
New York City	50	38	sh	53	38	c
Oklahoma City	66	41	s	65	43	c
Edinburgh	63	45	pc	58	41	pc

International

Today Hi Lo W Tomorrow Hi Lo W

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	79	53	pc	72	48	pc
Athens	75	59	pc	76	57	t
Baghdad	92	65	s	96	66	s
Bangkok	93	79	sh	93	80	t
Beijing	82	56	pc	86	65	s
Berlin	74	53	pc	78	55	s
Brussels	78	57	s	76	52	s
Buenos Aires	83	65	pc	79	63	t
Dubai	86	72	s	89	72	s
Vancouver	62	45	c	60	44	pc
Zurich	63	45	pc	58	41	pc

The WSJ Daily Crossword | Edited by Mike Shenk



PROPERTY LINES | By Alex Eaton-Salner

- | Across | Down |
|---|---|
| 1 Speed limiter, of sorts | 26 Finale |
| 8 Paints the town red | 28 Responsible |
| 15 "Finished!" | 32 Of little consequence |
| 16 Rapa Nui location | 37 Bangkok buck |
| 17 Some green options that aren't very green? | 39 One with a passing interest |
| 19 Half of a South American capital | 40 "Never mind!" |
| 20 It may be aged in oak barrels | 41 Pitch phrases |
| 21 Delta choices | 42 Force of attack |
| 22 Blubbery bather | 43 Low card |
| 23 Craft | 44 NordicTrack unit |
| 24 Have rolling in the aisles | 48 Collect |
| 25 Wasp nest sites | 50 Rainforest nut |
| | 54 Switch type |
| | 56 Forest's role in "The Last King of Scotland" |
| | 57 Santa in California |

OPINION

Is the GOP the Party of Trump?

WONDER LAND
By Daniel Henninger

Politics, even at its crudest, is normally about doing something. But in America today, we practice the politics of subtraction. Thus we read that after House Speaker Paul Ryan's retirement from active politics, the Republican Party by default has become the party of Trump. Is this true, or wishful thinking?

The Democratic Party wishes it were true because it wants to run against Donald Trump's personality in every race from Peoria to Dogpatch. The Trumpian right obviously wants it to be true.

Voters produced a Republican rise while the president was still a private citizen.

There are many reasons to be skeptical of the proposition that the GOP has become the POT.

Donald Trump himself is not the source of the idea that the Republicans have become the party of Trump. It is mostly waving a wish into reality by Mr. Trump's Beltway-centric supporters. Real parties represent principles, but Mr. Trump reminds us repeatedly that he is "flexible," as he made clear during the debate over immigrant Dreamers.

If there are identifiable elements in this party, they include a loss of faith in the ben-

efts of immigration, global trade and U.S. involvement in the world's problems.

The record of Mr. Trump's first 14 months in office does not support the assertion, spread by the media hours after the Ryan retirement, that nationalism, protectionism and isolationism now define U.S. politics. Or that Congress's recent budget vote, best understood as a decision either to fund or abandon the military, means the GOP has buried fiscal responsibility.

Mr. Trump's greatest domestic accomplishment—and it's more than most presidents achieve in two terms—is a dynamic economy that virtually overnight has produced a shortage of workers.

That achievement is the product of two political ideas that have been Republican Party orthodoxy since 1981—regulatory relief and tax cuts. The linkage between these policies and significant job creation is becoming manifestly undeniable. Is this part of the "traditionalist" GOP that the Trump presidency has left behind?

So far, the connection between large-scale job creation and Mr. Trump's immigration and trade policies isn't established. Immigration sits amid legal and legislative disputes with virtually no forward movement. The trade initiative is a work in progress.

As to America's involvement in the world's many problems, well, it's still hard to say goodbye.

The party of Trump is ultimately a national media phenomenon disconnected from the realities of American politics. During the Obama presidency, Democrats lost 1,000



At the 2016 GOP convention.

state legislative seats. The Republicans gained control of 32 state legislatures and now hold 35 governorships. Millions of people cast votes to produce this historic GOP rise while Donald Trump was still in private life.

The roster of GOP governors through this period defines the party: Mitch Daniels and Mike Pence, Jeb Bush, Rick Perry and Scott Walker. Less nationally known are Michigan's Rick Snyder, Maryland's Larry Hogan, Oklahoma's Mary Fallin, Tennessee's Bill Haslam and Arkansas' Asa Hutchinson.

Did Donald Trump's defeat of some of them in the 2016 primaries repudiate Republican ideas behind Scott Walker's reform of the Wisconsin public employee unions, Jeb Bush's Florida school reforms or Rick Perry's tort reform in Texas?

In fact, the modern Republican "establishment" grew out of organizations like the American Legislative Exchange Council. ALEC nurtured GOP ideas on welfare and entitlement

reform, deregulation and tax policy, as well as tort and education reform. Recognizing a real political threat, the left has tried to destroy ALEC.

Here's a shocker. Guess who made all that conservative reform possible? The "donor class." The donor class, properly understood, is mostly successful entrepreneurs who funded a universe of local think tanks that has fed the GOP conservative policy ideas for years.

Most of these funders came to politics as supporters of ideas, rather than the Republican Party. It is these ideas, developed in the substantive grassroots, that pose the greatest threat to the modern Democratic Party's pursuit of statist solutions and coercion.

Paul Ryan and the ideas he developed on the budget and tax committees and then as speaker emerged concurrently with this GOP activity in the states. Busting this relationship would be a progressive dream. The idea that all this achievement by the Republican "establishment" disappears because of Mr. Ryan's retirement, to be replaced by a barely defined party of Trump, is fatuous.

Donald Trump's lasting contribution to electoral politics was drawing attention to forgotten voters, especially in rural areas. Their views are now on the table. But 2016's win also depended on support from moderate-to-conservative suburban Republican voters, and the party can't lose them.

Donald Trump is a unique, charismatic political figure. But the evidence so far is that the party of Trump begins and ends with one man.

Write henninger@wsj.com.

BOOKSHELF | By Mark G. Spencer

The First Round Of a Long Fight

Lexington and Concord

By George C. Daughan
(Norton, 349 pages, \$27.95)

George C. Daughan's "Lexington and Concord" covers more than the famous battle that launched the American Revolution. Like Eric Hinderaker's "Boston's Massacre" (2017) and Nathaniel Philbrick's "Bunker Hill" (2013), Mr. Daughan's book sets its topic in historical context, giving the events leading up to April 19, 1775, as much attention as the battle itself. Another asset of this book—not to be undervalued—is its readability. Brief chapters of short paragraphs, several only a sentence long, move the action forward as in a fast-paced novel. With pages that are free of jargon and footnotes, there are few reminders to the reader that historical sources lurk behind the narrative.

At the heart of "Lexington and Concord" are the people in the fray. Mr. Daughan probes their characters through their actions, correspondence and memoirs. Prominent figures include Benjamin Franklin and Paul Revere, of course. On the British side, Lord North, who, despite being "a master of compromise," was "at a loss when it came to America," and Gen. Thomas Gage, whose stream of letters from America aimed to convince his English superiors how tense things were for him and his 3,500 troops stationed in Boston. Mr.

Daughan skillfully conveys a sense of them all.

George III and "his sycophants," Lords Sandwich and Dartmouth, do not come off well. The king mistakenly thought that a few pesky rebels—Samuel Adams and John Hancock chief among them—were the whole of the problem. Despite Gage's pleadings, the author tells us, the king "remained blissfully ignorant of the real situation in Massachusetts."

British military force, the king maintained, would easily and quickly silence them and their rabble followers.

Mr. Daughan illuminates the widening gulf between how things were seen by men on opposite sides of the Atlantic. As a result of the Seven Years' War (1756-63), the British came to see Americans as military dupes—a misperception, perhaps, but one that grew more pronounced even as an increasing number of colonists became more bold about the rights they claimed. Still, Americans were not seeking a revolution; they would be forced into it, according to Mr. Daughan, by "London's determined stupidity." As late as the autumn of 1774, the author notes, "at no time did any member [of the First Continental Congress] advocate independence." The Battle of Lexington and Concord changed all of that. Americans learned that they were better prepared to fight for their independence than either side imagined.

Mr. Daughan is at his most original when conveying military maneuvers and assessing strategies. A noted naval historian—his "If By Sea" (2008) won the Samuel Eliot Morison Award for Naval Literature—he reminds us of the importance of sea power to the American Revolutionary era. On land, we follow Britain's Maj. John Pitcairn and Lt. Col. Francis Smith marching west from Boston as Revere, William Dawes and other alarm riders spread word of the Redcoats' approach. The American Capt. John Parker, ill prepared, was largely responsible for the "massacre" of Americans at

What started as the Redcoats' regimented return to Boston descended into 'a living hell.' America's War for Independence had begun.

Lexington. But while historians such as Arthur Tourtellot have been inclined to criticize Adams for not providing Parker with sufficient direction, Mr. Daughan argues that it is really Hancock who is partly to blame. "As leader of the Provincial Congress's Committee of Safety," the author writes, "he was the person who should have counseled Parker, not Adams."

Mr. Daughan praises American Col. James Barrett, a French and Indian War veteran, for his actions at North Bridge and Concord. Well prepared, he "had been expecting an attack on Concord for some time." When it came, he bided his time, waiting for the militia to arrive "from the surrounding towns." Smith—armed with a map provided by the spy Benjamin Church—destroyed what munitions he could find in Concord, but time was short as large numbers of American militiamen were amassing. What started as a regimented return to Boston soon descended into "a living hell." In chaotic retreat, the British left their dead and wounded where they fell. That hurt British morale, while the Americans' confidence continued to grow, especially two months later after the Battle of Bunker Hill. America's War for Independence had begun.

This good book is not without its shortcomings. Boston's Tea Party, for instance, was more intricately connected to the British East India Co.'s finances than is hinted here. And a fuller understanding of the Revolution requires a much deeper engagement with the history of ideas than Mr. Daughan's opening chapters afford. The author may be right to claim that "London's sublime creative community was of little interest to most Americans," who "rarely, if ever, came in contact with it." But overemphasizing that provinciality ignores the expanding world of print that America's learned few—and those who absorbed their ideas—knew well. Ideas initiated the American Revolution and guided it, before and after the Battle of Lexington and Concord.

Some may find Mr. Daughan's narrative too synthetic or even derivative. Primary sources are often quoted from others' monographs, on which the author at times leans heavily. A bibliography lists some of those debts, but notably absent is Andrew O'Shaughnessy's "The Men Who Lost America" (2013), whose dramatis personae resemble Mr. Daughan's, and Robert A. Gross's "The Minutemen and Their World" (1976). Mr. Gross offered, as he put it, "a new social history," one that set "the Concord Fight" within "the context of the townspeople's ordinary lives, before and after April 19, 1775." Mr. Daughan, too, focuses on America's common people: "The militiamen who fought the first battle of that war began a new epoch in human history. They are the heroes of this story, as are their families, who risked everything to defend their way of life and the freedom of future generations." For readers who desire to know those people's lives better, Mr. Gross's "Minutemen" may still be the place to start.

Mr. Spencer, a professor of history at Brock University, is the author of "David Hume and Eighteenth-Century America."

Democrats Have Neglected Online Privacy

By Fred Campbell

Marc Zuckerberg's apology tour in Washington was commendable but beside the point. Facebook isn't responsible for protecting Americans' online privacy and can't solve the larger problem on its own. That's up to Congress, where efforts at online privacy legislation have languished for years.

Tom Wheeler, who served as President Obama's Federal Communications Commission chairman, blames Republicans for "the absence of privacy policy in the U.S. in general." He complains that the Federal Trade Commission allows internet companies to exploit users' private information while hiding behind "legalese and cumbersome 'opt out' processes" due to the agency's limited legal authority and inadequate resources.

He sang a different tune while in office, campaigning for his plan to have the FCC

take over privacy regulation of internet service providers. Referring to non-ISP tech companies like Facebook, which would remain under FTC jurisdiction, Mr. Wheeler told an audience at Georgetown University that the FTC was doing "a great job dealing

Obama's FCC cracked down on ISPs but left Facebook & Co. alone.

with such companies and their privacy practices." And when the FCC adopted his proposed rules, he thanked the FTC and the Obama administration for "leading the way with the FTC's privacy framework."

His curious change of opinion about the FTC's effectiveness illustrates the political power big tech wields in Washington. Even the big-government party shies away from regulating companies

like Facebook and Google.

Democratic efforts to blame Republicans for big tech's privacy failures are hollow. President Obama is responsible for the privacy framework that was in effect when Cambridge Analytica started harvesting data from Facebook users in 2014. He had taken the lead from Congress two years earlier when he directed the Commerce Department and FTC to develop and implement enforceable policies to protect consumer privacy online.

Congress repealed Mr. Wheeler's ISP privacy rule a year ago under the Congressional Review Act. Republicans then introduced new legislation that would have directed the FTC to apply Mr. Wheeler's approach to ISPs and big tech alike. The bill received zero support from congressional Democrats. Even the Facebook scandal hasn't been enough to overcome Democratic resistance to comprehensive regulation of big

tech. Senate Minority Leader Chuck Schumer recently said big tech should continue regulating itself and that congressional action is unnecessary, at least until after the midterm elections. He wants to use the elections as a "test" to see whether big tech's next attempt at self-regulation will yield an election that feels fair.

But with control of government at stake, the consequences of big tech failing the test would be too high. And these companies have taken enough chances already. It's past time for Congress to heed the words of President Obama from six years ago: "American consumers can't wait any longer for clear rules of the road that ensure their personal information is safe online."

Mr. Campbell is a former chief of the Federal Communications Commission's Wireless Bureau.

OPINION

REVIEW & OUTLOOK

Who Needs a Secretary of State?

Senate Democrats have stalled nearly every Trump nominee in government, but their growing opposition to Mike Pompeo as Secretary of State suggests they don't want the President to have even his top national security officials. Their new standard seems to be that any nominee who agrees with the elected President is disqualified.

"I don't want a Secretary of State who is going to exacerbate the [sic] President Trump's tendencies to oppose diplomacy," Democratic Senator Tim Kaine (D., Va.) told CBS's *Face the Nation* on Sunday. He cited Mr. Pompeo's opposition to Barack Obama's nuclear deal with Tehran and his support for "regime change," although moderator Margaret Brennan didn't let him finish that thought.

Mr. Kaine may recall that Donald Trump campaigned and won while opposing the Iran nuclear deal, and if Mr. Kaine is still sore about the outcome he should have told his running mate to campaign in Wisconsin. As for regime change, that isn't Mr. Trump's policy as far as we can tell, though does Mr. Kaine think the world is better with a regime in Iran that spreads terror around the world?

California Democrat Dianne Feinstein attributes her come-lately opposition to Mr. Pompeo's allegedly undiplomatic statements about "Muslims and the LGBT community." She doesn't like that Mr. Pompeo supports traditional marriage. This has nothing to do with rallying allies to support a containment strategy for Iran, though it might relate to her Senate primary challenge from the left this year.

Sens. Feinstein and Kaine and 12 other Democrats voted to confirm Mr. Pompeo as CIA director—he was confirmed 66-32—perhaps because he's so well qualified. Mr. Pompeo is a West Point and Harvard Law graduate who served three terms in Congress, and along with fellow Republican Tom Cotton un-

Democrats are trying to block even Trump's security cabinet.

earthed the Obama Administration's secret side deals with Tehran. He has invigorated the CIA clandestine service, tried to give Mr.

Trump options on North Korea, and has gained the President's trust. With Rex Tillerson out at State, Mr. Trump said Wednesday he had already dispatched Mr. Pompeo to conduct diplomacy with

Kim Jong Un in Pyongyang.

Defeating a Secretary of State nominee would be extraordinary. George W. Bush's first nominee, Colin Powell, was confirmed by unanimous voice vote, and his second, Condoleezza Rice, by 85-13. Hillary Clinton received two no votes and John Kerry only three. Every Secretary of State nominee since 1925 has been reported out of the Senate Foreign Relations Committee favorably.

Mr. Pompeo may not get that courtesy. Kentucky Republican Rand Paul opposes Mr. Pompeo because he's still litigating the 2003 Iraq war, if his questions at last week's confirmation hearing are an indication. Cory Booker of New Jersey asked Mr. Pompeo if he thought "gay sex is a perversion." Mr. Booker is an all but declared Democratic candidate for President—don't laugh.

All of this means that Mr. Pompeo may receive a rare unfavorable recommendation from the committee next week. His nomination can still get to the floor, but Republicans have only a 50-vote majority on foreign policy with Mr. Paul as a party of one.

What a message that would send to America's enemies as President Trump prepares for his North Korea summit, decides on the fate of the Iran nuclear deal, and confronts a hostile Russia. Democrats say they don't trust Mr. Trump, but in denying him senior advisers they make it more likely he will govern by himself. Mark it down as one more example that hatred for Mr. Trump has caused many of his opponents to abandon rational judgment.

About That IRS Computer Crash

Someone at the Internal Revenue Service seems to have kicked a plug out of the wall on Tuesday: The agency's computer system tanked on, of all days, tax filing deadline day. Thus arrived an irresistible metaphor for government incompetence, albeit with the perennial calls for more funding.

Many taxpayers arrived at the IRS website on Tuesday prepared to sign away significant portions of their income. According to news stories, a message greeted them that the IRS website had a "planned outage" from April 17, 2018 to "December 31, 9999." Should we check back in the morning or afternoon?

The agency said it "encountered system issues" and extended the filing deadline by a day, which is nice. But collecting revenue is the purpose of this bureaucracy. This debacle is like having an aircraft carrier that can't move off the docks when a war starts.

On cue came the armada blaming budget cuts. Former IRS Commissioner John Koskinen lectured that he knew a system failure was coming without more money. It seems lost on Mr. Koskinen that this failure is an indictment of his leadership. The IRS budget has decreased by about 9% in nominal terms since 2010. But the IRS has \$11 billion to play with in 2018, which is presumably enough to keep the computers working on the most important day of the year.

The Obama tax man blames you because his e-filing system failed.

But the agency hasn't addressed some of its own manifold problems, and the House has held hearings detailing the dysfunction. One problem, surprise, has been updating information technology.

A Treasury Department Inspector General last fall told Congress: "The IRS's reliance on legacy (i.e., older) systems, aged hardware, and outdated programming languages pose significant risks to the IRS's ability to deliver its mission. Modernizing the IRS's computer systems has been a persistent challenge for several decades and will likely remain a challenge for the foreseeable future."

