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What's News

Business & Finance

Spotify shares surged on the first day of trading after an unusual direct listing, closing at \$149.01 and giving the company a market value of \$26.54 billion. **A1**

◆ **CBS offered** to acquire Viacom with a bid below the firm's current market valuation and contingent on CBS's management being at the helm of the merged entity. **B1**

◆ **WPP's board** is examining whether CEO Sorrell misused company assets and is looking into allegations of improper personal behavior. **B1**

◆ **Goldman is plotting** a move into commercial banking, hiring a JPMorgan engineer to build a suite of products. **B1**

◆ **U.S. stocks staged** a broad rebound, as all 11 sectors of the S&P 500 climbed. The Dow gained 1.6%. **B15**

◆ **The New York Fed** named economist John Williams, who heads the San Francisco Fed, as its new president. **A2**

◆ **Tesla missed** a key production goal for its Model 3 sedan but showed progress with the mass-market car. **B3**

◆ **Strong sales of bigger vehicles** in the U.S. highlight why the auto industry pushed for eased emissions rules. **B3**

◆ **Disney has offered** to buy Sky News to help Fox win regulatory approval to take over Britain's Sky PLC. **B6**

◆ **The Trump administration** proposed revamping lending rules in lower-income communities. **B10**

◆ **Monex is looking** at buying Coincheck, part of the Japanese brokerage's push into cryptocurrencies. **B14**

World-Wide

◆ **Trump said** he would send U.S. troops to guard the border with Mexico, escalating his campaign against illegal immigration. **A1**

◆ **The administration** threatened to slap stiff tariffs on some \$50 billion in Chinese imports across 1,300 categories of products. **A1**

◆ **The president said** he wanted to bring U.S. troops back home from Syria, taking a position at odds with many top advisers. **A6**

◆ **Mueller's office netted** its first prison sentence and disclosed a memo showing it had been authorized to look beyond the 2016 election. **A5**

◆ **A woman armed** with a handgun opened fire at YouTube's headquarters, wounding three people before killing herself, police said. **A3**

◆ **The Census Bureau** plans to mine state and federal records to check accuracy of replies on citizenship status. **A3**

◆ **Two dozen states** and cities sued to block the citizenship question from appearing on the 2020 census. **A3**

◆ **Trump stepped up** his attacks on Amazon, saying the company was profiting at the expense of taxpayers. **A4**

◆ **The Justice Department** asked to join settlement talks in suits against makers of opioid painkillers. **A5**

◆ **Oklahoma schools** were shut for a second day amid a statewide walkout by teachers demanding higher pay. **A3**

◆ **Yemen's Houthi rebels** attacked and damaged a Saudi oil tanker in the Red Sea. **A6**

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Participants in a caravan of migrants and asylum seekers from Central America waited Tuesday in Mexico's southern Oaxaca state. Their plans to approach the U.S. border triggered objections from President Donald Trump, who called on Mexico to take action.

Trump Wants Troops at Border

Nafta talks might be used to pressure Mexico to halt march of asylum seekers

President Donald Trump said Tuesday he would send U.S. troops to guard the border with Mexico, escalating his campaign against illegal immigration as he vented frustration again over what he sees as lax U.S. law and a porous southern border.

"Until we can have a wall and proper security, we're going to be guarding our border with

the military. That's a big step," Mr. Trump told reporters.

The president also said he would step up pressure on Mexico to halt a protest march of asylum seekers traveling from gang-ridden Central America through Mexico in hopes of entering the U.S. He suggested he might try to use the North American Free Trade Agreement, now being renegotiated, and foreign aid as leverage to stop the caravan.

"The big Caravan of People...had better be stopped," Mr. Trump tweeted Tuesday. "Cash cow NAFTA is in play, as is foreign aid to Honduras and

the countries that allow this to happen."

Mr. Trump's efforts to cut down on illegal crossings at the border come as the number of people apprehended there by U.S. authorities has plummeted in recent years, thanks mostly to slowed population growth and improved economic prospects in Mexico. Border apprehensions peaked at more than 1.6 million in

2000, but stood at about 310,000 last year, the lowest level since 1971.

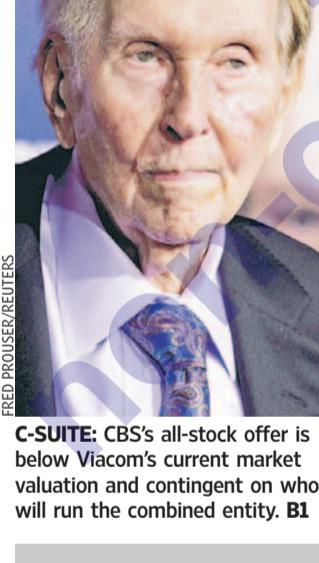
The Pentagon said it couldn't provide any additional information about Mr. Trump's statement about military deployment to the border, which he made while sitting next to Defense Secretary Jim Mattis.

Please see TRUMP page A4

Policy Shift

- ◆ President pushes for quick exit from Syria..... A6
- ◆ Gerald F. Seib: Washington enters Trump Unbound... A4

CBS Makes Offer for Viacom



C-SUITE: CBS's all-stock offer is below Viacom's current market valuation and contingent on who will run the combined entity. **B1**

Crack and Pack: Companies Try to Master New Tax Law

With many IRS regulations still unwritten, accountants search for ways to maximize breaks, including for 'pass through' businesses

BY RUTH SIMON AND RICHARD RUBIN

Dallas attorney Garry Davis plans to break up his immigration-law practice. One firm will have all the lawyers. The other will record the profits.

It's just one of many strategies businesses are exploring as they pore over the biggest rewrite of U.S. tax rules in decades. Mr. Davis's approach, which some have dubbed "crack and pack," seeks to get around a provision denying high-earning lawyers, doctors and other professionals a tax break available to plumbing contractors, restaurateurs and architects.

By separating the lawyers from other parts of the business, he hopes to lower the business's overall tax bill while changing little in his day-to-day operations.

Long before most clarifying regulations have been issued, the new law has led to a burst of activity in tax circles as lawyers, accountants and businesses look for ways around some of the proposals meant to pinch them—and for ways to extend the reach of new tax breaks. For owners of closely held businesses, that can mean splitting operations apart, reclassifying them and re-categorizing their activities, all in an effort to get as much of their income taxed at the new low rates as possible.

The legislation contains more uncertainties than usual for a tax overhaul because of the speed of its drafting, which left little opportunity for the public and congressional scrutiny that often identifies confusion in bills. The recent omnibus spending bill shut

Please see TAXES page A8

U.S. Sets Sweeping Tariffs on China

The Trump administration on Tuesday threatened to slap stiff tariffs on some \$50 billion in Chinese imports across 1,300 categories of products, unveiling the most aggressive challenge in decades to Beijing's trade practices.

The imports targeted for

By Bob Davis and Josh Zumbro in Washington and Lingling Wei in Beijing

25% levies range from high value-added goods such as medicines and medical equipment to intermediate goods like machine tools and chemicals, according to a release by the U.S. Trade Representative.

The list also includes some consumer goods such as dishwashers, televisions and automobile parts, but doesn't include retail mainstays such as shoes, clothing, mobile phones and furniture—products that might cause a U.S. consumer

backlash should the tariffs push up prices at American retail outlets.

The move drew swift condemnation from Beijing.

"Such unilateralistic and protectionist action has gravely violated fundamental principles and values" of the World Trade Organization, the Chinese embassy in the U.S. said in a statement.

It added that China will use the WTO dispute settlement process and "take corresponding measures of equal scale" against U.S. products.

None of the tariffs goes into effect immediately—and may never be imposed if the two sides eventually agree on a deal to open China further to U.S. imports. Instead, U.S. companies have until May 22 to raise objections; a public hearing on the issue is scheduled for May 15 in Washington.

The latest round of tariff threats is in addition to the imposition recently of 25% tariffs

Please see TRADE page A8

Where's Your Teen Sleeping? Try Walmart

* * *

'24 hour challenge' demands overnight stay—in a store

BY JENNIFER LEVITZ

Have you ever wanted to camp overnight in a big-box store or fast-food restaurant, hiding out among the shelves and perhaps using rolls of paper towels as pillows? Didn't think so.

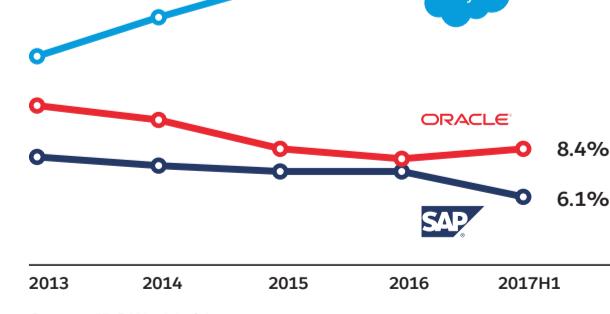
Apparently short of actual adventures, teens and 20-somethings are sneaking into chain stores and restaurants, including McDonald's, Walmart, Chuck E. Cheese's and IKEA, staying all night and posting videos online as evidence. A YouTube search for 24-hour overnight challenges turns up 1.6 million results.

A closer examination of the

Please see STORE page A8

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017H1 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, October 2017.

salesforce.com/number1CRM

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U.S. NEWS

New York Fed Picks Insider for President

Search committee chooses economist to aid new Fed Chairman Powell, a lawyer

By NICK TIMIRAO

The New York Fed's search for a new president began with an emphasis on attracting a diverse candidate pool. It ended focused on building out the leadership team for a new Federal Reserve chairman who isn't an economist.

The decision, announced Tuesday, will elevate a consummate central-bank insider, San Francisco Fed President John Williams, after officials concluded he would best complement Fed Chairman Jerome Powell during a challenging period for monetary policy.

Mr. Williams, an economist, will fill the second leg of the traditional Fed leadership troika that also includes the chairman and the vice chairman of the board, a position now empty.

Mr. Williams's research has shaped the central bank's monetary policy when interest rates and inflation are low, as they have been for most of the past decade.

"There is no one I can think of who has a deeper background and who has made more contributions to monetary policy at a research, academic level. That's combined with long experience and a very strong record of contributions to real decision-making through a complicated period," said former Fed Chairwoman Janet Yellen. Mr. Williams served as her research director

when she led the San Francisco Fed.

A subset of the New York Fed's board of directors selects the president, subject to approval by the Fed's Washington-based board of governors, giving them influence in the process.

The New York search officials consulted throughout the process with Mr. Powell, who at the start was a governor and the board's point person on managing its relationships with the 12 reserve banks. He became Fed chairman in February. Mr. Powell, a lawyer whose background is in finance, is keen on having top lieutenants with extensive monetary-policy experience, people familiar with the matter said. The search committee ultimately shared this desire.

The search process began



John Williams

with about 100 candidates who on paper met the qualifications of the job, according to people familiar with the process. Officials invited 13 candidates to interview, of which two declined to proceed.

Some minority candidates

contacted by the search committee weren't interested in being considered. Among them, former Fed Vice Chairman Roger Ferguson, an African-American, was widely viewed by insiders as the early favorite. Mr. Ferguson, chief executive of TIAA, declined to comment. Another was Peter Blair Henry, a black economist and former dean of New York University's Stern School of Business.

Along with fluency in economics and finance, officials placed significant attention on finding someone with strong communication skills and experience managing a sprawling organization. They had narrowed the field down by March to Mr. Williams and two candidates with more finance experience: Raymond McGuire, a banker at Citigroup Inc. who is

African-American, and Mary Miller, a bond-market veteran and former Treasury Department official.

While Mr. Williams hasn't worked in financial markets, this didn't hurt his candidacy. The opposite was true: Some officials were wary of a political backlash if they named a banker to the top job of the New York Fed, which supervises some of the biggest financial firms. While many recent New York Fed leaders have had market experience, that was often the case when Fed chiefs were economists.

The choice fueled disappointment from critics upset the focus on attracting a diverse candidate pool ultimately didn't yield a woman or member of a minority. Of the Fed's 12 reserve bank presidents, 10 are white and 10 are male.

IPO

Continued from the prior page inquiries from companies about the direct-listing process in the run-up to Spotify's debut, NYSE Group President Tom Farley said Tuesday.

"Now that the dust is settled, I'm looking forward to going back to those companies and finding out where their heads are at," he said in an interview on the NYSE's floor, soon after Spotify shares began trading. He described Spotify's debut as "very smooth."

Cameron Stanfill, a venture analyst at PitchBook, said that though Spotify's debut wasn't without its hiccups, "from the early indications we would count the company's direct listing experiment as a success."

Wall Street's banks still made money—just not nearly as much as they would have if the company had done a traditional IPO. Spotify hired Goldman Sachs Group Inc., Morgan Stanley and Allen & Co. as advisers and paid them about \$36 million in total fees. Snap, which was similar in size during its March 2017 offering, paid nearly \$100 million to its large team of underwriters.

After an extensive price-discovery process—Spotify had the latest NYSE opening in re-



A specialist announces the start of trading in Spotify at the New York Stock Exchange on Tuesday.

cent memory at 12:43 p.m.—its shares burst onto the market with a first trade at \$165.90.

The shares were lower as the day went on, closing \$16.89 below where it started. Still, the stock closed well above its highest private-market trading levels, which were recently at \$137.50, according to people familiar with those trades. It also landed 13% above its so-called reference price of \$132, which the NYSE set as a placeholder for trading systems to use in lieu of a formal IPO price.

Around \$940 million in Spotify shares changed hands Tuesday. According to NYSE data, that was the fourth-largest opening trade in a company going public since 2010.

Chief among concerns around Spotify's listing were that trading could be turbulent or potentially lock up because of a lack of buyers and sellers at the right price points, and that there was no investment bank to provide buying support if shares declined.

Spotify's debut wasn't as volatile as some market ob-

servers had feared—although its stock did trade in a wider range on its first day than other big tech companies that held conventional IPOs, such as Snap Inc.

"The direct listing was untested at this scale and profile, but it worked and worked well," said Colin Stewart, vice chairman of global capital markets and head of technology equity capital markets at Morgan Stanley, which executed trading for the majority of the shares in Spotify.

Still, the next few days will

mer Bush USTR general counsel, defending the administration's move. U.S. Trade Representative Robert Lighthizer "might as well take his shot," Mr. Maruyama said.

Last year, the U.S. ran a \$375 billion merchandise goods trade deficit with China; President Donald Trump has said he wants that reduced by \$100 billion. While U.S. stock markets rebounded Tuesday, they have been volatile for weeks in part because of fear the Trump administration policies might lead to a trade war between the world's two largest economies.

"We intend to get along with China, but we have to do something very substantial about the trade deficit," said Mr. Trump, speaking at the White House earlier on Tuesday. "I campaigned on that, I talked about that."

The USTR said the size of the punitive tariffs targeting the Chinese economy "is commensurate with an economic analysis of the harm caused by China's unreasonable technology transfer policies to the U.S. economy." Washington worries that Chinese cyberespionage and unfair government subsidies is helping China leapfrog technology and can eventually put the U.S. at a disadvantage both militarily and economically.

China denies it engages in unfair or illegal activities.

U.S. companies have grown

increasingly concerned about Beijing using regulations and market pressure to force them into joint ventures with Chinese counterparts, which in turn lead to the transfer of important, competitive technology to their Chinese partners. They also worry, however, that tariffs on Chinese

empted, including personal computers, laptops and much telecommunications gear.

Among the products that USTR proposed to be hit with tariffs are aircraft engines, industrial robots, some semiconductor production equipment, and electric vehicles.

However, some observers said their impact, at least at first, is likely to be limited.

Tariffs on \$50 billion to \$60 billion of goods would "not be a massive macroeconomic shock," said Chad Bown, senior fellow at the Peterson Institute for International Economics, but "the bigger worry is we don't have any sense for where this ends," especially if China retaliates in a similar fashion, he said.

A trade war, though, is hardly inevitable. The U.S. has at least 180 days after the comment period to decide whether to impose any tariffs, giving plenty of time for negotiations.

Chinese economic envoy Liu He recently exchanged letters with Mr. Lighthizer and U.S. Treasury Secretary Steven Mnuchin over increased opening of the Chinese market, and the two sides are believed to be discussing a cut in Chinese tariffs on imported cars and opening Beijing's financial market to the U.S. firms.

—William Mauldin in

Washington contributed to this article.

The moves represent a significant change in U.S. strategy for dealing with China.

goods will make matters worse, driving up business costs and sparking retaliation from Beijing.

Behind the U.S. action is a growing concern that the Chinese are using industrial policy, government subsidies, theft and subterfuge to obtain U.S. technology. The U.S. tariff memorandum specifically mentions Beijing's "Made in China 2025" report, released in 2015, which is a blueprint for making China a world leader in a number of technology areas.

The proposed tariffs are meant to blunt that activity, although some high-tech analysts noted that some big ticket electronics were ex-

empted, including personal computers, laptops and much telecommunications gear.

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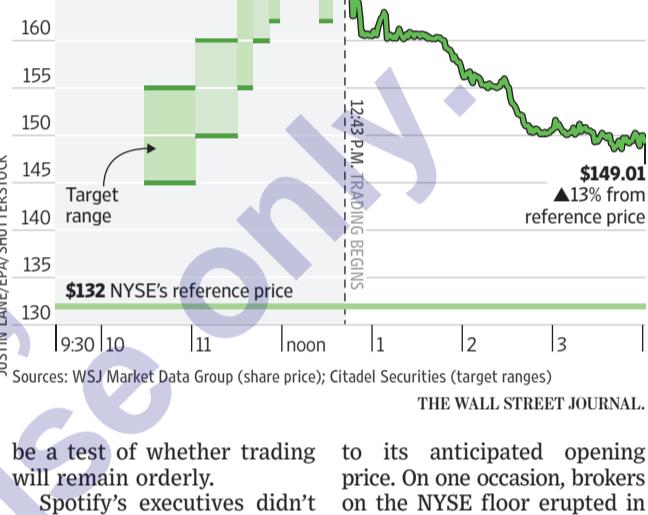
opening Beijing's financial

market to the U.S. firms.

—Associated Press

In the Spotlight

Spotify's expected opening price rose ahead of its NYSE open Tuesday afternoon but then drifted lower until the close.



Sources: WSJ Market Data Group (share price); Citadel Securities (target ranges)

be a test of whether trading will remain orderly.

Spotify's executives didn't come to the NYSE to ring the opening bell. But the trading floor was still buzzing, as at least 20 floor brokers swarmed around Citadel Securities' senior-designated market maker,

Peter Giacchi, who periodically shouted out the latest pricing information on the stock.

At the same time, a team of bankers and traders at Morgan Stanley determined interest from buyers and sellers and relayed it to Mr. Giacchi to assist him in finding the opening price. The range moved higher for most of the morning, climbing as high as \$167 to \$170 after starting out at a range between \$145 and \$155.

For nearly an hour around noon, Mr. Giacchi told brokers he was close to opening Spotify for trading but then hesitated as investors adjusted their electronic orders to buy and sell shares, leading to changes

to its anticipated opening price. On one occasion, brokers on the NYSE floor erupted in shouts, in anticipation that the stock was about to trade, but it proved to be a false start.

Leading up to the listing, Spotify had disclosed price history in regulatory filings of how its private shares had traded. Those transactions proved to be a reliable proxy for public investors.

"To have a company use private markets explicitly for pricing guidance for a public listing is a sign of the maturation of the private markets," said Nico Sand, founder and chief executive of Zanbato Inc., which operates a trading platform for institutional investors to buy and sell shares in private companies.

Now that Spotify has gone public, it will face the usual business challenges of a technology company—including turning its first profit—while under Wall Street's scrutiny.

CORRECTIONS & AMPLIFICATIONS

Overstock.com Inc. said in March that it had received a request for information from the Securities and Exchange Commission related to its tZero token offering. A Banking & Finance article on Tuesday about Overstock incorrectly said that the company had acknowledged receiving a subpoena from the SEC.

Financial-technology company GreenSky LLC last year was in talks to go public through an acquisition by a "blank-check" company called CF Corp. A Business & Finance article on Tuesday about GreenSky's planned initial public offering incorrectly referred to CF as a "black-check" company.

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

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U.S. NEWS

Suspect Dead In YouTube Shooting

BY ZUSHA ELINSON
AND ALEJANDRO LAZO

SAN BRUNO, Calif.—A woman armed with a handgun opened fire at YouTube headquarters on Tuesday, wounding three people before killing herself, police said.

San Bruno Police Chief Ed Barberini said the dead woman was believed to be the shooter in the incident, which occurred around 1 p.m. and sent employees rushing from YouTube's main office building. Other employees hid in barricaded rooms as gunshots rang out.

The woman was identified as Nasim Aghdam, according to law-enforcement officials familiar with the investigation. Investigators are looking at online postings ranting against YouTube that appear to be by the woman, a law-enforcement official said.

Officers arrived at YouTube's headquarters roughly two minutes after receiving 911 calls. Police found one person with a gunshot wound toward the front of the building, before discovering the dead woman further inside. Police located two other people suffering from gunshot wounds at a nearby business, Chief Barberini said.

The shooting is thought to have occurred in an open-air courtyard at the office complex, police said.

Dr. Andre Campbell, a trauma surgeon at Zuckerberg San Francisco General Hospital, said the hospital had received three gunshot victims from the shooting. A 36-year-old man was in critical condition, a 32-year-old woman was in serious condition and a 27-year-old woman was in fair condition.

A fourth person was injured running from the scene of the



Law-enforcement officers were called Tuesday to YouTube's campus in San Bruno, Calif., where a shooter wounded three people.

shooting, but wasn't wounded by gunfire, police said.

YouTube, a unit of Alphabet Inc.'s Google, has more than 23,000 employees, according to networking site LinkedIn Corp., but only a portion of them work at the San Bruno campus.

One employee, Shaun Stehly, said he was heading back into the building after lunch and could hear gunshots. He ran inside and started warning as many people as he could, he said. Some people dropped to the floor, while others rushed

from the building, up a nearby hill and toward a forested area near the freeway, where they waited for police, Mr. Stehly said. "It was pretty surreal."

Google CEO Sundar Pichai sent an email to employees, which he posted on Twitter.

"Over the coming days, we will provide support to help everyone in our Google family heal from this unimaginable tragedy," he said.

—Douglas MacMillan and Eliot Brown contributed to this article.

Police Want to Send AI Into the Street

BY SHIBANI MAHTANI
AND ZUSHA ELINSON

CHICAGO—Several technology companies are working with police departments across the U.S. to develop the capability to add artificial intelligence to video surveillance and body cameras that could identify faces in real time, potentially expanding the reach of police surveillance.

The body-camera technology, expected to be ready by the fall, hasn't yet been purchased by police departments and is still in the development stage. Police departments, including the New York Police Department, already use facial recognition to review surveillance footage after a crime has occurred.

The new software uses an algorithm to tell an officer on the spot, through a body camera or a video surveillance camera, that it has found a suspect. The officer could then make a decision of whether to stop the suspect or take some other action.

The technology underscores law enforcement's growing dependence on software and high-tech tools, including gun-shot-detection technology and predictive analytics. The tools have been hailed by law-enforcement but often raise concerns about privacy.

Chicago-based Motorola Solutions Inc., a maker of police communications and body-camera technology, has joined with artificial-intelligence company Neurala Inc. to produce a body-worn camera, ready for deployment this fall, that executives say will learn to identify a suspect or a missing child and spot them in a crowd. The technology would get smarter by taking in more data over time.

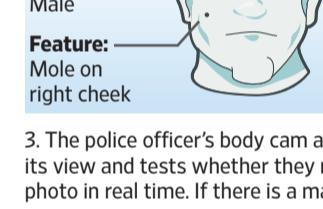
"This frees up some of your cognitive space so you aren't trying to do a thousand things at one time," said a sergeant at a Midwest police force, who is working with Motorola to provide feedback on the technology. His department was interested in acquiring it when it rolls out, he said.

Moving the technology into real-time creates the possibility

On Patrol

Police are looking into technology that would enable their body cameras to identify persons of interest. Here's how:

1. An image of the suspect or missing person is obtained from a video surveillance camera, mugshot, or a photograph taken by a witness. The suspect's characteristics are entered into a database.



2. Body cameras that police officers are wearing in the field are fitted with facial recognition AI. The body camera receives the database's information on the suspect.