A Government Accountability Office report last year found 166 outstanding recommendations about IT security. Good thing these folks don't have sensitive information . . .

These deficiencies are a matter of priorities, not funding. The cynical reality is that bureaucracies are shrewd and skimp on core services—taxpayer customer service lines—to extort more public dollars.

The House this week is moving bills that would try to "modernize" the agency, with some IT updates that now look prescient. Most of the trouble will fall to the next commissioner, a tax lawyer named Charles Rettig. Give the man a public service award if he can simply keep the website running on tax day.

Congress and the Special Counsel

While Donald Trump's allies hope he won't fire special counsel Robert Mueller and his opponents pray he will, each side recognizes it would jeopardize his Presidency. But Congress would compound the damage if it passes legislation aimed at curtailing Mr. Trump's right as head of the executive branch to do so.

Last week a bipartisan group of Senators including Lindsey Graham (R., S.C.), Thom Tillis (R., N.C.), Christopher Coons (D., Del.) and Cory Booker (D., N.J.) introduced the Special Counsel Independence and Integrity Act. The bill would codify that the special counsel can be fired only by a senior Justice Department official for cause. If Mr. Mueller were fired, he would have 10 days to appeal to a panel of three judges.

Majority Leader Mitch McConnell said Tuesday he won't bring the bill up for a vote, and Democrats are howling. But the bill is bad government and unconstitutional. As the late Justice Antonin Scalia noted in his famous dissent in *Morrison v. Olson*, giving another branch a say in a decision about what is properly an executive branch power threatens the separation of powers that is at the heart of American liberty.

Scalia was writing about the independent counsel law, which Congress has since let expire. The special counsel provisions that took its place are more modest and technically under Justice Department supervision. But to the degree he is insulated from accountability to the leader of the executive branch, a special counsel still often leads to mischief and excess.

As special counsel, Mr. Mueller exercises prosecutorial powers that are manifestly execu-

Trump shouldn't fire Mueller, but a Senate bill to shield him is unconstitutional.

tive. They are part of a President's constitutional obligation to "take care that the laws be faithfully executed." In other words, prosecutors are meant to be accountable to the President.

But what if a President is corrupt? The Constitution has an answer for that too, and its primary lever is political rather than prosecutorial. In our system, the President is accountable to the people who can express their displeasure in two ways: at the ballot box by voting him out of office or through their elected representatives via impeachment.

In 1978 Jimmy Carter's Office of Legal Counsel wrote a memo about the power to remove a special counsel in the government. "Because the Special Counsel will be performing largely executive functions," said the memo, "the Congress may not restrict the President's power to remove him." The Senate's protect-Mueller bill violates this core constitutional principle. Its only purpose is to restrict the President's ability to remove an executive branch official.

The good news is that, at least among Republicans in Congress, even those warning the President not to fire Mr. Mueller and who are supporting this bill say there's no urgency. Mr. Graham said this week he didn't think Mr. Trump would fire Mr. Mueller.

Mr. Trump has been rude and maladroit in his handling of many issues, not least in the way he fired FBI director James Comey, triggering Mr. Mueller's appointment. But Congress shouldn't compound the mistake by indulging in legislation aimed at overriding the President's constitutional authority. If Mr. Trump fires Mr. Mueller, the way to respond is with the normal checks of constitutional government.

LETTERS TO THE EDITOR

Libby Case Shows Special Prosecutor's Abuse

Regarding your editorial "Justice for Scooter Libby" (April 14): This is a useful reminder about how past special prosecutors have acted. It isn't that they can be guilty of misconduct, hiding relevant exculpatory evidence, but that they completely ignore their initial assignment to pursue other goals. In Mr. Libby's case, the prosecutor knew almost from the beginning that someone else had leaked CIA agent Valerie Plame's name to journalists. That didn't stop him from setting off to entrap Mr. Libby many months later in an attempt to flip him and get to Vice President Dick Cheney pursuant to a political agenda that had nothing to do with Ms. Plame.

By now it is unreasonable to think there was Trump-Russia collusion; no one can seem to find any evidence after more than a year of trying. Yet Robert Mueller continues on, clearly trying to find something, anything, with which to catch someone and get to President Trump. Rep. Adam Schiff all but confirmed this in remarks to the Sacramento Press Club this past

February. Hint, hint, President Trump. If we can't get you on collusion, we will get you for your earlier dealings as a businessman.

I didn't vote for Mr. Trump, and I think he is unfit to lead our country. But that doesn't mean I will join the baying hounds and attempt to drag him down. The ends don't justify the means. And for those who think it does, I remind you that this is precisely how President Clinton ended up being impeached. Try to remember how outraged you were then.

KATHLEEN BEASLEY
Wilton, Calif.

What about the behavior of special counsel Patrick Fitzgerald? If star witness Judith Miller believes she had been deliberately led into false testimony by Mr. Fitzgerald, doesn't that assertion call for a special investigation of Mr. Fitzgerald? It seems the quest for truth should not end with Scooter Libby's pardon.

MATT WAGNER
Plymouth, Mich.

ISDS Procedure is the Baby, Not Bath Water

Your editorial "A Nafta Poison Pill" (April 10) is right to criticize U.S. Trade Representative Robert Lighthizer's disdain for the investor-state dispute settlement (ISDS) provisions in the ongoing Nafta negotiations. ISDS is critical to the continued success of U.S. companies doing business abroad.

ISDS provisions in Nafta and many other agreements protect the interests of U.S. companies in investment disputes. Rather than leave American business interests to the whims of foreign governments and sometimes incompetent foreign courts, ISDS ensures that independent, neutral panels will resolve conflicts. Instead of abandoning ISDS in Nafta, Mr. Lighthizer should seek to broaden its scope to cover intellectual property—patents, copyrights, trademarks and trade secrets—as well as physical and financial investments.

The Trump administration has made a big issue of China's forced ac-

quisition of intellectual property and discrimination against U.S. companies. If a bilateral investment treaty is ever agreed with China, it should include ISDS provisions. How ironic that the U.S. is pursuing exactly the opposite approach in Nafta. The administration is on a mission to keep trade and investment fair for Americans. The ISDS mechanism is a key contributor to that goal.

Dumping ISDS in Nafta will ensure the ire of Senate Finance Chairman Orrin Hatch and House Ways and Means Chairman Kevin Brady to a new Nafta agreement. But it will not garner the votes of dedicated opponents of Nafta and other trade agreements, like Sens. Elizabeth Warren and Sherrod Brown. Politically and economically, abandoning ISDS is a lose-lose proposition.

GARY CLYDE HUFBAUER
Peterson Institute
for International Economics
Washington

Freedom of Speech at Work at Mount Holyoke

Regarding Kassy Dillon's "The Women's March Holds a One-Way Discussion" (op-ed, April 13): The event was the keynote address for the Women of Color Trailblazers Conference. The conference had 180 registered attendees and the college estimates that 200-225 people attended the keynote address, which was open to the public.

The Q&A format used during the keynote is common. A student organizer moderated and interviewed the panelists, note cards were given out to the audience to solicit audience questions and event organizers selected questions for the panelists that focused on the issues and mission of this year's conference: "Empowerment Through Engagement."

While Tamika Mallory, Linda Sarsour and Carmen Perez agreed to the format as proposed by the student organizers, (they were not opposed to allowing filming, photography and taking questions directly from the audience), they did not set the agenda for the keynote or play a role in de-

signing the format. We are grateful for their enthusiastic participation in what was an outstanding event for our students and the Mount Holyoke College community.

Providing opportunities for our students to interact with a wide range of views and ideas is at the core of the Mount Holyoke education. We are proud that Mount Holyoke students have the opportunity to attend events that might not align with their own personal views.

When our students take these opportunities to critically express their own views, even if they differ from our speakers', we have achieved our mission "to prepare students, through a liberal education integrating curriculum and careers, for lives of thoughtful, effective, and purposeful engagement in the world."

CHARLES L. GREENE II
Mount Holyoke College
South Hadley, Mass.

Leaving Before the Deluge

Regarding your editorial "The Paul Ryan Difference" (April 12): The Republican-controlled House and Senate passed an omnibus spending bill that reads like a Democratic wish list and explodes the deficit. The president gave in and signed it, ostensibly to secure the military spending it included. When the CBO estimated it will result in a national debt of more than \$33 trillion in less than a decade, he and many of the GOP senators who voted for it experienced buyer's remorse, but it was too late.

There's a reason people like Paul Ryan are giving up and many seniors say they're glad they're old and will be gone when the U.S. goes over the fiscal cliff.

RON WOHLSTADT
Dagsboro, Del.

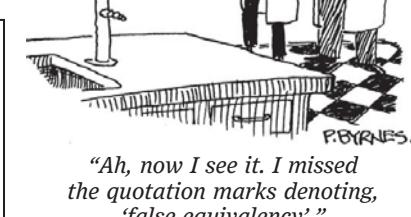
Pepper ... And Salt

THE WALL STREET JOURNAL

Am I the only one weary of big donor multimillionaires reinventing themselves as social visionaries on my dime? I don't think so. Any of our legislators who vote to raise taxes to fund Gov. Murphy's pie-in-the-sky entitlements will likely feel pain at election time, and they know it.

MARIETTA HORNE
Cranford, N.J.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.



OPINION

Use Iran Sanctions to Stop Assad

By Mark Dubowitz
And Richard Goldberg

Since the weekend military strike against chemical-weapons sites in Syria, the debate in Washington has centered on whether the strike went far enough. But policy makers should consider another question of equal importance: Is the U.S. prepared to cut off the financial lifelines that keep Bashar Assad in power?

Allied cooperation in Syria offers a way to overcome differences over the nuclear deal.

The Islamic Republic of Iran spent roughly \$15 billion last year to bolster its longtime strategic partner in Damascus. It bought arms for Mr. Assad's military and financed the foreign Shiite militias, including Lebanon's Hezbollah, that fight for the Syrian dictator. Iran's annual contribution to Hezbollah alone stands at between \$700 million and \$800 million. Tehran has deployed its Islamic Revolutionary Guard Corps to Syria and has lent money to Mr. Assad to finance imports such as petroleum. Iran extended a \$1 billion line of credit in 2017, on top of the \$5.6 billion it had already pro-

vided. This credit is provided through the Islamic Republic's Export Development Bank, while all funds ultimately run through Iran's central bank.

A Syria strategy that leaves these Iranian financial spigots open is doomed to fail. Why haven't they been blocked? For fear of jeopardizing the 2015 nuclear accord, the Joint Comprehensive Plan of Action, which relieved sanctions on Iranian banks, regime assets and economic sectors. This policy paralysis needs to end, and this weekend's military strike, conducted in close coordination with France and Britain, should lead to a trans-Atlantic understanding that allows true financial warfare against the Iran-Syria nexus to commence.

In 2011 the U.S. Senate voted 100-0 to slap sanctions on Iran's central bank. It did so based on the bank's role in financing illicit Iranian nuclear development, terrorism, missile proliferation, money laundering and sanctions circumvention. These and other Iran sanctions were never intended to curb nuclear behavior alone. If President Trump determines that an Iranian bank, company or sector is sponsoring nonnuclear malign activity—like the Revolutionary Guards' and Hezbollah's support for Mr. Assad's crimes against humanity—he is well within his authority to bring back sanctions targeting the illicit activity. President Obama made clear in 2015 that imposing sanctions on the Islamic Republic for "nonnu-



Syria's Bashar Assad and Iran's Ayatollah Ali Khamenei in 2008. SAJJAD SAFARI/AFP/GETTY IMAGES

clear reasons" was permissible under the nuclear deal.

Europe should support these sanctions as part of a maximum pressure campaign targeting the Syrian regime and its supporters. That would begin by reimposing sanctions on Iranian banks that support Mr. Assad. Next, it would target all sponsors of the Revolutionary Guards and Hezbollah. The supreme leader's \$200 billion conglomerate, foundations, energy exports and other key sectors of the Iranian economy—all should face sanctions.

Mr. Trump has asked for tough European action against Hezbollah and the Revolutionary Guards. Both are deployed in Syria to ensure the sur-

vival of the Assad regime. While the U.S. designates both groups as terrorist organizations, the Europeans don't. Europe should join the U.S. and take action against these terrorists regardless of the nuclear deal's fate.

The U.S. and Europe have to agree on fixes to the nuclear deal by May 12, when Mr. Trump must decide whether to issue another four-month waiver suspending sanctions on Iran's central bank. If they can't agree on a fix, the U.S. can offer a face-saving gesture to win European support for a maximum pressure campaign targeting Mr. Assad. Rather than labeling the reimposition of sanctions on Iran's central bank a way of nixing the nuclear deal, the president should

announce the move as a response to Iranian behavior in Syria.

This approach could provide either more time for negotiations with Europe and Iran to fix the nuclear deal—but with increased U.S. leverage—or more time for the administration to plan for a responsible exit from the deal. Instead of making Iran look like a diplomacy-loving victim of American unilateralism, Tehran would have to defend its odious Syria policy. And it would further intensify the pressure on an Iranian regime facing daily protests by people chanting, "Leave Syria, think of us."

If the Europeans want to save the nuclear deal and punish Mr. Assad's enablers, they need to move on sanctions. A true fix cannot impede the West's ability to curb Iran's nonnuclear illicit activities, even if the targets of such financial warfare were initially granted sanctions relief under the accord. Nor can a fix be complete without maximum pressure on Tehran's terrorist proxies.

Mr. Assad's latest chemical-weapons attack handed Mr. Trump an opportunity to take advantage of rare trans-Atlantic and bipartisan support to target Iran's activities in Syria. The president should exploit it to the maximum.

Mr. Dubowitz is chief executive of the Foundation for Defense of Democracies, where Mr. Goldberg is a senior adviser.

We've All Got Too Much Trump on Our Minds

By Joseph Epstein

Donald Trump may know little about the intricacies of government, but there can be no doubt that he is a genius at attracting publicity. Without Mr. Trump, the New York Times would have to begin each day on page 2. Turn on any television station, with the possible exception of the Animal or Cooking channel, and there he is, our president, seated in the Oval Office or at a table with ever-changing cabinet members, on the golf course at Mar-a-Lago, on the White House lawn a

The president is easily the hottest show in town. But does he have to be the only show in town?

helicopter whirring noisily in the background, yelling out pronunciamientos, ukases, diktats, promises, all of which may be contradicted if not contravened on the following day. Without Mr. Trump, Fox News, CNN and MSNBC would be out of business, and the rest of us out of conversation. We all watch, admiring or angered, but generally transfixed.

The life and career of Donald Trump is easily the hottest show in town. The problem is that it is beginning to seem the only show in town. Jimmy Carter, Ronald Reagan, the two George Bushes, Bill Clinton and Barack Obama attracted nothing like the same intensity of attention over their full terms as has Mr. Trump in what is only the beginning of his. As never before in recent history, politics has come to dominate daily life. People I know report that they get in three or four political discussions a day, all of them centering on Mr. Trump.

a big question. Just ridiculing his vulgarity isn't going to help anybody. But you do have to keep at it."

Doubtless other editors, and many ordinary citizens, feel that they too have to keep at it. Very little fresh or interesting gets written or said on the Trumpian subject. Yet coming out strongly for or against Mr. Trump establishes their sense of their own virtue, and thereby makes all who do so feel good about themselves, however much they may wish to appear worried about the state of their country. And so the beat goes on—thump, thump, thump; Trump, Trump, Trump—with everyone continually pounding away at the subject of our Donald.

In his "Notebooks," the English po-

litical philosopher Michael Oakeshott wrote: "Politics is a suitable subject for conversation—perhaps that is all it is suitable for." Later he added that "politics is an uninteresting form of activity to anyone who has no desire to rule others." What Oakeshott would make of the current Trumpian delirium would be well worth knowing.

I suspect Oakeshott would paraphrase a certain Danish prince and strongly suggest that there are more things in heaven and earth than are dreamed of in yet another conversation about Donald Trump. There are spring and another baseball season, driverless cars, the decline of the contemporary university, one's family, the perennial nuttiness of human nature . . . and more, so much more.

During World War II, there was instituted something called Meatless Tuesday, this in aid of making more meat available for the troops. I wonder if it wouldn't make sense for each of us voluntarily to institute a Trumpless Thursday, on which no discussion of any kind or in any media about Donald Trump would be allowed, this in aid of remembering how pleasant the world can be without the intrusion, incessant and dangerous, of politics.

Mr. Epstein is author of the forthcoming "The Ideal of Culture and Other Essays" (Axios Press) and "Charm: The Elusive Enchantment" (Taylor Trade), both to be published in 2018.

BREITLING
1884

NAVITIMER 1

GOVBERG
jewelers since 1916

65 St. James Place • Ardmore
1521 Walnut Street • Philadelphia

Notable & Quotable: Bush

From a Dec. 12, 1943, letter from George Bush to his fiancée, Barbara Pierce:

As the days go by the time of our departure grows nearer. For a long time I had anxiously looked forward to the day when we would go aboard and set to sea. It seemed that obtaining that goal would be all I could desire for some time, but, Bar, you have changed all that. . . . Even now,

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WORLD NEWS

Germany Seeks Waiver From Russia Curbs

Merkel to press Trump to shield her nation's businesses that have existing Moscow deals

BY ANDREA THOMAS
AND WILLIAM BOSTON

BERLIN—German leaders want the Trump administration to exempt their country's companies from tough new U.S. sanctions on Russia.

During a visit to Washington this week, Germany's finance minister will push for special treatment and Chancellor Angela Merkel is planning to raise the issue with President Donald Trump when the two meet this month, German officials said.

In addition to voicing concerns about the sanctions, meant to punish Moscow for meddling in U.S. elections, Ms. Merkel also intends to warn Mr. Trump about the potential economic fallout from U.S. trade policies, an aide to the chancellor said. "It will not be an easy visit," the official said.

German industry has been lobbying Ms. Merkel's government to urge the U.S. to soften its stance or come up with arrangements to ensure German companies, many of which do substantial business in Russia, don't fall victim to deteriorating relations between Washington and Moscow.

The new U.S. sanctions target more than three dozen Russian individuals, including government officials and businessmen, and bar companies active in the U.S. from doing business with these people or the businesses they control.