3. The police officer's body cam automatically detects each person in its view and tests whether they match the suspect's description or photo in real time. If there is a match, the police officer is alerted.



Source: Motorola Solutions

of police mistakes based on technology that may not always be accurate—especially for darker faces, which are harder for the technology to match accurately than those of lighter-skinned faces—and raise alarms over the loss of privacy, rights groups say.

"All of the sudden we have lost our ability to be relatively anonymous in society, to be able to walk about without fear that the government is tracking our every move," said Jennifer Lynch, an attorney with the

Law enforcement is increasingly relying on software and high-tech tools.

Electronic Frontier Foundation, a nonprofit privacy organization based in San Francisco.

Companies say they have taken steps to avoid bias by feeding millions of publicly available photos into the algorithm and testing it to identify false positives and matches.

Several smaller companies are working to integrate artificial intelligence into existing video-surveillance systems, able to identify subjects or people of interest by matching faces with

a database of millions of photos.

TaeWoo Kim, chief scientist at One Smart Labs, a New York-based startup that is working on such software, said the technology is "creepy and a bit Big Brother-y," but said it is "purely intended to fight crime, terrorism and track wanted subjects."

Dozens of U.S. law-enforcement agencies use facial recognition to run photos of suspects through databases of mug shots or driver's license photos. Researchers at the Georgetown Law School estimated in 2016 that one in every two Americans adults—117 million people—are in facial-recognition networks used by law enforcement in the country.

In New York City, a detective investigating a crime pulls an image from one of the thousands of surveillance cameras in the city and forwards it to investigators in the facial-identification section, who cross-reference it with a database of mug shots to see if there is a match.

This process, however, happens only after a crime is committed. It also includes a peer-review session, in which a group of officers must review the match to confirm the result. Those safeguards could be removed with the new real-time technology.

—Zolan Kanno-Youngs contributed to this article.

a \$10,000 pay raise, saying the \$6,000 average increase the state's Republican governor, Mary Fallin, signed into law last week was insufficient after years without pay increases.

Teachers are also demanding other restorations to education funding, which has been cut sharply in recent years.

School districts across the

state said the closures would continue Wednesday, suggesting that teachers and administrators have no immediate plans to let up.

The strength of the protests, organized primarily by rank-and-file teachers on Facebook, has surprised Oklahoma residents and its Republican-dominated Legislature.

Census to Check Replies To Citizenship Question

BY PAUL OVERBERG
AND JANET ADAMY

The Trump administration, anticipating millions may avoid answering the citizenship question it has added to the 2020 census, plans to mine immigration, Social Security and other state and federal records to check accuracy, and perhaps even change answers.

Commerce Secretary Wilbur Ross's order, issued last week, requires the Census Bureau to collect data about citizenship status that can be matched accurately to each census form.

"At my direction the Census Bureau is working to obtain as many additional federal and state administrative records as possible to provide more comprehensive information for the population," Mr. Ross wrote.

The change could lead to costly and cumbersome cross-checking and to new questions about the accuracy of the census, a tool used to draw congressional districts and apportion government spending on programs.

Mr. Ross's order to add the citizenship question prompted opposition from immigrant and minority groups, as well as business and research groups. Eighteen states and the District of Columbia have sued to block the move. They fear that the citizenship question will prompt immigrants to shun the census.

In the past, if multiple mailings and visits to a home didn't produce a complete census form, workers filled in blanks based on responses from previous surveys or a statistical formula that borrowed information from similar people in similar households nearby.

Workers haven't previously used other government records to correct census responses—a change that introduces new layers of complexity to what is already a sprawling government undertaking. What the process might be if records suggest a household's form is inaccurate has yet to be written.

Mr. Ross left the choice of whether to use other government records to fill in blanks or correct census responses up to the bureau, but he said that neither the citizenship question nor government data alone seemed likely to be accurate enough to fulfill a request by the Justice Department to help it enforce the Voting Rights Act.

It has asked for voting-age citizenship status totals for 11 million areas called census blocks, which in cities are typically a street block. An accurate count of where minority voters live could provide evidence of illegal "vote dilution," where districts are designed to prevent such groups from forming majorities, the Justice Department wrote in December.

Mr. Ross said asking the question and cross-checking answers "will permit the Census Bureau to determine the inaccurate response rate for citizens and noncitizens alike using the

tation in Congress and threaten billions of dollars in federal funding for infrastructure and Medicaid, according to the lawsuit, which was filed in federal court in Manhattan.

Last week, after California's attorney general filed suit over the proposal, a Commerce Department spokesman said the litigation was without merit.

The suit notes the Census Bureau previously declined to include questions about citizenship, saying it would reduce response from a "significant number of noncitizens."

—Rebecca Davis O'Brien

entire population."

The use by the Census Bureau of other government records isn't by itself novel. The bureau has long used government records to help with census operations, mostly to lessen its workload or keep its address list current. For 2020, it is testing a plan to use data from the U.S. Postal Service to help determine if a home is vacant, precluding multiple visits by census workers. It also will use government records to count people living in some homes who don't respond to the census.

But the bureau has shied from using government records to change census responses because

of the difficulty of making accurate matches and the intense scrutiny focused on the census.

Terri Ann Lowenthal, a private consultant on census issues in Stamford, Conn., questioned how useful such records would be. She said administrative records often don't adequately cover the undocumented population, and that such records could be out of date by the time respondents answer the 2020 questionnaire. "I fear the secretary's directive will just add an additional element of uncertainty and chaos into what is already a challenging environment," she said.



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U.S. NEWS

Unrestrained, Trump Stresses Nationalism

**CAPITAL JOURNAL**

By Gerald F. Seib

During President Donald Trump's first year in office, there were stretches when it appeared that, aside from his unorthodox style, he actually was governing as a fairly conventional conservative Republican.

No more. Instead, Washington has moved into the period of Trump Unbound.

Never was that more clear than on Tuesday, when Mr. Trump made three startling pronouncements that, taken together, almost perfectly encapsulate the way he now has set out to implement his nationalist, Amer-

ica-first agenda in more pure form.

The president declared that he wants to bring U.S. troops home from Syria, a move that would mark a step back from the commitment to stabilize the wider region begun by fellow Republican George W. Bush after the Sept. 11 terrorist attacks.

At the same time, he said he wanted to use U.S. troops to guard the U.S. border with Mexico. Such a move would represent the logical and literal follow-through on a complaint he made during his presidential campaign; his predecessors in the Oval Office had spent more resources helping other nations defend their borders than helping America defend its own.

Finally, the administration detailed \$50 billion worth of Chinese goods on which it plans to slap a 25% tariff unless Beijing makes changes in its trade and investment policies.

Nor are those three moves the only signs of this new phase in the Trump presidency. A president who just



CHIP SOMODEVILLA/GETTY IMAGES

President Trump's policy approach is increasingly 'America First.'

weeks ago seemed eager to make a deal extending the legal status of young immigrants brought to the U.S. as children—something mainstream politicians of both parties wanted as well—now says the idea of such a deal for Dreamers is dead.

And he has decided, apparently quite on his own, that he will have personal meetings with Russian President Vladimir Putin and North Korean leader Kim Jong Un. Many in the for-

eign-policy establishment, and some within his own administration, think those plans are unwise, perhaps even dangerous.

But Mr. Trump appears convinced of his own ability to use personal powers of persuasion to steer others in his direction.

On all these fronts, Mr. Trump is acting after having shaken off shackles placed on him in his first year in office. Senior advisers who at-

tempted to nudge him toward more conventional policies are all gone. Outside friends and informal advisers, more likely to encourage the president in his instincts than to pull him away from them, are filling the void.

Meanwhile, the chances that Congress, even under Republican control, can get much more done this year are steadily declining, leaving Mr. Trump less reason to worry about staying in sync with establishment GOP leaders on Capitol Hill.

Taken together, those forces from last year pushed Mr. Trump toward a mainstream Republican agenda: Kill Obamacare; pass tax cuts; push deregulation and keep troops engaged in the usual hot spots abroad, all the while trimming his impulses on trade and immigration.

Now, though, the changes in the surrounding landscape “leave an open slate for the president,” says Ron Bonjean, a former top adviser to Republicans in Congress and in the George W. Bush ad-

ministration. “He’s been shaking up Washington for well over a year, but now he’s literally delivering on promises he made and a philosophy that he had espoused through the 2016 election, the America-first policy.”

Some constraints remain on Mr. Trump, of course. Military leaders will try to persuade him not to withdraw the American troops that have been helping friendly militias in Syria. They continue to battle what remains of Islamic State, and serve as a counterweight to growing Russian and Iranian influence in Syria.

At the same time, a slide in the stock market could yet force him to trim his sails on the trade front.

Still, Mr. Bonjean notes, there is another indicator Mr. Trump is likely to watch just as carefully: His job approval ratings have inched up in recent days, and he is going to make a connection between his ramping up of America-first policies and his standing in the polls.”

Record Slate of Female Hopefuls

BY JANET HOOK

WASHINGTON—The field of Democrats vying to run against GOP Rep. John Faso in upstate New York has been forming for a year and, until recently, was all male.

Then Erin Collier, a 34-year-old economist, made a late entry into the crowded race in March with an announcement video that ended: “I’m not going to let those boys beat me.”

A record number of women are lining up to run in the 2018 elections and, unlike some predecessors who say being a female candidate is a potential liability, they are touting their gender.

Two Democratic women running for governor—Kelda Royce in Wisconsin and Krish Vignarajah in Maryland—appear in campaign videos breast-feeding their babies. A House candidate in Chicago, Democrat Sol Flores, has described being sexually assaulted as a child. A Marine veteran in Kentucky, Amy McGrath, launched her Democratic House campaign recounting how men told her she could not become a combat fighter pilot.

There are risks, though, including alienating men, as was illustrated by some New York Democrats’ reaction to Ms. Collier’s “beat the boys” message. “As a ‘boy,’ I thought she lost me,” said Keith Kanaga, a Democratic county party official in Ms. Collier’s district. “That’s not going to resonate with half the population.”

The trend is mostly Democratic, but Republican women are also aiding their party’s fight to keep control of Congress. Rep. Martha McSally, a Senate candidate in Arizona



Clockwise from top left: Erin Collier (D., N.Y.); Kelda Royce (D., Wis.); Martha McSally (R., Ariz.); and Sol Flores (D., Ill.).

who is also a former fighter pilot, denounces “B.S.” and tells national GOP leaders to “grow a pair of ovaries” in her introductory campaign video.

Women headline marquee Senate races in Arizona, where Ms. McSally is a party favorite, and Tennessee, where Marsha Blackburn is the GOP front-runner and raised more than any other Senate GOP candidate in the last quarter of 2017.

Donald Trump’s presidency has been viewed more negatively by women than men. Mr. Trump’s job performance is now viewed negatively by 59% of women—including 53% of white women, according to the latest Wall Street Journal/NBC News poll, even though he had won a majority of white women’s votes in the presidential election, 2016 exit polls show.

“Women are more willingly and successfully using gender as an electoral asset instead of

seeing it as a hurdle they have to overcome,” said Kelly Dittmar, a scholar at the Center for American Women and Politics at Rutgers University. “It’s going to be important for these women not to present messages that could be perceived as marginalizing men.”

Most of these women candidates are challengers, facing the enduring power of incumbents and their typical campaign cash advantages. Those obstacles helped trip up two female candidates who lost Democratic primaries in Illinois in March—one to a sitting House Democrat; the other to a deep-pocketed male rival.

But several women vaulted those hurdles in Texas’ Democratic primaries in March, where more than half the women House candidates won nominations or a runoff berth—in some cases over men who were better funded or backed by party leaders.

Bonnie Campbell, who was

Gender Rising

Number of women who have registered as candidates for the:

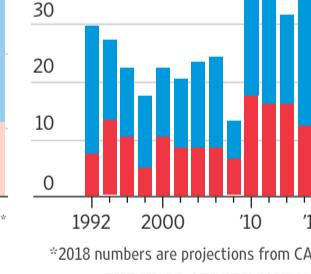
U.S. House

■ Republicans ■ Democrats



U.S. Senate

■ Republicans ■ Democrats



*2018 numbers are projections from CAWP

THE WALL STREET JOURNAL.

elected Iowa attorney general in 1990, said she was urged back then to campaign with “toughness,” and she believed at the time that her gender wasn’t an asset, even among female vot-

ers in her state.

“They were more rural, conservative,” said Ms. Campbell. “They stayed home and raised families: ‘Why isn’t that good enough for you?’”

tion of Mr. Trump.

Josael Romero, one of the leaders of the caravan, said the group would rest for a day or two in a rural community in Mexico’s Oaxaca state.

Mr. Romero said the group consists of about 1,100 migrants and isn’t being detained by Mexican immigration authorities, though the leaders of the march have had some contact with officials.

He said the group intends to proceed to the border city of Tijuana, and that once there, he expects about 100 to 150 of the migrants will cross the border into the U.S. and apply for refugee status.

Mr. Trump’s threat to cut foreign aid to Honduras is one of a series of such warnings he has issued. The U.S. plans to send \$65.8 million in aid to Honduras in fiscal year 2019, according to the State Department. Most of the funds go to violence prevention, justice and rule-of-law programs.

—Alicia A. Caldwell
and Nancy A. Youssef
contributed to this article.

President Takes New Swipe at Amazon

BY PETER NICHOLAS
AND LAURA STEVENS

WASHINGTON—President Donald Trump stepped up his attacks on **Amazon.com** Inc. on Tuesday, saying the company was profiting at the expense of taxpayers and putting traditional retail stores out of business.

Amazon, he wrote in a morning tweet, “should pay these costs (plus) and not have them borne [sic] by the American taxpayer.”

The tweet was the fifth in as many days that Mr. Trump has aimed at Amazon, whose stock had been buffeted by the president’s focus before rebounding in Tuesday’s trading.

In his latest tweet, Mr. Trump also targeted the U.S. Postal Service over what he said are the multibillion-dollar losses stemming from Amazon deliveries.

In his tweets, Mr. Trump has invoked many of the same themes: Amazon profits at the expense of the Postal Service, and other retailers suffer because of Amazon’s enviable market position.

He has also spotlighted the ties between Amazon and the Washington Post. Jeff Bezos, chief executive of Amazon, also owns the Washington Post.

In tweets over the past year, Mr. Trump has complained repeatedly about the newspaper’s coverage while also suggesting without evidence that the Post is a “lobbyist” for Amazon.

An Amazon spokeswoman declined to comment. The U.S. Postal Service also declined to comment.

Fred Ryan, publisher and chief executive of the Washington Post, said in a statement Tuesday that the paper “operates with complete independence in making all news and editorial decisions. We alone decide what to publish. It is preposterous and disingenuous to suggest that The Post is used to advance Jeff’s other commercial interests.”

While the Postal Service does lose billions of dollars annually, much of that is attributable to an unusual requirement to prefund some retiree liabilities.

The Postal Service also has been hard-hit by a decline in first-class mail.

Amazon primarily uses the Postal Service for so-called last mile delivery, where the company sorts and drops off packages at the local post office and the letter carrier brings those to the door.

The package business has helped bolster the Postal Service’s financial strength, according to officials.

But some critics have said officials have priced this type of delivery option too low, effectively subsidizing package delivery.

TRUMP

Continued from Page One

The previous two administrations have deployed National Guard and active-duty troops to the border, but sending active-duty forces may present legal challenges, depending on how their mission is described.

Among the questions is whether funding such a plan would require congressional approval. The Pentagon has been in talks with the Department of Homeland Security about how it can support border operations, according to a U.S. official.

Tuesday marked the third straight day that Mr. Trump attacked U.S. immigration law, saying asylum laws allow people to enter the country without authorization and stay without permission. He called the existing laws “horrible.”

On Monday, senior administration officials said they would again ask Congress to

change laws that protect asylum seekers and unaccompanied children arriving at the U.S. border. The White House made similar requests during immigration talks with Congress this winter, but lawmakers declined to act on them.

That proposal is aimed at the large number of illegal migrants who turn themselves in to border agents after crossing, in the hope they will be allowed to stay in the U.S. Adding border agents or U.S. troops would do nothing to affect this group.

Mexico’s government has formally asked for clarification of Mr. Trump’s comments about deploying troops, said Gerónimo Gutiérrez, Mexico’s ambassador to the U.S.

Mexican officials rejected Mr. Trump’s recent criticisms on migrants, pointing out that Mexico regularly deports Central Americans in its country who seek to reach the U.S. border.

“Under no circumstances does the Mexican government promote irregular migration,”

Mexico’s foreign and interior ministries said in a joint statement Monday.

Thousands of National Guard troops were deployed to the Mexican border in Texas, New Mexico, Arizona and California by President George W. Bush from 2006 to 2008, and a smaller contingent was deployed in 2010 and 2011 by

President Barack Obama.

During those deployments, the troops helped augment the Border Patrol while that agency worked to add additional agents and construct new fencing. The troops, which were there mostly for training, were barred from law-enforcement activities but helped repair equipment and monitor

surveillance cameras. Active-duty troops also have been sent to the border from time to time, primarily for training activities.

Mr. Trump’s threats on Nafta come as American, Canadian and Mexican officials are stepping up talks on the trade pact. Mexico’s economy minister, Ildefonso Guajardo, plans to meet U.S. Trade Representative Robert Lighthizer on Wednesday after trade negotiators cleared a major roadblock on controversial auto-industry issues.

U.S. and Mexican authorities both are pushing for a speedy conclusion to Nafta talks ahead of elections in both countries.

The “caravan of people” Mr. Trump criticized Tuesday is an annual event that leaders say aims to raise awareness about the tens of thousands of Central Americans who, facing gang violence and political unrest in one of the world’s most violent regions, flee every year to Mexico or the U.S. This year, the protest caught the attention of Mr. Trump.

Josael Romero, one of the leaders of the caravan, said the group would rest for a day or two in a rural community in Mexico’s Oaxaca state.

Mr. Romero said the group consists of about 1,100 migrants and isn’t being detained by Mexican immigration authorities, though the leaders of the march have had some contact with officials.

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—Alicia A. Caldwell
and Nancy A. Youssef
contributed to this article.

U.S. NEWS

Mueller Notches Jail Term, Reveals Memo

By ARUNA VISWANATHA
AND DEL QUENTIN WILBER

Special counsel Robert Mueller's office netted its first prison sentence on Tuesday and disclosed a memo showing it had been explicitly authorized to look beyond the presidential election, bringing into sharper focus its wide-ranging probe of alleged Russian meddling in the 2016 election.

A lawyer who admitted to lying to Mr. Mueller's investigators was sentenced to 30 days in prison by U.S. District Judge Amy Berman Jackson, who said the attorney "knew better" but had repeatedly misled investigators. "These are not mistakes, they are lies," she told a packed Washington courtroom Tuesday.

That came hours after Mr. Mueller's prosecutors revealed an August memo showing their



Alex van der Zwaan was sentenced Tuesday to 30 days in prison.

office had been tasked with investigating former Trump campaign chairman Paul Manafort, both for his work for the Ukrainian government and for allegations he colluded

with Russian officials in their efforts to interfere in the 2016 election.

Allegations that Mr. Manafort committed a crime relating to "payments he re-

ceived from the Ukraine government before and during the tenure of President Viktor Yanukovych" are "within the scope of the Investigation," Deputy Attorney General Rod Rosenstein wrote in the classified memo dated Aug. 2, 2017.

The memo, in heavily redacted form, was filed by Mr. Mueller as part of his response to an argument by Mr. Manafort that the special prosecutor had exceeded his authority by charging Mr. Manafort with crimes related to his work in Ukraine that ended in 2014, unrelated to the Russian government and the 2016 election.

Mr. Mueller has been examining potential links between Russia and Mr. Trump's campaign. Moscow has denied meddling, and Mr. Trump has said his campaign didn't collude with Russia.

The special counsel's investigation has resulted in five public guilty pleas to date, including three former Trump campaign aides who admitted to lying to investigators. All are cooperating with the investigation.

On Tuesday, attorney Alex van der Zwaan apologized to the court. In February, he admitted he had misled investigators about his contacts with former Trump campaign aide Richard Gates and others. He said he had done so to protect his job as a lawyer at Skadden, Arps, Slate, Meagher & Flom LLP, but he was later fired.

The case against Mr. van der Zwaan stemmed from his work at Skadden in 2012 with Messrs. Manafort and Gates. Mr. van der Zwaan and Skadden prepared a report for the Ukraine Ministry of Justice under then-President Yanuk-

ovych, evaluating the trial of Mr. Yanukovych's political rival, Yulia Tymoshenko.

Mr. van der Zwaan had first told investigators his last contact with Mr. Gates had been in mid-August 2016, when in fact he had discussed the Ukraine work with Mr. Gates and another associate in Ukraine later that year. The later conversations were relevant to Mr. Mueller's investigation, prosecutors said in a filing last week, because the Federal Bureau of Investigation had concluded that the Ukraine associate had ties to Russian intelligence.

The Manafort filing was the first explicit acknowledgment that Mr. Mueller was tasked with examining allegations that Mr. Manafort, in particular, committed a crime by "colluding with Russian government officials."

Justice Department Seeks Role in Opioid Discussions

By SARA RANDAZZO

The Justice Department is intensifying its efforts to curb the opioid epidemic, asking to join settlement talks in sprawling litigation against the makers and distributors of prescription painkillers.

The department said in a filing in an Ohio federal court that the government's "unique national perspective...could help ensure that remedial action in the multidistrict litigation is structured to serve the public interest."

Hundreds of lawsuits seeking to hold companies accountable for the opioid epidemic have been consolidated before U.S. District Judge Dan Polster in Cleveland, who has pushed for a swift resolution. The suits, brought by states, local municipalities and Native American tribes, have piled up

since last year, with at least 600 filed so far in state and federal courts.

Arkansas in late March sued **Purdue Pharma** LP and other drug makers, becoming the 18th state to file suit. The suits include claims that aggressive marketing of prescription painkillers has contributed to widespread drug-abuse rates. The Arkansas suit followed similar actions by states including Alabama, Kentucky, Delaware, New Jersey and Ohio.

Plaintiffs' lawyers have rushed to sign up cities and counties to file lawsuits of their own. Many also name major distributors of opioids, including **AmerisourceBergen** Corp. and **McKesson** Corp., claiming they didn't do enough to stop the flow of drugs into communities. Some lawsuits also name pharmacies, pharmacy-benefit managers and individual doctors.

Purdue, which recently said it would stop promoting OxyContin and other opioids to doctors, has denied the allegations in the lawsuits and said it is dedicated to being part of the solution to opioid abuse. The distributors have said they are committed to maintaining strong programs designed to detect and prevent opioid diversion.

While the federal government won't technically be a plaintiff, the move is aimed in part at securing some portion of any eventual settlement for the federal treasury, the Justice Department said.

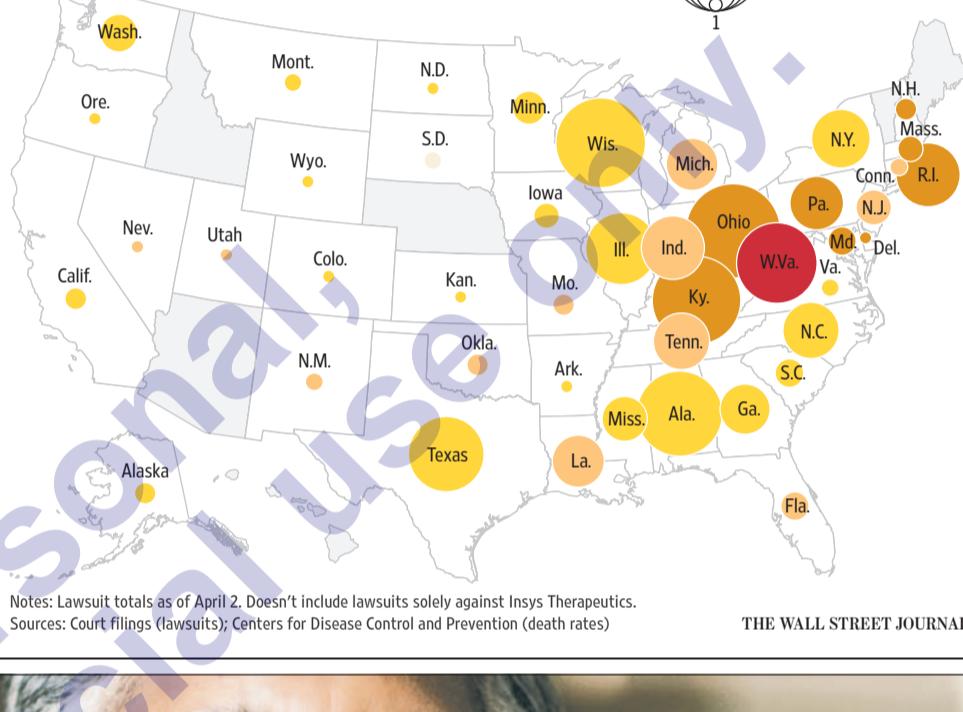
The motion says the Justice Department's involvement in settlement talks is one avenue for the government "to seek reimbursement for its direct and indirect costs of providing medical care to opioid users."

Fighting Back

Lawsuits brought by states, local municipalities and Native American tribes over opioids are mounting in places hit hard by the crisis.

Estimated age-adjusted death rates for opioid and other drug poisoning, 2016

By state, per 100,000 population



Notes: Lawsuit totals as of April 2. Doesn't include lawsuits solely against Insys Therapeutics.

Sources: Court filings (lawsuits); Centers for Disease Control and Prevention (death rates)

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WORLD NEWS

Trump Pushes for Quick Exit From Syria

'I want to bring our troops home,' president says as aides argue job there isn't quite done

WASHINGTON—President Donald Trump said Tuesday he wanted the U.S. military to "bring our troops back home" from Syria, taking a position at odds with many top advisers who worry that leaving the country too soon would cede ground to Iran, Russia, their proxies and other extremist groups.

By Felicia Schwartz,
Michael R. Gordon
and Dion Nissenbaum

Members of Mr. Trump's national security team hoped to persuade him at a White House meeting being held later in the day to keep troops in Syria for now and maintain funding for recovery work there, according to U.S. officials familiar with the discussions.

Mr. Trump said he soon would decide on a course of action, but was inclined to leave, saying the task of defeating the extremist group Islamic State was nearly completed.

"I want to get out. I want to bring our troops back home. I want to start rebuilding our nation," Mr. Trump said at a news conference at the White House.

There currently are about 2,000 American troops in Syria, advising and aiding local forces that have been fighting Islamic State. A small number of diplomats are also in Syria undertaking basic recovery work in war-hit areas.

Iran, which Mr. Trump and his aides have said they view as a major security threat, has extended its influence across



DELL SOULEMAN/AGENCE FRANCE PRESSE/GTY IMAGES

Mr. Trump reiterated he was inclined to pull U.S. troops out of Syria, where U.S.-backed coalition forces moved in Manbij on Tuesday.

U.S. Involvement In Syria: Key Dates

June 2013 The Obama administration, via the Central Intelligence Agency, begins arming Syrian rebels in a bid to aid moderate fighters battling the Assad regime.

August Bashar al-Assad uses

chemical weapons in Eastern Ghouta near Damascus. The attack kills more than 1,400 people, according to U.S. estimates.

September U.S. and Russia agree on a deal to destroy Syria's declared chemical-weapons stockpile, and U.S. refrains from carrying out strikes.

September 2014 U.S. launches the first of airstrikes against Is-

amic State forces in Syria.

October 2015 U.S. sends special operations forces to northeastern Syria, the first U.S. troops sent to the country.

April 2017 Assad regime uses sarin gas in an attack in Idlib province in Syria, killing more than 70 people.

April U.S. military launches

nearly 60 Tomahawk cruise missiles against a Syrian air base in response.

July The CIA under the Trump administration ends support for rebel groups after concluding the program failed to gather significant momentum.

March 2018 President Donald Trump predicts U.S. forces will leave Syria 'very soon.'

Syria, protecting the regime of President Bashar al-Assad, strengthening the hand of Lebanon-based Hezbollah and putting it in a position to threaten Israel.

Russia, too, has expanded its military footprint in the country, gaining a foothold in

the Mideast unseen since the days of the Cold War, as its president, Vladimir Putin, has pursued an increasingly assertive foreign policy.

Though severely weakened in Syria, Islamic State remains a concern for many both in and outside the Trump admin-

istration. Brett McGurk, the administration's point man for the counter-Islamic State coalition, said at a public event on Tuesday that more work was needed to defeat Islamic State. "We want to keep eyes on the prize—on ISIS—because ISIS is not finished," he

said at the U.S. Institute of Peace, a think tank.

The divergence of views over a major U.S. military involvement came in the midst of the Trump administration's national security shake-up that has the key posts of White House national security

adviser, secretary of state and Central Intelligence Agency director either vacant or in flux.

Earlier this year, the administration decided after a policy review to leave U.S. special operations forces in the country for 12 to 18 months while periodically reassessing conditions.

However, Mr. Trump reopened the administration debate last week, predicting that the U.S. would leave "very quickly." He also ordered the State Department to freeze more than \$200 million in funds dedicated to basic recovery efforts in Syria, such as restoring power and removing unexploded weapons, The Wall Street Journal reported Friday.

The Kremlin welcomed Mr. Trump's suggestions that U.S. forces soon would leave Syria. Russian Foreign Minister Sergei Lavrov said Monday that the Kremlin had been concerned over U.S. forces becoming "deeply entrenched" in eastern Syria, but that Mr. Trump's remarks showed he was committed to removing troops from Syria following the victory over Islamic State.

Mr. Trump's statements about leaving Syria have alarmed allies such as Israel as well as Saudi Arabia, diplomats and government officials have said, who fear expanded Iranian influence in the region.

Underscoring those concerns, Mr. Trump spoke by phone Tuesday with Saudi Arabia's King Salman, touching on Iran and Syria, the White House said.

Yet Mr. Trump also reiterated his suggestion that allies pay Washington for its efforts in Syria. "Saudi Arabia is very interested in our decision, and I said, 'Well, you know, you want us to stay, maybe you're going to have to pay,'" Mr. Trump said at Tuesday's news conference.

Yemen Rebels Hit Saudi Tanker as Conflict Escalates

BY ASA FITCH
AND SUMMER SAID

Yemen's Houthis attacked and damaged a Saudi oil tanker in the Red Sea on Tuesday, striking at the economic engine of an adversary that has waged a three-year war against the rebels.

The afternoon attack near the Houthi-controlled Red Sea port of Hodeidah put a hole in the side of the tanker, according to photos on the website of the official Saudi Press Agency.

A spokesman for the Saudi-led military coalition fighting the Houthis said the vessel suffered only minor damage and was able to continue on its course. The ship's owner-

ship and destination weren't immediately clear.

The attack "poses a serious threat to the freedom of maritime navigation and international trade," said the spokesman, Col. Turki al-Maliki. It also posed an environmental threat, he said, but added that the tanker wasn't leaking.

Mohammed al-Share'i, a Houthi spokesman, said the attack was a response to Saudi Arabia's aggression, including its long-running campaign of airstrikes. A coalition strike on

Monday in Hodeidah killed some 15 people, according to Mr. Share'i. He declined to say what type of ammunition was used in Tuesday's attack.

The coalition didn't imme-

dately respond to a request to comment about the alleged Monday strike.

On Tuesday, United Nations Secretary-General António Guterres called the situation in Yemen "the world's worst humanitarian crisis" and said that a child under 5 dies of preventable causes every 10 minutes.

The Red Sea is a major conduit for oil and other trade flowing from the Middle East to Europe, Asia and North America. About 4.8 million barrels a day of crude and refined petroleum products were shipped through the Bab el-

Mandeb strait that separates the Red Sea from the Gulf of Aden in 2016, according to the U.S. Energy Information Ad-

ministration. Brett McGurk, the administration's point man for the counter-Islamic State coalition, said at a public event on Tuesday that more work was needed to defeat Islamic State. "We want to keep eyes on the prize—on ISIS—because ISIS is not finished," he

said at the U.S. Institute of Peace, a think tank.

The divergence of views over a major U.S. military involvement came in the midst of the Trump administration's national security shake-up that has the key posts of White House national security

to a ship carrying Saudi oil. There have been other incidents in recent years where rocket-propelled grenades were fired at tankers near the Bab el-Mandeb, but it wasn't clear who was responsible.

Recognizing the economic stakes for one of the world's biggest oil exporters, the Houthis have targeted Saudi oil infrastructure before, and have vowed specifically to target Saudi tankers near Hodeidah.

Last month, the group claimed to have fired a missile at facilities run by the state-owned oil giant Aramco, but the company denied that its operations were affected.

—Mohammed al-Kibsi contributed to this article.



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ministration.

The attack on the oil tanker follows a recent escalation in the yearslong conflict. Last week, the Houthis fired a barrage of seven missiles at Saudi Arabia, including three at Riyadh. Saudi defense forces in-

tercepted all of the missiles, according to the coalition, but a piece of shrapnel tore through a house in Riyadh and killed one man, an Egyptian.

The Yemen conflict pits the Saudi coalition against the Houthis, who took over the capital, San'a, in 2014. Saudi Arabia and its allies see the Houthis as pawns of Iran, their main regional rival for power, and accuse the Islamic Republic of supplying the rebels with missiles and other arms. Iran has denied arming the Houthis.

While the coalition described

the damage to the tanker as minor, the assault appeared to be the first time since the war began in 2015 that the Houthis have caused significant damage

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Kabul Denies Strike on Prayer Gathering

BY CRAIG NELSON
AND EHSANULLAH AMIRI

KABUL—The Afghan military lashed out at reports that a rocket attack by government helicopters in the north had targeted a religious school where hundreds of people, including members of the Taliban, had gathered to attend a rite of passage for young students of the Quran.

Local residents and officials said Monday's attack in the district of Dashti Archi, a Taliban stronghold on Afghanistan's border with Tajikistan, struck a religious ceremony,

killing dozens, perhaps hundreds of people including children.

A large civilian death toll in the attack, especially because it was carried by its own air force, would be a political and public-relations blow to the government and a boon to the Taliban as the country braces for the start of this year's fighting season.

Maj. Gen. Mohammad Radmanish, the Defense Ministry spokesman, showed video at a Tuesday news conference from what he said was an unmanned drone.

He said the video proved the gathering in Dashti Archi was a meeting of top Taliban officials. The Taliban officials included members of the Quetta Shura, the movement's ruling council, who were planning a military offensive to seize control of the surrounding Kunduz province.

The general said 18 members of the Taliban, including Mawlawi Baryal, a top official in the Quetta Shura and members of the Red Unit, an elite cadre of Taliban fighters, were killed. He skirted questions about civilian casualties, saying an investigation was underway.

The Taliban said Monday the strike killed 150 religious scholars and civilians and denied any of their forces had been there.

The government-appointed police chief of Kunduz, Abdul

Hamid Hamidi, said helicopters launched a rocket attack after they were fired on by Taliban fighters, who were attending what he said was a religious observance with other district residents.

Sayed Mohammad, a farmer in Dashti Archi, said he and his three sons were among hundreds of people attending what he also called a religious commemoration. Participants were finishing prayers before adjourning to a large tent for lunch when the helicopters opened fire. Among the bodies littering the ground after the attack, he said, were those of dozens of teenage boys.

An employee of the province's police department initially put the number of dead at 15 Taliban fighters and dozens of others wounded.

By Tuesday, the number had climbed, with Mr. Hamidi putting the death toll at 30 Taliban, including eight Tajik and seven Pakistani nationals. More than 50 people, mostly civilians, had been wounded, he added. Funerals held Tuesday in the district for victims of the airstrike suggested the toll could rise.

Earlier Tuesday, the United Nations said it was investigating the incident. In its statement, it referred to "disturbing reports of serious harm to civilians" from the airstrike, the agency said that human-rights experts "were on the ground establishing facts."

The statement didn't say when the U.N. team would issue its findings.

—Habib Khan Totakhil contributed to this article.



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WORLD NEWS

Italy Rivals Talk Across Differences

Italian national elections last month revealed a deeply divided country, with the most dramatic cleavage between its wealthy north and perennially troubled south.

That divide could be the decisive factor in whether two

*By Giovanni Legorano
in Rome and Eric
Sylvers in Milan*



League leader Matteo Salvini, left, drew more votes in the north, while the 5 Star Movement's Luigi Di Maio did better in the south.

Divided Realm

The 5 Star Movement fared best in March elections in Italy's south, where job scarcity gave traction to its push for guaranteed income, while the League's flat-tax proposal helped the center-right draw northern voters.

Chamber of Deputies results

■ Center-right* ■ 5 Star Movement
■ Center-left†



*Includes Forza Italia, League, Brothers of Italy, and We're with Italy
†Includes Democratic Party, More Europe, Popular Civic List, and Together
Sources: Italian Ministry of the Interior (results); Istat (unemployment)

Unemployment rate, 2017

4% 7 10 15 22



THE WALL STREET JOURNAL.

wallet," said Francesco Daveri, an economics professor at Milan's Bocconi University.

The League's idea of a flat tax as low as 15% appeals particularly to the small and medium-sized companies that dominate the economy in the north.

"This country needs a flat tax not so that businessmen can earn more, but so they have more money to invest and create jobs," said Davide Bernardini, an owner of a metal-stamping business near Milan that he says pays taxes

of about 43% on its profits.

In the north, the League and its allies on the center-right won up to 50% in some areas. In some parts of the south, 5 Star won 55% of the vote.

Southerners voted for 5 Star's universal basic income plan because they perceive an economic emergency in the region, according to Adriano Giannola, chairman of research institute Svimez. "By contrast, the flat-tax proposal has been counterproductive in the south," he said. "People

thought, 'This is for the rich.'"

Italy is a microcosm of a phenomenon seen across Europe where the twin economic and migration crises have left deep divisions both among countries and within single nations, making it ever more difficult to assemble strong, durable governments.

During Italy's post-2008 economic downturn—its worst since World War II—the economy in the country's southernmost regions shrank at almost twice the rate as that of the rest of the country, exacerbating a national divide that has defied myriad efforts to erase it over decades.

Per capita output in Lombardy is a quarter higher than the European Union average; in Sicily it is 41% lower, according to Eurostat. In the south, unemployment is 20%, triple the rate in the north.

Each party honed its flagship proposals to strike at the concerns dominant in its favored part of the country.

Nearly 60% of overall tax savings from the introduction of the center-right's flat tax would be realized in the north, according to a study by academics Massimo Baldini and Leonzio Rizzo, while only a fifth would benefit the south.

By contrast, the south would receive 58% of money spent for 5 Star's proposed universal basic income, according to the same study. The party touts the measure as a tool for battling poverty rates that have increased by half since the crisis in the south, parts of which have the EU's highest poverty rates.

In the north, the deterioration of the manufacturing sector stirred fears about jobs and resentment over the influx of foreigners. In some regions, about 12% of the local population is foreign-born, 50% more than the national average.

"We are only just now recovering from the economic crisis and there aren't enough jobs here for all the migrants," said Curzio Trezzani, who won a seat for the League on the regional council in Lombardy.

For Sale: Property In Brazil Bribe Case

By LUCIANA MAGALHÃES AND SAMANTHA PEARSON

GUARUJÁ, Brazil—Apartment 164-A in the beachfront Solaris building here is an overwhelming property with an overwhelming role in Brazil's modern political history.

The four-bedroom apartment was given to former Brazilian President Luiz Inácio Lula da Silva by a construction company in exchange for his help winning contracts with state oil company Petrobras, according to evidence presented to a court that convicted Mr. da Silva on bribery charges last year.

If Brazil's Supreme Court on Wednesday denies Mr. da Silva's appeal, it will be this bit of real estate—with its grimy tiles, ready-to-assemble furniture and 10-foot pool—that lands the country's first working-class president in jail, crushing his hopes of running for re-election in October.

Seized by the courts, the 2,314-square-foot apartment with sweeping views of the ocean is to be auctioned at a reserve price of \$659,000, with the proceeds likely going to Petrobras. The listing has sparked intense curiosity in a nation deeply divided by the case; auctioneers are charging visitors a \$300 deposit just to

see the property.

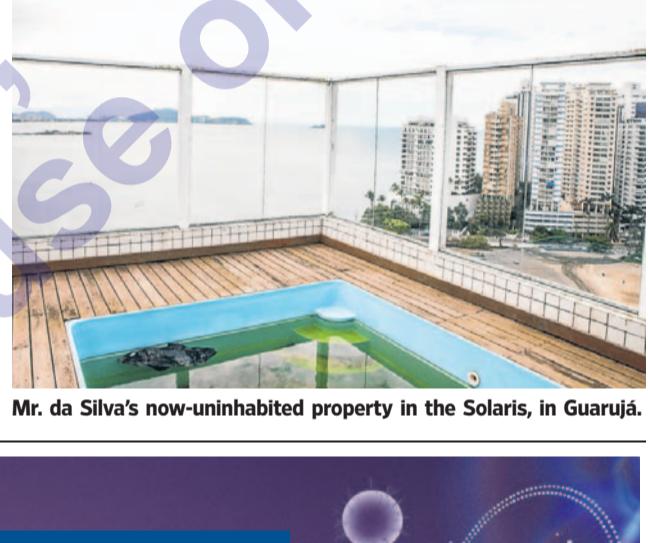
"If not, imagine how many people would want to go take a selfie inside," Afonso Marangoni, the broker, told The Wall Street Journal, which visited the three-story apartment Tuesday before it officially opened for visits by prospective buyers. "We expect it to be snapped up on the first day."

In the case against Mr. da Silva last year, the judge concluded that the 72-year-old former president and his late wife had paid for a smaller apartment in the newly built Solaris but that OAS upgraded them to the penthouse free. The judge also determined that OAS had agreed to renovate the home, amounting to a total bribe of \$674,000.

Mr. da Silva said he never owned the apartment and denies wrongdoing in this and six other corruption-related cases against him.

On the beach across the road from the Solaris where hungry pigeons compete with sunbathers for a spot on the sand, many people are angry at the leader they once loved.

"We trusted him, we believed in the promises he made when we voted for him and he robbed us," said Solange Loretta, a 55-year-old vacationing homemaker.



Mr. da Silva's now-uninhabited property in the Solaris, in Guarujá.

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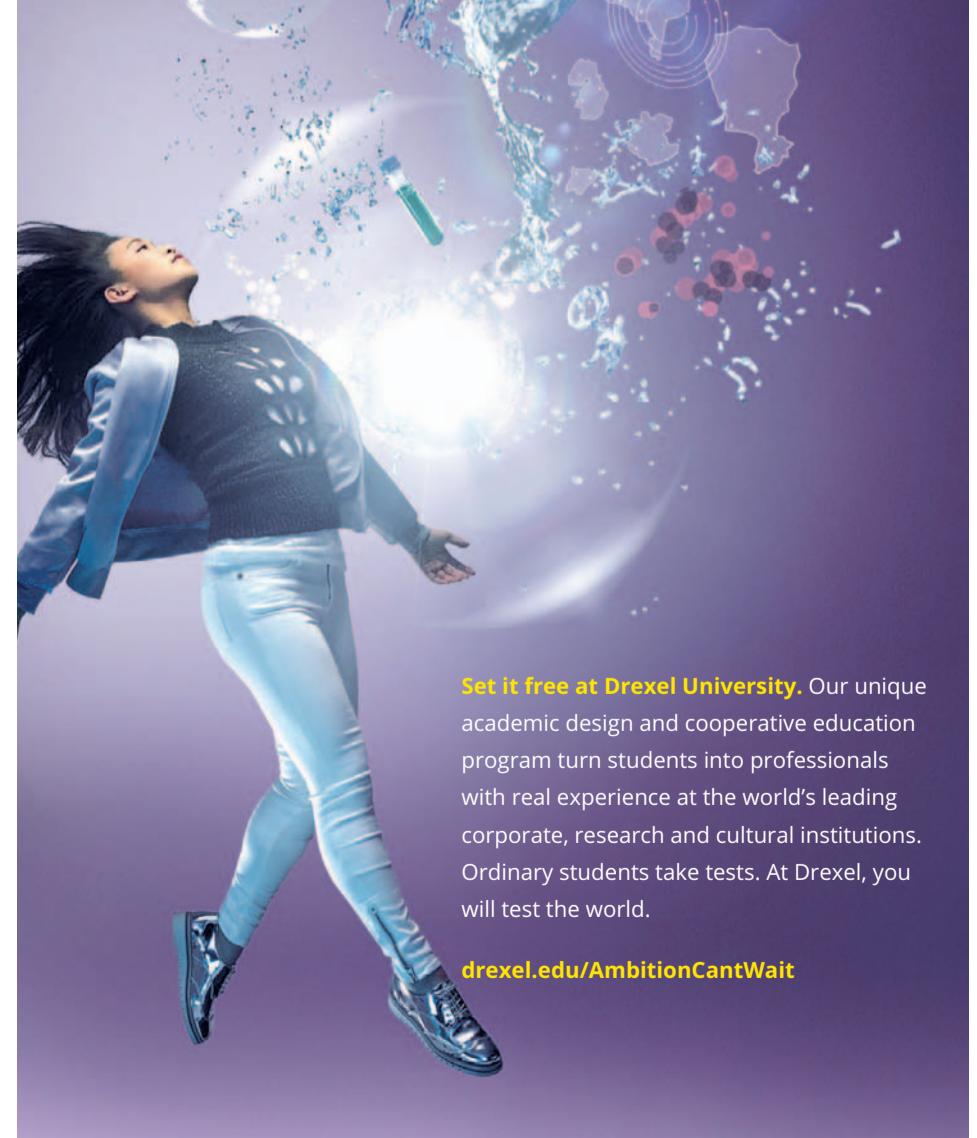
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IN DEPTH

TAXES

Continued from Page One
down one loophole, involving farm products sold to cooperatives, while lawmakers and regulators say they are collecting feedback as they consider future changes.

In the meantime, tax experts are searching for moves business owners can make that will disrupt their businesses the least, while best qualifying for new tax breaks Congress has dangled. The private sector's old game of cat-and-mouse with the Internal Revenue Service and Congress, in other words, is intensifying, and is likely to play out over years in regulations, audits, appeals and litigation.

For all but the largest publicly traded companies, much of the attention is focused on a new tax break for so-called pass-throughs, which make up a majority of U.S. businesses. In these, profits "pass through" to owners and are taxed at the individual level, instead of facing a corporate tax and then individual taxes, too, after money is distributed to owners.

Guardrails

The break is fully available for the smallest businesses, but it contains guardrails meant to prevent some high-earning business owners such as Mr. Davis from claiming some or all of the benefit. Business owners who may bump up against these limitations are looking at steps that could permit them to claim or maximize these savings.

"People are hesitant to be the first to try some of this because the rules are so vague and you don't know how it's going to be interpreted," said John Rizzo, an accountant in Rochester, N.Y., who has discussed the crack-and-pack strategy with several clients. "Some of these changes are hard to untangle."

Another complication: The pass-through deduction expires at the end of 2025. Democrats might seek to reduce or eliminate the benefit and make other changes if they gain control of Congress and the White House before then.

Splitting the Bill

A self-employed physician earns \$1 million a year, 75% from health-care services and 25% from an in-house pharmacy. Currently, all of her businesses are handled by a single S corporation and their income is taxed through her individual return.

Health Care: \$750,000
Pharmacy: \$250,000

Total taxable income: \$1 million

To take advantage of the 20% pass-through deduction, she could spin the pharmacy off as a new S corporation. Then 20% of income from the new company could become eligible for the deduction.



Total taxable income: \$950,000

Health Care: \$750,000
Pharmacy: \$250,000
-\$50,000 (deduction)
\$200,000

Source: Tom Wheelwright, WealthAbility LLC



BRIDGET BENNETT FOR THE WALL STREET JOURNAL (2)



Pharmacies in Utah owned by Cliff Holt, top right, give flu shots, which might be considered health services and complicate his use of a new tax break for pass-through businesses. In bottom photo, Cindy Jenson, a nurse and pharmacy technician at Hurricane Family Pharmacy, speaks with a customer by phone.

That means businesses are balancing the benefits of taking immediate advantage against the possibility it may not last.

Pass-through businesses, which include limited-liability companies, partnerships and what are called S corporations, now can deduct 20% of their business profits from their overall income. The break was

created in part from political necessity, because pass-through owners are an important part of the Republican coalition and opposed cutting just the corporate tax rate.