German industrial giants including Siemens AG, Daimler AG and Volkswagen AG do business with entities tied to people subject to the sanctions. German executives say the measures could threaten



A worker stands near pipes at the Nord Stream 2 facility in Sassnitz, Germany. The gas-pipeline project will connect Russia and Europe.

long-standing joint ventures, stop banks from financing new projects in Russia, and potentially cost German industry hundreds of millions of euros.

"We have a very bad feeling about the current spiral of sanctions," said Leif Erichsen, a spokesman for German utility Uniper SE, which is a partner in the Nord Stream 2 gas pipeline being built to connect Russia and Europe. "We hope that everyone involved will quickly realize that it is always better to de-escalate."

Germany does a lot of business with Russia. Trade between the two countries rose to €54.5 billion (\$67.4 billion) last year from €45 billion in 2016, despite increasingly stringent sanctions, and Ger-

man companies have invested more than €20 billion in Russia in recent years.

The Ost-Ausschuss, a decades-old committee that represents major German corporations with business in Russia and Eastern Europe, wants subsidiaries of German firms to be protected if their parent companies do business in Russia that U.S. authorities deem in violation of the sanctions. Alternatively, lobbyists for the group argue that the U.S. should grant exemptions for joint ventures and Russian investments sealed before a given date.

Such accommodations would go beyond the normal flexibility shown by the U.S. Treasury in enforcing its sanctions in the past. But the Treasury has the

authority to allow companies to continue some or all dealings with sanctioned entities for a negotiated period of time.

German officials said Finance Minister Olaf Scholz and Ms. Merkel would raise awareness about the companies' concerns during their U.S. visit but not advocate for one type of remedy over others. The U.S. Treasury didn't respond to requests to comment.

Siemens maintains close ties with Russian President Vladimir Putin and leading Russian businesspeople, included some targeted by U.S. sanctions.

Siemens faced embarrassment last year when it emerged that its Russian partner, TechnoPromExport, had

diverted delivery of four Siemens gas turbines to Crimea in violation of sanctions.

Siemens has done business with Russian Machines, a company with close ties to Russian tycoon Oleg Deripaska, who is on the new U.S. sanctions list.

In 2014, Siemens established a joint venture with Russian Machines and pledged to invest €160 million to bid for contracts to modernize Moscow's metro trains.

"We do not do deals with oligarchs, we partner with companies," said a Siemens spokesman, declining to comment on the new sanctions.

Volkswagen didn't respond to requests to comment. Daimler declined to comment on questions about sanctions.

RT's Coverage of Ex-Spy's Poisoning Sparks U.K. Probe

LONDON—British regulators launched an investigation into whether Russian state-backed news channel RT breached broadcasting standards in its coverage of the poisoning of a former spy.

The probe adds another dimension to a diplomatic crisis between Moscow and the West over last month's poisoning and issues including alleged Russian interference in the 2016 U.S. presidential election and the Kremlin's support for Syria President Bashar al-Assad.

Ofcom, the U.K.'s telecommunications regulator, said it was scrutinizing seven programs that aired on RT between March 17 and April 16 for possibly breaking rules requiring broadcasters to be impartial when reporting on issues of political controversy.

The regulator said it observed a "significant increase" in potential violations by the English-language news channel after an attack with a suspected nerve agent on Sergei Skripal and his daughter in early March in Salisbury, England. London blames Moscow for the poisoning. The Kremlin denies any involvement.

Penalties for breaching the broadcasting code include fines and being forced to broadcast a summary of the regulator's decision. If a broadcaster's transgressions are deemed sufficiently serious it could be stripped of its broadcasting license and ordered off the air.

"Our editorial approach has not changed since the events in Salisbury," an RT spokesman said.

—Jason Douglas

Europeans Plan to Pitch New Trade Bargain to Trump

BY VALENTINA POP
AND BOJAN PANCEVSKI

overnment procurement, a hurdle in the TTIP negotiations.

The eventual agreement could include a commitment for the EU to participate together with the U.S. in legal action against China at the World Trade Organization, as well as a pledge for leading European governments to apply more pressure on Beijing to create a level playing field for international companies and curb intellectual property theft, according to German officials.

"On China, we agree with the U.S. on the problem, we just don't agree on the method," one EU diplomat said.

Alongside other sweeteners, the EU is speeding up unrelated talks that would allow more U.S. high-end beef exports to enter the EU market but have been dragging on for years.

The multipronged approach began with an initiative by Germany, whose economy is dependent on exports and stands to lose the most from an escalating trade war with the U.S.

Other countries have since added their own ideas, broadening the offering but also complicating the talks. France, for instance, wants the deal to



Angela Merkel will meet with Emmanuel Macron before both leaders visit the U.S. next week.

be conditional on the U.S. rejoining the Paris climate accord, and it is resisting agricultural products becoming part of the package, according to European officials.

Emmanuel Macron, the French president, last month said that "out of principle we discuss nothing when we have a gun to our head" and French

officials have dismissed any revival of TTIP as a "sign of weakness."

Mr. Macron is set to go to Berlin on Thursday to meet Chancellor Angela Merkel for what German officials described as a bid to define a common approach before both leaders visit Mr. Trump next week.

"We should have a finished

proposal for Mr. Trump by the time Ms. Merkel goes to Washington," said a German official.

"Ultimately it will all depend on whether Mr. Trump will be impressed by our offer."

Before detailed talks on how to implement the EU offer can begin, European officials insist that the bloc's one-month exemption from new U.S. tariffs

on steel and aluminum imports be made permanent.

Cecilia Malmström, the EU trade commissioner, maintained an aggressive posture this week, saying "we are not going to offer [the U.S.] anything at this stage."

She added, "We expect to be permanently and unconditionally exempted from these measures....When that is confirmed by the president, we are, as always, willing to discuss anything when it comes to trade facilitation, trade irritants."

However, EU diplomats and European government officials said that behind the hard rhetoric, the bloc was busy hammering out a deal it hopes will avert a breakdown in the strategic trans-Atlantic relationship. A spokesman for U.S. Commerce Secretary Wilbur Ross confirmed discussions are ongoing, but declined to give any details.

While its focus is on de-escalation, the EU is also considering countermeasures should the talks fail. In Brussels, EU officials on Tuesday finalized a list of retaliatory measures, in case no agreement is found by May 1.

WORLD WATCH

GREECE

Court Rules Migrants Can Travel Freely

A Greek court ruled that migrants arriving on Aegean islands near Turkey should be allowed to travel freely around the country, officials said, a decision that could alleviate dire conditions on the islands, but might derail a pact between the European Union and Turkey to keep a lid on arrivals.

Greece's highest administrative court ruled that there are no "serious or overriding reasons of public interest" to justify the government's prohibition on migrants' traveling to the Greek mainland, Greek officials said.

Under terms of the EU-Turkey deal, migrants and refugees arriving from Turkey must remain in detention centers on Greek islands until their asylum applications are reviewed.

But the backlog of applicants and the slow-moving Greek bureaucracy have left thousands of people trapped in overcrowded centers for months or longer.

—Nektaria Stamouli

ITALY

Deadlock on Coalition Spurs New Approach

President Sergio Mattarella asked Senate Speaker Elisabetta Casellati to mediate among party chiefs in an attempt to form a government supported by the 5 Star Movement and the center-right coalition, hoping a neutral figure can break the stalemate that has persisted since March's elections.

That is likely to be a tall task as the two groups have declined to budge from their positions.

On Wednesday, Mr. Mattarella asked Ms. Casellati to explore the possibility of a government supported by 5 Star and the center-right coalition that is led by the anti-immigration party League and that includes former Prime Minister Silvio Berlusconi's Forza Italia party.

Mr. Mattarella's move marks a new strategy after two rounds of talks with party leaders failed to yield a new government.

—Giovanni Legorano

JAPAN

Finance Official Quits Over Alleged Abuses

A vice minister of finance said he would resign over sexual-harassment allegations after Prime Minister Shinzo Abe's government drew widespread criticism over its handling of the matter.

Junichi Fukuda's resignation came six days after a Japanese weekly magazine, Shukan Shincho, reported that he recently asked to kiss a female reporter and touch her breasts while drinking with her at a bar. The magazine cited interviews with multiple unnamed female reporters in alleging Mr. Fukuda regularly made sexually suggestive remarks.

"I don't have any recollection of making such terrible remarks," said Mr. Fukuda, 58 years old. He denied all wrongdoing and said he was resigning to prevent disruption in the ministry's work.

The allegations have added to the troubles of Mr. Abe, whose government has been accused of doing favors for the prime minister's friends. Mr. Abe, currently

visiting Florida to meet President Donald Trump, has denied wrongdoing or involvement in government business connected to his friends.

—Megumi Fujikawa

CHINA

Military Conducts Drills Near Taiwan

China's military conducted live-fire exercises in coastal waters opposite Taiwan, whose Defense Ministry dismissed the drill as small-scale intimidation.

The exercise involved a battleship, multiple other warships and air-defense operations, as well as the deployment of rockets, artillery, bombs and torpedoes, said Hong Yuan, an expert in military affairs at the Chinese Academy of Social Sciences.

Beijing considers the island a breakaway province. Its unease about Taiwan ratcheted up two years ago with the election of Taiwanese President Tsai Ing-wen, whose party officially favors formal independence from China.

—Te-Ping Chen

Turkey's Erdogan Calls Early Vote



Turkey's President Recep Tayyip Erdogan on Wednesday called an election for June 24, more than a year early, a gambit that could help him secure a new term while the nation is still posting record economic growth.

Obtaining a fresh mandate would allow Mr. Erdogan to take

on vastly expanded presidential powers that voters narrowly approved in a constitutional referendum last year and that take effect after the election.

Mr. Erdogan had said he had no plan to bring forward the presidential and legislative votes.

—David Gauthier-Villars

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, April 19, 2018 | B1

Firm joins Wall Street peers with standout results due to lower taxes, strong trading

By LIZ HOFFMAN

Morgan Stanley reported a record quarterly profit, the last of the big U.S. banks to benefit from a potent cocktail of lower taxes, active markets, reduced expenses and synchronous global growth.

The Wall Street firm's first-quarter profit of \$2.6 billion and revenue of \$11.1 billion were both records after reflecting accounting adjustments and jettisoned businesses. Morgan Stanley's traders had their best quarter since 2009, riding a wave of increased volume and volatility that also aided rivals, including **Goldman Sachs Group Inc.** and **JPMorgan Chase & Co.**

Combined profits at the six largest U.S. banks, which all

reported first-quarter results in recent days, rose 24% from a year ago, outpacing an 18% rise in revenue. Meanwhile, the banks' level of profitability as measured by the return they generate on their equity—a key gauge for shareholders—climbed to its highest level in years.

Much of that owes to lower taxes, which saved those firms \$2.8 billion in the quarter, according to a Wall Street Journal analysis.

But even without that

boost, earnings would have been up about 15% from a year ago, thanks to banks holding firm on costs, including compensation.

The first quarter is typically the strongest of the year for banks. Investors put on new positions, which boost trading results, and companies raise money to fund new projects, which spurs lending and underwriting.

Morgan Stanley Chief Financial Officer Jonathan Pruzan said Wednesday that the

optimism early in the quarter dulled a bit as trade unease and political tumult in the U.S. and abroad intensified. "We'll have to see how the year plays out," he said.

Goldman Chief Executive Lloyd Blankfein delivered a similar message Tuesday to the bank's managing directors. "We've seen false dawns before," he said.

And bank investors largely shrugged at the results, even as most of the firms beat expectations. That is due in part

to the strong run-up in share prices and valuations between the November 2016 presidential election and the end of 2017. Shares of all six big U.S. banks are down since they began reporting results last Friday, even as the S&P 500 has risen about 2%.

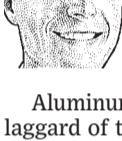
Morgan Stanley's shares, while down during that period, edged up slightly on the

Please see MORGAN page B10

◆ Heard: Morgan Stanley looks priced for perfection..... B12

HEARD ON THE STREET | By Nathaniel Taplin

Aluminum Rally Isn't Something to Rely On



We live in a time of wonders: Aluminum bulls are freely roaming the land.

Aluminum, the perennial laggard of the metals world in the years since the financial crisis, had a stellar 2017, with prices up more than 30% on the London Metal Exchange. The Trump administration's move to sanction Russian giant **Rusal**, one of the world's largest producers, has given the metal a further shot in the arm. Prices have leapt another 19% since the sanctions announcement and touched a six-year high Tuesday.

That kind of gain may prove too much, too soon. Prices in London still might move higher in the days ahead as buyers scramble to lock down temporarily scarce supplies, but aluminum inventories in China are near records. Moreover, an essential demand source—the Chi-

nese auto market—is looking weak this year now that a big tax cut for car buyers has expired. If Chinese aluminum production, about half of the world's total, keeps rebounding this spring as pollution controls ease, the market might find itself on shaky ground in a hurry.

Last year, everything went right for aluminum prices. Chinese auto production and construction, the two most important demand sources globally, both slowed but by less than expected. Chinese aluminum output fell sharply in the second half of the year as local governments frantically tried to hit Beijing-mandated winter pollution targets. And global industry powered higher, boosting demand in the rest of the world.

All those bullish trends are on trickier footing in 2018. Global purchasing managers' indexes are showing signs of peaking and Chinese auto production has been steadily weakening since late 2017. It rose just 0.9% on the year in March, down from 6% as recently as June. Meanwhile, Chinese aluminum production is bouncing back: It rose 4% in March, after six straight months of falling output in late 2017. If higher post-Rusal prices and looser seasonal restrictions tempt even more Chinese smelters back into the market this April and May, recent price gains could prove hard to hold on to.

The aluminum bull is profiting from the troubles of the Russian bear, one of its main natural predators. The Chinese dragon's claws still look quite sharp, however.

Still Endangered

Change from a year earlier



*Difference between China's auto and aluminum output growth, on a six-month moving-average basis.

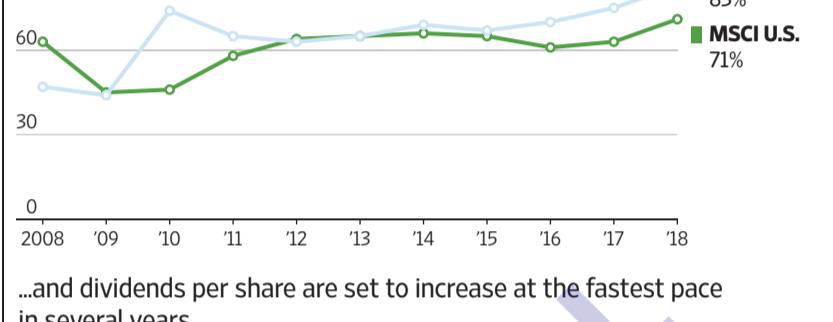
Sources: CEIC; Thomson Reuters

THE WALL STREET JOURNAL

Companies Are Poised to Crank Up Dividends

The share of big companies in the U.S. and Europe expected to raise dividends is forecast to be the highest in at least a decade...

Share of companies raising their dividends



...and dividends per share are set to increase at the fastest pace in several years.

Dividends per share, change from a year earlier*



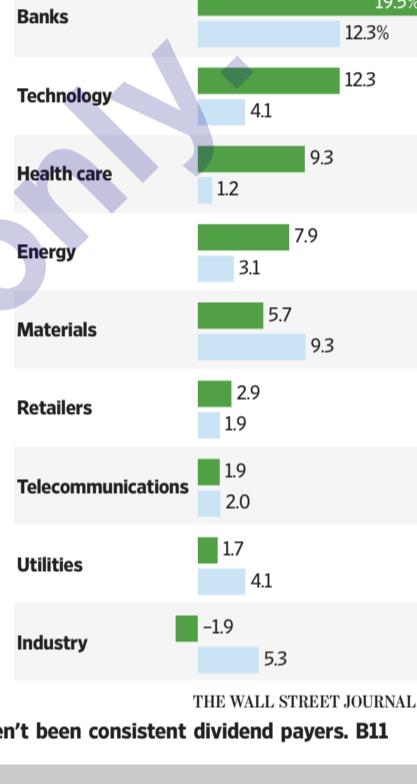
*Based on forward 12-month dividend forecasts. Note: 2018 data are estimates.

Sources: JPMorgan (companies raising dividends); FactSet (dividends per share, expected growth)

The quickest growth in payouts is expected to come from companies that historically haven't been consistent dividend payers. B11

Technology and finance stocks are expected to see the quickest growth.

Expected dividend growth in 2018 from a year earlier



THE WALL STREET JOURNAL

Fox Rejected Bid on Antitrust Fear

BY SHALINI RAMACHANDRAN AND BEN FRITZ

21st Century Fox Inc. rejected an acquisition offer for its entertainment assets from cable giant **Comcast Corp.** largely over antitrust concerns, a regulatory filing said, even though the bid was 16% higher on a per-share basis than what **Walt Disney Co.** ultimately agreed to pay.

After extended discussions, Fox's board decided that Comcast's offer was too risky to accept, according to the filing.

Fox was concerned such a deal might not pass muster in Washington, and even if it did, it would require divestiture of valuable assets that would reduce the value of the deal to Fox. Comcast also didn't offer Fox a breakup fee in the event regulators didn't bless the deal, according to the filing.

Disney's all-stock deal with Fox, reached in December, valued the Fox assets at \$29.54 a share based on the last trading day before it was announced. The filing said a company described as "Party

B" offered an all-stock deal valued at \$34.41 per share as of November. A person familiar with the matter confirmed that Party B is Comcast.

Verizon Communications

Inc. also showed interest in making an all-stock bid for Fox assets, according to the filing, but Fox said it would have been without "any meaningful premium" to Fox shareholders. Verizon was described in the filing as Party A, the person said.

Fox didn't set a date for a shareholder vote in the filing.

By laying out the back-and-forth with Comcast, Fox is spelling out for shareholders why it rejected a higher-value offer. In its \$52.4 billion deal with Disney, Fox agreed to sell its television and film studios; cable networks; international assets including Star India and its stake in European operator Sky PLC; its stake in streaming service Hulu; and its 22 regional sports networks. The Disney deal valued Hulu at \$8.73 billion, the filing said.

The Wall Street Journal re-Please see FOX page B2

GERRY BROOME/ASSOCIATED PRESS



A television-set display at a Best Buy. The two rival retailers are teaming up to sell smart TVs.

Amazon, Best Buy Make Nice

By DAVID PIERCE

Rivals **Amazon.com Inc.** and **Best Buy Co.** are joining forces to sell television sets powered by Amazon's Fire TV operating system.

Amazon CEO Jeff Bezos and Best Buy CEO Hubert Joly revealed the partnership on Tuesday at a Best Buy store in Bellevue, Wash. The companies will sell 11 models, starting this summer with TVs by

Toshiba and Best Buy house brand Insignia. Best Buy will feature the Amazon-powered TVs in its stores and on its website and become the exclusive merchant of these TVs on Amazon.com.

"What we're doing is so deeply integrated," Mr. Bezos said, acknowledging the fact that his company and Best Buy are often considered rivals. "It's only possible because we trust each other."

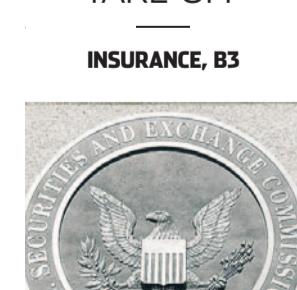
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Former JPMorgan COO Set to Join Cerberus

By MIRIAM GOTTFRIED

Matt Zames, the former chief operating officer of JPMorgan Chase & Co. who was once seen as a possible successor to Chief Executive James Dimon, has been appointed president of private-equity firm **Cerberus Capital Management LP**.

The appointment of Mr. Zames, 47 years old, is part of a series of moves at the top of Cerberus that include the naming of firm veteran Frank Bruno as co-chief executive alongside co-founder Stephen Feinberg, people at the firm said Wednesday.

It marks the latest chapter in a meteoric career on Wall Street. Mr. Zames was elevated to the role of COO at JPMorgan in the wake of the \$6 billion "London whale" trading fiasco, which he helped steer the bank through. He also played a key role in JPMorgan's emergency takeover of Bear Stearns Cos. in 2008.

Mr. Zames left JPMorgan last June after it became clear he was unlikely to succeed Mr. Dimon in the near future, or at all, people familiar with the matter said at the time. In an interview then, he said he wanted "to get back to running

a business."

At Cerberus, he will have broad responsibilities leading a number of initiatives including the firm's investments in the financial-services sector. Cerberus, based in New York, has more than \$30 billion in assets and specializes in distressed investing.

"It's become clear to me that this is a platform that can grow meaningfully," Mr. Zames said in an interview Wednesday. His talks with Cerberus began just three or four weeks ago.

As operating chief at JPMorgan, he oversaw cybersecurity, technology, real estate and other functions.

Mr. Feinberg, a billionaire backer of President Donald Trump, has been a candidate for a position in the White House. The latest moves aren't related to succession planning and Mr. Feinberg now has no plans to leave, according to a person familiar with the firm.

Mr. Bruno, a 20-year Cerberus veteran, assumed the role of president earlier this year. Cerberus also promoted Lee Millstein, an 11-year veteran, to the role of president of its international business.

—Emily Glazer contributed to this article

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TV

Continued from the prior page audience for products that feature its Alexa voice assistant.

Amazon, which has been expanding its physical footprint through its own stores, has deepened its reach into consumers' homes in recent years,

starting with Kindles and more recently with its Echo home speakers, which star Alexa.

"What's new in this partnership is the depths of the physical integration between the software and the hardware," Mr. Joly said. "The two companies are retailers but they're also product companies."

The companies declined to comment on whether Best Buy would pay a standard commission as an Amazon merchant, or whether they negotiated a different deal. They didn't disclose prices for the TV sets, which will be branded as Fire TV Edition.

The partnership means Best Buy's house brand Insignia will no longer produce sets powered by Roku Inc.'s operating system. The retailer, however, will continue to sell Roku-powered TVs from other brands.

"Roku TVs are available at Best Buy and across all the other major retailers, making it easy for consumers to choose from dozens of Roku TV models," said Tricia Miford, Roku's vice president of communications.

Roku's smart-TV operating

system ranked second in North America in 2017 behind Samsung Electronics Co.'s Tizen, according to research firm IHS Markit. While Amazon's Fire TV streaming devices have sold well, its smart-TV operating system wasn't ranked.

Roku shares were down 8.6% at \$32.90 in afternoon trading on Wednesday.

Best Buy, which was left for dead six years ago, has bucked the retail shakeout by ramping up its e-commerce efforts, promising to match Amazon on price and taking market share from competitors. It continues to operate about 1,000 big-box stores in the U.S.

"In the electronics and appliance space, our combined market share is about 25%. They're gaining, we're gaining, too," Mr. Joly said in an interview last month, referring to his company and Amazon. "It's not a zero-sum game."

By selling the Fire TV models on Amazon's site, Best Buy risks pulling sales away from its own website and its physical stores. Most traditional retailers such as Walmart Inc. compete to attract shoppers to their own e-commerce sites, although Amazon did strike a deal with Sears Holdings Corp. last year to start selling Kenmore appliances through its marketplace.

Best Buy said it plans to sell only the Fire TV models on Amazon's site and no other products.

—Khadeeja Safdar

contributed to this article.

Amazon separately said that Mr. Bezos was paid \$1.7 million in 2017, about 59 times the median pay for an Amazon employee. The company disclosed the pay ratio in a securities filing as part of a broader requirement under Dodd-Frank law that took effect this year.

Amazon's median salary of \$28,446 is significantly less than some of its technology peers as the company increasingly hires warehouse workers to staff its logistics operation.

—Austen Hufford

contributed to this article.

Amazon Prime Has 100 Million Users

More than 100 million people globally are now paying for Amazon Prime, a sign of how Amazon.com Inc. has used the service to evolve from an online marketplace that struggled with profitability into an e-commerce powerhouse.

Amazon, which has never disclosed the number of Prime members before, revealed the figure Wednesday in Chief Executive Jeff Bezos's closely followed annual letter to shareholders.

Prime, which typically costs \$99 a year, gives customers free unlimited two-day shipping and free access to music and videos.

Amazon's story to investors

has largely been one of scale—that having large numbers of customers and clients has allowed it to spread out costs and

invest heavily in technology. This approach is shown in its growing Prime membership, through its massive cloud-server business and in the way it lets third-party sellers onto its platform to compete against itself for customers. Amazon said Wednesday that a majority of goods shipped world-wide on its platform are now from third-party sellers.

Amazon separately said that Mr. Bezos was paid \$1.7 million in 2017, about 59 times the median pay for an Amazon employee. The company disclosed the pay ratio in a securities filing as part of a broader requirement under Dodd-Frank law that took effect this year.

Amazon's median salary of \$28,446 is significantly less than some of its technology peers as the company increasingly hires warehouse workers to staff its logistics operation.

—Austen Hufford

contributed to this article.

BUSINESS & FINANCE

Oil Producer Pushes Strategic Shift

BY SARAH KENT

Total SA said it would pay €1.4 billion (\$1.73 billion) for a majority stake in electricity provider Direct Energie, the latest step in the French oil giant's quest to become a power supplier.

Total is among the most aggressive in a coterie of big oil-and-gas companies that are snapping up traditional utilities and renewable-energy firms. For example, last

summer it paid \$1 billion for a French maker of industrial batteries.

The moves in the industry represent a strategic gambit in the face of a possible long-term shift away from fossil fuels and the more immediate pressure of finding a market for growing supplies of natural gas.

Total aims to supply seven million customers with electricity across France and Belgium by 2022 and own 10 gigawatts of installed capacity

from gas-fired and renewable power plants within five years.

Others considering a similar strategy include Royal Dutch Shell PLC, which has triggered a flurry of deals in recent months.

Total's deal for Paris-based Direct Energie brings with it 2.6 million electricity customers in France and Belgium and nearly 1.4 gigawatts of installed capacity from gas-fired power plants and renewables.

The deal is "in line with our

ambition to become the responsible energy major," Total Chief Executive Patrick Pouyanné said in a statement Wednesday.

Under the agreement, Total plans to initially buy just over 74% of Direct Energie's shares at €42 apiece. The company then plans to launch a tender offer for the rest of Paris-listed Direct Energie's shares. The acquisition has been approved by Direct Energie's board, but remains subject to further shareholder and regulatory approvals.



Total will pay more than \$1.7 billion for control of Paris-based electricity provider Direct Energie as it hedges against lessening demand for oil.

FOX

Continued from the prior page reported in February that Comcast had submitted a bid for Fox's assets that was more than 15% higher than Disney's.

21st Century Fox and Wall Street Journal parent News Corp share common ownership.

Details of Comcast's bid add to the intrigue as media companies seek to expand their holdings globally and better compete against tech giants such as Netflix Inc.

Fox and Comcast are tussling over control of European pay-TV operator Sky. Fox, which owns 39% of Sky, has been seeking to take full control.

In February, Comcast launched an informal \$31 billion offer for all of Sky that would top Fox's, but Comcast has yet to formalize its bid.

The cable company has been waiting to do so for regulatory reasons, people familiar with Comcast's thinking said.

Earlier this month, Fox told

U.K. regulators Disney has offered to buy Sky News to help Fox win regulatory approval.

21st Century Fox Executive Chairman Rupert Murdoch and Disney Chief Executive Robert Iger first discussed the possibility of a combination in early August 2017, according to the filing. A first round of talks stalled over price. When reports of the Disney-Fox talks surfaced in November, Comcast CEO Brian Roberts

jumped in, reaching out to Mr. Murdoch to propose a deal.

Talks between Fox and Disney restarted soon after that.

Fox's lawyers advised that a deal would run into significant hurdles in Washington, according to the filing. Comcast sought to assuage Fox's concerns by offering that any assets that raised red flags to regulators, would be allocated to New Fox, the company left behind after the sale. That

would ultimately narrow the scope of the deal and potentially reduce the return for Fox shareholders.

As talks progressed, Comcast offered other carrots, including that it would agree to any proposed behavioral remedies offered to regulators by AT&T Inc. in its pursuit of Time Warner Inc., and that it would bear 50% of some tax costs of potential divestitures.

It even offered to allow Fox a "unilateral termination right" if the AT&T-Time Warner deal was enjoined in court. Mr. Roberts made a last-ditch effort to save the deal in a New York City meeting with Mr. Murdoch on Dec. 4, but continued to hold firm that Comcast wouldn't agree to pay a breakup fee.

After considering the antitrust risks at a Dec. 6 board meeting, Fox decided to cease talks with Comcast. A week later, Fox sealed its deal with Disney.

Comcast Chairman and CEO Brian Roberts reached out to Fox.

DAVID PAUL MORRIS/BLOOMBERG NEWS

GM Gives Cadillac Push With New Chief

By MIKE COLIAS

General Motors Co. replaced the head of its Cadillac brand, as executives push for a swifter turnaround at the one-time U.S. luxury-auto leader.

Johan de Nysschen, the 58-year-old executive best known in the auto industry for helping Volkswagen AG's Audi brand gain U.S. prominence a decade ago, is leaving the company effective immediately, GM said Wednesday.

He will be succeeded by Steve Carlisle, a 55-year-old GM veteran who has been running the auto maker's Canadian business.

Despite posting strong results in China, Cadillac has lost U.S. market share every year since Mr. de Nysschen's arrival in September 2014. GM executives have said they view the rebuilding of the once-dominant brand as a long-term project. But they have grown impatient with the lack of progress in the U.S., according to people familiar with the matter.

GM President Dan Ammann praised Mr. de Nysschen for "setting a stronger foundation" for Cadillac's growth, but said the brand must accelerate its turnaround.

The world is changing rapidly...and it is paramount that we capitalize immediately on the opportunities that arise from this rate of change," Mr. Ammann said in a statement.

"This move will further accelerate our efforts."

In an email, Mr. de Nysschen

cited "foundational work" done under his watch, including improved selling prices, higher revenue and a more-affluent customer mix. But, he added, as Cadillac enters a potential growth phase with new models set for the next three years, his bosses decided "they want a new leader for that phase."

"They made their decision and that is it," he said. "It's not personal. It's business."

Mr. Carlisle, an engineer by training, joined GM in 1982. He has served in executive roles in product planning and U.S. sales and as president of GM's Southeast Asia operations.

In December, GM replaced Cadillac's chief marketing officer and effective No. 2 executive, Uwe Ellinghaus, and installed Deborah Wahl, who led marketing at McDonald's Corp. until last year, having previously worked at Toyota Motor Corp.'s Lexus brand.

Once tops in the U.S. luxury-auto market, Cadillac has been surpassed over the past two decades by Lexus and German brands such as BMW and Daimler AG's Mercedes-Benz.

Rejuvenating the 117-year-old brand is among the top priorities of GM Chief Executive Mary Barra, who is counting on Cadillac's re-emergence to help boost GM's global profit margins.

Cadillac's sales in China

more than doubled under Mr. de Nysschen. His strategy was to leverage that success to invest in Cadillac's U.S. turnaround.

Cadillac's sales in China

more than doubled under Mr. de Nysschen. His strategy was to leverage that success to invest in Cadillac's U.S. turnaround.

BUSINESS NEWS

P&G Buys German Health Business

BY SHARON TERLEP
AND JONATHAN D. ROCKOFF

Procter & Gamble Co. agreed to acquire the consumer-health business from Germany's **Merck KGaA**, in a \$4.2 billion deal that adds vitamins and food supplements to its lineup of over-the-counter medicines.

The companies announced the transaction on Thursday morning. The Wall Street Journal earlier reported they were near a deal.

The deal is one of the biggest acquisitions in recent years for the Cincinnati giant, which has been struggling with slow growth in key markets and falling revenue in its big Gillette razor business. P&G is expected to report its latest quarterly results on Thursday morning, moving up a day.

The Merck KGaA business manufactures over-the-counter products and generates around \$1 billion in annual sales from a portfolio of 10 core brands that are sold in more than 40 markets but not in the U.S. Its products include vitamins, Febimion supplements for women, Seven Seas cod liver oil and Nasivin nasal decongestant.

The German company put the unit on the block last year to focus its health-care activities on prescription drugs. It isn't affiliated with Merck & Co., the U.S. drug maker.

P&G also recently held discussions with **Pfizer** Inc. to acquire its consumer health-care business, but the talks ended without a deal, according to people familiar with the discussions.

P&G's health-care unit includes Crest and Oral B toothpaste as well as Vicks cold medicine, Prilosec heartburn relief and Pepto Bismol. It generated \$7.5 billion in sales for the fiscal year ended June 30.

Insurers Offer Limited Coverage

Individuals are buying indemnity plans instead of ACA policies, which have become more costly

BY ANNA WILDE MATHEWS

Sales are growing for a type of bare-bones health policy that offers a cheaper alternative to traditional insurance but leaves buyers risking big bills if they have major medical needs.

Known as fixed indemnity plans, the products offer limited help, typically paying set amounts toward the cost of doctor visits, hospital days or other services.

They generally carry restrictions on people with pre-existing conditions, and they aren't considered true health insurance under the Affordable Care Act. But insurance agents say individuals are increasingly purchasing the plans as a substitute for ACA coverage, which has become far more costly for many people who don't get federal subsidies.

"Without question, people are using that as a good alternative when they can't afford anything else," said Dave Keller, an executive at **Independence Holding Co.**, known as IHC Group, which says sales of its indemnity products last year were roughly 10 times the year before.

Other insurers and insurance agents, including **eHealth Inc.**, **American Insurance Agencies Direct LLC** and **AgileHealthInsurance.com**, a unit of **Health Insurance Innovations Inc.**, also say they have seen recent indemnity sales grow. Many of the products are sold only to those who can attest to being healthy.

Isaiah Alicea, a 29-year-old refrigeration technician in San Antonio, Texas, last year bought a product called Core Health Insurance, mostly because of the low price of around \$200 a month. The plan pays \$70 each for up to 10 doctor visits if he is sick,



Isaiah Alicea pays about \$200 a month for his plan, but wishes he could afford better coverage.

and up to \$500 a day for a hospital stay, up to 31 days, along with payments toward certain other services. The product doesn't pay toward hospital care related to pre-existing conditions for the first 12 months it is in effect.

Mr. Alicea, who bought his plan through eHealth's website, says he is healthy and thinks the product could help pay for care he is likely to need. "I wish I could have better coverage, but I just can't be paying \$600 a month," he said. "This one won't really help me out for big issues," he said. "I trust in the Lord to take care of me."

Mr. Alicea's product was introduced last year by **SASid Insurance Development**, which works with insurers to design and market plans. The SASid plans are part of a growing breed of indemnity products that can appear closer to traditional health insurance, offering payments toward a wider array of services. "We started creating plans that were more of an alternative to major medical, rather than a supplement," said Shannon Kennedy, president of SASid.

Consumers choosing insurance often struggle to predict

Stand-Alone Options Suit Some Buyers

Some insurance agents say they won't sell indemnity products as stand-alone coverage, because buyers might be hit by huge medical bills. "We don't think it's the right thing to do for our consumers," said Michael Z. Stahl, a senior vice president at **HealthMarkets Inc.**

Agents and insurers that sell indemnity products say the limits are disclosed to consumers, and some can't get ACA plans. "If you don't have access to that coverage, or can't afford it, then

medical costs, consumer advocates say. The median charge for care related to gallbladder surgery, performed outside an insurer's network, can range from around \$24,000 to roughly \$108,000, according to FAIR Health, a nonprofit.

Indemnity plans are significantly different from ACA health insurance. For one, they are far cheaper than ACA coverage, with premiums that can amount to roughly one-third

this is something else to consider, as long as you understand the limitations of the plan," said Sean Malia, senior director of carrier relations at eHealth Inc., which last fall introduced insurance packages that typically combine indemnity products.

Agents also say another type of limited coverage that is often closer to traditional insurance, known as short-term insurance, soon may become more appealing. The Trump administration is proposing to lift an Obama-era cap limiting such plans to three months. Agents say the limit has pushed people toward indemnity products, and lifting it might reverse the trend.

of the full cost of the health-law plans, though prices can vary widely. And consumers with lower incomes can get federal subsidies to defray the ACA-plan premiums.

Indemnity products are sold year-round, and their payments toward the cost of care are supposed to be upfront. ACA plans are generally available only during the fall open-enrollment period and can carry high deductibles. Also, people who

only have indemnity plans may have to pay a penalty for not having traditional coverage, but this is set to change next year.

ACA plans provide far more protection, including a mandated annual cap on a consumer's out-of-pocket spending—a backstop if major health needs strike. Indemnity plans leave the consumer on the hook for bills beyond the limited payments, which could amount to tens of thousands of dollars or more. ACA plans are sold to consumers regardless of their health and cover all pre-existing conditions.