The break can be claimed without restriction by owners with taxable income of \$157,500 or less, or \$315,000 for joint filers. Above those levels, it is phased out for lawyers, doctors and providers of certain other services.

Mr. Davis, the Dallas lawyer, figures he can still benefit from the break by splitting his law firm, Davis & Associates, into one entity holding four lawyers and another holding the 26-person administrative staff, who take information from new clients, put together immigration applications and handle other tasks. Profits in this part could be subject to lower taxes.

It isn't clear how the IRS will look at such arrangements or how it will determine where profits are made. The agency hasn't yet issued regulations in this area.

"It adds a layer of administration," said Mr. Davis, whose firm is expected to have about \$4 million in revenue this year. "We think we will be able to make it up as we grow." The firm's accountant is still working out the details.

Marvin Blum, a wealth planner in Fort Worth, Texas,

spends endless hours in a pizza parlor designed for small children.

The security film that caught one incident at Chuck E. Cheese's last year, Ms. Dupont said, showed that the thrill-seekers arrived at the end of the night, played some games and shot some video—and then slipped out before the doors were locked.

"They were not spending 24 hours in our location," she said, though the video they posted online made it look as though they had.

Indiana college student Christian Perry said he was determined to finish the challenge at a Walmart Supercenter, however dull things got.

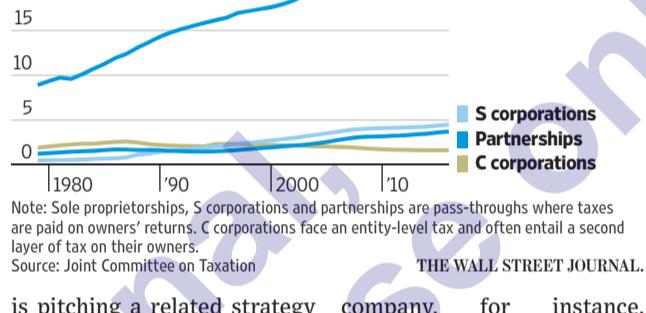
Just minutes into the outing, Mr. Perry, who is 21 and studying computer science, realized he couldn't bear Walmart's music and needed a distraction. "I started reading labels after that," he said.

The 13-minute video the

Restructured

Since the previous tax code overhaul in 1986, a steadily growing share of businesses have been structured as pass-throughs, taxed only on the owners' individual returns. The new law is prompting business owners to re-examine their structures.

Number of business returns by type



Note: Sole proprietorships, S corporations and partnerships are pass-throughs where taxes are paid on owners' returns. C corporations face an entity-level tax and often entail a second layer of tax on their owners.

Source: Joint Committee on Taxation

THE WALL STREET JOURNAL.

is pitching a related strategy to his clients: Profit meant to be reinvested into a business is channeled into an entity that pays the new, lower 21% corporate tax rate, while profit that is meant to be distributed to owners in the near term goes into a pass-through entity that pays just the individual taxes. He calls it the "half and half."

Joe Eppy, a Fort Lauderdale, Fla., insurance and financial-services adviser, is looking

at creating a new corporation that would hold his real estate and certain other business revenue, would cover the cost of real-estate taxes, long-term care insurance and other benefits, and would pay the 21% corporate tax rate on any profit from the businesses in the new entity. "It will take some more time to fine-tune everything down to the last detail," Mr. Eppy said.

Cliff Holt owns four pharmacies in Utah that get more than 90% of their revenue from selling medicines, nutritional supplements, gifts and other retail products. The pharmacies also provide flu shots and vaccinations—which could be considered health services—and two of the 80 employees are registered nurses. Mr. Holt said he doesn't want to miss out on the 20% deduction simply because he provides some health services, nor does he want to stop giving flu shots.

company, for instance, wouldn't be likely to work in Florida, because the savings would largely be canceled by a 5.8% sales tax Florida imposes on lease payments, said Marvin Kirsner, a tax attorney in Boca Raton for Greenberg Traurig LLP.

Whether some strategies

become popular could depend on how the IRS deals with fine

A 2025 expiration of some new provisions is complicating how firms are planning.

points of the law, such as how health services are defined.

Cliff Holt owns four pharmacies in Utah that get more than 90% of their revenue from selling medicines, nutritional supplements, gifts and other retail products. The pharmacies also provide flu shots and vaccinations—which could be considered health services—and two of the 80 employees are registered nurses. Mr. Holt said he doesn't want to miss out on the 20% deduction simply because he provides some health services, nor does he want to stop giving flu shots.

His tax adviser, Tom Wheel-

wright of WealthAbility LLC in Tempe, Ariz., is hoping the IRS will allow businesses structured as pass-throughs to claim the deduction even if a small amount of their revenue comes from health or other excluded services.

"If it's all or none," Mr. Wheelwright said, "the logical solution is to create two companies." Mr. Wheelwright recently split his own CPA business from his education business, in part to take advantage of the new 20% deduction.

Accountants are finding ways around another tripwire: For high earners regardless of industry the tax break is limited to 50% of wages paid or a combination of wages paid and assets, pinching business owners with few or no employees.

Philip London and Mark Feldstein, accountants at Wiss & Co. in New York City, said they have cut a client's projected annual federal, state and local tax bill by \$145,000 with a relatively simple shift. The two-owner marketing and events company will elect to be taxed as an S corporation instead of as a partnership.

The new arrangement doesn't fundamentally change the business, which earns estimated profits of \$3 million annually. But the switch frees the owners from certain limits on partnerships and lets them pay themselves \$500,000 each in wages, the accountants said. Those wages then let them qualify for the 20% deduction.

Redefining job

Other business owners are likely to redefine the type of work they do to better fit the law's requirements. Karen Brosi, an accountant in Palo Alto, Calif., is telling high earners who consult on engineering projects to indicate on tax returns that they are "engineers"—a group not subject to the income limits for service businesses—rather than "consultants," who are. The work is "all about engineering, code writing and systems engineering," she said.

Advisers also are looking at ways to get taxable income below the \$157,500 threshold so the restrictions don't apply. That could simply mean stepping up charitable contributions or retirement-plan contributions, or taking other steps that reduce taxable income.

A more complicated option is to give shares of the business to family members, each of whom files a tax return that falls below the income threshold. Giving shares is easier now that the tax bill has raised the lifetime gift and estate tax exemption, tax advisers say.

Some business owners say potential tax savings aren't worth the fuss. Larry Helms, president of C-Tech Controls Inc. in Hendersonville, Tenn., considered splitting his 37-person technology company in two to get around the wage limitations, but gave up on the idea after learning it would shave his tax bill by just 2% or 3%.

"There is a cost of doing that," said Mr. Helms, whose firm provides building automation and controls, "and the tax incentive just wasn't that great."

aquarium section. They read magazines, played games at the arcade and dribbled balls in the sports aisle. They bought items, even just a pack of gum, every so often in an effort to present themselves as regular customers. They got haircuts at the in-store salon and ate at the in-store Subway Restaurant.

They said they got strange looks from a few employees; no one spends that much time at Walmart.

"Things are getting intense," Mr. Perry whispered to the video camera late the first night as he and his friend scurried to find a place to sleep.

They dived behind big bags of dog food but that seemed too exposed, he said, so they crawled into the middle of a large display of boxed baby strollers.

"I would hear a shopping cart," Mr. Perry said, "and think, 'Oh my God, is someone going to get us?'"

No one did. No one paid much attention at all, really.

After hunkering down in the toilet-paper section the second night, the duo quietly slipped home.

"It was one of the worst experiences of my life," Mr. Perry said.

STORE

Continued from Page One
phenomenon reveals something thrill-seekers didn't expect—spending extended periods inside an empty chain store can be really, really dull.

Michael Manfre, who is 19, said he and his friends have done several overnight challenges since late 2016. For one, they stayed all night in a McDonald's on the Jersey Shore, figuring it would be a blast to have the place to themselves. As employees closed up for the night, the friends hid in the colorful crawling tubes in the indoor playground.

"It looked weird to have older kids hanging out in the play area," he said. "but we pulled it off."

After the initial thrill of escaping detection, they passed the time by going down the small slide, flipping water bottles and filming themselves whispering in the dark. They tried to sleep—Mr. Manfre in a toy car.

"It was very uncomfortable," he said. "We tried to make the best of it."

Young people boast of holding the overnight challenges in a

trampoline parks, bowling alleys, home improvement stores and supermarkets, too. Companies mostly seem perplexed.

"We appreciate that people are interested in IKEA and want to create fun experiences with us," said a U.S. spokeswoman for Inter IKEA Systems BV. "We cannot guarantee safety in our stores after closing hours and that's why we do not allow this kind of activity." McDonald's declined to comment.

A Walmart Inc. spokesman said the company has been "dealing with this" for more than a year, with the teens "mainly hiding out in the toilet paper section, trying to meet their challenge."

If spotted, they are asked to leave, he said. "We're familiar with the incidents and obviously don't condone the behavior."

The craze appears to go back to 2016, when Belgian youngsters hid inside an IKEA after it closed and then posted the video online. The fad soon spread to the U.K., where a boy slept overnight in an IKEA furniture store, worrying his family, who didn't know where he was.

South Yorkshire Police flagged the phenomenon in a

February Facebook post, warning about a "recent increase in young people sharing and taking part in the latest internet trend known as the '24 hour challenge.'" The goal, they reported, was "to hide and build forts in large stores and warehouses overnight, before sneaking out the next morning."

Mr. Manfre, who passed the uneventful night at the New Jersey McDonald's, said a separate attempted sleepover at a Walmart proved more thrilling when an employee discovered his fort, which he made out of packages of toilet paper. The employee lightly "punched the fort" and Mr. Manfre was told to leave, he says.

"A lot of these places are definitely locking down now," he added, "because it's such a viral trend."

A spokeswoman for Chuck E. Cheese's, another target for the overnight challenges, suggested the pranks are inside jobs—with the culprits getting assistance from friends who work at the pizza restaurants.

"Some of our cast members may have gotten in trouble for helping," said spokeswoman Christelle Dupont. "We had our audit team look at the footage."

The footage showed it's not

all that much fun for teens to

spend endless hours in a pizza parlor designed for small children.

The security film that caught one incident at Chuck E. Cheese's last year, Ms. Dupont said, showed that the thrill-seekers arrived at the end of the night, played some games and shot some video—and then slipped out before the doors were locked.

"They were not spending 24 hours in our location," she said, though the video they posted online made it look as though they had.

Indiana college student Christian Perry said he was de-

termined to finish the challenge at a Walmart Supercenter, however dull things got.

Last May, he and a friend decided to spend a full 48 hours in one of the stores in Indianapolis. The Walmart is open around the clock. The pair needed a secret place to slumber and a way to stay sane.

Just minutes into the outing, Mr. Perry, who is 21 and studying computer science, realized he couldn't bear Walmart's music and needed a distraction. "I started reading labels after that," he said.

The 13-minute video the

friends posted on YouTube shows highlights of their itinerary. They looked at fish in the



Noah Maxwell set up a fort, with company, for his Walmart stay.

CHRISTIAN PERRY

GREATER NEW YORK

MTA Comes Up Short on Subway Repairs

Agency says rising costs mean it will have to put off the planned upgrades on 13 stations

BY PAUL BERGER

The Metropolitan Transportation Authority is running out of funds for a controversial program to renovate 32 subway stations and will scale it back as a result.

MTA chairman Joe Lhota said Monday that most of the program's \$936 million budget has been used for the 19 stations completed or under way. Mr. Lhota said costs rose after contractors began work on stations and discovered "infrastructure rot" that broadened the scope of work.

Under the original plan, the renovations would have cost an average of \$28 million per station. The current average cost for each station is \$43 million.

"We live in a world of limited funding," Mr. Lhota said. "We need to make decisions about how we use that funding."

The MTA will have spent about \$850 million for the renovations to 19 stations and the Richmond Valley station on the Staten Island Railway. That leaves 13 targeted subway stations without any funding. They will have to wait for the MTA's next five-year spending plan, Mr. Lhota said, which starts in 2020.

The so-called enhanced-station initiative was championed by New York Gov. Andrew Cuomo when it launched in the summer of 2016. Mr. Cuomo's office declined to comment.

His administration touted cleaner, brighter and easier-to-navigate stations with new lighting, digital signage, USB ports and artwork.

Some transit advocates, as well as several MTA board members, criticized the program as a poor use of scarce funds when



A worn metal wall at the 39th Avenue-Beebe Avenue subway stop. Below, workers repaired the 36th Avenue station, also in Queens.

MARK KAUFZICH FOR THE WALL STREET JOURNAL (2)

the agency should be focused on improving subway service.

Critics said the MTA could better spend its money modernizing the subway's signal system, which would reduce delays and allow trains to run faster and more frequently. They also said the MTA should focus on adding elevators. Currently, only one-quarter of the subway's 472 stations are accessible to people with disabilities.

The MTA expects that about \$90 million will be left over from the program, which will be transferred to projects that make stations more accessible, an MTA spokesman said.

Earlier this year, MTA board members representing Mayor Bill de Blasio voted against contracts to upgrade eight stations in the program at a cost of

more than \$200 million. But the measure passed the full board.

On Monday, Carl Weisbrod, a commissioner who represents New York City, said the program was "ill-conceived," and that he is glad it has come to an end. "I don't know when the MTA management realized that the program had run out of money but it would've been helpful to have informed the board when this matter was under discussion," he said.

Mr. Lhota said he was aware of the increased costs last year, but he chose not to mention it until now. "I didn't think it was relevant to the debate," he said.

At a board presentation in February, the MTA's new head of the subway, Andy Byford, said the program was more than just cosmetic. He pointed to ma-



ior repairs that were being carried out on platforms, station walls and stairways. He also cited degraded steelwork on the Astoria line, which carries the N

and W trains in Queens.

State Sen. Michael Gianaris, whose district includes the Astoria line, said his constituents aren't pleased with the station-

The Lucky Stations That Made the Cut

Renovations have been completed or are under way at these locations:

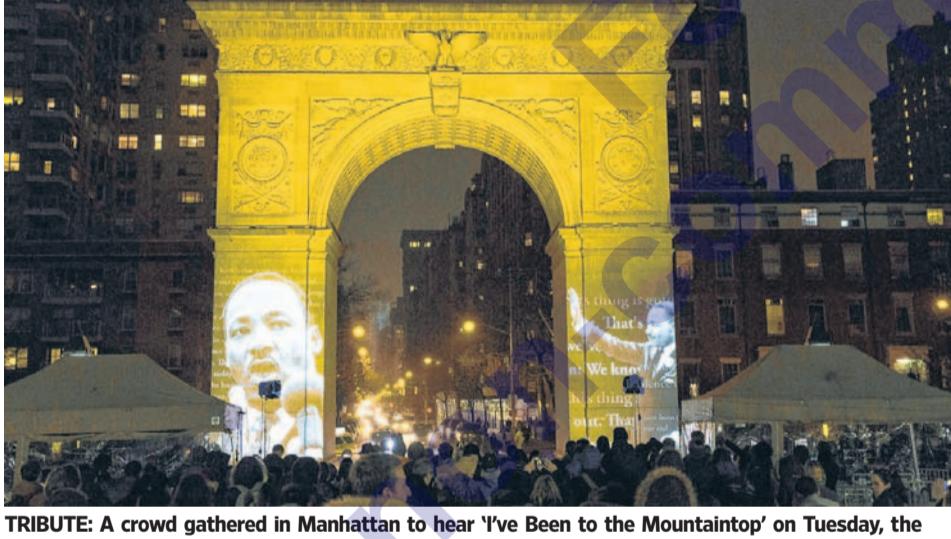
53rd Street: R line
Bay Ridge Avenue: R line
Prospect Avenue: R line
30th Avenue: N/W lines
36th Avenue: N/W
39th Avenue: N/W
Broadway: N/W
163rd Street/Amsterdam Avenue: C
72nd Street: B/C
86th Street: B/C
Cathedral Parkway: B/C
23rd Street: F/M
28th Street: 6
57th Street: F/M
34th Street-Penn Station: 1/2/3
34th Street-Penn Station: A/C/E
145th Street: 3
167th Street: B/D
174th-175th Streets: B/D
Richmond Valley: Staten Island Railway

enhancement program because elevators weren't included despite the MTA spending \$200 million to upgrade four stations on an elevated line.

The renovations "have been a real problem for communities throughout New York," Mr. Gianaris said, questioning why the program's costs have increased. "Were they purposefully underestimating the cost at the outset to downplay how expensive it would be?" he asked. "Or has something happened in the last year that raises questions about how they budget and how they spend their money?"

Mr. Lhota said the need to expand the scope of work only became clear once renovations began and the need for extensive repairs became apparent.

New Yorkers Remember Martin Luther King Jr.



TRIBUTE: A crowd gathered in Manhattan to hear 'I've Been to the Mountaintop' on Tuesday, the 50th anniversary of Dr. King's last speech. He was assassinated the next day, April 4, 1968.

Man Arrested in Girl's Death

BY ZOLAN KANNO-YOUNGS

New York City police on Tuesday arrested a Queens man for allegedly killing his girlfriend's 3-year-old daughter in the Rockaways home they shared, the Queens District Attorney's office said.

Mark Jenkins, 32 years old, was charged with murder in the second degree for allegedly fatally abusing Bella Edwards on Monday. Police found the child

at the family's home at Beach 105th Street "unconscious and unresponsive" at about 6 p.m.

Mr. Jenkins, the only adult in the residence, was applying CPR to Bella when officers arrived, police said. She was declared dead at St. John's Episcopal Hospital.

Bella died from "blunt-force trauma to her abdomen, with other medical studies pending," said Queens District Attorney Richard Brown.

"This is a terribly disturbing case," Mr. Brown said.

"The victim here is an innocent little girl, whose body revealed traumatic abuse injuries. The defendant—who resided with the child's mother—now faces the possibility of life imprisonment."

Mr. Jenkins won't be arraigned until Wednesday and hasn't been assigned a lawyer, said a spokeswoman for Mr. Brown.

Schools Chief Seeks Equity

BY MELANIE GRAYCE WEST

Emphasizing opportunity for students and equity among schools, Richard Carranza on Tuesday addressed hundreds of New York City teachers in Manhattan, his first on-the-job remarks since starting as the city's new schools chancellor.

Mr. Carranza, 51 years old, until last month was the superintendent of Houston schools, the nation's seventh-largest district, serving some 214,000 students across nearly 300 schools. He succeeds Carmen Farina, 74, who retired last week after a career spanning more than 50 years in New York City's school system, which has 1.1 million students in 1,800 schools.

Mr. Carranza addressed an audience of educators and administrators attending a science, technology, engineering and mathematics training event at Manhattan's Stuyvesant High School as, "My people, educators!"

In remarks that lasted about 10 minutes, Mr. Carranza spoke of his experience as a bilingual child growing up in Tucson, Ariz. He also noted his roughly 10 years as a principal and teacher in subjects including music and social studies.

With a seasoned performer's presence—Mr. Carranza plays in a mariachi band—and to cheers, he spoke in Spanish and English, thanking educators numerous times

for their dedication.

He stressed the need for creativity in teaching and drew laughter, making a self-deprecating joke about his height, as he stood on a riser at a podium that the 6-foot-5-inch-tall New York City Mayor Bill de Blasio uses.

"The very future of New York is sitting in our classroom right now," Mr. Carranza says.

He vowed to spend as much time in schools as possible and said one of the roles of an educator is to "lead from a sense of equity" and protect the right of students.

"The very future of New York is sitting in our classroom right now," he said.

In introducing Mr. Carranza, the mayor said he sought a chancellor who was an experienced educator and believed in fairness and consistency throughout the school system.

"We have to ensure that every school improves," Mr. de Blasio said. "I knew we needed a chancellor who believed that much greater things were possible."

The educators applauded Mr. Carranza's effusive gratitude

for the profession, and his own experience in the classroom.

"He seems like one of us, like a teacher who understands what's going on," said Peter Xanthus, a Queens robotics instructor. "The equity in different schools is very apparent, and if that's going to be a focus I think that could help everyone."

Brianne Mytko, a library specialist at a Queens middle school, said Mr. Carranza's words were inspiring. "It's nice to have somebody who has been in our shoes and understands our struggles and the things we are looking to do in our lives and our careers," Ms. Mytko said.

"It was great, the appreciation," said Yvonne Douglan, an elementary school literacy coach. "We are so underappreciated."



Richard Carranza

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METRO MONEY | By Anne Kadet

Modeling the Life of a 13th-Century Friar



When Zubair Simonson converted to Catholicism and got confirmed in 2012, he wasn't satisfied. "OK, I'm Catholic now," the former Muslim thought. "Now how can I be even more Catholic?"

Mr. Zubair, who is 35 years old, does a lot of religious reading and had fallen in love with the story of St. Francis of Assisi, the 13th-century friar venerated for quitting a life of privilege to serve the poor.

While Mr. Simonson wanted to model his life on his medieval hero, the former marketing professional had little interest in becoming a Franciscan friar.

Instead, he joined the Order of Franciscan Seculars—an international fraternity of men and women who often work, marry and raise families, but vow to follow the "Way of Life" outlined by St. Francis in 1221.

Following a three-year formation period, Mr. Simonson pledged to place himself on an equal basis with all people, "especially with the lowly," as the saint's directives prescribe, and to purify his heart "from every ten-

dency and yearning for possession and power."

Pew! It's a tall order for anyone in New York City, the global capital of self-advancement. But Mr. Simonson has company. There are about 400,000 Secular Franciscans worldwide and more than 1,250 live in the New York metro area.

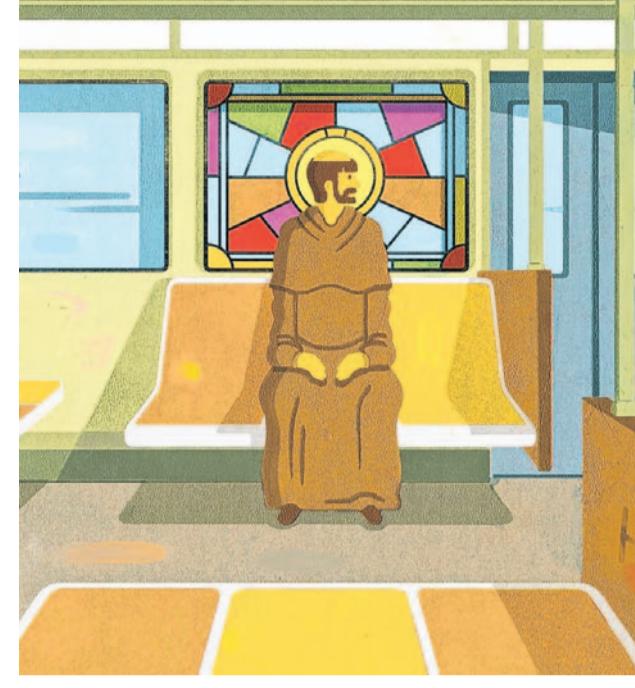
"We're out in the world," says Patricia Clayton, a volunteer minister serving a 30-member fraternity based at the Church of St. Francis of Assisi in Manhattan. "We're in a very unique position to bring Franciscan spirituality to the workplace and to the marketplace."

Members pare their possessions, commit to regular volunteer work and recite Psalms twice a day.

Most wear a Tau cross around their neck—which they refer to as their habit.

They also meet to discuss applying Franciscan principles to daily life.

Mr. Simonson says he's content to share a Queens apartment with roommates and wait tables at the Bubba Gump Shrimp Co., a Times Square restaurant popular with tourists. The job leaves plenty of time for volunteer work and for writing fiction and essays about religion



These days, he says he enjoys learning from a supportive community of like-minded people who share his guiding principles. "We have different backgrounds but the same outlook," Mr. Hasegawa notes.

Some are less extreme. Chris Leone, a 67-year-old lifelong Catholic who joined the order in 2004, is a director at American Express, lives in a four-bedroom house with his wife and children in Parsippany, N.J., and drives a Jeep Compass.

Still, his faith influences every facet of life, including his political views. Mr. Leone, who leans toward the conservative side, says his initial impulse was to keep Syrian refugees out of the U.S., for example. But after careful thinking, he brought his feelings in line with what he believes is the Franciscan position. "We need to welcome these people," he concluded.

To join the order, candidates undergo a three-year formation process that includes classes and fraternity-meeting attendance. It culminates in a ceremony at a Mass where they publicly profess a lifelong commitment to follow the Way of Life.

Not everyone makes the finish line, says Nancy Conroy, a nurse and volunteer formation facilitator for the Franciscan Seculars. Some leave when they realize it's a bigger commitment than joining a prayer group, or discern that God has other plans for them.

Those seeking free group therapy, meanwhile, are encouraged to explore alternatives. "Their neediness gets in the way," Ms. Conroy says. "They are not really called to fraternity."

The process is lengthy but gentle, says candidate-to-be-professed Francesca Ciolino-Volano.

The 68-year-old retired English teacher, now an adjunct professor at Queens College, is volunteering at a women's shelter and giving away unneeded possessions. "I'm a little more attuned to people, a little more sensitive to what they're going through," she says.

The feeling that something was missing has eased, Ms. Ciolino-Volano says. When out shopping these days, she often finds herself reshelfing an item before leaving the store.

"I'm proud of myself," she says. "I'm learning that I don't need a lot."

GREATER NEW YORK WATCH

CRIME

Man Is Sentenced For Ticket Scheme

A New York concert promoter accused of bilking investors in a Ponzi-like scheme involving Broadway hit shows like "Hamilton" was sentenced to 6½ years in prison and ordered to pay back more than \$100 million.

Joseph Meli, 43 years old, was also sentenced Tuesday in Manhattan federal court to three

years of supervised release, while co-defendant Steven Simmons was sentenced to 37 months in prison and ordered to forfeit \$6.9 million, including a house he bought in Wilton, Conn.

Lawyers for Messrs. Meli and Simmons couldn't be reached for comment.

Mr. Meli, federal authorities said, took more than \$100 million from 130 investors over a roughly two-year period until his arrest in 2017, claiming the money would be used to buy

tickets to live events for resale at a profit in the secondary market. Instead, he used some of the money to pay back earlier investors, keeping the money flowing in a Ponzi-style manner, and the rest to pay for his own lavish lifestyle, from a 2017 Porsche 911 Turbo convertible to a house in East Hampton, N.Y., authorities said. Mr. Simmons was accused of defrauding investors in a hedge fund over a roughly four-year period.

—Maria Armenta

NEW JERSEY

Murphy Plans \$100M To Fight Opioid Crisis

Gov. Phil Murphy is proposing \$100 million in new spending to address the state's opioid crisis.

Mr. Murphy, a Democrat, outlined the plan at a news conference on Tuesday at the Rescue Mission of Trenton.

The proposal contrasts with former Republican Gov. Chris Christie's pledge last year to

spend roughly \$200 million on the crisis. But Mr. Murphy said only about \$90 million of those funds have been used.

Mr. Murphy also said the money won't be spent on television advertising. Mr. Christie had appeared in TV and radio spots last year, inviting people with substance-abuse problems to seek help.

The proposal comes as Murphy's \$37.4 billion budget begins moving through the Legislature.

—Associated Press

WESTCHESTER

Teenager Is Charged In Stabbing Death

A 17-year-old girl has been charged in the fatal stabbing of a fellow New Rochelle High School student in January.

Z'lnah Brown pleaded not guilty Tuesday to charges, including murder and manslaughter, in the death of 16-year-old Valeree Schwab.

—Associated Press

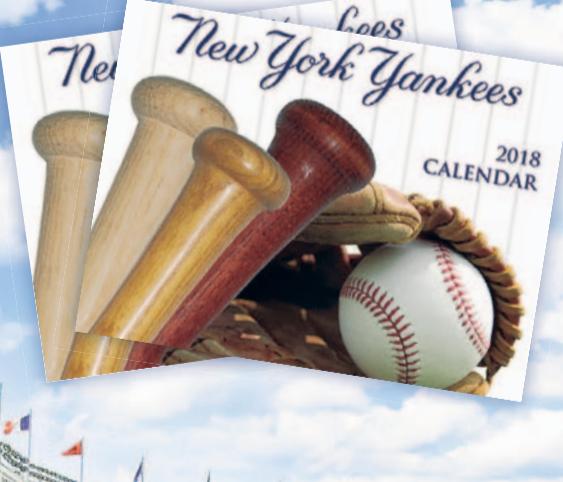
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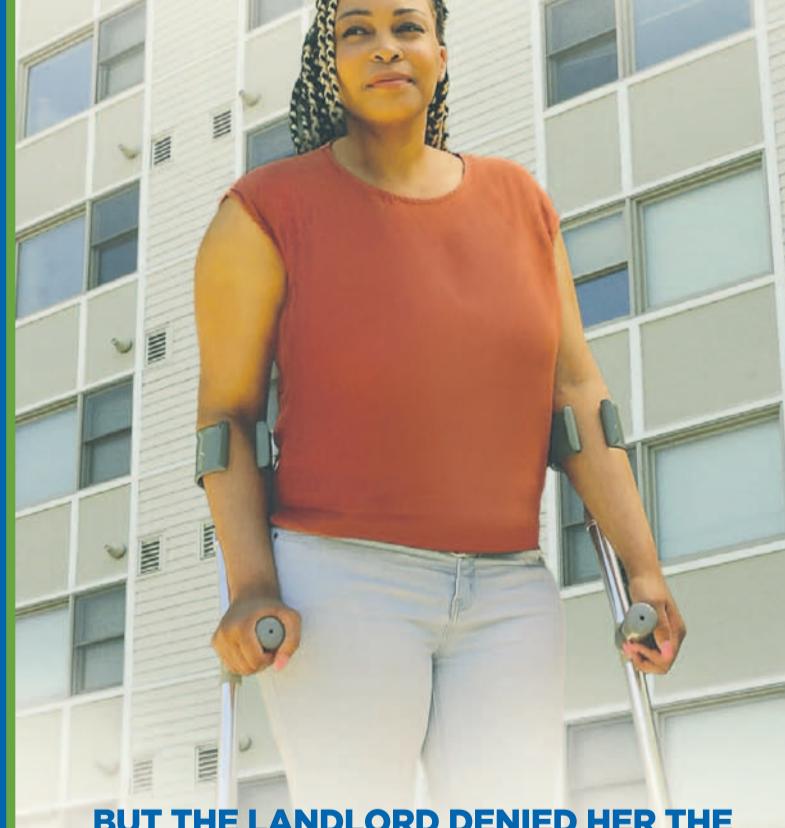
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LIFE & ARTS



Above, a salmon entree for children at Andiron Steak & Sea in Las Vegas; below, Kimchi Udon on the children's menu at Mott Street in Chicago.

FOOD

High-End Dining for Those Still in High Chairs

Top restaurants cater to young foodies and their parents with sophisticated, multi-course children's menus

BY ALINA DIZIK

WHEN AJ HUNTER bit into the second of five courses at Trummer's on Main, he was taken aback. The grape, one of the 8-year-old's favorite school snacks, was delicately wrapped in prosciutto.

"It tasted so good!" he says.

In a food-obsessed era, where Instagram dictates dining choices and children have their own celebrity television chefs, chicken fingers are being replaced by seared fish and fizzy mocktails on restaurant menus.

High-end dining spots are increasingly offering sophisticated meals for children, as they look to attract families, ramp up sales and broaden peak eating times, says Darren Tristano, chief executive at CHD-Exper, a food market-research firm.

"If you are losing out on family dining, you are not just losing the kids, you are losing the parents," he says.

While top-end restaurants have long frowned on parents bringing babies and toddlers into dining rooms, many are now welcoming older children who are less likely to throw tantrums and disturb other diners, Mr. Tristano says.

At Andiron Steak & Sea, a white-tablecloth spot in Las Vegas, children under 12 can order from a children's menu featuring classic steakhouse fare such as seared salmon, steak and asparagus. Meals cost \$10-\$19 and include sides, a dessert and drinks. The cranberry spritzers and sparkling lemonades are offered in highball-style glasses.

For 11-year-old Ruben Mede, ordering a steak, prepared in the same way as his mother, makes him feel grown up. Before digging in to the

7-ounce New York strip (pre-cut, with a side of fries), Ruben uses his own steak knife to cut the meat into even smaller, bite-size pieces.

"I always have it medium," the sixth-grader says. "It's crispy on the outside, but on the inside it's soft and juicy."

Not all dishes make a smooth transition to the pint-size set; chewier lamb chops "weren't super popular," says Elizabeth Blau, the restaurateur behind Andiron who launched the children's menu in 2015.

But presentations that mimic a restaurant's main menu can turn children into loyal diners by the time they are in high school, according to Mr. Tristano. For parents, set menus keep them from having to share their entrees or simply ordering sides for

children and, perhaps more important, allow them to visit restaurants they love without having to book a babysitter.

"Just because [parents] have this small child, doesn't mean their preferences have changed," says Melissa Elders, founder of Nibble+squeeze, a company that hosts fine-dining food events for small children and parents.

Emer Duffy recently attended one such event at Per Se in New York City with daughters Orla, 6, and Maeve, 8. Before the meal, there was a 40-minute Champagne/juice and canapé reception. While adults mingled, children were encouraged to play in an unused room of the restaurant, which had a crafts station and a play space. The area re-



mained open during the meal.

While Ms. Duffy dined on Atlantic tilefish and chargrilled cauliflower, her daughters ate fettuccine chicken Alfredo followed by burgers and fries.

"I liked the sliders," says Maeve, a third-grader. "It was nice to be at a fancy restaurant without behaving like it." Tickets to the sold-out event were \$298 per adult, including a wine pairing, and \$22 for children.

Other fine-dining spots are turning out prix fixe menus specifically for children, like AJ Hunter's five-course meal at Trummer's on Main. The Clifton, Va., restaurant launched its \$38 petit gourmand tasting menu four years ago to help parents feel more relaxed when eating their

Above, a Nibble+squeeze event at Per Se in New York. Left, Ruben Mede, 11, eats a steak on the children's menu at Andiron Steak & Sea.

own \$70-a-person prix fixe meal, says service director Jonathan Harding.

"If the adults want to do a tasting menu, the kids felt left out," Mr. Harding says, ready to leave when they're done with their own meals.

The children's menu changes daily, with the halibut and filet and short ribs among the favorites.

AJ's mother, Jane Hunter, uses the petit gourmand menu as a training ground for her three children. The business development consultant recently took AJ there for his eighth birthday. Between the five courses, which included seared

salmon and a fried risotto ball, Ms. Hunter slipped in some etiquette pointers for her son. "How else do you learn manners as a kid unless your parents take you some place really nice?" she says.

At Plume, a Michelin-starred Washington, D.C., restaurant, the kid's menu includes beverage pairings—nonalcoholic, of course. After young diners choose their meal from a leather-bound menu, servers roll up with a drink cart of sparkling juices and suggest pairings.

Drinks such as the Cuvee No. 25, a sparkling mix of sloe plums, Aronia berries, pears and currants, are served in a miniature Champagne glass for \$12. Children eat with smaller, animal-themed silverware.

Accommodating the children "is

a nice way to break the ice at the table," says general manager Sean Mulligan.

The current menu includes crudité with ranch dressing (\$8), roasted tomato soup with bacon grilled cheese (\$12) and roasted chicken breast with mashed potatoes (\$18). The restaurant, inside the Jefferson Hotel, plans to revise the children's entrees this summer, says Mr. Mulligan. Peanut butter and jelly will be swapped for seared duck breast.

To keep dinner adult-focused, some restaurateurs are coming up with brunch-only offerings.

At Mott Street, an Asian-inspired restaurant in Chicago, chef-partner Edward Kim created a children's brunch menu in November. It has helped attract families to the restaurant right when it opens at 10 a.m., extending the time the restaurant is busy on Sunday mornings by several hours.

Brunch dishes are simplified for children—but "without dumbing it down," Mr. Kim says. The Kimchi Udon is adjusted for young palates by removing smoked bonito fish flakes and salty flying fish roe, though the spicy fermented cabbage remains.

At \$8 each, children's menu items are priced as "loss leaders," Mr. Kim says, but the menu "sends the message to the parents that it's OK that I bring my kids here." The restaurant doesn't offer a children's menu during dinner.

One drawback of offering sophisticated menus for children: fighting off budget-savvy adults. During a recent brunch, one adult diner asked about ordering the children's coconut pancakes. Mr. Kim was quick to decline: "I had to say 'no' to that."

CLOCKWISE FROM TOP LEFT: EMILY BURKE FOR NIBBLE+SQUEAK; JENNA DOSCH FOR THE WALL STREET JOURNAL; RYAN BESHEL/VIVX GROUP; SANDRA WILD



John Krasinski and Noah Jupe in the new movie 'A Quiet Place.'

MOVIES

A NEARLY SILENT FILM MAKES NOISE AHEAD OF ITS OPENING

BY ELLEN GAMERMAN

"A QUIET PLACE," about creatures that kill anyone who screams, is generating an unusual amount of pop-culture noise before hitting theaters Friday.

The horror movie, centered on a family battling demons that have supersonic hearing, sparked a flood of mentions on social media and glowing reviews after its premiere at the SXSW Film Festival in March. It currently enjoys a 100% "fresh" rating on the movie-review site Rotten Tomatoes.

The film is directed by John Krasinski, an actor who played perhaps the least scary character ever to appear on television, Jim Halpert on "The Office."

Mr. Krasinski hadn't previously thought of himself as a horror filmmaker. But the script landed in his lap just three weeks af-

ter the birth of his second daughter, and the story struck him as an allegory for the terrifying responsibility parents feel when faced with the job of protecting their children.

The film's minimal dialogue had the potential to be its greatest strength or its most obvious weakness, he said.

"Without a doubt that was the biggest challenge," said Mr. Krasinski, who stars in the movie opposite his wife Emily Blunt. "We also knew it would be the magic trick if you could pull it off."

Mr. Krasinski, who cut flashbacks with dialogue from the original script, dove into the task of silent storytelling. He used long shots of newspaper headlines to help fill in narrative gaps. To maintain the pace and keep up the tension, he relied on the expressive faces of his actors.

More than once, a character puts a finger

Please see QUIET page A11

LIFE & ARTS

MY RIDE | By A.J. Baime

A Shared Passion for VW Beetles

Bill Jaeck, a retired health-care professional, and **Jody Jaeck**, a retired commercial artist, both 66 and living in Franksville, Wis., on their Volkswagen Beetle convertibles, as told to A.J. Baime.

Bill Jaeck: My history with VW goes back to the 1970s. During the energy crisis, I bought a Rabbit diesel and I remember getting over 40 miles per gallon. One day in 2000, I saw a 1978 Beetle convertible at a classic car dealership near my office. It was springtime and the weather was getting nice in Wisconsin. On a whim, I bought it for \$8,000.

Jody Jaeck: I came home from work that day and when I went to pull into the garage, there was this Beetle sitting in my spot. I was like...what?

Bill: My wife was saying, "We don't need another car!" But she stopped herself midsentence and said, "That's kinda cute."

Jody: I grew up driving Beetles and I have always loved them. I learned to drive stick-shift in my mother's Bahama-blue Beetle. I remember going down the road, learning to work the pedals with cowboy boots on.

Three years after Bill got his Beetle, my best friend's mother wanted to get rid of her 1979 convertible. But she wanted to keep it in the family. Bill bought a one-way ticket to Florida, bought my car for about the same price he had paid for his, and drove it back. The car was originally purchased in Wisconsin, so now it is back home where it belongs.



Bill: The Beetle is a cultural icon. It was first built in Germany during the 1930s. Its name in German means "people's car." Ferdinand Porsche [later known for the Porsche brand] is credited as the original designer. Car-dealer pioneers in the U.S. in the 1950s took a chance on

the VW brand. Very few European cars existed in the U.S. at the time. The Beetle just took off. The car was still being built in Mexico up until 2003. By that time, roughly 22 million Beetles were built.

Bill and Jody Jaeck, left, of Franksville, Wis., and their two Volkswagen Beetle convertibles. The yellow car is from 1978 and the silver one from 1979. The couple built a second garage to keep their two VWs out of Wisconsin's harsh winters.



Jody: You have to drive the car differently than others. For one thing, you don't pass other cars. The Beetle has only 48 horsepower. If you see a hill coming, you try to get a running start, and you don't have to worry about speeding tickets because the car cannot go fast enough. It is one of the most recognizable cars ever built, and people just love them.

Contact A.J. Baime at Facebook.com/ajbaime.



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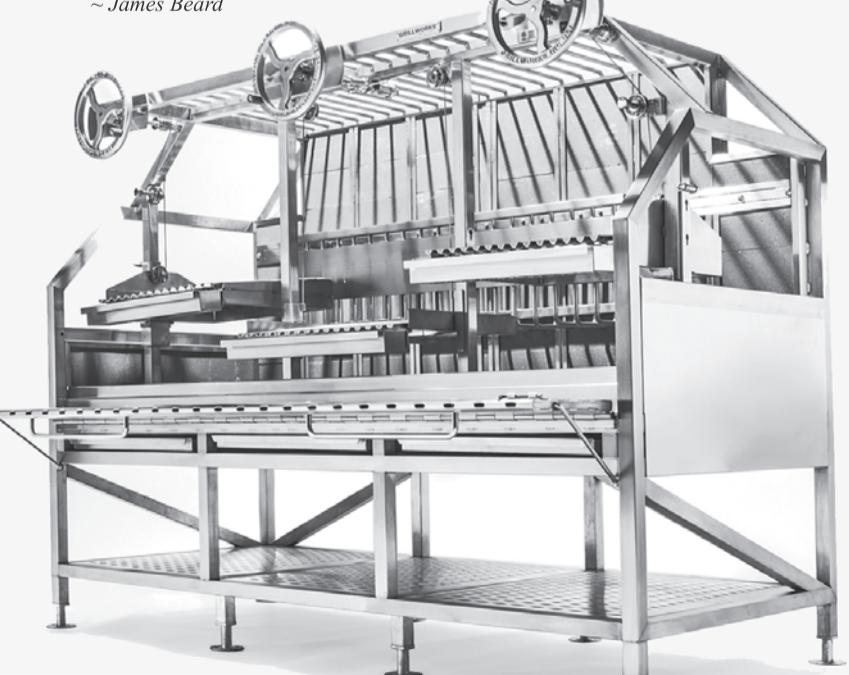
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LIFE & ARTS



BY KAREN WILKIN

Hartford, Conn.
'NO MOVEMENTS.' Only artists," the art historian Eugene Goosen often said. It's good advice. Considering painters and sculptors in groups generates invidious hierarchies—most innovative, most original—that can relegate accomplished but less than dazzling artists to the sidelines. Think of individuals rather than movements, as Goosen suggested, and we will often find that artists in the first rank of those sidelines have made work both rewarding for its own merits and revealing of its time.

Take, for example, the sculptor (and painter) Herbert Ferber (1906–1991), very much part of the Abstract Expressionist scene, a close friend of Mark Rothko's and, among other distinctions, a charter member of The Club, the legendary gathering place and debating locus of the New York School. Ferber exhibited at prestigious vanguard galleries, and was included in many Museum of Modern Art exhibits and numerous Whitney Annals (precursors of the Biennials), as well as in the Whitney's seminal Bicentennial survey "200 Years of American Sculpture." "Ferber" may not be the first name to come to mind when we think about post-World War II American sculpture, yet his work is both serious and perfectly encapsulates the period's aspirations for eloquent forms and gestures that embody the artist's interior life. He was also the first sculptor to create a kind of installation art.

"Herbert Ferber: Space in Tension," the first monographic show

ART REVIEW

Abstract Expressionism's Forgotten Sculptor

now at the Wadsworth Atheneum Museum of Art in Hartford. The show presents Ferber whole, through a thoughtful selection ranging from small Surrealist-influenced, expressionist bronzes made in the early 1940s to generous copper and brass constructions made in 1990, along with canisters dating from 1959 to 1989, which are accorded equal attention. (The brushy shapes of the paintings, with their limited palette of saturated Indian red, ochre, black and occasional blue, often enter into a conversation with the three-dimensional sweeps of the sculptures, but they're less compelling.)

Like his colleague and exact co-eval David Smith, Ferber explored Surrealism's anxiety-provoked hybrid anatomical forms in his early abstract works. His small "Dragon"

(1947) and large "Apocalyptic Rider II" (1947), with their vaguely sinister spikes and swells, owe a lot to Alberto Giacometti's "Woman With Her Throat Cut" (1932), a splayed figure, part crustacean, part insect, with a nubby arch suggesting both vertebrae and trachea. Some of Smith's early sculptures, made a decade before Ferber's, are similarly indebted. (Smith had a head start on Ferber, who studied both art and dentistry, and pursued both disciplines until the 1950s.) But Smith's Surrealist-inspired sculptures are welded together from discrete elements, like the pioneering constructions made by Pablo Picasso and Julio González beginning in the late 1920s, while Ferber's works are singular objects modeled and cast in bronze.

The difference is worth noting, since the tensile strength of steel allows for free drawing in three-dimensions, to produce works permeated by space, made of slender, linear elements and flat planes. It's no surprise that Ferber eventually adopted welded construction methods, since all of his sculptures in Hartford depend on the interplay of solids and voids—a characteristic emphasized by the exhibition's subtitle, "Space in Tension," extrapolated from his statement "Sculpture moves in space, pierces space and holds it in tension," presented as a wall text. But while Ferber sometimes included slender bars, his solids, deployed like calligraphic

strokes, are usually laboriously constructed, long, slightly irregular, and hollow. After about 1960, he often worked directly in sheet brass or steel, although some bronzes made then contain elements identical to those in the brass constructions. We never learn, however, what materials Ferber used before having his sculptures translated into bronze, nor when the exhibited works were cast, nor whether those casts are unique. Inexplicably, the labels, wall texts, and accompanying catalog offer minimal information; there's no chronology or exhibition history.

As Ferber's sculpture evolved, he simplified forms and the play of curves against planes became clearer. Flat shapes were slotted casually together and even the blunt-edged, hand-built solids became more economical. Occasionally, he played constellations of short, crisp bars against softer forms, syncopating the rhythm. Some later works, such as the exhibition's delicately balanced "Pennington II" (1979), remind us of Ferber's expansive public sculptures (necessarily absent at Hartford, but unfortunately not documented by photographs), which are often notable for their athletic progression along the ground.

Ferber's most satisfying works may be his "Homage to Piranesi" series, made in the 1970s: loose gatherings of brass or steel planes levitating within tapering cages of delicate bars. They dramatize the contrast between the clean lines of the open "containers" and the undulating planes within. If only that pioneering entire room of installation sculpture had been re-created.

Herbert Ferber: Space in Tension
Wadsworth Atheneum Museum of Art, through July 29

Ms. Wilkin is an independent curator and critic.

QUIET

Continued from page A9
to his or her lips in a "shhh." The family communicates using sign language.

When it came to scares, Mr. Krainski used sound effects, music and long stretches of silence. "I saw 'Black Panther' and the amount of sound, that's wall to wall, it's sort of an assault on your senses," he said. "What I found is the assault on your senses is just as powerful by taking sound out."

The 38-year-old director said he wants viewers to find clues to the movie hidden in the sets. It is never explained why the family walks on sand, for instance. It must be because leaves crackle.

The floor of a farmhouse is painted with spots for the family's deaf daughter, played by the deaf actress Millicent Simmonds. The markings guide her away from creaky floorboards that she wouldn't hear otherwise.

Producers Andrew Form and Brad Fuller, whose previous horror credits include "The Purge" movies, read the first version of the script about 18 months ago. "It was hard for us to wrap our head around it," said Mr. Form, adding that they were used to seeing scripts with 120 pages, not a slim screenplay about half as long. But



Emily Blunt and Millicent Simmonds, who plays her daughter, in 'A Quiet Place.'

after producing plenty of reboots like their 2010 version of the 1984 slasher movie "A Nightmare on Elm Street," they were thirsty for original material.

"Horror traditionally has gone down a route where you have five or six kids and

they slowly get picked off one by one—we are certainly guilty of making a lot of movies like that," said Mr. Fuller. "We wanted to challenge ourselves to come up with a concept that hadn't been seen before."

The movie wasn't finished when Para-

mount Pictures made a push to submit it to SXSW. The Austin, Texas, festival was given a rough version of the film without many of its visual effects, but nevertheless chose it for its high-profile opening night.

The \$17 million film was finished just 24 hours before the premiere. "We watched that movie with the audience. That was the first time we'd ever seen it complete with all the visual effects and sound mixed in," said Mr. Fuller. "It was incredibly rewarding that it was accepted in the way it was."