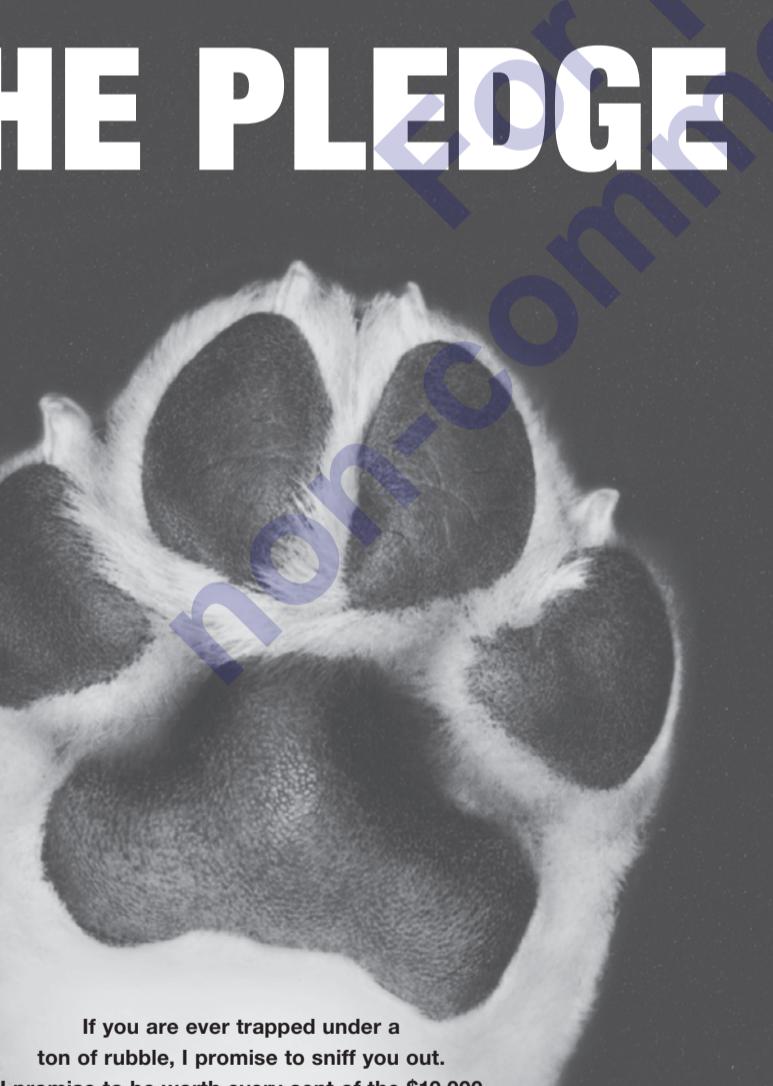
In 2014, the Obama administration moved to require that indemnity plans generally be sold to consumers only as a supplement to traditional health insurance. The administration eventually dropped the restrictions after a court battle. That reopened the door to sales of stand-alone products.

Anthem Inc., **UnitedHealth Group Inc.** and **Chubb Ltd.** are among those offering indemnity plans that make payments toward a range of medical care, which can include things like hospital stays, lab tests and chemotherapy. Anthem's plan, launched in September, is underwritten by a subsidiary of Independence Holding. The Chubb-underwritten product, marketed as **Cardinal Choice**, launched in March 2017.

UnitedHealth said its indemnity products "are not meant to take the place of an ACA-compliant major medical plan." Anthem said indemnity plans are for "those consumers who want additional choices and are seeking different types of coverage options." Chris Martin, president of combined worksite solutions and workplace benefits for Chubb, said, "We don't design our products as a substitute for comprehensive health insurance."

Consumers "need affordable options," said Bruce Telkamp, chief executive of AgileHealthInsurance.com. "Carriers are significantly investing in this category to fill that void."

THE PLEDGE



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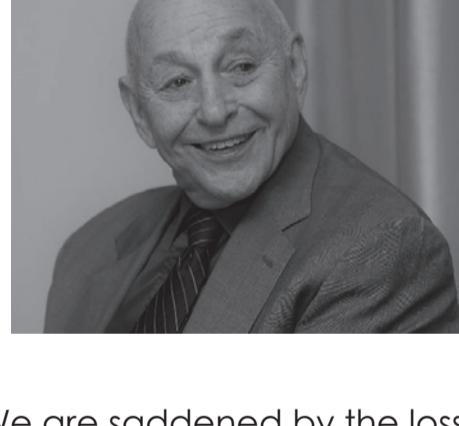
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In Memoriam

MARTIN J. WHITMAN

1924-2018



We are saddened by the loss of our founder, friend, and mentor

He was an extraordinary investor, impassioned philanthropist, impactful teacher, and a true capital markets pioneer

The Third Avenue family has been blessed to work with and learn from Marty, and we are honored to carry on his legacy

Our thoughts and prayers are with his family.

THIRD AVENUE
MANAGEMENT

TECHNOLOGY

WSJ.com/Tech

Satellite Project Aims to Provide Videos of Earth

NASA/ZUMA PRESS

Airbus SE and two of the world's most recognizable tech billionaires, **Microsoft** Corp. founder Bill Gates and **SoftBank Group** Corp. Chief Executive Masayoshi Son, propose to build and launch some 500 small satellites to provide unmatched video coverage of the globe.

The **EarthNow** LLC project, unveiled Wednesday, is still in its formative stage without a firm price tag, launch schedule or technical details, according to founder and CEO Russell Hannigan. In an interview, he said the

current concept envisions satellites weighing close to 500 pounds each, with a total cost for the system above \$1 billion. Those numbers could change, but the announcement underscores industrywide momentum to launch constellations of satellites no bigger, for example, than a portable refrigerator.

Veteran satellite entrepreneur Greg Wyler, a partner of Airbus and SoftBank on a separate Internet-via-satellite project called OneWeb, is the fourth investor. He declined to disclose how much

had been raised in the initial funding round, and Mr. Hannigan said the funding so far only covers early planning and technical studies. But the CEO added that the prominence of early investors is expected to attract other funders. Messrs. Gates and Wyler are investing personal funds, while Mr. Hannigan said SoftBank is investing corporate funds and Airbus is both an investor and a partner on the project.

Based in a Seattle suburb with a minimal staff, the startup is being unveiled as interest surges in

small satellites operating relatively close to Earth to serve commercial and national-security markets. Mr. Hannigan said EarthNow is targeting applications including tracking illegal fishing, watching migrations in conflict zones and monitoring agriculture.

It has potential competition. Stratolaunch Systems Corp., founded by billionaire Paul Allen, plans to launch satellites with small rockets carried under the wings of an aircraft with a wing span larger than a football field.

—Andy Pasztor

Tesla's China Plan Is in Line for Lift

By TIM HIGGINS

China's announcement Tuesday that it will ease its strict joint-venture rules on foreign auto makers is a potential benefit for **Tesla** Inc. at the same time the Silicon Valley auto maker needs a charge.

Tesla has long sought to manufacture its electric cars in China—its second-biggest market, after the U.S. But it has shied away from conforming with China's rules requiring a 50-50 joint venture with a local company and the sharing of any profit and technology. So its cars instead are imported from California and subject to a 25% tariff.

The Chinese government now plans to phase out those restrictions for auto makers by 2022, and eliminate the rules this year for companies such as Tesla that manufacture electric vehicles. That would make it possible for Tesla to build a factory in

unwind those longstanding relationships.

"I don't see anyone walking away from their JV partner and going alone because it's a lot of effort to unwind that," said Jeff Schuster, an analyst for LMC Automotive. "Tesla is the big winner...as long as they have enough funding to establish themselves in China."

A Tesla spokesman declined to comment.

Tesla has been working with the Shanghai government on a deal to build a wholly owned factory in the city's free-trade zone. The company said in November that it plans to direct money toward building a China factory next year, with the aim of starting production in three years. It eventually wants to churn out some 200,000 vehicles a year there, including less-expensive models such as the new Model 3 compact sedan and the coming Model Y compact sport-utility vehicle.

But the company hasn't shown it can crank up production to build a mainstream electric car. It has stumbled in building the Model 3 since beginning production in its Fremont, Calif., factory last July, twice delaying its goal of making 5,000 Model 3s a week until around the end of the second quarter. Tesla said Monday it plans to halt assembly of the Model 3 for about a week for upgrades intended to speed up production.

The difficult ramp-up has squeezed the company's cash position and tested the patience of investors, whose excitement last year over the prospect of Tesla becoming a mainstream auto maker pushed its market value above General Motors.

Despite the 25% tariff raising prices in China, Tesla's business there has grown significantly. Revenue in China doubled to \$2 billion last year from \$1 billion in 2016.

Facebook Offers Early Look at Privacy Changes

By DEEPA SEETHARAMAN

In a preview of how **Facebook** Inc. is changing its privacy policies, the site this week will start asking European users for permission to use their personal data to power features like facial recognition and some forms of targeted advertising.

Even with the updates, opting out of those features will remain more difficult than sharing such information with the social-media giant.

As part of the changes, Facebook will begin to prompt its users in Europe to decide whether they would like to see targeted ads based on political, religious and relationship details they share on their profiles or from data collected by some of Facebook's external partners. Facebook will also ask users to explicitly allow the company to use its facial-recognition technology, which the company relies on to identify people in images.

Facebook said it would allow users in the U.S. and the rest of the world to review those details in coming months.

The moves are part of Facebook's requirement to address tougher European data-use laws taking effect next month, but also reflect its broader push to allay user concerns over the company's handling of their personal information. Those concerns mounted following Facebook's disclosure last month that Cambridge Analytica, a data-analytics firm that worked for the 2016 Trump campaign, bought Facebook data belonging to



CEO Mark Zuckerberg

tens of millions of users.

Since that scandal broke, company executives including Chief Executive Mark Zuckerberg have repeatedly said that users have full control over their data.

But even after the latest changes, users who don't want to give Facebook access to their data must go through a few more steps before Facebook accepts their decision, according to mock-ups of the permission screens shown to reporters Tuesday and unveiled to users on Wednesday.

Facebook hasn't built a way for users to decline to provide more data with a single tap. Instead, its permission screens include an "accept and continue" button in bright blue and a more subtle white button called "manage settings."

One major issue that privacy activists raise: The company doesn't offer a way to opt out of the company's collection of data about its users when they aren't on Facebook.

—Sam Schechner contributed to this article.

Company Looks Into Designing Chips

Facebook Inc. is planning to design chips that could be used in its consumer devices, artificial-intelligence software and data centers, according to a person familiar with the matter and recent job listings.

The effort is part of the social-media company's nascent push to develop more of its own hardware.

The project to design custom chips, still in its early stages, could give Facebook greater control over the design

and development of its various hardware projects under way, which include connected speakers and virtual-reality headsets, the person said.

Other tech giants have gone the same route, including Alphabet Inc.'s Google, which developed its own microprocessor chips to advance its work in artificial intelligence, search ranking and other features.

Hardware is still unfamiliar territory for Facebook, whose core strength is in developing software services like its social network used by more than two billion people a month.

—Deepa Seetharaman

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FREDERIC J. BROWN/AGENCE FRANCE PRESSE/GETTY IMAGES

The Chinese smartphone maker entertained attendees of a trade show in Las Vegas last year.

ZTE Delays Earnings Report

By DAN STRUMPF

HONG KONG—Chinese telecommunications giant **ZTE** Corp. said it is delaying the release of its quarterly earnings report as it wrestles with the implications of a ban on sales of U.S. products to the company.

ZTE, China's largest publicly traded telecommunications firm, is the fourth-largest vendor of smartphones in the U.S.

The delay of its earnings report, which was set for Thursday, is the latest result of the announcement Monday by the U.S. Commerce Department banning U.S. companies from selling components to ZTE.

The department said that the Chinese company violated terms of a deal last year settling allegations of sanctions-busting involving North Korea and Iran.

In response to the announcement, ZTE said it was assessing the full range of potential implications that this event has on the company and is communicating with relevant parties proactively in order to respond accordingly.

ZTE buys a large number of components from U.S. companies, and analysts say that an inability to continue doing so could render a serious blow to the company's production. For instance, 65% of the smart-

phones ZTE shipped last year contained chips made by San Diego-based chip maker **Qualcomm** Inc., according to an estimate by research firm Canals.

Shares of various suppliers to ZTE have taken a hit in the wake of the U.S. action.

"This is a sweeping order," said Christopher Timura, an attorney with Gibson, Dunn & Crutcher.

In a filing with Hong Kong's stock exchange on Wednesday, ZTE said, "The board meeting to consider and approve the 2018 first quarterly report will be postponed to a later date to be determined by the Company."

SoftBank Corrects 4 Years of Tax Filings

By MAYUMI NEGISHI

TOKYO—**SoftBank Group** Corp., the operator of the world's largest technology fund, said it corrected four years of tax filings after Japanese authorities uncovered ¥93.9 billion (about \$875 million) worth of unreported earnings at offshore subsidiaries.

The Tokyo Regional Taxation Bureau said SoftBank failed to report earnings at three subsidiaries, located in Bermuda and Singapore, of its U.S. telecom units **Sprint** Corp. and **Brightstar** Corp. for four years through March 2016. Bermuda has no corporate tax, while Singapore's is 17%. Taken against deferred losses, the omissions resulted in ¥3.7 billion in additional taxes for SoftBank, the company said.

The amendments come amid increased scrutiny of the use of tax havens by technology giants such as Google Inc., Apple Inc. and Amazon.com Inc. That increases the pressure on SoftBank, which fields billions of dollars worth of deals through multiple entities, to keep on top of revised tax codes and their impact on complex corporate and investment structures that span thousands of companies and their subsidiaries. Sprint and Brightstar alone have hundreds of subsidiaries around the world.

BUSINESS NEWS

Advocates Pressure Starbucks On Race

BY JULIE JARGON

Top Starbucks Corp. executives and approximately 40 Philadelphia clergy and community leaders met on Wednesday in what local leaders say was the beginning of an effort to push the coffee company to play a leading role in addressing racial injustice.

The meeting, attended by Starbucks Chairman Howard Schultz and Chief Executive Kevin Johnson, followed a social-media outcry over the treatment of two black men at a Philadelphia Starbucks last week.

A Starbucks manager had called police when the men allegedly refused to leave the cafe after they were denied use of the restroom because they hadn't purchased anything. A video of the men being handcuffed by police went viral online over the weekend and Starbucks apologized.

"We want to develop a partnership with Starbucks that will extend beyond this crisis moment," said Rev. Mark Kelly Tyler, pastor of Mother Bethel African Methodist Episcopal Church, where the meeting was held, and a member of POWER, the group that organized it.

Starbucks didn't respond to requests for comment about the meeting. The coffee chain's consumer-perception scores have fallen to the lowest level in more than two years in the wake of the incident, according to YouGov BrandIndex, a consumer-perception research service.

After the incident, people took to social media, calling for a boycott of Starbucks, and there were protests at the store on Monday.

The manager who made the call to police no longer works there, Starbucks has said, and the company on Tuesday said it would close all of its more than 8,000 U.S. company-owned stores for an afternoon next month to provide employees with antiracial-bias education.

Members of POWER and other advocacy groups that attended the meeting provided Starbucks with a list of demands, including that the company team up with them to address the role it plays in the gentrification of black neighborhoods and to examine its policies regarding how customers are treated.

The group also asked that Starbucks pay all of its workers at least \$15 an hour and open cafes in black neighborhoods of Philadelphia and invest revenue from them back into the community.

More India Woes for McDonald's

Tax authorities visit offices of restaurant chain's largest partner in the country

BY CORINNE ABRAMS

MUMBAI—Tax authorities raided the offices of McDonald's Corp.'s biggest partner in India in what could be another setback for the fast-food giant, which is already mired in an ugly breakup with its only other licensee in the country.

A spokeswoman for India's income tax department said 20 locations connected to Hardcastle Restaurants Pvt. Ltd., which runs more than 270 McDonald's in the south and west of the country, were raided in the western cities of Mumbai and Pune.

Tax authorities were at the corporate office of Hardcastle on Tuesday and Wednesday, a spokeswoman for the Mumbai-based company said.

Hardcastle said that it fully complies with the country's tax laws and that the visit was "part of a routine survey being conducted by the income tax department. They have certain queries and we are fully cooperating with them."

A spokesman for McDonald's India Pvt. Ltd., the master franchiser for the U.S. company in India, declined to comment on the raids.

McDonald's is counting on local partners to help it compete in one of the world's last great untapped consumer markets. Since its first restaurant



The chain is already dealing with a falling out with its only other Indian licensee. Food deliverymen at a McDonald's in Mumbai.

opened in India almost 22 years ago, the chain has embedded its brand with the country's emerging middle class but now faces much tougher competition from local and international brands.

In a swath of the country it also faces an internal challenge. For more than five years, McDonald's has battled to oust the managing director of Connaught Plaza Restaurants Pvt. Ltd., which runs 166 outlets in the north and east.

Trying to cap its lengthy conflict with Vikram Bakshi, the

founder of the franchisee, McDonald's last year ordered Connaught Plaza to stop using its brand. Mr. Bakshi says he won't stop running McDonald's outlets until he gets a fair price for his half of the joint venture.

McDonald's has accused Connaught Plaza of breaking agreements on financial management, internal controls and paying royalties, among other things. Mr. Bakshi denies most of the accusations.

In the standoff, McDonald's has sent letters to suppliers informing them that the company

had terminated its franchise agreement with Connaught Plaza, while Mr. Bakshi has scrambled to fill gaps left when suppliers pulled out.

While McDonald's launched cafes and new products with Hardcastle in the south and west, Connaught Plaza's northern and eastern restaurants have no such cafes and operate with an older menu.

The northern outlets still have the golden arches, Ronald McDonald and the signature Maharaja Mac, but some items are now unavailable. Happy

Meals are gone, Fillet-o-Fish is usually sold out, and Chicken McNuggets are now just labeled chicken nuggets, served in unbranded boxes with unbranded dipping sauces.

Meanwhile, Hardcastle is aiming for a total of 400 to 500 stores in the south and west by 2022. Shares of Westlife Development Ltd., parent company of Hardcastle, rose nearly 1% on Wednesday.