Social-media activity around the movie—including its trailers, TV spots, reviews, mashups and fan-created material—reached a combined 65.9 million views on YouTube, Instagram, Facebook and Twitter, according to RelishMIX, which analyzes social-media data for movies and TV. By comparison, "Get Out" opened last year with 40.3 million views across major social-media platforms before surging as the horror film went viral, according to RelishMIX.

The intense silence of "A Quiet Place" can get to audiences. At some screenings, for example, producers noticed that viewers weren't touching their popcorn.

"People feel they need to be quiet," said Mr. Fuller. "It's like mob rule—if someone starts crunching loudly, the rest of the theater is going to go after them."

SPORTS

NCAA TOURNAMENT

Villanova Jumps to Elite Class

BY RACHEL BACHMAN

San Antonio
TEN SECONDS remained in the NCAA men's basketball championship Monday when a fan held up a hand-lettered sign: "2016 déjà vu."

The Wildcats not only had overpowered a hot-streaking Michigan team, 79-62, to win their second national championship in three years. They had done it with 31 points from Donte DiVincenzo, a bench player people call the Michael Jordan of Delaware.

The Wildcats have won more games in the past four years than any other program in Division I history, more than Duke, Kansas or Kentucky. But Villanova's budding dynasty wasn't constructed with high school superstars with freakish wingspans and 12-month college enrollment plans.

It's been built with players one rung below that. Villanova has become the sport's most surprising juggernaut by recruiting players skilled enough to excel against major-college competition but unpolished and eager enough to stick around. The Wildcats keep players on campus as long as possible—through strategy and luck—and turn them into champions.

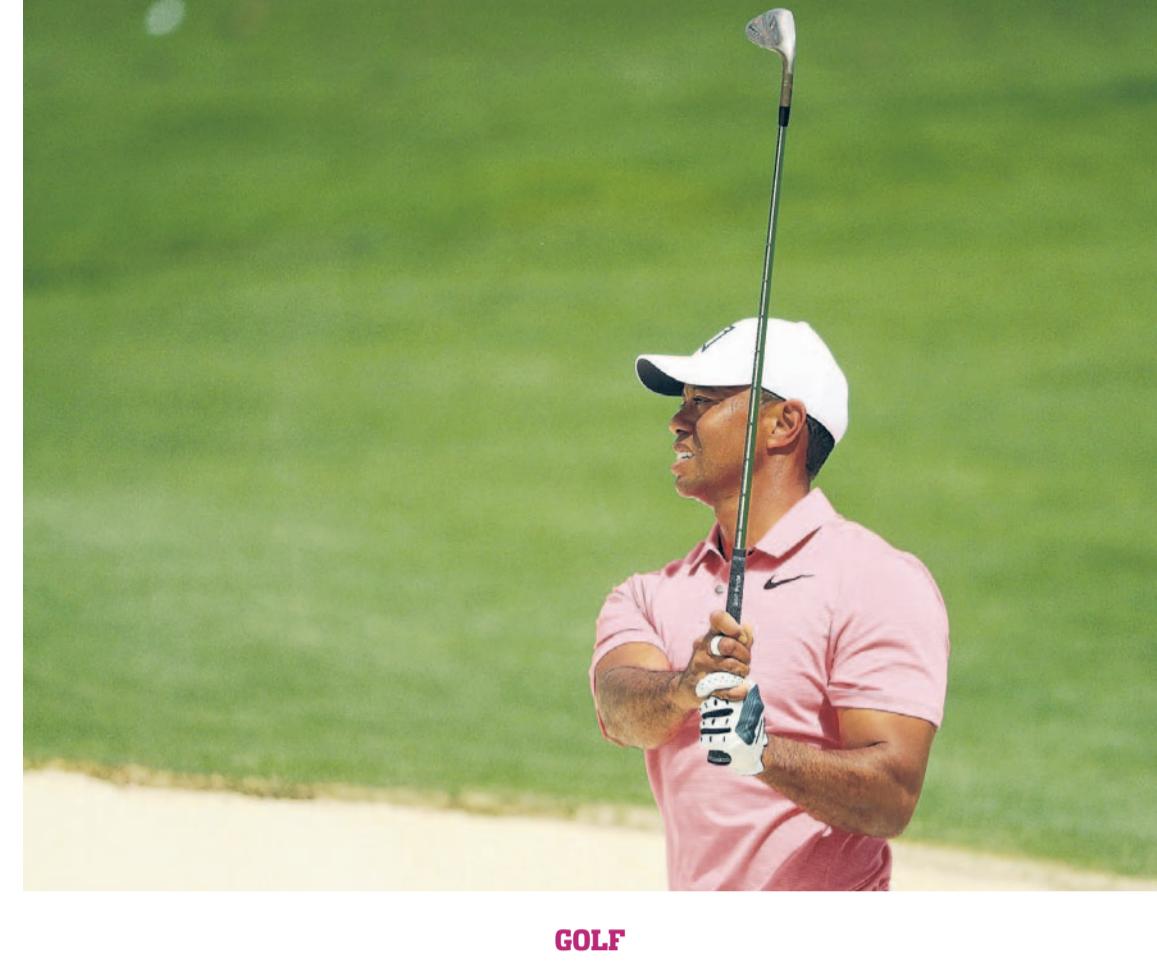
"We may not have the guys that are the one-and-done, that get all the accolades coming out of high school," Villanova assistant coach Ashley Howard said. "But we have guys that won in high school, guys that won state championships, won league championships, that come in here and they're accustomed to winning."

Over the past five years, the Wildcats' classes were ranked an average of 37.2 in the nation, according to 247sports.com. If recruiting rankings translated into NCAA tournament performances, Villanova might not get past the first round.

"We can't get the one-and-done guys," Villanova coach Jay Wright said. "We're trying. We really are."



Villanova guard Donte DiVincenzo



GOLF

Tiger Woods's Backyard Course

Woods's improbable comeback took root on his four-hole mini-course

BY BRIAN COSTA

IN THE WEEKS

leading up to the Masters, Tiger Woods can often be found practicing his short game around an Augusta National hole. Its features are familiar to anyone who has watched the tournament: an elevated green, wavelike putting surface, deep bunkers and an apron cut so tight that it might as well be concrete.

Except this hole is more than 400 miles south of the storied club—right in Woods's backyard. It is a generic replica of a typical Augusta green, part of a four-hole mini-course behind his Jupiter Island, Fla., mansion. And it is where Woods's improbable comeback took root, months before even he could imagine it.

The speed with which he has returned to contention, coming off a fourth back surgery that left him unsure if he would ever play again, has surprised even his true believers.

Tournament golf was supposed to be a major adjustment for Woods. But beyond his legendary golf intellect and newfound health, he also has an advantage that few people ever saw: Nobody

does more to simulate tournament conditions within steps of their own backdoor.

Some other golfers have home putting and chipping greens. Woods has 3.5 acres designed by his company and maintained by a full-time superintendent who was formerly on staff at Augusta National. Green speeds are set to mimic wherever Woods is playing next. The sand used in each bunker varies to match the types found at different sites.

"The conditions are probably the most critical factor in him being able to come back as quickly as he did," said Notah Begay III, the Golf Channel analyst and longtime friend of Woods. "They're pristine. They're firm. There's different heights of grass."

Without leaving home, Woods can hit just about any shot up to 150 yards from a hole. A dive into his performance data this year reveals just how significant that is.



Overall, Woods ranks seventh on the PGA Tour this season in strokes gained, which quantifies the value of each shot based on the number of strokes a player gains relative to the rest of the field. That's impressive, but it includes his performance off the tee, which has been erratic.

If you count only putts, shots around the green and approaches from inside 150 yards, Woods comes out No. 1 on Tour in strokes gained. Put another way: If Woods

Below, a rendering of the practice facility Tiger Woods built in his yard.

could reduce golf tournaments to only the shots he can practice at home, he'd already be the best player in the world again.

"It was just a matter of getting my feel for tournament golf again," Woods said. "I think I have. I feel like I'm not really thinking as much around the golf course. I can just see and feel it and go, and that's just because I got my feels back again."

Some things, like the crowds and rhythms of a tournament round, are not easily replicable. For most everything else, there is Woods's backyard.

While his house was being built, following his purchase of the oceanfront property for around \$40 million in 2006, Woods had his design firm sketch out the backyard. The idea was to allow him to replicate as many tournament shots as possible.

The facility required some elaborate work. Woods's team installed a SubAir system, which essentially vacuums the moisture out from under the greens. To avoid relying on a municipal water grid for maintenance, they drilled a 1,200-foot well.

For much of the past four years, Woods wasn't healthy enough to make much use of the area. But it proved especially valuable as Woods recovered from his latest surgery, a fusion procedure in April 2017. For weeks, he would receive clearance from his doctor to practice only in short increments of time. His home country club, Medalist, is about 20 minutes away by car.

"If he had to drive 20 minutes to the golf course to putt for 20 minutes, he probably wouldn't have done it as much," said Bryon

Bell, a longtime friend of Woods who is president of TGR Design.

More than any other golfer, Woods also needed a place where he could work in solitude. One of the biggest obstacles to him making a comeback was the scarcity of places where he could rediscover his game without intense public scrutiny.

If you're in basketball, you can call your old

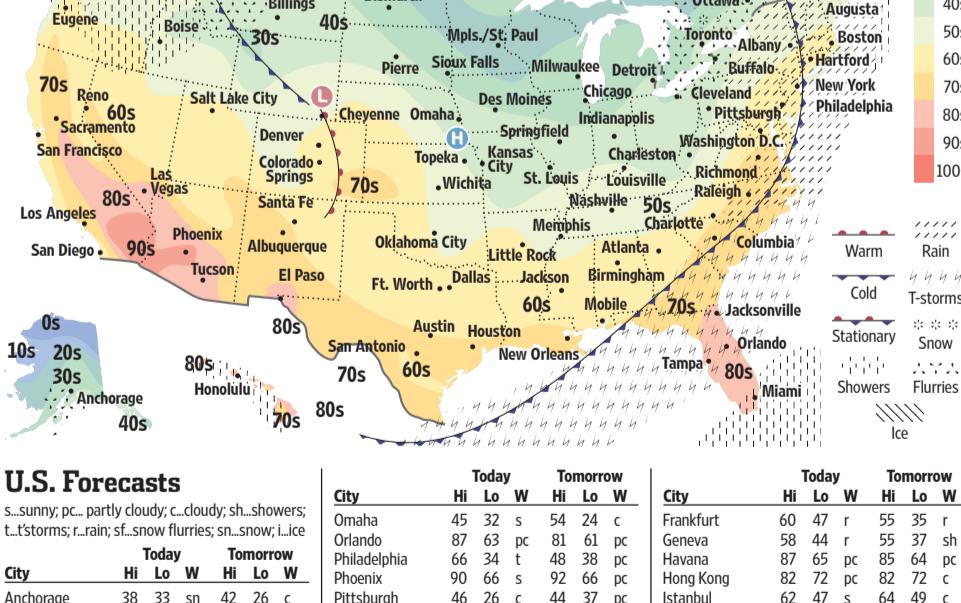
high school coach, sneak off to the gym when no one is there and practice by yourself," Begay said. "But Tiger Woods can't sneak onto any facility, public or private, in this country and go unnoticed."

Before he was cleared to take full swings, Woods invited two players who live nearby, Rickie Fowler and Justin Thomas, over for putting contests.

Fowler said Woods won most, if not all of them. "It was home-course advantage," he said.

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



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 Anchorage 38 33 sn 42 26 c

Atlanta 61 39 pc 66 50 s

Austin 71 48 s 78 67 pc

Baltimore 66 34 t 51 38 pc

Boise 57 44 pc 60 48 sh

Boston 61 32 r 45 32 s

Burlington 55 20 r 36 26 pc

Charlotte 69 37 t 65 47 s

Chicago 37 24 pc 42 30 c

Cleveland 41 28 c 43 37 sic

Dallas 66 47 s 76 63 pc

Denver 64 36 pc 65 36 pc

Detroit 40 26 sf 44 34 pc

Honolulu 81 75 sh 82 72 sh

Houston 72 51 s 75 67 pc

Indianapolis 41 27 pc 51 39 pc

Kansas City 44 34 s 59 31 c

Las Vegas 85 63 s 86 64 pc

Little Rock 61 36 s 68 49 pc

Los Angeles 72 55 pc 70 57 t

Miami 86 69 sh 83 69 pc

Milwaukee 34 21 c 38 28 c

Minneapolis 29 16 s 38 15 sf

Nashville 56 33 pc 63 50 pc

New Orleans 70 54 pc 74 61 s

New York City 64 34 t 36 36 pc

Oklahoma City 59 41 s 69 49 pc

International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 57 43 r 50 36 r

Athens 72 55 s 73 56 pc

Bahrain 83 56 p 85 57 pc

Bangkok 90 79 t 90 76 t

Beijing 52 34 c 52 38 c

Berlin 66 47 pc 57 35 pc

Brussels 58 41 r 51 38 s

Buenos Aires 81 60 s 85 56 s

Dubai 91 76 s 91 77 s

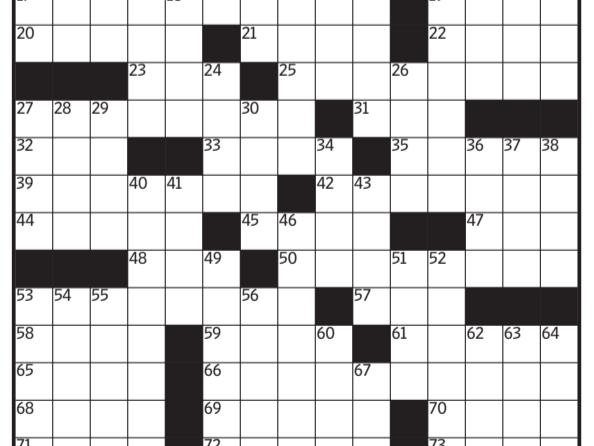
Dublin 44 28 r 47 43 c

Edinburgh 42 28 r 48 45 pc

AccuWeather

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The WSJ Daily Crossword | Edited by Mike Shenk



PAYMENT TERMS | By David Alfred Bywaters

- | Across | Down |
|--|---------------------------------------|
| 1 Reddish brown | 23 Fireplace fuel |
| 5 Cries weakly | 48 Throw in |
| 10 "Bee-ba-da-di-bah-da-bam!" in a jazz club, e.g. | 50 Emulate Adam Rippon |
| 14 About a third of all land | 53 How poets are paid? |
| 15 Second-deepest U.S. lake | 57 Emulate Mikaela Shiffrin |
| 16 Lomond, e.g. | 58 Qualification to a taxer's claim |
| 17 How astronauts are paid? | 59 Height, in combinations |
| 19 Designer of some of Mata Hari's costumes | 61 Debate topic |
| 20 Nike pattern | 65 Retreat |
| 21 Classic gas | 66 How mattress salespeople are paid? |
| 22 They're fed with praise | 42 How e-cigarette vendors are paid? |
| | 68 Company's wares |
| | 69 Part of a bomber name |
| | 70 Ready for publication |
| | 44 Motionless |
| | 45 High point |
| | 47 Carry-on spot |

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

71 Charles Foster Kane never forgot his

72 Attack

73 "See ya!"

Down

- 1 Hanging on every word
- 2 Manual reader
- 3 Throne room address
- 4 Steamed snack
- 5 Sizable geol. features
- 6 Facility
- 7 Small talk?
- 8 Imprecise
- 9 Spanish spouse
- 10 Get rid of, as a hangover
- 11 Willow in Buckingham Palace, e.g.
- 12 Penn or Pitt
- 13 The ones right here
- 14 Fan's favorite
- 15 Attendee
- 16 Combat playfully
- 17 Impediment for Hannibal
- 18 Russian refusal
- 29 Gene's "Young Frankenstein" co-star
- 30 Patagonia growler
- 34 Gp. founded in Baghdad
- 36 Euphonium's cousin
- 37 Put out
- 38 Director Clair
- 40 Like some coffees and teas
- 41 Quaint, in store names
- 43 Results of some split decisions?
- 46 Pantomime character
- 49 Shade alternative
- 51 Milk choice
- 52 Fate
- 53 Some tablets
- 54 Tablet reading
- 55 Cologne's water
- 56 Embarrassing outburst
- 60 City once known as Christiania
- 62 Crush in a can
- 63 Textbook section
- 64 Intro Spanish word
- 67 Swimmer Thorpe

Previous Puzzle's Solution

SEWIS	SUMP	STNS
LIVAN	AGRA	ATRITA
MESA	CHICK	FLICK
ONAPAR	SKIT	FEED
NUBU	DECTH	THESES
SPINALL	TAPE	DELEGOR
TEABAGS	BUTRATE	
IMDOWNT	VERSE	
SMART	SLIDES	
AGS	FILET	
APENLOU	TEETH	
PENNYPINCH	ROPE	
PECOS	CALIF	ANAT
SLYLYS	EMIT	PEINS

OPINION

The Fuel-Economy Reality Show

**BUSINESS WORLD**
By Holman W. Jenkins, Jr.

D o n a l d Trump reality show this week turns to overhauling the Obama fuel-economy mandate. Let's recall a few things about how those rules were born.

Team Obama's target of 54.5 miles per gallon, as a congressional investigation later found, was not the product of science and engineering but the White House's desire for an impressive sounding "headline number." (The decimal was apparently included to show the White House had a sense of humor.)

So full of loopholes, credits

(including for electric cars) and testing fudge was the scheme that the real outcome is now estimated at closer to 36 mpg. To this day, the media touts the White House's 2011 claim of CO2 cuts of "6 billion metric tons over the life of the program." Hunt down the authoritative source, the EPA's Regulatory Impact Analysis filed with its final rule-makings, and it turns out the estimated savings are only 2.96 billion tons "over the lifetime of vehicles" covered by the program.

Not that the difference between six billion and three billion is meaningful. Total human emissions over the same

period would be at least two trillion tons. The atmospheric reservoir currently holds about two trillion tons. Indeed, one consequence of chronic journalistic incuriosity on climate issues is that governments get away with "green" initiatives that are so ludicrously puny in relation to the biosphere, they amount to costs without benefits.

Then there's this: While Mr. Obama was in office, the scheme was deliberately designed to prop up Detroit's pickup and SUV profits so the administration could claim a successful auto rescue. A Toyota lobbyist called it a "second bailout for Detroit." Still another enticement for the Big Three and UAW to participate in the Obama reality show was today's "midterm review," allowing the onerous 2022-2025 targets to be reduced once Mr. Obama was gone from office.

In fact, our fuel-economy regime is best understood as an example of what the late economist Mancur Olson, not to mention many subsequent students of democratic sclerosis, would call reflexive elaboration of bureaucratic processes for their own sake.

The original purpose in 1975 was to offset the perverse effects of U.S. crude oil price controls that no longer exist. New justifications have been grafted on willy-nilly (energy independence, climate change). And yet if the program disappeared tomorrow, the only ones who would notice are the bureaucrats who enforce it. The nation's

car-buying and driving habits would hardly be hugely different. Even environmentalists, when the public isn't listening, admit this approach to curbing fossil-fuel use is insane. Car buyers inevitably will seek to recoup their forced investment in fuel-saving technology by driving more miles (the so-called rebound effect).

The Obama rules were always designed to provide a sound bite and then be repealed.

Yet consider the New York Times's unreasoning umbrage last week that the Trump administration might roll back the stated targets when industry lobbyists had only sought more fudge in the form of electric-car credits and bonus points.

But the effect would be the same either way. The Trump administration's approach is just more honest—more reality, less show.

Then we have Oregon Sen. Jeff Merkley, who in his typically juvenile press release insisted on Monday that Mr. Trump and EPA Administrator Scott Pruitt are "OK with more childhood asthma."

Uh huh. President Obama was OK with more childhood asthma too, since he didn't set even steeper targets or ban gasoline altogether. The proper analysis, of course, starts with acknowledging trade-offs. Mr. Merkley would

have to be a different kind of politician to contribute usefully to such a discussion. He reminds us that Mr. Trump's role in degrading our political discourse can be exaggerated. It's just that Mr. Merkley lacks the president's knack for getting his idiocies widely broadcast.

Mr. Trump's main innovation is the chaos he creates with his tweeting. Yet he may prove a deceptively standard president nonetheless, his success determined by a few broad initiatives, not the daily palpitations of the cable news. His tax reform changed the incentives facing investors. His deregulation push amounts to a fairly predictable reaction to the excesses of his predecessor.

You may have heard dire warnings that this time is different because California and 12 other states have taken advantage of past waivers to set their own fuel mileage rules. Catastrophically, auto makers would be forced to build two sets of cars for different parts of the country.

Don't buy it. Of the 240-plus car models offered in the U.S., dozens are already compliant with California rules. California car shoppers might be stuck with fewer choices compared with the rest of the country. They might have to pay higher prices for the penalized, noncompliant vehicles available elsewhere. Talk about a reality show. All in all, this would amount to a useful lesson in living with the consequences of the policies they voted for.

BOOKSHELF | By Stephen Brumwell

When the Rock Was a Hard Place

GibraltarBy Roy Adkins and Lesley Adkins
(Viking, 449 pages, \$30)

In September 1944, at the height of World War II, Prime Minister Winston Churchill issued an extraordinary directive. Despite his many other distractions, Churchill was concerned about the dwindling population of Barbary macaque monkeys on the Rock of Gibraltar, where a British naval base stood guard over the narrow straits linking the Mediterranean and the Atlantic. According to legend, as long as the monkeys remained on Gibraltar, so would the British. Alive to the importance of maintaining wartime morale, Churchill ordered that no effort be spared to bolster their numbers.

Gibraltar was not just a strategically vital outpost for the British. It held immense significance as a symbol of national strength and stability. That reputation, still reflected today in the saying "as solid as the Rock of Gibraltar," rests largely upon an episode that occurred more than two centuries ago, after America's Revolutionary War escalated into a global conflict.

In "Gibraltar," Roy and Lesley Adkins have reconstructed the dramatic sequence of events that occurred from June 1779 to February 1783, when the Rock's garrison and civilian population defied repeated French and Spanish attempts to break their resistance. The confrontation involved devastating artillery barrages, ingenious innovations of weaponry and striking set-piece clashes, lending weight to the claim of the book's subtitle that this was "the greatest siege in British history."

Gibraltar had already witnessed many sieges throughout its history by the time the British captured it from Spain in 1704. The 1713 Treaty of Utrecht permanently ceded Gibraltar's town, castle and port to Great Britain, but recovering the Rock—which is separated from Spanish territory by a narrow, sandy isthmus—has remained to this day an enduring objective for Spain. Thus when the country declared war on Britain in June 1779, its alliance with France was conditional upon a French commitment that Gibraltar be restored to Spanish rule.

Spain's first move was to establish a blockade around Gibraltar by land and sea, calculated to starve its defenders into submission. To maintain the supply of bread, Gibraltar's governor, Lt. Gen. George Augustus Eliott, ordered his troops to stop powdering their hair with flour. But the situation swiftly worsened. Soldiers subsisting on salted meat began suffering from scurvy, a potentially fatal disease caused by a Vitamin C deficiency. When the blockade was temporarily broken in January 1780 by Adm. George Brydges Rodney, Gibraltar's occupants were disappointed that he brought few fresh provisions. Luckily, a captured Danish vessel soon yielded a consignment of life-saving lemons.

In 1781, the British sailed to save Gibraltar from Spain and France. In doing so they made an error that helped Gen. Washington win at Yorktown.

Entering the siege's second year, Spain tested Gibraltar's defenses with gunboats and blazing "fireships," all the while inching its trenches forward over land, ready to unleash a close-range bombardment. Both sides of the fight were aware that this was a momentous struggle. Many recorded their experiences in journals and letters. The Adkins have diligently pieced together a lively and compelling narrative, laying bare the grim realities of the siege, from the grinding everyday hardships of hunger and cold to the numbing terror of incessant bombardment.

From the start, the Rock's perilous situation diverted British resources from North America, but as the siege dragged on, it became instrumental in ending Britain's hopes of crushing the American rebels. London's decision to send Vice Adm. George Darby to relieve the hard-pressed garrison resulted in a second successful breaching of the blockade in April 1781, but Darby's absence from the Breton port of Brest allowed a substantial French flotilla to leave unopposed and eventually contribute to the force that enabled Washington and Rochambeau to snare the British army at Yorktown. "While Darby's convoy sailed to save Gibraltar," the authors write, "across the Atlantic Britain lost America."

Now, at long last, the Spanish deployed their heavy artillery in a devastating, continuous onslaught that only stopped when the gunners took their midday siesta. The town was destroyed, with heavy casualties inflicted upon soldiers and civilians alike. "The showers of shot from the enemy are beyond credibility," wrote Pvt. Samuel Ancell. "The ear is stunned with the multiplied sounds." After the blasts revealed cellars in which merchants had been hoarding food and alcohol, a shocking collapse of discipline among the Redcoats ensued, leading to drunken looting that continued until Gov. Elliott hanged the worst offenders.

Hitting back at the Spanish, the British hacked tunnels outward to the rock face that improved their fields of fire and invented a gun capable of shooting down the cliffside at an almost vertical angle. In November 1781, Gov. Elliott authorized a sortie that destroyed the Spanish gun emplacements on the isthmus, a scene later commemorated in a spirited canvas by the American Revolution painter John Trumbull.

Long after Yorktown, the fate of Gibraltar remained undecided. In August 1782, a third relief fleet under Adm. Richard Howe assembled at Portsmouth. Before Howe's convoy could arrive at Gibraltar, however, the Great Siege reached its fiery climax. On Friday, Sept. 13, the French and Spanish opened fire from 10 floating batteries ahead of a full-scale infantry assault. Constructed to resist shot and deflect shells, the squat craft were equipped with internal water pipes for dousing fires. But the British gunners retaliated with a relentless storm of red-hot cannonballs, igniting explosions that created great mushroom clouds of dust and debris, ultimately burning all the boats. Col. William Picton described one stricken ship as "a most perfect artificial firework" and a "continued sheet of vivid fire, from stem to stern."

Amid the carnage, British sailors risked their lives to rescue hundreds of former enemies. Soon reinforced by Howe's fleet, the defenders held out until February 1783, when tidings of peace finally ended the epic siege. As Roy and Lesley Adkins demonstrate in their fine book, such indelible episodes go far to explain why Gibraltar's long ordeal captured the imagination of contemporaries—and why the Rock's future continues to matter to Britons and Spaniards today.

Mr. Brumwell's books include "Turncoat: Benedict Arnold and the Crisis of American Liberty," to be published in May.

California: A 'Sanctuary' for Criminals

By Michelle Park Steel

I was born in South Korea and raised in Japan. My family moved to the U.S. when I was a teenager and worked through the legal immigration process. It was difficult and time-consuming,

but we achieved our version of the American Dream—like the millions who came before us.

Today this system is being threatened as California moves closer to becoming a sanctuary state, with local law enforcement under order to disregard federal law and protect illegal aliens. That's why, as a member of the Orange County Board of Supervisors, I voted to join a federal lawsuit against Senate Bill 54, the sanctuary law Gov. Jerry Brown signed last year.

The law prohibits state and local law-enforcement officials from informing federal authorities when an illegal alien who has committed a crime is being released from custody. Instead of protecting

American citizens, politicians in Sacramento have prioritized the safety of alien criminals. They are provided privileges that American citizens don't receive—all while endangering innocent people.

The state threw out the rule of law, but Orange County will join the resistance.

California has already seen its share of unnecessary tragedies. It was the lack of partnership and communication between local and federal law enforcement that allowed a five-time deportee with multiple felony convictions to be released by a local sheriff's department. He went on to murder Kate Steinle, an innocent 32-year-old woman in San Francisco.

Yet many local leaders seem unconcerned. In Febru-

ary Oakland Mayor Libby Schaaf warned illegal aliens of planned arrests by the Immigration and Customs Enforcement. Ms. Schaaf's political stunt endangered the public by allowing illegal aliens, many of whom had committed crimes, to avoid arrest, and it put at risk the safety of the federal officers conducting the raid.

In Orange County, we reject this kind of reckless behavior. As a member of the Board of Supervisors, I have a say in how to improve my community of 3.2 million residents.

We are home to large groups of immigrant communities, and we fully embrace the diverse cultures of our immigrant population.

Our concern is about criminal illegal aliens who are falling through the cracks because our sheriff can't talk to federal immigration agents.

On March 27 I introduced a resolution to condemn the state sanctuary law and to direct county counsel to take legal action. Every Orange

County supervisor present voted in favor. We currently are reviewing the best ways in which to intervene in the federal government's lawsuit against California.

States cannot simply opt out of federal laws they don't like. If tomorrow California decided that the First Amendment was a nuisance and passed legislation to restrict this constitutional right, Americans wouldn't accept the new law.

I came to this country with a great respect for the freedom and safety that the Constitution affords its citizens.

Condemning the sanctuary law has nothing to do with race or politics. It's about protecting Americans and their constitutional rights.

There's a long road ahead in fixing our broken immigration system, but, along the way, local law enforcement should cooperate fully with the federal law.

Ms. Steel is an Orange County, Calif., supervisor.

**BUSINESS WORLD**
By Holman W. Jenkins, Jr.

D o n a l d

Trump reality show this week turns to overhauling the Obama fuel-economy mandate. Let's recall a few things about how those rules were born.

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(including for electric cars) and testing fudge was the scheme that the real outcome is now estimated at closer to 36 mpg. To this day, the media touts the White House's 2011 claim of CO2 cuts of "6 billion metric tons over the life of the program." Hunt down the authoritative source, the EPA's Regulatory Impact Analysis filed with its final rule-makings, and it turns out the estimated savings are only 2.96 billion tons "over the lifetime of vehicles" covered by the program.

Not that the difference between six billion and three billion is meaningful. Total human emissions over the same

period would be at least two trillion tons. The atmospheric reservoir currently holds about two trillion tons. Indeed, one consequence of chronic journalistic incuriosity on climate issues is that governments get away with "green" initiatives that are so ludicrously puny in relation to the biosphere, they amount to costs without benefits.

Then there's this: While Mr. Obama was in office, the scheme was deliberately designed to prop up Detroit's pickup and SUV profits so the administration could claim a successful auto rescue. A Toyota lobbyist called it a "second bailout for Detroit." Still another enticement for the Big Three and UAW to participate in the Obama reality show was today's "midterm review," allowing the onerous 2022-2025 targets to be reduced once Mr. Obama was gone from office.

In fact, our fuel-economy regime is best understood as an example of what the late economist Mancur Olson, not to mention many subsequent students of democratic sclerosis, would call reflexive elaboration of bureaucratic processes for their own sake.

The original purpose in 1975 was to offset the perverse effects of U.S. crude oil price controls that no longer exist. New justifications have been grafted on willy-nilly (energy independence, climate change). And yet if the program disappeared tomorrow, the only ones who would notice are the bureaucrats who enforce it. The nation's

car-buying and driving habits would hardly be hugely different. Even environmentalists, when the public isn't listening, admit this approach to curbing fossil-fuel use is insane. Car buyers inevitably will seek to recoup their forced investment in fuel-saving technology by driving more miles (the so-called rebound effect).

The Obama rules were always designed to provide a sound bite and then be repealed.

Yet consider the New York Times's unreasoning umbrage last week that the Trump administration might roll back the stated targets when industry lobbyists had only sought more fudge in the form of electric-car credits and bonus points.

But the effect would be the same either way. The Trump administration's approach is just more honest—more reality, less show.

Then we have Oregon Sen. Jeff Merkley, who in his typically juvenile press release insisted on Monday that Mr. Trump and EPA Administrator Scott Pruitt are "OK with more childhood asthma."

Uh huh. President Obama was OK with more childhood asthma too, since he didn't set even steeper targets or ban gasoline altogether. The proper analysis, of course, starts with acknowledging trade-offs. Mr. Merkley would

not cure what ails us.

The political philosophers

of classical antiquity

understood that despite our existence as separate individuals, we are all connected organically to our fellow citizens. If our neighbors are feeling pain, eventually we will too.

Disease that begins in one

in the rising living standards of urban Americans, or if many minority groups feel they cannot succeed no matter how hard they try, or if women remain vulnerable even as they rise—or if native-born Americans believe that newcomers' success comes only at the cost of their own.

The Talmud asks why the Second Temple was destroyed. The answer: from within, by "senseless hatred."

Is it any different with us today? Our worst enemy is not Vladimir Putin; it is the partisan rancor that makes it all but impossible to do what we know in our hearts is necessary and right to heal our country.

In his first inaugural address, President Bill Clinton said: "There is nothing wrong with America that cannot be solved by what is right with America." I believed this when I first heard it in 1993. A quarter-century later, I still do. We need not look outside our civic creed for the sources of national renewal.

But this creed will not work on its own. We must re-read our national story as if for the first time. We must reclaim it, make it ours, for our time. Only then can we move forward as Franklin D. Roosevelt in his final, undelivered message to the country said we must, with a firm and active faith.

This is why it is so important to extend the perimeter of opportunity. We cannot be a healthy society if residents of small towns and rural areas witness but cannot share

the rising living standards of urban Americans, or if many minority groups feel they cannot succeed no matter how hard they try, or if women remain vulnerable even as they rise—or if native-born Americans believe that newcomers' success comes only at the cost of their own.

States cannot simply opt out of federal laws they don't like.

If tomorrow California decided that the First Amendment was a nuisance and passed legislation to restrict this constitutional right, Americans wouldn't accept the new law.

I came to this country with a great respect for the freedom and safety that the Constitution affords its citizens.

Condemning the sanctuary law has nothing to do with race or politics. It's about protecting Americans and their constitutional rights.

There's a long road ahead in fixing our broken immigration system, but, along the way, local law enforcement should cooperate fully with the federal law.

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OPINION

REVIEW & OUTLOOK

The Fuel Economy Fraud

The Environmental Protection Agency on Monday took the Obama fuel economy rules off autopilot. This is good news for consumers, automakers and the U.S. economy, but the Trump Administration's big test will be negotiating around the political potholes.

Corporate average fuel economy (Cafe) standards are a vestige of the 1970s gas shortages. Like the Nixon-era price controls, the fuel standards were intended to reduce gas consumption. But the environmental left long ago hijacked the rules to impose their vision of an electric-car future.

In 2012 the Obama EPA turned up the Cafe dial and mandated a fleetwide average of 54.5 miles a gallon by 2025 with a midpoint review in 2017. After President Trump won the election, Obama EPA chief Gina McCarthy blazed through the review and upheld the 2012 targets no matter the economic and technological obstacles.

Passenger cars were about half of U.S. vehicle sales in 2012 when gas averaged \$3.60 a gallon. But last year they made up only about a third of the fleet mix, and their share has been declining amid lower gas prices. This will make it nearly impossible to hit future targets even with cleaner technologies. By the Obama EPA's own projections, fewer than 1% of gas-burning vehicles would meet its 2022 target.

Many automakers have met EPA's targets so far by selling small and electric cars at a loss, and some have shifted production to lower-cost Mexico. Fiat Chrysler CEO Sergio Marchionne has estimated that his company loses \$14,000 on each Fiat 500e.

But in 2016 for the first time most manufacturers complied with the standards by using regulatory credits that the EPA provides for efficient air-conditioning systems, electric cars and flex-fuel vehicles that can run on ethanol. These green indulgences can be stored and traded. During the 2016 model year, Fiat Chrysler bought 21.9 million credits. Honda sold 20.7 million. The credit scheme is an income transfer that has SUV and truck consumers indirectly subsidizing electric and small cars—which typically means rural and suburban residents subsidizing city dwellers. This subsidy would grow as the targets rise.

EPA Administrator Scott Pruitt last year put the brakes on the Obama rules for the 2022-2025 model years and will now initiate a formal rule-making to revise the targets. Consumers should be allowed to buy the cars they want regardless of gas mileage. But if that's politically infeasible, Mr. Pruitt should

Pruitt is right to rewrite rules that are mostly honored in the breach.

aim to fix Cafe's biggest problems.

While U.S. automakers have wanted a review, they've been cagey about endorsing lower targets. "We support increasing clean car standards through 2025 and are not asking for a rollback" but merely "additional flexibility," Ford Chairman Bill Ford and CEO Jim Hackett wrote on Medium last month.

Manufacturers have floated alternatives like not accounting for the carbon emissions generated in fueling electric cars. But battery-powered cars aren't a carbon-free lunch since fossil fuels account for 63% of U.S. electric generation. Others ideas include awarding more credits for electric cars and other politically favored technologies. But credits distort business decision-making and raise costs.

Credits do allow manufacturers and regulators to signal their green virtue, however, and car makers don't want to get on the wrong side of the politics. They may also figure that a future Democratic Administration would ratchet the targets back up. But the existing standards are a fraud that deserves to be exposed.

* * *

Mr. Pruitt's other challenge is California. The 1970 Clean Air Act prohibits states from adopting their own auto-emissions rules. But amid oppressive smog in the 1960s, California was allowed to request a waiver. The Obama EPA granted California a waiver in 2009, but then imposed stringent rules that were adopted by the Golden State. Mr. Pruitt says he wants to maintain one national standard. Under the law, Mr. Pruitt cannot reject the waiver unless he can demonstrate that California "does not need such standards to meet compelling and extraordinary conditions."

This will require some legal and scientific finesse, but one important point is that carbon emissions don't contribute to smog and were not considered a pollutant until the Supreme Court's *Massachusetts v. EPA* (2007) decision. California's earlier waivers for tailpipe pollutants like NOx were granted because its smog was worse than in the rest of the country. That's not true of its carbon emissions. In any case, Congress never intended California to use the waiver to usurp federal regulatory control as it has done with its electric-car mandate, which nine other states have adopted.

California's rules won't even make a dent in global carbon emissions, though they erode Congress's authority to regulate interstate commerce. Mr. Pruitt's revision of emissions standards won't help consumers or automakers nearly as much if California can impose its own.

The Spotify Launch

Spotify Technology gave the equity markets a shot of adrenaline Tuesday, as it launched public trading in its shares that gave the music-streaming company a market value of \$26.5 billion. That's among the 10 largest tech initial-public offerings ever, and it is all the more impressive for launching amid investor nervousness about political scrutiny for big tech companies.

Much has been made of Spotify's decision to launch without investment-bank underwriters. This saved the company tens of millions in fees—and hurt the Hamptons beachfront housing market—even as it gave early investors and employees a chance to turn equity into cash. The direct listing also meant there was no fixed initial price established for the IPO. The New York Stock Exchange published a reference price of \$132 a share that was quickly exceeded

A welcome addition to U.S. public markets for non-rich investors.

in initial trading before the shares closed at \$149.01. On the available evidence late Tuesday, the unusual launch looked like a success.

The listing on the NYSE is also good news for U.S. public capital markets and, perhaps, non-wealthy investors. The pool of publicly traded companies has been shrinking, as more companies delay going

public or remain private to avoid the regulatory costs and reporting burdens of Sarbanes-Oxley. Private investors and dark pools are doing the bulk of capitalist financing.

This means there has been less opportunity for Americans to share the wealth from innovation and new business success. Spotify has competition in music streaming, and an investment in its shares is a bet on management as much as on its business model. But America can't prosper without entrepreneurs and investors who take risks, so welcome to public trading.

A Model for Licensing Reform

In Nebraska you need more training to massage a horse than a human. Rub a horse without a license and you risk a criminal charge and up to four years in jail and \$35,000 in penalties. Such barriers to entry hurt sore steeds, workers and the economy, so it's good news that Nebraska lawmakers are considering an occupational licensing reform that could be a national model.

Nebraska is like many states that have built up barriers to work due to lobbying by special interests. For horse massagers, veterinarians are the monopoly culprits. The Cornhusker State requires bureaucratic permission to work in nearly 200 professions, including 63 lower-income occupations that are the labor force entryway for the poor and least skilled.

Enter the proposed Occupational Board Reform Act that says the state should "use the least restrictive regulation to protect consumers." This means, for example, that the state could use alternatives like periodic inspections to guarantee clean and safe hair salons and barber shops. That would spare cosmetologists and barbers some 16 months of training.

Nebraska lawmakers have reformed outrageous occupational licenses one at a time, but this would allow wholesale reform. Legislative committees would review 20% of existing licensing requirements annually. They'd consider whether a license is really necessary, whether the training requirements are overly burdensome, and whether the certification is abused to exclude competition. The committees would also examine whether it's less time-

How to make it easier for Americans to work in a skilled trade.

and cash-intensive to get the same licenses in neighboring states.

The annual review would occur when Nebraska's Legislature is not in session. This lessens the potential for lobbying by licensees who benefit because current rules protect their professional turf. Lawmakers would later have the option of bundling the

various committee recommendations for an up-or-down vote, further insulating them from political pressure from rent-seeking guilds.

The bill would also help Nebraskans with criminal records find work. The average lower-income license in the state requires nearly four months of training. Licensing boards currently decide if past convictions are disqualifying only after applicants do the training. The new legislation would let Nebraskans with a criminal record request a binding decision before they invest time and money. Recidivism rates are lower in states where former criminals can find gainful employment.

A vote is expected in the next two weeks, and the Nebraska bill enjoys the support of some Democrats, Republicans and libertarians—even the American Civil Liberties Union. The Nebraska model was built in consultation with the Institute for Justice, and lawmakers in Louisiana and New Hampshire have introduced similar bills.

More states should take up the cause. Red tape smothers the one in four Americans who are forced to obtain a license before working. Creating opportunity should be a priority across party lines.

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.

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LETTERS TO THE EDITOR

Mick Mulvaney Replies to Elizabeth Warren

I write to correct misrepresentations made by Sen. Elizabeth Warren in "Republicans Remain Silent as Mulvaney's CFPB Ducks Oversight" (op-ed, March 29) regarding my leadership of the Consumer Financial Protection Bureau.

She claimed that the planned restructuring of the Office of Fair Lending and Equal Opportunity ignores a congressional mandate that the office "shall have such powers and duties . . . including providing oversight and enforcement of Federal laws." In fact, Sen. Warren used an ellipsis to conceal that these functions are discretionary; the statute states that the office "shall have such powers and duties as the Director may delegate to the Office, including."

She claims that actions I have taken to secure sensitive information are illegitimate because my data security concerns are unjustified—a claim that ironically rests upon her mischaracterization of unauthorized leaks to her staff by bureau employees. In fact, the bureau has suffered hundreds of breaches of consumers' personally identifiable information.

She claims that Congress gave the bureau only one political appointee and mandated that it hire all other employees based on merit. Not only is there no such mandate, the bureau is authorized by law to hire excepted service employees, and this is a common occurrence among independent regulatory agencies.

She claims that I "summarily killed" the bureau's payday rule. In fact, the bureau announced only its intention to revisit the rule, a process which will proceed in accordance with the normal rule-making requirements.

If Sen. Warren is unsatisfied with my responses to her frequent inquiries, I would remind her that she is the one who conceived of the bureau to be "free of legislative micromanaging" and who recently reiterated that "the whole idea" of the Bureau was to "insulate it from political influence to the extent possible."

By amending the Dodd-Frank Act, Congress can bring permanent accountability and transparency to the bureau. In the bureau's recently issued semiannual report to Congress, I included several legislative recommendations to accomplish exactly those goals. I invite Sen. Warren and other Democrats in Congress to join Republicans in this effort.

MICK MULVANEY
Acting Director, CFPB
Washington

There has never been such a powerful and unaccountable regulator in

STEVE MCKENNA
Denver

If Oregon's So Free, Where Is the Opposition?

Regarding your editorial "The Free Speech States" (March 26): Oregon's politics are totally dominated by education and public-employee union closed-shop dues that support Demo-

Delay of Confirmation Has Been a Bipartisan Tactic

Regarding your editorial "Breaking the Schumer Stall" (March 28): I suspect that Sen. Chuck Schumer might be more inclined to cooperate with Sen. Mitch McConnell had the Republican leader not resorted to somewhat different but no less reprehensible tactics with the Merrick Garland Supreme Court nomination. The problems, of course, with this unworthy "tit for tat" behavior are: 1) People undeserving of such treatment are left floundering, victims of tiresome political gamesmanship. 2) Perhaps more important, the country is left without the potential services of ostensibly talented individuals sorely needed to fill the dozens of open slots at upper levels of government.

MARTIN L. LIPSON

Potomac, Md.

Sen. McConnell has within his power another solution to the confirmation conundrum. No rule change is needed as our Founding Fathers saw the dangers inherent in vacancies of critical government positions and addressed the problem in Article II, Section 2 of the Constitution. If the Senate simply recesses, it will empower the president "to fill up all Vacancies that may happen during the Recess of the Senate, by granting Commissions which shall expire at the End of their next Session." President Trump could then exercise his constitutional power to fill vacant critical government positions by recess appointments.

There's no end to public-employee raises and benefits, truncated school years and the annual need to address a \$25 billion (and growing) public-employee pension-benefit deficit with mandatory budget diversions to the Public Employee Retirement System.

We don't do infrastructure, we continue to shrink education, we have almost zero state financial support of public higher education.

The downside to money as free speech is that it protects and grows public-employee union abuse of our Oregon public institutions. The resulting single-party government becomes immune to oversight and punishment.

JOHN THOMAS JR.
Independence, Ore.

The People's Republic of Oregon is a one-party state bereft of normal checks and balances. It's less free than it has ever been. The Institute for Free Speech's index isn't ready for prime time.

JOHN D. TRUDEL
Newberg, Ore.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Ahh, Spring, finally we can open a window and smell some fresh weed-killer."

OPINION

Trump Keeps His Predecessors' Promises

By Bobby Jindal

In response to Donald Trump's election, Democrats have suddenly rediscovered the blue-collar voters and middle-class households left behind by technological innovation and global trade. Like a penitent fasting during Lent, liberal statesmen have confessed that they didn't spend enough taxpayer money on new redistributive programs. If only they had done more of what they had wanted to do in the first place.

What else could explain the sudden rise of supposedly nativist, protectionist and isolationist forces? Or Mr. Trump's victory, which the self-proclaimed experts failed to predict?

He's not the first to argue for tariffs, border security and an embassy move—only the first to deliver.

In this case America's elites are uncharacteristically too humble: They do not give themselves enough credit for the politics they helped create.

Mr. Trump's populism is the direct result of the establishment's hypocrisy. He is implementing policies that more-mainstream figures from both political parties have promised for years but then failed to accomplish. In this way, they built the demand for the actions they now denounce as destructive and even racist. Moving the U.S. Embassy in Israel to Jerusalem,

pushing back against China's unfair trade practices, securing the border—aren't those just empty campaign promises? No candidate thinks he can actually get them done, right? Somebody forgot to tell Mr. Trump.

Start with foreign policy. A bipartisan chorus of Washington mandarins complains that the U.S. is retreating from international leadership, creating a void increasingly filled by a rising China. Yet Mr. Trump is simply doing what his predecessors pledged to do. Before 9/11 intervened, George W. Bush promised a "humble" foreign policy and fewer overseas deployments. In 2008, Barack Obama criticized Mr. Bush for being more focused on rebuilding Iraq than America, and he promised to do the reverse. Mr. Obama opposed the Iraq surge, but as president announced his own surge in Afghanistan. Then when President Obama began to draw down troops there, he said America needed to focus on "nation-building here at home."

Despite the rhetorical flourishes—and Mr. Obama was gifted at those—he was pilloried by the left for leaving residual U.S. forces in Iraq and Afghanistan, for selling arms to the Saudis despite their war in Yemen, for ineffectively seeking regime change in Syria and Libya, and for provoking Russia over Ukraine. Mr. Obama's failures in execution cannot disguise the gap between his campaign rhetoric and reality. The Obama White House continued in a bipartisan tradition of saying America should not be the world's policeman, then acting as if just the opposite were true.

On trade, Mr. Trump's plans to impose tariffs on steel and aluminum,



The president with a memo targeting China's economic aggression, March 22.

and Clinton both voted for the Secure Fence Act, which President Bush signed into law. Then in 2013, every Democrat in the Senate voted for a comprehensive immigration reform that included 700 miles of border fencing. Yet today Mr. Trump's wall is described in near-apocalyptic terms.

True enough, President Trump has wrapped his policy proposals in harsher rhetoric than his predecessors, and he threatens to go much further than they contemplated. It is also true, however, that many of his actions were previously promised by Democrats and Republicans alike. Now that there's a politician who finally seems to be doing in office what he pledged to when campaigning, voters can be forgiven for supporting him—and for wondering why this makes him or them "deplorable."