—Vibhuti Agarwal in New Delhi and Debiprasad Nayak in Mumbai contributed to this article

BUSINESS WATCH

BON-TON

Retailer Set to Close Remaining Stores

Bon-Ton Stores Inc. will begin closing its remaining department stores and go out of business after a bankruptcy judge said she would approve the sale of the retailer's assets.

Judge Mary Walrath of the U.S. Bankruptcy Court in Wilmington, Del., Wednesday said she would approve the sale to a group of bondholders and pair of liquidators, which will begin closing more than 250 stores across 23 states, putting about 24,000 employees out of work. All stores are to close no later than Aug. 31, court papers show.

After a two-day auction that concluded Tuesday, a group of second-lien bondholders in partnership with liquidation firms

Great American Group LLC and **Tiger Capital Group** LLC were named the successful bidders. The winning bid was about \$777 million, according to a person familiar with the matter.

—Lillian Rizzo



Shutting over 250 Bon-Ton stores will affect 24,000 employees.

APPLE

iPhone Sales in China Loom as a Problem

China could be a black mark on Apple Inc.'s March quarter, said Nomura Instinet.

International smartphone shipments into China, which are mostly iPhones, fell 9% in the month of March. As a result, the firm predicts that Apple's China revenue could fall as much as

28% in the March quarter from a year earlier. The price of the iPhone X is largely to blame. Chinese telecom companies offered few subsidies.

Despite those troubles, most investors will look for updates on Apple's capital return plans. Nomura expects Apple will devote about \$25 billion from repatriated cash to dividends over the next five years and use the remaining \$135 billion for share repurchases.

—Tripp Mickle

Wynn Resorts Adds Three Women to Board

By CHRIS KIRKHAM AND MARIA ARMENTAL

Wynn Resorts Ltd. added three women to its board as the company continues to manage the fallout from sexual-misconduct allegations against former Chief Executive Steve Wynn.

Disclosed on Wednesday, the move came a day after the casino operator's largest shareholder, Mr. Wynn's ex-wife, Elaine Wynn, demanded the board overhaul membership to comprise mostly new directors. The new directors are Betsy Atkins, Dee Dee Myers and Wendy Webb, bringing the board's composition to four women and seven men.

Wynn Resorts CEO Matt Maddox, who took over after Mr. Wynn resigned in February, said the appointments "signify a turning point for us."

Ms. Myers is executive vice president of corporate communications and public affairs at Warner Bros. Entertainment and

a former press secretary for President Bill Clinton. She said Wednesday she was impressed with Mr. Maddox's and the board's steps "to deal with the problems" at the company.

Ms. Atkins wasn't available for comment. Ms. Webb referred inquiries to a Wynn Resorts spokesman. Ms. Atkins is the founder of Baja Corp. Ms. Webb is CEO of Kestrel Advisors.

The moves came after a January article in The Wall Street Journal detailed allegations that Mr. Wynn had engaged in sexual misconduct against employees for decades, and that he paid \$7.5 million to a manicurist at his Wynn Las Vegas resort who in 2005 told people Mr. Wynn had forced her to have sex with him. Mr. Wynn has said it is "preposterous" that he would assault a woman; he hasn't responded to other allegations of sexual misconduct.

—Kate O'Keeffe contributed to this article.

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MANAGEMENT

Salary History Loses Impact in Hiring

Employers try to close compensation gaps by moving away from using past wages as a guide in determining future pay

BY KELSEY GEE

Your next salary offer might look nothing like your current pay.

Big companies such as Amazon.com Inc., Bank of America Corp. and Wells Fargo & Co. say they have instructed recruiters not to ask about salary or benefits a candidate received in other positions, as more employers shift away from using past wages as a guide for setting their future pay.

The move stems from many new laws around the U.S. aimed at closing wage gaps in the workforce. The theory behind the laws is that using past salaries to benchmark future pay can perpetuate unfairly high or low wages that workers carry from job to job.

New York City and Massachusetts passed rules in 2016 banning employers in those regions from pressing job seekers to disclose salary history. Since then, more than a dozen other cities and states have followed with their own wage-setting and wage-inquiry rules for employers, including California, New Jersey, New Orleans and Pittsburgh.

Proponents of the new laws say withholding information about past wages encourages employers to judge the value of a job, rather than the applicant. The companies say providing candidates with a salary range based on factors such as skills and experience can help correct inconsistencies in how different employees, including women and people of color, were valued in another role or setting.

"These new laws have created a great opportunity for employers to do some self-reflection," said Cheryl Piarchick, a partner at Fisher & Phillips LLP and co-chair of the law firm's pay-equity



When women were asked about past wages but declined to share the figure, they were offered 1.8% less than women who disclosed their salary history, PayScale found. But men who declined to disclose previous compensation received 1.2% higher offers than men who provided the information.

Offering a woman less for refusing to share pay information might reflect an unconscious bias against those who negotiate, Ms. Frank said, adding that the research shows it is important to stop using salary history as a guide for future pay.

Pay gaps can be exacerbated by differences in how hiring managers and job seekers approach salary negotiations. Men are typically more willing to negotiate salaries—and more richly rewarded for doing so—while some women get penalized for appearing overly aggressive, according to a growing body of economic and management research, including studies published by the Harvard Kennedy School and Georgetown University McDonough School of Business.

The U.S. Court of Appeals for the Ninth Circuit last week determined that businesses may be held liable for discrepancies in their workers' pay even if the imbalance stems from a previous employer, adding pressure to correct pay gaps based on gender, race or other non-performance-related factors.

"We've seen a lot of clients adopting the spirit of law, understanding bans on salary-history inquiries are about pay equity," said Mollie Mantia, director of compliance for the talent arm of Automatic Data Processing Inc., a payroll-management firm. Instead, she said more employers are opting to look at a fair market value for their talent.

practice. Many are thinking about whether they can justify differences in the salaries that their current workers earn, she said.

At the end of March, Bank of America required recruiters to drop salary-history questions from the application process across the company. Hundreds of hiring managers have been trained in the past year to focus pay negotiations on the salary ranges established by the bank for each job, said spokesman Andy Aldridge.

"We want to be a great place to work, and that includes how we approach things like pay equity," he said, adding that Bank of America conducts annual reviews of its roughly 208,000 employees to ensure they are

paid fairly for performance.

Pay disparities for workers often persist when people are hired at lower salaries early in their career and then that compensation becomes the root of future salary negotiations.

The Philadelphia Chamber of Commerce sued to halt the rollout of Philadelphia's salary-history ban, which was scheduled to take effect last spring, arguing the ordinance infringed upon businesses' free-speech rights. The group expressed concern that a blanket restriction could create problems, such as not knowing how rich a salary it would take to lure a high-level executive from her current employer. The rule's implementation has been temporarily suspended until a final decision is made.

Measuring Pay Gaps

A new analysis of census data by the National Partnership for Women & Families, an advocacy group, found men earned more than women in median pay for full-time workers in year-round jobs.

State wage gap found between men and women, per dollar

BIGGEST GAPS	SMALLEST GAPS
Louisiana	30¢
Utah	30
West Virginia	28
Montana	27
Oklahoma	26
New York	11¢
California	12
Florida	13
D.C.	14
Vermont	14

Source: National Partnership for Women & Families

THE WALL STREET JOURNAL.

mation affects offers. The results surprised Lydia Frank, a PayScale vice president, because they contradict the advice she usually gives job applicants to withhold salary history when discussing pay.

OPEC price impact by date of quota reduction.

Natural gas has overtaken coal as the dominant fuel for electricity production.

Crude oil implied volatility (VIX-equivalent) hit a multi-year low, as OPEC provides the market with what is effectively a put option.

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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract							Open interest
	Open	High	Low	Settle	Chg	Open		
Copper-High (CMX)-25,000 lbs.; \$ per lb.	3.1640	3.1475	3.1535	0.0785	.461			
April	3.1605	3.2015	3.0995	3.1815	0.0785	84,358		
July	3.1100	3.2015	3.0995	3.1815	0.0785	84,451		
Gold (CMX)-100 troy oz.; \$ per troy oz.	1343.50	1354.20	1343.50	1351.20	4.00	940		
April	1343.50	1354.20	1343.50	1351.20	4.00	940		
June	1350.40	1359.00	1345.00	1353.50	4.00	383,247		
Aug	1356.40	1365.10	1351.80	1359.70	4.00	49,614		
Oct	1361.90	1371.20	1358.90	1365.90	4.00	8,200		
Dec	1369.20	1377.80	1364.60	1372.40	4.00	54,063		
June'19	1385.90	1390.00	1385.90	1392.00	4.20	2,656		
Palladium (NYM)-50 troy oz.; \$ per troy oz.	1004.50	1037.50	1002.40	1034.95	29.95	19,352		
June	1004.50	1037.50	1002.40	1034.95	29.95	19,352		
Sept	998.00	1030.15	997.00	1027.50	28.45	3,564		
Dec	1000.00	1018.65	1000.00	1022.20	29.10	241		
Platinum (NYM)-50 troy oz.; \$ per troy oz.	942.20	942.20	941.10	939.50	5.60	11		
July	939.50	952.30	938.60	945.80	5.80	71,593		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	16.825	17.200	16.825	17.231	0.459	96		
May	16.785	17.275	16.730	17.248	0.461	95,993		
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	66.68	68.91	66.56	68.47	1.95	86,798		
June	66.68	68.90	66.54	68.47	1.96	552,205		
July	66.39	68.55	66.28	68.15	1.91	233,060		
Aug	65.85	67.90	65.78	67.55	1.80	154,011		
Sept	65.32	67.20	65.20	66.87	1.67	230,549		
Dec	63.75	65.33	63.64	65.02	1.35	273,870		
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.	2.0628	2.1045	2.0591	2.0911	0.0340	69,016		
May	2.0575	2.1009	2.0547	2.0883	0.0356	130,653		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	2.0470	2.0783	2.0433	2.0683	0.0271	73,007		
June	2.0518	2.0838	2.0493	2.0742	0.0274	141,658		
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	2.736	2.790	2.734	2.739	.001	144,801		
June	2.768	2.818	2.763	2.768	-.002	252,626		
July	2.814	2.860	2.808	2.814	-.001	183,333		
Sept	2.825	2.860	2.808	2.814	-.008	145,955		
Oct	2.832	2.874	2.823	2.828	-.007	122,206		
April'19	2.675	2.683	2.653	2.660	-.015	84,412		

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	380.75	383.50	380.00	383.00	2.75	338,032		
May	389.50	392.25	388.75	391.75	2.50	681,122		
Oats (CBT)-5,000 bu.; cents per bu.	228.75	236.25	228.50	236.00	7.25	2,886		
May	235.00	240.00	235.00	238.75	3.00	2,746		
Soybeans (CBT)-5,000 bu.; cents per bu.	1046.25	1052.50	1039.00	1041.75	-.425	205,990		
July	1057.25	1063.75	1050.50	1053.25	-.400	415,273		
Soybean Meal (CBT)-100 tons; \$ per ton.	381.10	382.90	375.70	376.60	-.450	84,783		
May	385.70	387.60	380.30	381.20	-.420	233,807		
Soybean Oil (CBT)-60,000 lbs.; cents per lb.	31.25	31.43	31.16	31.43	.24	104,312		
July	31.49	31.70	31.41	31.69	.24	213,703		
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	1311.00	1321.00	1307.50	1317.50	2.00	3,624		
May	1311.50	1319.50	1310.50	1317.50	5.50	3,547		
Wheat (CBT)-5,000 bu.; cents per bu.	466.25	476.00	465.50	475.25	9.00	85,615		
July	481.50	490.50	480.50	489.25	7.75	206,868		
Wheat (KC)-5,000 bu.; cents per bu.	480.50	491.25	479.25	488.75	8.25	42,984		
July	499.50	510.25	498.25	507.75	8.25	120,314		
Wheat (MPLS)-5,000 bu.; cents per bu.	611.50	619.25	610.00	618.00	5.50	18,679		
July	620.00	627.25	618.50	624.75	3.50	28,085		
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	138.925	139.325	138.325	138.750	.025	3,143		
April	138.575	139.075	138.475	138.975	.025	10,857		
June	105.300	105.975	104.950	105.275	.375	152,816		
Hogs-Lean (CME)-40,000 lbs.; cents per lb.	68.000	69.975	67.850	69.850	1.950	3,592		
May	76.800	78.950	76.775	78.525	1.775	94,381		
Lumber (CME)-10,000 bd. ft.; \$ per 1,000 bd. ft.	543.40	552.10	543.40	550.70	.11	4,233		
May	526.90	535.00	526.90	534.90	.84	2,313		
Milk (CME)-200,000 lbs.; cents per lb.	14.45	14.51	14.45	14.49	.01	3,355		
May	14.90	14.98	14.83	14.953968	3,968		
Cocoa (ICE-US)-10 metric tons; \$ per ton.	2.736	2.825	2.736	2.824	96	256		
July	2.700	2.856	2.69	2.800	96	135,469		
Coffee (ICE-US)-37,500 lbs.; cents per lb.	1,846,427	1,857,202	1,852	1,918	3,045	6,246		

Currency Futures

Japanese Yen (CME)-¥125,000,000; \$ per 100Y	May	.9359	.9359	.9332	.9337	-.0022	427	
June	.9381	.9381	.9347	.9358	-.0023	145,185		
Canadian Dollar (CME)-CAD 100,000; \$ per CAD	May	.7970	.7970	.7908	.7920	-.0049	152	
June	.7978	.7978	.7908	.7925	-.0050	121,391		
British Pound (CME)-£62,500; \$ per £	May	1.4309	1.4316	1.4190	1.4219	-.0084	1,222	
June	1.4327	1.4349	1.4207	1.4239	-.0083	202,778		
Swiss Franc (CME)-CHF 125,000; \$ per CHF	June	1.0399	1.0412	1.0361	1.0377	-.0025	58,876	

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to 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.

BANKING & FINANCE

Stricter Broker Standards Proposed

SEC plan to protect investors includes disclosing to clients conflicts of interest

By DAVE MICHAELS

Stockbrokers would face tighter restraints on conflicts that can bias investment advice, under a rule proposed Wednesday by the Securities and Exchange Commission.

The SEC's plan to require brokers to act in the best interest of clients is less restrictive than the Labor Department's "fiduciary rule" affecting retirement accounts that was completed during the last days of the Obama administration and will likely spark complaints from congressional Democrats and consumer groups that it is too permissive.

The SEC's rule wouldn't ban any single conflict of interest, such as sales contests that brokers conduct to juice sales of particular products, but would generally require brokers to disclose conflicts and try to blunt their impact.

The SEC's rule, approved Wednesday by a 4-1 vote and sharply criticized by the agency's Democratic members, could eventually replace the fiduciary rule. A federal appeals court last month overturned



ANDREW HARRER/BLOOMBERG NEWS

Jay Clayton says the plan tries to 'fill the gaps between investor expectations and legal requirements.'

the Labor Department regulation after a lawsuit by Wall Street trade groups.

The SEC proposal "reflects a multipronged effort to fill the gaps between investor expectations and legal requirements, increasing investor protection and the quality of advice while preserving investor access and investor choice," SEC Chairman Jay Clayton said.

The proposal will now be subject to 90 days of public comment. The SEC will need to vote to finalize the rule af-

ter studying those comments.

Wall Street hopes the SEC's proposal provides it flexibility to continue selling some higher-fee products and serving smaller investors by charging them commissions. The Labor Department's rule made it harder for brokers to charge commissions and sell some higher-fee investments.

Under the SEC's proposal, brokers would generally be required to disclose conflicts of interest to clients such as bonuses they get for selling

certain products or fees they earn for steering investors toward certain mutual funds. Brokers also would have to either blunt the impact of the worst conflicts or eliminate them.

Certain incentives such as sales contests, or prizes brokers get for selling certain investments, would probably be untenable under the rule, according to people familiar with the SEC's thinking.

SEC Commissioner Kara Stein, the lone vote against

the plan, blasted the proposal as a failure to upgrade current requirements on brokers. Ms. Stein, a Democrat, said the SEC didn't even define what "best interest" means, giving brokers room to rely on arcane disclosures and policies to escape liability. Her rebuke of the plan will signal to congressional Democrats that they should oppose the measure and aggressively question Mr. Clayton about it.

"Despite the hype, today's proposals fail to provide comprehensive reform or adequately enhance existing rules," Ms. Stein said. "Perhaps it would have been more accurate to call it 'Regulation Status Quo.'"

The SEC proposal also doesn't create a new basis for investors to sue their brokers for violating the best-interest standard. That means investor complaints will still be decided in arbitration hearings organized by the Financial Industry Regulatory Authority, an industry-funded regulator.

Wall Street revolted against Labor's rule because it created a way for clients to sue brokers in class-action lawsuits.

Mark Flannery, a former SEC chief economist, said the new disclosure might help some investors, but for others it will be too generic to grant any bargaining power.

Deutsche's Operating Chief Set To Leave

By JENNY STRASBURG

Deutsche Bank AG said Chief Operating Officer Kim Hammonds will leave the company next month, the latest executive to depart from the German lender.

Earlier this month, Deutsche Bank named Christian Sewing to succeed John Cryan as chief executive following weeks of management tumult at the bank.

Ms. Hammonds was seen as an ally of Mr. Cryan and had been in talks about potentially leaving Deutsche Bank, according to people familiar with the matter. The bank's supervisory board hires and dismisses senior executives.

Her tenure will end at the bank's annual meeting on May 24, Deutsche Bank said, adding that it would nominate a new chief operating officer "in the near future following consultations with regulators."

Ms. Hammonds, who didn't respond to requests for comment, oversees technology and operations for the bank and is one of two women on its 11-member management board. She joined the lender in 2013 as chief information officer and global co-head of technology and was promoted to the management board in August 2016.

The departure is the latest sign of turbulence at the top of Germany's biggest lender. Mr.

The departure is the latest sign of tumult at the top of the big German lender.

Cryan's dismissal April 8 followed months of conflict on the management board and indecision on the supervisory board over whether to replace him. The Wall Street Journal has reported.

Fixing outdated technology at Deutsche Bank has been a core challenge during a multi-year turnaround that has featured multiple changes to the management board. Ms. Hammonds, who previously was chief information officer at Boeing Co., has overseen projects to simplify and modernize Deutsche Bank's systems, which Mr. Cryan and other senior executives repeatedly have described as long-neglected and hampering the lender's ability to compete in areas such as securities trading.

Supervisory-board members and senior executives credit Ms. Hammonds, a mechanical engineer who also holds a graduate business degree, with building out a technology operation that had been sorely lacking, streamlining quality control and security, and attracting new talent to Deutsche Bank, people close to the bank said.

But clashes among executives have been relentless, with fights over spending and bonuses, and accusations from some managers that the pace of technological progress has been too slow.

The CEO switch this month accelerated discussions about other potential changes to the management board, which has suffered from turnover and infighting for several years.

With Ms. Hammonds leaving, the bank could assign some of her management-board responsibilities to another executive, the people familiar with the internal discussions said. One possibility is for technology oversight staff to report to Karl von Rohr, a longtime Deutsche Bank executive and management-board member who is chief administrative officer, the people said.

Following last week's CEO change, Mr. von Rohr was named one of two presidents of Deutsche Bank. Previously, Mr. Sewing was co-president with Marcus Schenck, co-head of the investment bank.

Mr. Schenck is leaving the bank next month. Garth Ritchie, former global markets chief and investment-banking co-head, is now sole head of the investment bank and co-president of Deutsche Bank, with Mr. von Rohr.

Abraaj Deals Upended Amid Fund Dispute

Embattled Dubai-based private-equity firm **Abraaj Group** is struggling with recent major deals and has lost much of its

By Will Louch
in London
and Nicolas Parasie
in Dubai

senior management amid a fight with a group of prominent investors over spending in a \$1 billion health-care fund.

Abraaj in March told the shareholders of **Waco International**, a South African construction firm with offices on three continents, that it couldn't go through with a December deal to buy the company for an undisclosed amount because it didn't have enough money, according to a Waco spokeswoman.

Abraaj declined to comment on the Waco deal. On KFC Turkey, the firm said financing issues wouldn't force the sale of any assets. Abraaj said that, if it sold KFC Turkey, it would do so "on its fundamentals."

Abraaj decided to cancel the buyout fund earlier this year, resulting in \$3 billion be-

ing returned to investors. The Wall Street Journal has reported, citing a different person familiar with the matter.

"KFC Turkey was meant to be part of the new fund that was canceled, so now they are trying to find options of what to do," a person familiar with the matter said, with one option under consideration being to transfer KFC Turkey to a \$526 million pool of capital raised in 2016 to back Turkish companies.

Abraaj declined to comment on the Waco deal. On KFC Turkey, the firm said financing issues wouldn't force the sale of any assets. Abraaj said that, if it sold KFC Turkey, it would do so "on its fundamentals."

Abraaj, which says it manages \$13.6 billion, is working to contain the fallout from its

dispute with the Bill & Melinda Gates Foundation, a unit of the World Bank and other investors over whether Abraaj misused some of the money in a \$1 billion health-care fund.

The investor group hired a forensic accountant that made a preliminary determination that Abraaj moved money out of a fund for building hospitals and clinics in developing countries, something some of the investors consider in breach of their contract with Abraaj.

The firm has said money moved out of the fund, the Abraaj Growth Markets Health Fund, was used for its stated purpose or returned to investors. Abraaj also said that a separate audit it commissioned that was carried out by KPMG found that all of the money in the health-care fund

was handled "in line with the agreed upon procedures."

Abraaj has told investors it is prepared to step down from managing the health-care fund, the Journal has reported, citing people familiar with the matter. Abraaj's founder, Arif Naqvi, handed over day-to-day control of the firm's private-equity unit to two co-chief executives.

At least 52 Abraaj employees—from first-year analysts to managing partners—have either lost their jobs or resigned in the past few weeks, about 15% of the firm's workforce, Abraaj said.

With a round of layoffs last month and the departure of some executives, the firm has lost half of its managing partners and a third of its partners in the past year.

MORGAN

Continued from page B1

back of its results Wednesday.

Under CEO James Gorman, the firm is in the late innings of a revamp designed to make its revenue more predictable and decrease risk. It has doubled down on fee-based businesses like wealth management and eased its reliance on trading commissions and principal investments.

The firm in January set out new financial targets, most of which appear easily in reach. Morgan Stanley's return on equity of 14.9% in the first quarter is a posteris high and easily beats the 13% goal Mr. Gorman laid out

in January, though with a big assist from the corporate tax cut.

Mr. Gorman appeared to temper investors' expectations for a large dividend and buyback increase in the coming Federal Reserve stress-test and capital-return process. He said the doomsday scenario imagined in the 2018 test was "more severe" than in past years and "that when you dial the scenario up to that level, it could lead to unintended consequences."

Morgan Stanley's stock-trading business, the biggest on Wall Street by annual revenue, climbed 27% in the quarter. Prime-brokerage balances rose and equity derivatives, instruments that protect investors from swings in stock prices, were especially strong.

The stock market's recent

declines could threaten that fee stream. But because Morgan Stanley charges fees based on the value of portfolios at the beginning of the quarter, not the end, that

won't show up until the bank reports second-quarter results in July.

Revenue from advising on mergers and underwriting both rose from a year ago.

Wall Street Peak

Morgan Stanley quarterly revenue



Note: Fiscal years ended in November through 2008.

Source: the company

THE WALL STREET JOURNAL.

Borrowing Benchmarks | 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

March index Chg From (%)

level Feb. 18/March '17

U.S. consumer price index

All items 249.554 0.23 2.4

Core 256.610 0.32 2.1

International rates

Latest Week High Low

Prime rates

U.S. 4.75 4.75 4.75 4.00

Canada 3.45 3.45 3.45 2.70

Japan 1.475 1.475 1.475 1.475

Policy Rates

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.50 0.50 0.50 0.25

Australia 1.50 1.50 1.50 1.50

Overnight repurchase

U.S. 1.76 1.81 2.18 0.76

U.S. government rates

Discount 2.25 2.25 2.25 1.50

Federal funds

Effective rate 1.7100 1.7100 1.7100 0.8600

High 1.9000 1.9000 1.9000 1.0625

Low 1.6500 1.6500 1.6700 0.7000

Bid 1.6800 1.6700 1.7000 0.8200

Offer 1.7100 1.7000 1.7200 0.8300

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 rates** are overnight Prebon trades as of 5:30 p.m. ET. **Future on DTCC GCF Repo Index** are traded on NYSE Life.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

U.S. Bancorp Posts Rise in Earnings

U.S. Bancorp reported a

13% rise in first-quarter earnings, helped by higher interest rates and a lower tax levy.

The Minneapolis-based bank, which is the largest regional bank and the seventh-largest bank in the U.S. by assets, said Wednesday that profit increased to \$1.68 billion. Per-share earnings were 96 cents, beating the 94 cents expected by analysts polled by Thomson Reuters. Revenue rose 3% to \$5.47 billion.

Analysts said it was a mixed quarter for the bank. Interest-related income was strong, but fee income was lower than expected. Shares fell 2% on Wednesday.

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MARKETS

S&P 500 Rises for Third Session

Rally in industrials and commodities provides a lift, but blue-chip index finishes lower

BY AMRITH RAMKUMAR
AND GEORGI KANTCHEV

The S&P 500 rose for a third straight session, lifted by gains in industrial firms and a continued rise in commodity prices.

Some investors have said worries about higher interest rates and geopolitical factors ranging from trade tensions to U.S.-led strikes in Syria have faded in recent sessions, putting the spotlight on robust corporate earnings growth.

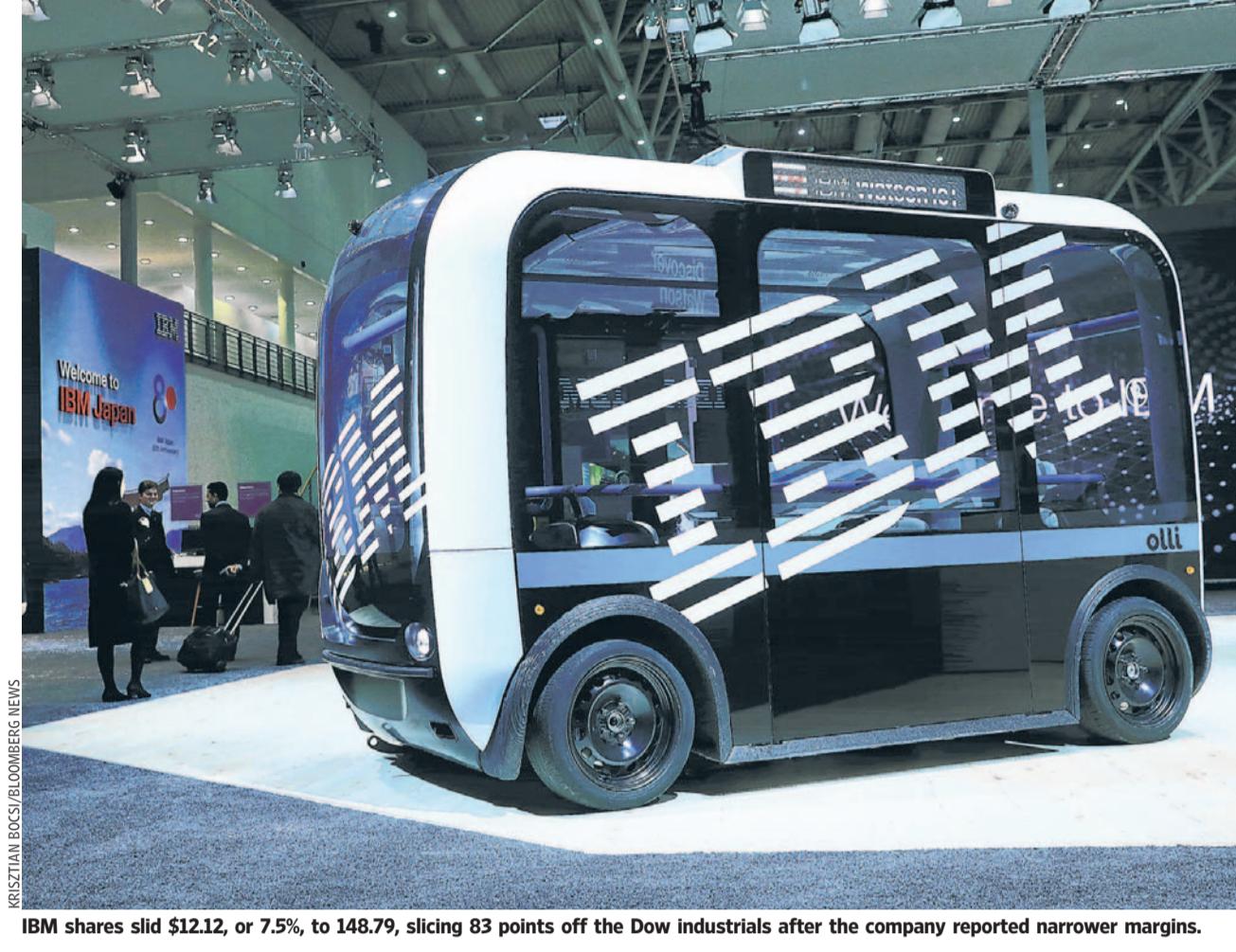
WEDNESDAY'S MARKETS Despite those sources of market stress and a turbulent start to the year, some investors expect strong first-quarter results to boost stocks.

"Now that we are upon earnings season, I think that's going to be the true north for the compass of investors to refocus on the longer-term fundamentals rather than the short-term fears that people have had," said Jeff Schulze, investment strategist at ClearBridge Investments.

The S&P 500 added 2.25 points, or 0.1%, to 2708.64, logging its ninth day of gains in the past 12 sessions. The Nasdaq Composite edged up 14.14 points, or 0.2%, to 7295.24, while the Dow Jones Industrial Average closed down 38.56 points, or 0.2%, at 24748.07.

With 12% of S&P 500 companies having reported quarterly results as of Wednesday evening, roughly 80% of them have beaten analyst earnings and sales expectations, a higher portion than the five-year average, according to FactSet.

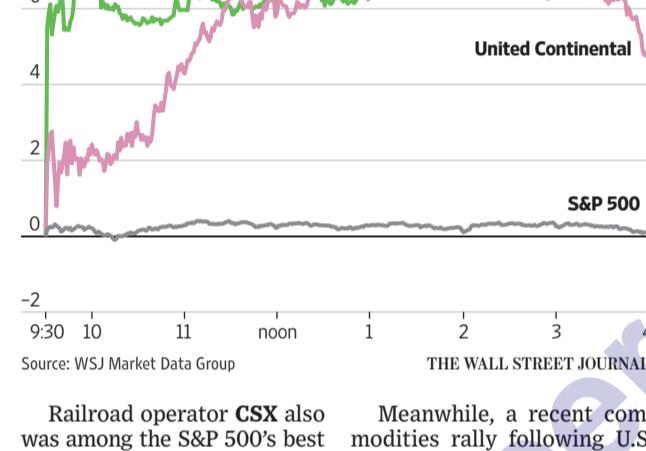
Gains in airline stocks propelled the index's industrials sector to a 1% gain after **United Continental Holdings** said it is cutting back on some extra flying this year. The firm rattled airline investors in January with plans for additional capacity that raised fears of an industry fare war. United added \$3.24, or 4.8%, to \$70.58.



IBM shares slid \$12.12, or 7.5%, to 148.79, slicing 83 points off the Dow industrials after the company reported narrower margins.

Industrial Strength

CSX and United Continental surged Wednesday following earnings, boosting the S&P 500.



Railroad operator **CSX** also was among the S&P 500's best performers. It doubled its profit in the first quarter, while revenue held steady in a sign that the company's cost cuts and turnaround plan are gaining traction. CSX shares rose 4.44, or 7.85%, to 61.01.

Meanwhile, a recent commodities rally following U.S. sanctions against Russia, a major materials producer, continued.

U.S. crude oil surged to a three-year high and lifted shares of energy firms. Copper futures climbed 2.6% on the

back of a widespread industrial-metals rally, supporting the materials sector.

Still, a 0.9% drop among consumer-staples stocks and declines elsewhere kept major indexes in a muted range.

The S&P 500 information-technology sector also dropped, pausing a recent recovery.

International Business Machines shares declined 12.12, or 7.5%, to 148.79, slicing 83 points off the Dow industrials after the technology company reported a rise in revenue, though profit margins continued to narrow from a year earlier.

Shares of another technology firm, **Lam Research**, tumbled 8.56, or 4%, to 203.77 after the maker of chip equipment exceeded profit and sales expectations in the most recent quarter.

In financial shares, **Morgan Stanley** added 2 cents, or less than 0.1%, to 53.26 after reporting that earnings rippled higher in the first quarter. It followed other big Wall Street

banks that got a lift from lower taxes and more active markets.

Some investors remain cautious about stocks, noting that high expectations for earnings could limit future gains.

"If the number comes in higher, it confirms your thesis, it doesn't give you a new reason to buy," said Rick Wedell, chief investment officer at RFG Advisory Group. "If that beat doesn't contain a new reason to buy the stock, most stocks are going to stay flat because most people are expecting beats."

The yield on the benchmark 10-year U.S. Treasury rose to 2.867% from 2.814% Tuesday. Yields rise as prices fall.

Elsewhere, the Stoxx Europe 600 added 0.3%, and indexes in Asia rose across the board. Early Thursday, Japan's Nikkei was up 0.6%, Hong Kong's Hang Seng Index was up 0.8%, South Korea's Kospi was up 0.1% and Australia's S&P ASX 200 was up 0.5%.

—Kenan Machado contributed to this article.

Bonds Fall As Bets Shift to More Risk

BY AKANE OTANI

U.S. government-bond prices fell Wednesday as a round of upbeat corporate earnings reports nudged most global stock indexes higher.

The yield on the benchmark 10-year U.S. Treasury note posted its biggest one-day climb in two months, settling at 2.867%, compared with 2.814% Tuesday.

CREDIT MARKETS Bond yields, which rise as prices fall, have notched two consecutive weekly advances, buoyed by growing appetite among investors for riskier assets like stocks. Geopolitical tensions have waned in recent weeks, with officials suggesting North Korea could be willing to discuss ending its nuclear-weapons program.

Solid first-quarter earnings results also have helped stocks, reducing demand for the safety of government debt. Expectations that tax cuts and spending could spur faster inflation helped drive selling in government bonds earlier this year, though the selling has paused more recently, as some investors have questioned whether stronger-than-expected data from earlier in the year were an anomaly.

While the U.S. unemployment rate has hovered at its lowest level since December 2000 for six straight months, wages have been slow to pick up, with the Federal Reserve's beige book—a roundup of anecdotes on regional economic conditions—showing most districts reported only modest wage growth for March and early April.

Inflation outside the U.S. also has been muted. Consumer prices in the eurozone rose more slowly than initially estimated in the 12-month period through March, data released Wednesday showed. A separate report said U.K. consumer prices unexpectedly fell in March—something analysts say could call into question the Bank of England's plans for interest-rate increases in the second half.

Firms Poised to Jack Up Dividends

BY JON SINDREU

The share of big U.S. and European companies expected to increase dividends this year is forecast to reach its highest level in at least a decade, a boost for investors facing resurgent stock volatility, rising interest rates and geopolitical risk.

Among big listed companies in the U.S. and Europe, about 71% and 83%, respectively, are expected to increase dividends in 2018, according to research by JPMorgan Chase.

"It's a market in which to be very cautious [and] shares of high-yielding companies offer compelling income," said Emmanuel Hauptmann, a fund manager at RAM Active Investments.

Dividends per share are set to increase at an annual pace of about 8% for the S&P 500 and 6% for the Euro Stoxx 50, the fastest rate since early 2016 and early 2015, respectively, based on upgraded analysts' estimates for the next 12 months.

Despite continued economic growth, the expected increase in payouts comes as global stock indexes in 2018 have failed to follow on their strong performance a year earlier.

The S&P 500 and Dow Jones Industrial Average are up 1.3% and 0.1%, respectively, this year, while the Stoxx Europe 600 is down 1.9% and Japan's Nikkei Stock Average has lost 2.7%.

With U.S. firms flush following a big tax cut in the middle of a nine-year economic expansion and European economic fundamentals looking better than they have for the best part of a decade,

Payouts are set to increase at an annual pace of about 8% for the S&P 500.

Investors are looking to corporate largess to generate better returns.

Usually, investors are drawn to firms that are insulated from economic booms and busts and pay a steady income, like utilities and retailers.

But some of these staples, like **General Electric** Co. and French retailer **Carrefour** SA, have recently cut dividends.

Instead, the quickest dividend growth this year is ex-

pected to come from technology, finance and energy stocks, which historically haven't been consistent dividend payers, according to forecasts from research firm FactSet. That is because the global economy remains strong, earnings are rising and these sectors are sitting on large piles of cash, analysts said.

The stock-market retreats in February and March mean the dividends look larger compared with a company's stock price. This ratio is called the dividend yield and is now at 2.1% for S&P 500 stocks, from 1.8% in January. For the Euro Stoxx 50, it is 3.8%, the highest since December 2016.

Share buybacks are also expected to increase in the U.S. to \$800 billion in 2018 from \$530 billion last year, according to JPMorgan. Once buybacks are added, stocks in the U.S. and Europe both yield about 5%, investors said.

"People look at dividends when markets are weak, we believe we should look at dividends all the time," said Dale Winner, a fund manager at Wells Fargo Asset Management, who added to his holdings during recent sell-offs.

Mr. Winner's picks include European banks **DNB ASA** and

UniCredit SpA. In Europe, 20 companies are expected to increase dividends 50% or more this year, led by four lenders: **CYBG PLC**, **Deutsche Bank AG**, **Standard Chartered PLC** and **Barclays PLC**.

In the U.S., some fund managers see established tech firms as safer buys, more akin to utilities, in part because some of these companies are looking to be steady sources of income for shareholders.

Hewlett Packard Enterprise Co. and **Cisco Systems Inc.** recently announced dividend increases that pushed their yields above the average of the sector, and analysts believe that **Apple Inc.** will continue to pay out from its large cash pile.

John Toohey, head of the equities team at USAA Asset Management, favors banks, tech and energy firms in his portfolio. That is in part because "it's late in the economic cycle and inflation might be picking up," he said.

Higher inflation makes stocks that pay dividends more attractive because money placed in banks or bonds will lose value over time, whereas dividends often rise to match big increases in consumer prices.

American Express Co. reported a 31% increase in first-quarter profit, driven by a pickup in cardholders' spending and borrowing.

The company reported profit of \$1.63 billion, or \$1.86 a share. Revenue, net of interest expense, rose 12% to \$9.72 billion. Analysts surveyed by FactSet had projected a profit of \$1.71 a share on \$9.13 billion in revenue.

The dollar amount of purchase transactions on AmEx cards increased 10% from a year earlier, adjusting for foreign exchange, marking the biggest increase in billed business growth for the company since the third quarter of 2014.

The acceleration appears in large part to be the result of improved consumer sentiment. "There's clearly something going on with increased confidence and increased spending" in particular with more affluent customers, said Jeffrey Campbell, AmEx's finance chief, on the company's earnings call Wednesday.

The company raised its revenue-growth guidance to at



The dollar amount of purchases on AmEx cards increased 10%.

AmEx Profit Climbs As Cardholders Spend

BY ANNAMARIA ANDRIOTIS AND MARIA ARMENTAL

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BY ANNAMARIA ANDRIOTIS

Visa Inc. and **Mastercard Inc.**, the two largest U.S. card networks, said they are planning to drop their longstanding initiatives to get online shoppers to use dedicated payment buttons.

The companies instead want to create a new online option that would amount to a shared single payment button that could replace the current payment tabs, Visa Checkout and Mastercard Masterpass.

Their announcements, made at a payment-industry conference Wednesday in Las Vegas, mark a sharp turnaround for the companies, which had been investing in and marketing their individual pay tabs for years. The rethink in strategy is a further sign of how difficult the digital-payments realm has become and shows the companies are looking for new ways to compete for online customers' attention against **PayPal Holdings Inc.** and other payment firms.

Separately Wednesday, a spokesman for **American Express Co.**, which has its own payment button, said the company supports exploring a move like the one Visa and Mastercard are discussing.

In interviews with The Wall Street Journal this week, executives from Visa and Mastercard discussed the shortcomings of their current buttons, in particular consumer confusion surrounding them. The "clutter that exists of multiple buttons, it doesn't feel like it

serves anybody," said TS Anil, head of payment processing and solutions at Visa. He said he expects a migration from Visa Checkout to the new single pay button to begin around the end of the year.

"There's no space to have multiple buttons," said Jorn Lambert, Mastercard's executive vice president of digital solutions. He described moving to a shared pay button as an evolution of Masterpass akin to "replacing an older terminal."

The company raised its revenue-growth guidance to at

MARKETS

Flattening Yield Curve Splits Investors

Treasuries' move often warns of a recession, but current economic growth remains steady

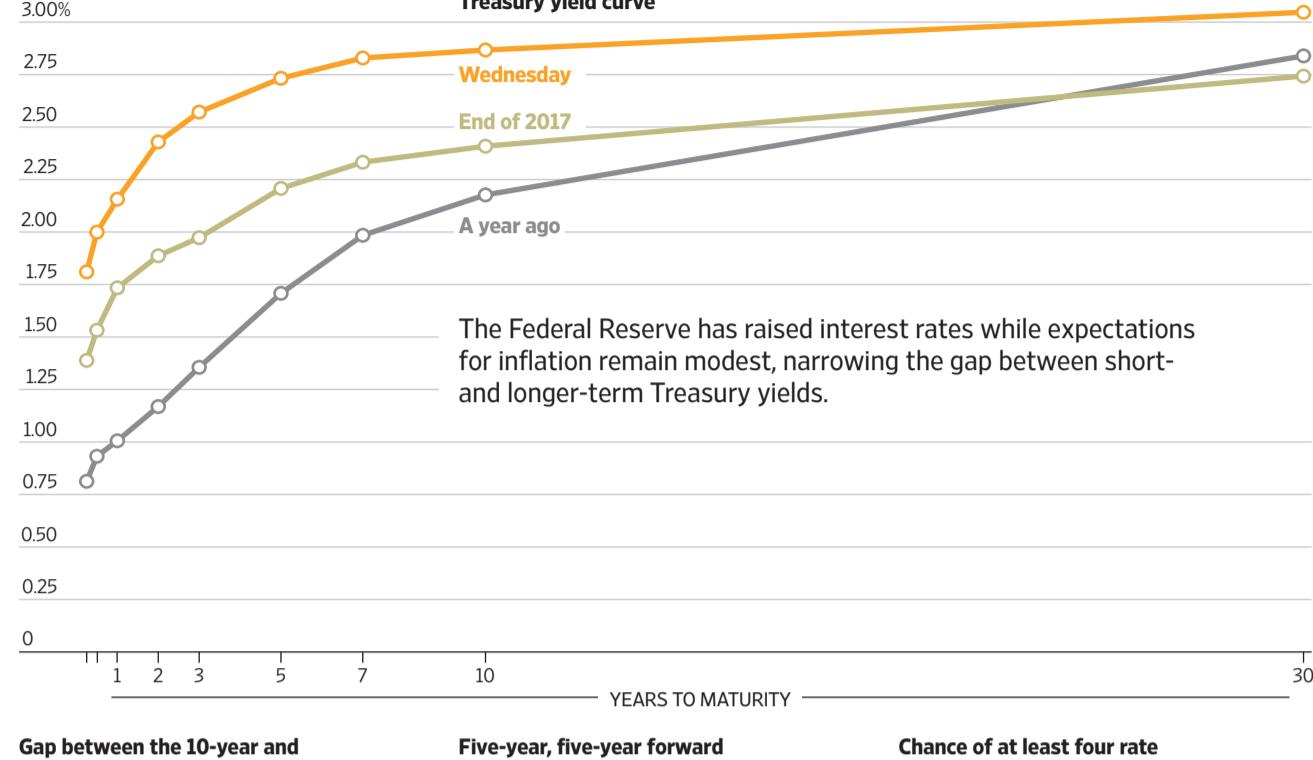
By DANIEL KRUGER
AND SAM GOLDFARB

The gap between short- and long-term Treasury yields is at its narrowest in more than a decade, reflecting investors' confidence that the Federal Reserve will maintain its current pace of interest-rate increases despite continuing skepticism about the longer-term outlook for economic growth and inflation.

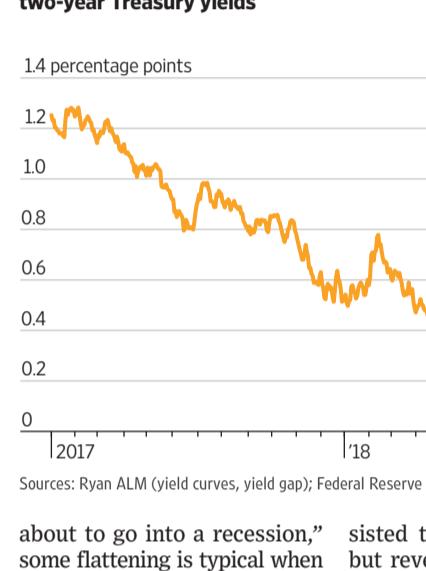
The difference between the two-year Treasury yield and the 10-year Treasury yield, known on Wall Street as the 2-10 spread, settled Tuesday at 0.428 percentage point, its tightest since 2007, before steepening modestly Wednesday. Two-year yields tend to rise along with investors' expectations for tighter Fed interest-rate policy, while longer-term yields are more responsive to sentiment about prospects for the economy.

The so-called yield curve, which measures the spread between short- and long-term rates, is a key indicator of sentiment about the prospects for economic growth, but investors remain split on what the signal shows now. Because short-term rates have exceeded longer-term rates before each recession since at least 1975—a phenomenon known as an inverted yield curve—investors become wary as the curve flattens. Yet the flattening has occurred while economic growth continues to be steady, and few analysts see signs of any imminent slowdown.

John Williams, president of the Federal Reserve Bank of San Francisco, said Tuesday in Madrid that while an inverted yield curve is a "very clear symbol that the economy's



The Federal Reserve has raised interest rates while expectations for inflation remain modest, narrowing the gap between short- and longer-term Treasury yields.



Five-year, five-year forward inflation expectation rate



Chance of at least four rate increases by the Fed in 2018



Sources: Ryan ALM (yield curves, yield gap); Federal Reserve Bank of St. Louis (Inflation expectation rate); CME Group (federal-funds futures)

about to go into a recession," some flattening is typical when the Fed raises rates and he doesn't anticipate an inversion. As the Fed raises interest rates and shrinks its balance sheet, longer-term interest rates should rise as well, he said.

The narrowing spread marks a return to a trend that per-

sisted through much of 2017 but reversed earlier this year, when investors were most optimistic that newly passed tax cuts could accelerate economic growth and lift inflation out of its postcrisis doldrums. Inflation poses a threat to the value of government bonds because it erodes the purchasing power

of their fixed payments and can spur the Fed to raise interest rates, while economic growth increases the appeal of riskier assets.

Some investors are concerned the flattening yield curve suggests the Fed could raise rates more than the economy can handle. The \$1.5 tril-

lion tax cut is expected to add about half a percentage point to economic growth this year, but the economy still appears unable to establish long-term growth above the Fed's forecast of between 1.7% and 2.2%.

"Financial conditions overall are somewhat tighter," said Daniela Mardarovic, who

helps manage the BMO TCH Core Plus Bond Fund. "We don't necessarily believe the market will be able to withstand a terribly hawkish Fed."

Ms. Mardarovic said she is betting that the yield curve will continue to flatten. Her portfolios are overweight 10- and 30-year Treasuries and underweight three-to-five-year government debt, she said.

On the other hand, higher short-term yields suggest investors have confidence that inflation will reach the Fed's 2% target, but stable longer-term yields suggest a lack of concern that policy makers will lose control, said Michael Pond, head of inflation-linked strategies at Barclays PLC. The Fed "has shown its ability to control inflation" and prevent an overshoot, he said.

After dipping below 0.5 percentage point in early January, the 2-10 spread reached as high as 0.779 percentage point in February as investors saw signs that persistently tight labor markets might be translating into higher wages. Though those signs of rising wages were subsequently revised lower, leading the yield curve to resume its trend toward flattening, policy makers have expressed confidence in forecasts that growth and inflation will continue as they raise rates.

Investors and analysts are unsure how closely Fed officials will watch the bond market to help guide monetary policy, said Aaron Kohli, an interest-rate strategist at BMO Capital Markets. Mr. Kohli, who is forecasting a continued flattening of the yield curve, said he doesn't think the Fed will slow down rate increases in response to the flattening curve because that would be ceding too much control to the market.

"Hiking now comes at the cost of growth later," Mr. Kohli said. "There's an implicit trade-off there."

—Jeffrey Sparshott contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

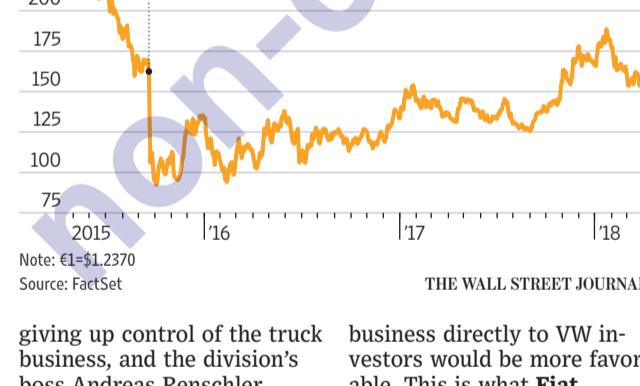
WSJ.com/Heard

Email: heard@wsj.com

VW's Rebound Faces Old Reality

Back on the Road

Price of Volkswagen's preference shares



Note: €1=\$1.2370

Source: FactSet

giving up control of the truck business, and the division's boss Andreas Renschler added Monday that a full takeover of U.S. truck maker **Navistar International**, in which VW already owns a roughly 17% stake, would be "a good idea." The implication is that the truck unit will raise fresh funds with which to buy out Navistar through an IPO, diluting shareholders.

A spinoff of the truck

business directly to VW investors would be more favorable. This is what **Fiat Chrysler Automobiles'** Sergio Marchionne did with Ferrari and plans to do with the parts business Magneti Marelli. Adding Navistar's International truck brand to the company's existing stable is uncomfortably reminiscent of the old empire-building days.

Previous attempts to reform VW ended in disap-

pointment. Governance is the perennial stumbling block. The company's unions are unusually strong, partly because the local government of Lower Saxony has a veto on major decisions. Investors' best hope may be a generational change in the Porsche and Piëch families that own a majority of the voting shares, says Jefferies analyst Philippe Houchois.

A broader problem is that the wider industry looks at best to have hit a plateau. European Union unit car sales fell 5.3% year over year in March, according to statistics released Wednesday, the first decline for the crucial sales month since the eurozone crisis of 2013. The European car market, which VW dominates, now seems to be as saturated as its U.S. counterpart.

Turning VW around will take time—longer than the car market will remain benign. Shareholders that don't enjoy the luxury of a long investment horizon may be wise to take profits.

—Stephen Wilmot

Morgan Stanley Looks Priced for Perfection

Bank investors are a tough crowd to please these days.

Morgan Stanley, the last of the major U.S. banks to report first-quarter earnings, posted strong-enough results to trigger a 3% bounce in its early-morning share price, something its rivals couldn't manage. But shares quickly settled down and ended the day flat.

In a quarter when several major competitors beat analyst estimates, Morgan Stanley stood out in terms of all-around performance. Long a work in progress under Chief Executive James Gorman, the bank now looks like a well-oiled machine.

Morgan Stanley displayed its traditional strength in equities trading, with revenue rising 27% from a year earlier to \$2.56 billion. The 9% rise in fixed-income trading revenue was particularly impressive, given that many competitors were flat to slightly down there.

Return on equity was a robust 14.9%, comfortably above the firm's medium-term target of 10% to 13%. Lower taxes helped boost profitability, but Chief Financial Officer Jonathan Pruzan said the ROE would have

been over 13% even at last year's tax rates.

Mr. Pruzan said Morgan Stanley expects to complete the full \$5 billion of share buybacks it was authorized for by the Federal Reserve through June.

Nonetheless, investors seemed underwhelmed. The outlook for shareholder payouts past June remains uncertain. Mr. Gorman warned that the severe economic scenario in this year's Federal Reserve stress tests will be tougher than in previous years. Proposed changes to the Fed's method could make the test harder still in subsequent years.

Mr. Gorman also cautioned that the first quarter's high ROE may not be sustained.

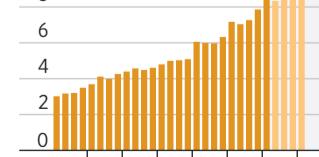
Morgan Stanley's current valuation of 1.4 times book value roughly prices in the company performing to the high end of its 10% to 13% ROE target. It doesn't extrapolate a continuation of the first quarter's even stronger result, and that seems fair. For the bank's multiple to keep expanding, greater clarity on stress tests and capital returns is still needed.

—Aaron Back

Apple Sings Blues on Music Streaming

Tuned Up

Apple's service revenue, quarterly



Note: Fiscal year ends September

contributor to Apple's important services segment on which the company is relying to drive much of its top-line growth now that its flagship iPhone business is maturing.

In fact, Ben Schachter of Macquarie Capital estimates that Apple Music will average 40% annual growth over the next three years, making it the fastest-growing part of the company's services segment. Apple is expected to report total service revenue of \$8.3 billion for the fiscal second quarter being reported on May 1—up 18% on the year.

The rub, of course, is that music streaming isn't a terribly profitable business, due mostly to the royalties streamers must pay to labels and artists. Mr. Schachter estimates that Apple Music commands a gross margin of

around 15%. That is actually lower than the 24% that Spotify projects for this year. But even if Apple's margins in music equaled that of its rival, they remain well below what the company makes by selling apps made by other developers. Mr. Schachter estimates that the latter commands gross margins of about 90%.

In other words, while music may be a key component to Apple's growth, apps are far more vital to the company's healthy bottom line. When it comes to services, Apple needs to get its playlist mix just right.

—Dan Gallagher

OVERHEARD

Millions of Americans got an unexpected reprieve on Tuesday when it comes to their hard-earned money, but investors probably shouldn't have been terribly happy about it.

For the first time ever, a computer glitch resulted in the Internal Revenue Service's deadline for filing personal income taxes being extended by a day.

According to analysts at Be-spoke Investment Group,

though, this also may have delayed an especially auspicious week for investors.

Since 1993, the seven days following the U.S. tax-filing deadline has been positive for the S&P 500 80% of the time while the preceding week has been positive only 40% of the time.

Then again, the market's strong start to the week suggests the rally got started on schedule this year, even if the taxman couldn't.