The lesson is that rhetoric matters. Establishment politicians have been borrowing nationalist rhetoric to win elections and then maintaining the same old activist foreign policy, free trade and lax immigration enforcement. They have spent years offering cheap talk, with no intention of following through. Now they are shocked that Mr. Trump, an outsider, does not play their sophisticated game.

If they believe in a liberal, multilateral world order, governed by institutions and rules they see as being threatened by Mr. Trump's ethos of America First, they should make that case—but they should trust voters enough to do it honestly.

Mr. Jindal was governor of Louisiana, 2008-16.

Martin Luther King: 'We Can't Keep On Blaming the White Man'



UPWARD MOBILITY
By Jason L. Riley

After Martin Luther King Jr. was shot dead 50 years ago as he stood on the balcony of a motel in Memphis, Tenn., riots broke out in more than 100 cities. There were also reports of violence on college campuses and even on military bases overseas, where some black soldiers refused to report for duty.

Federal troops were sent to Baltimore. In Chicago, Mayor Richard J. Daley ordered police to "shoot to kill" arsonists and "shoot to maim" looters. In Washington, so many fires were set that you couldn't see the U.S. Capitol because of all the smoke. Gen. William Westmoreland, who commanded the U.S. forces in Vietnam and happened to be in Washington at the time, said the unrest had left the nation's capital looking "worse than Saigon did at the height of the Tet offensive."

President Lyndon B. Johnson responded by convening a meeting of the nation's most prominent black

activists, and the invite list is instructive. It included A. Philip Randolph, who led the fight to desegregate the military; Whitney Young, head of the National Urban League; Roy Wilkins, leader of the NAACP; and Bayard Rustin, a top adviser to King who had helped organize the seminal 1955 bus boycott in Montgomery, Ala., and the 1963 March on Washington.

It almost goes without saying that the leading civil-rights organizations today can no longer count people of that caliber in their ranks. Which may be the clearest indication yet that the movement is over and that the right side prevailed. If black Americans were still faced with legitimate threats to civil rights—such as legal discrimination or voter disenfranchisement—we would see true successors to the King-era luminaries step forward, not the pretenders in place today who have turned a movement into an industry, if not a racket.

WORLD NEWS

Refugees In for Long Stay in Bangladesh

Some 700,000 Rohingya have crossed the border from Myanmar since August; aid groups are preparing for more

BY BEN OTTO

COX'S BAZAR, Bangladesh—Sprawling and ramshackle camps housing hundreds of thousands of Rohingya refugees in Bangladesh are quietly taking on features of more permanent settlements—with roads, bridges, schools and medical centers.

The transformation is a tacit acknowledgment by aid agencies—and the Bangladeshi government—that the Rohingya won't be returning soon to villages in neighboring Myanmar that they have fled since last August to escape ethnic and religious violence.

Leaders of Bangladesh, one of the world's poorest and most densely populated nations, have insisted that Buddhist-majority Myanmar take back the Rohingya, who are largely Muslim, and ensure their safety. There is little sign that is likely to happen in the near term.

In a report last month, United Nations agencies and 89 other aid organizations said they needed roughly \$1 billion—which would likely come from member states and other donors—for the rest of 2018 to manage the situation in Bangladesh. The report said aid groups were planning for the possibility of up to 80,000 more arrivals.

"At the moment, our understanding is that there's a two-year time frame that we can plan," said Azmat Ulla, head of the Bangladesh office of the International Federation of Red Cross and Red Crescent Societies.

Hundreds of refugees, on average, are arriving each week from Myanmar, where the authorities have used bulldozers to raze Rohingya villages and build military bases, according to an Amnesty International review of satellite images last month. Yanghee Lee, a U.N. special rapporteur for human rights, said last month that the military-led campaign bears "the hallmarks of genocide."

Myanmar has said its crackdown targeted Rohingya militants it accused of staging terrorist attacks, and that the refugees are welcome to return if they can demonstrate prior residency. The military cleared itself of wrongdoing in an internal report in December, though it later admitted some fault in the instance of one mass grave.

Win Myat Aye, Myanmar's minister for social welfare, relief and resettlement, said Tuesday that the government is working to speed up a repatriation process for the displaced Rohingya, and would follow through on an international commission's recommendations to improve human rights in Rakhine state, where the crackdown took place.

Around Kutupalong refu-

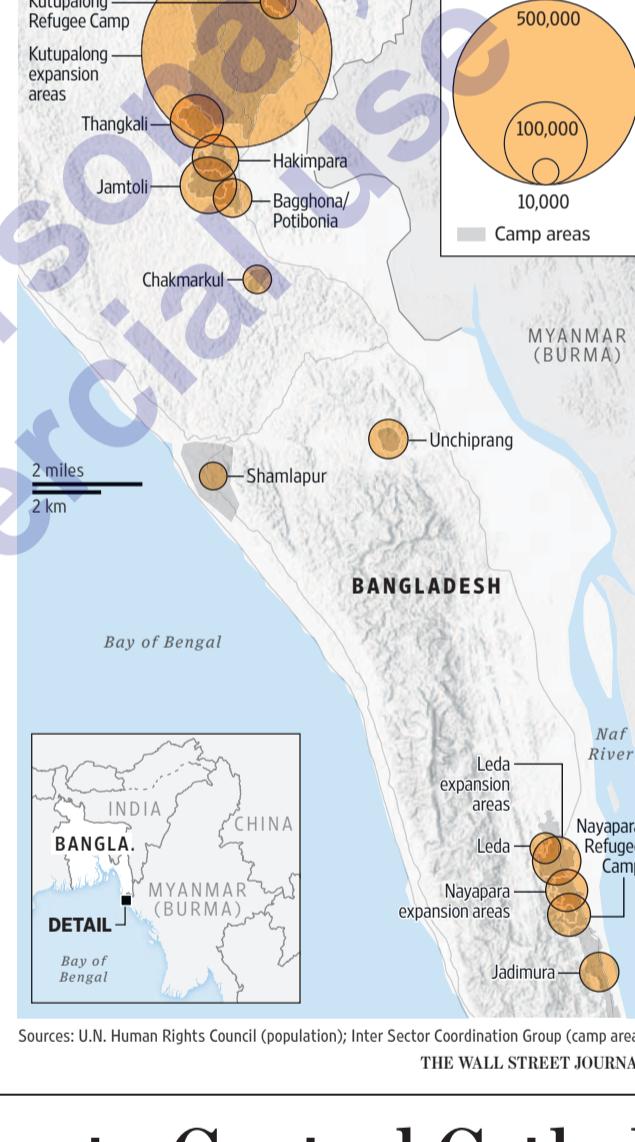


Rohingya camps are taking on features of more permanent settlements. Here, a bamboo bridge spans rice paddies in Chakmarkul, and in Kutupalong a girl sings at a school.



Digging In

Some 700,000 mainly Muslim Rohingya from Myanmar have taken refuge in southern Bangladesh since a military crackdown began in August 2017.



Sources: U.N. Human Rights Council (population); Inter Sector Coordination Group (camp areas)

Malaysia Allows Refugees to Enter

A boat carrying 56 Rohingya from Myanmar survived a weekend storm before being intercepted Tuesday by Malaysia's navy, which allowed the refugees to come ashore there on humanitarian grounds, Malaysian officials said.

It was the first boatload of refugees confirmed as having left Myanmar for Southeast Asia this year.

An exodus of Rohingya fleeing the violence in Myanmar by sea had been feared for months but failed to materialize. A crackdown on human trafficking by nations along the Andaman Sea route has mostly held since 2015, after tens of thousands of Rohingya migrants on rickety boats fled to Thailand, Indonesia and Malaysia. Hundreds perished at sea that year.

Rohingya activists and analysts following the conflict said it was unlikely that Tuesday's passage signaled a return to high levels of sea escapes by members of the minority group. The monsoon season begins this month and will make the Andaman Sea virtually impassable.

On Tuesday, when the boat arrived in Malaysian waters, the country's Maritime Enforcement Agency said the refugees were being processed by the immigration department.

—Jon Emont

WORLD WATCH

ISRAEL

Deal to Resettle Migrants Is Canceled

Prime Minister Benjamin Netanyahu ditched a deal with the United Nations to resettle thousands of African asylum seekers, in a move that shows the pressure he faces from his right-wing coalition partners.

Some 35,000 African migrants in Israel now face uncertainty over their fate after years of battling a plan to send them back to Africa. The agreement with the U.N. would have relocated thousands of them to Western countries, while allowing about half to stay in Israel.

Earlier, the head of the right-wing Jewish Home Party, Naftali Bennett, who is both a senior coalition partner and a political rival of Mr. Netanyahu, had said any deal "would turn Israel into a paradise for infiltrators."

—Dov Lieber

MALAYSIA

Law Sets Penalties For False Reporting

Parliament passed a law prohibiting "fake news" that opponents say will inhibit free speech ahead of national elections.

The law makes "maliciously" spreading or creating false news

punishable by up to six years in prison and a fine of up to \$129,450.

The law can be implemented within days and invoked against citizens of other countries if their news reaches Malaysia. Critics said it would impede discussion of the financial scandal involving state investment fund 1Malaysia Development Bhd.

—Yantoultra Ngui

FRANCE

Strikes Put Macron's Reforms to the Test

President Emmanuel Macron faced paralyzing transport and utility strikes across France as workers and students protested his plans to overhaul the public sector.

Trains ground to a halt and waste-treatment plants were blockaded on Tuesday. Protests spread to universities where thousands of students staged demonstrations against tougher new entrance requirements.

The actions are a test of Mr. Macron as he embarks on a series of contentious changes to welfare, taxes and pensions. He argues the reforms are necessary to address low growth and high unemployment after his predecessors backed away from overhauls when faced with protests.

—Nick Kostov

BY EVA DOU

BEIJING—A senior Chinese religious-affairs official signaled that the pope's authority in China will be limited even if the Vatican and Beijing reach a landmark compromise on the appointment of bishops.

Chen Zongrong said Tuesday the Chinese government is making concerted efforts to conclude the agreement, which would end a decadeslong rift. Under the compromise, China would select bishop candidates, but the pope would have veto power—an arrangement meant to end the appointment of rival clerics.

In most of the world, the pope has sole authority to appoint bishops.

Asked at a news conference whether the agreement infringes on religious freedom by limiting the pope's authority to appoint bishops, Mr. Chen said, "I cannot agree with such an opinion."

"China's constitution is clear....Foreign forces cannot be allowed to interfere with China's religious environment and religious affairs," he said.

China's stance is likely to fuel criticism by those in the church who question the wisdom of a deal between Pope Francis and Beijing.

The Rev. Bernardo Cervelera, editor in chief of Rome-based magazine Asia News, said the government's policy paper should give the Vatican pause, since it shows that even with an agreement, China's political leaders "will always totally control the life of the church." Asia News is published by the Pontifical Institute for Foreign Missions and has been largely critical of the negotiations with China.

Vatican officials and other proponents have said that the compromise, in addition to doing away with rival bishops, will unite Catholics in China, divided for six decades be-

tween those who accept the government-backed church and those who reject state authority and worship in unauthorized churches.

The Vatican said Thursday a deal wasn't "imminent," following reports there could be a breakthrough. Mr. Chen declined Tuesday to say what obstacles remain, but said the two sides maintain open communications.

Mr. Chen held the press conference to introduce a government policy paper on religion. His comments reflect an enduring view in Beijing that the government must retain control over religious groups,

especially as rapid social change and rising living standards encourage more Chinese to turn to religion.

The policy paper calls government authority over religion a necessity for the nation's independence, saying Western faiths like Christianity "had long been controlled and utilized by colonialists and imperialists."

The policy paper says Islamic leaders must keep their followers clear of extremist views, and covers issues including the commercialization of Buddhist and Taoist temples and the burning of environmentally harmful incense.

Mr. Chen said the government estimates China is home to 200 million religious believers, double the number in 1997. Party members, he said, should support atheism, though nonmembers are free to follow religious beliefs.

In a sign of a broad government reorganization approved last month, Mr. Chen appeared at the press conference as "former vice administrator" of the State Administration for Religious Affairs. He said he and his colleagues are awaiting new titles, as the religious agency is being subsumed by the United Front Work Department, a Communist Party bureaucracy.



Bishop Li Shan celebrates an Easter Mass in Beijing last weekend.

GREG BAKER/AGENCE FRANCE PRESSE/GETTY IMAGES

China Vows to Control Catholic Bishops

PERSONAL TECHNOLOGY: HANG A 'DO NOT DISTURB' SIGN ON YOUR IPHONE B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, April 4, 2018 | B1

S&P 2614.45 ▲ 1.26% **S&P FIN ▲ 1.38%** **S&P IT ▲ 1.01%** **DJ TRANS ▲ 2.00%** **WSJ \$IDX ▲ 0.15%** **LIBOR 3M 2.321** **NIKKEI (Midday) 21272.86 ▼ 0.09%**

All-stock bid is said to be below company's current market valuation of \$12.5 billion

BY JOE FLINT
AND KEACH HAGEY

CBS Corp. has made an offer to acquire Viacom Inc., in a bid that is contingent on its management team being at the helm of the merged entity, according to people familiar with the matter.

The all-stock offer is below Viacom's current market valuation of \$12.5 billion, the people said. A special committee of CBS board members tasked with handling negotiations pre-

sented the offer to a special committee of Viacom's board in recent days.

In its offer, CBS proposed that Chief Executive Leslie Moonves and President Joe Ianniello would run the combined company for the foreseeable future, which could make Viacom CEO Bob Bakish an odd man out.

Both CBS and Viacom are controlled by Sumner Redstone's holding company, National Amusements Inc., which has a nearly 80% voting stake in each firm.

A deal to reunite the two big pieces of the Redstone family empire would cement the rise of Shari Redstone, Mr. Redstone's daughter and the president of NAI.

She is vice chair of both CBS and Viacom and has been pushing for the two companies to recombine since 2016 when she gained more influence following a power struggle with Viacom's management team.

CBS's proposal could be the beginning of a negotiation, if Viacom rebuffs the offer and pushes for better terms. A spokesman for Viacom declined to comment.

National Amusements would have an issue with a deal that doesn't include Mr. Bakish in the management team, a person familiar with the company's thinking said.

Ms. Redstone will loom large in cementing a deal. She brought in Mr. Bakish as Viacom CEO after the ouster of

the prior management team and is close to him.

Mr. Redstone, who is 94 years old, in declining health and unable to speak much, still has an 80% voting stake in NAI.

However, NAI updated its bylaws in 2016 to make clear that Mr. Redstone had a single vote among seven NAI directors in decisions tied to the Viacom and CBS stakes, people familiar with the matter said. The move, meant to clarify NAI's procedures partly due to questions about Mr. Redstone's mental capacity, hasn't previously been disclosed.

Today's chain of authority at NAI is a far cry from how Mr. Redstone, notoriously autocratic, ran his empire in his heyday. He once declared, be-

fore Viacom and CBS split in 2006, that "Viacom is me."

Questions have surfaced in recent years about Mr. Redstone's mental standing. To help him communicate, some people who recently have met with him say that he has an iPad loaded with snippets of his voice, connected to buttons for words or phrases including "yes," "no" and "f— you."

Mr. Redstone has had to take mental-capacity exams every time he has changed his estate-planning documents over the past three years, court records show, although he has never been deemed incapacitated.

But because he isn't the ultimate decision maker on how to

Please see CBS page B6

WPP's Sorrell Faces Probe

BY SUZANNE VRANICA
AND NICK KOSTOV

The board of advertising giant **WPP PLC** is looking into whether longtime Chief Executive Martin Sorrell misused company assets, according to people familiar with the matter.

The board is also looking into allegations of improper personal behavior by Mr. Sorrell, one of the people said.

A WPP spokesman on Tuesday confirmed in a statement that the company has appointed an independent counsel to probe "an allegation of personal misconduct" against Mr. Sorrell. He said the amounts involved weren't material to the company.

In an internal memo to top WPP executives, the company said it isn't in a position to share further details. "The message for our people and clients is one of business as usual within our operating companies and client teams. Our work for clients is unaffected and continues uninterrupted," the memo said.

The questions come at a difficult moment for WPP, the world's largest advertising company. Competition from new rivals and pressure from big marketing clients to cut costs have taken a toll. Lackluster performance has contributed to tensions between Mr. Sorrell—a towering figure at WPP—and the board, people familiar with the matter said.

Mr. Sorrell didn't respond to multiple emails and text messages seeking comment.

Mr. Sorrell, 73 years old, has been at the helm of WPP since 1986, helping to transform a little-known U.K. manufacturer of wire shopping carts called Wire & Plastic Products that he had acquired into a global advertising empire.

Today, WPP is a holding company whose units include blue-chip creative agencies like J. Walter Thompson and Young & Rubicam as well as powerhouse media-buyer GroupM.

In recent years, though, traditional ad-industry players have come under considerable pressure from companies such as **Alphabet Inc.**'s Google and **Facebook Inc.**, which dominate the roughly \$230 billion global digital advertising market

—Alexandra Bruell contributed to this article.



Life on the road can be grueling and lonesome. Trucking companies are expected to add 50,000 drivers this year, but will need as many as 200,000 over the next 18 months.

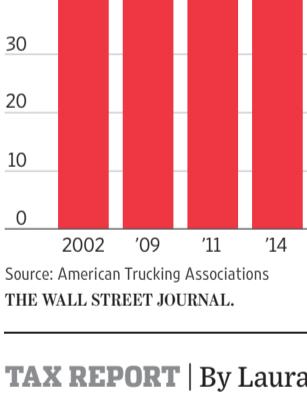
Trucking's Big-Rig Life Stays a Tough Sell

Freight market recovers, but efforts to recruit drivers lose out to construction and energy jobs

BY JENNIFER SMITH

The Long Haul
The average age of for-hire long-haul truck drivers has been increasing.

60 years old



Trucking companies eager to hire more drivers but facing a slim pipeline of new recruits aren't finding much to encourage them at the James Rumsey Technical Institute in Martinsburg, W.Va.

Enrollment in commercial-driving courses at the school dropped to its lowest point in about 15 years this winter, a signal that the industry's efforts to sell workers on truck driving haven't gained much traction. "Recruiters said all the schools were down this winter," said instructor Michael Timmer, although he added that more students are trickling in as the weather warms.

Freight volumes in the

U.S. are surging on the back of strong economic growth, as retailers and manufacturers hire more trucks to haul imports from seaports to distribution centers and raw materials to factories. But the flow of new truck drivers is lagging far behind the roaring freight market.

With unemployment at a nearly two-decade low, the downsides of life behind the wheel are making recruitment tough. Many workers are opting for construction or energy jobs that offer more time at home or better pay. The trucking workforce is aging, and young people who might want to try trucking have to wait until they are 21 years old to get an interstate commercial

driver's license.

"I get a lot of guys out of high school. They come down for an interview, I say come back and talk when you're 21," Mr. Timmer said.

"I rarely see them again."

Big-rig life can be grueling and lonesome. Truckers can spend as long as 11 hours a day behind the wheel, often subsisting on truck-stop food. The work takes a toll on drivers' health: Almost 70% of long-haul drivers are obese, according to a 2010 federal government survey.

Turnover is high, with long-haul truckers often hopping from one fleet to another in search of better wages or working conditions.

There are roughly 1.67 million commercial truck

drivers in the U.S. Between 400,000 and 500,000 of those are long-haul truckers—the toughest to recruit and retain, according to Kristen Monaco, a researcher with the Bureau of Labor Statistics. Those figures don't include the thousands of self-employed drivers who own their own trucks.

The labor pool isn't growing much despite a blizzard of help-wanted ads and inducements from trucking companies looking to profit from the freight-market rebound that began last summer. The Commercial Vehicle Training Association, which represents driving schools that typically train some 50,000 drivers each year, es-

Please see TRUCK page B2

TAX REPORT | By Laura Saunders

Advisers Still Divided On Levy Prepayment

With just two weeks to go before the April 17 deadline, tax advisers still don't agree on whether all those people who prepaid 2018 property taxes can deduct them in full.

The debate on such deductions arose after Congress passed the largest tax overhaul in three decades late last year. In a landmark change, lawmakers capped write-offs for state and local taxes at \$10,000 per return for both single filers and married couples. The provision takes effect for 2018 and will lower these write-offs for millions of Americans.

The overhaul barred deductions for many prepayments of 2018 state and local income taxes, but it was silent on deductions of prepaid property taxes. After Christmas, long lines of people rushing to prepay their 2018 property taxes before

year-end gathered at local government offices.

Then on Dec. 27, the Internal Revenue Service warned that not all prepayments of 2018 property taxes would be deductible on 2017 returns.

The agency said that to qualify for a write-off, the tax liability actually had to have been known at the time.

Right away, some tax specialists strongly agreed with the IRS, but others strongly disagreed. The IRS and its supporters argued that those who prepaid all their 2018 property taxes can deduct only the portion that was known or determined at the time. In many cases, that means only for a few months of the year or not at all.

The IRS's opponents argued for higher deductions of reasonable estimates.

They based this argument on prior tax rulings and regulations that they think apply to this issue.

Now, three months later, little progress has been

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INSIDE



LINCOLN SUV HELPS LEAD PACK IN SALES

AUTOS, B3



CRYPTO EXCHANGE NEAR RESCUE

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Goldman Builds Corporate Bank

Cash Cache

Commercial banking could add to Goldman Sachs's growing deposit base, a safer way of funding its operations.

Goldman's total deposits

\$150 billion



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brokering deals.

Investment banking is a game of risk management and idea generation; commercial banking is more a logistics play and favors bigger balance-sheet institutions. (JPMorgan has \$2.5 trillion in assets to Goldman's \$917 billion.)

Goldman is branching out in search of growth. Its core trading operation has stumbled in recent years, and its capital-markets and

merger business are fairly dominant already, meaning further growth will be hard-won.

In 2016, Goldman launched a consumer bank, taking deposits and making small loans online.

Executives believe that retail business could generate \$1 billion in annual revenue by 2020.

Adding a commercial-banking business could bring additional revenue and provide a new source of deposits. Goldman has been looking to diversify its funding sources since the 2008 crisis, when its reliance on overnight borrowing nearly proved fatal.

Still, it isn't clear how Goldman can compete against the entrenched giants. JPMorgan, Citigroup, Bank of America Corp., Wells Fargo & Co. and others have experience in the business and the infrastructure to zip cash around the world.

They have big lending books that build loyalty among corporate treasurers and armies of commercial bankers that call on them regularly.

About half of JPMorgan's \$1.2 trillion in deposits are

Please see CASH page B2

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BUSINESS NEWS

Bigger Vehicles Hog Road to Sales Gains

Strong tally for March reflected extra selling day, better weather, increased incentives

BY ADRIENNE ROBERTS
AND JOHN D. STOLL

To understand why the auto industry pushed the Trump administration to roll back emissions rules, take a spin in Ford Motor Co.'s flashy new Lincoln Navigator SUV.

Revamped for 2018, the hulking sport-utility vehicle is designed for an era of low gasoline prices. Customers flocked to Lincoln dealerships in March and shelled out an average \$81,000 for its latest Navigator, Ford said, nearly 50% more than the outgoing model.

The Ford vehicle was among the biggest gainers in the U.S. auto market last month, according to industry sales reports published Tuesday, notching a 91% increase that mirrors results of other redesigned SUVs hitting the market—including Ford's Expedition, Jeep's Wrangler and Cadillac's XT5. For instance, the pricey Wrangler, once a rough-and-tumble niche SUV, now outsells the entire eight-vehicle passenger-car lineup of parent Fiat Chrysler Automobiles NV.

Even as U.S. auto sales plateau, car companies stand to gain as consumers flock to the kinds of vehicles that would be less viable under emissions standards enacted by the Obama administration. The Environmental Protection Agency is easing those fuel-economy rules, making it more likely Detroit's Big Three and foreign rivals will sharpen the focus on profitable pickup trucks and SUVs that achieve much lower miles-per-gallon than the hybrids and smaller cars favored by the old mandate.

Overall U.S. auto sales were strong in March, aided by an extra selling day, strong incentives, fleet sales and a step-up in showroom traffic hampered



U.S. consumers will pay a premium for space or capability. Ford's Navigator sells for more than \$80,000.

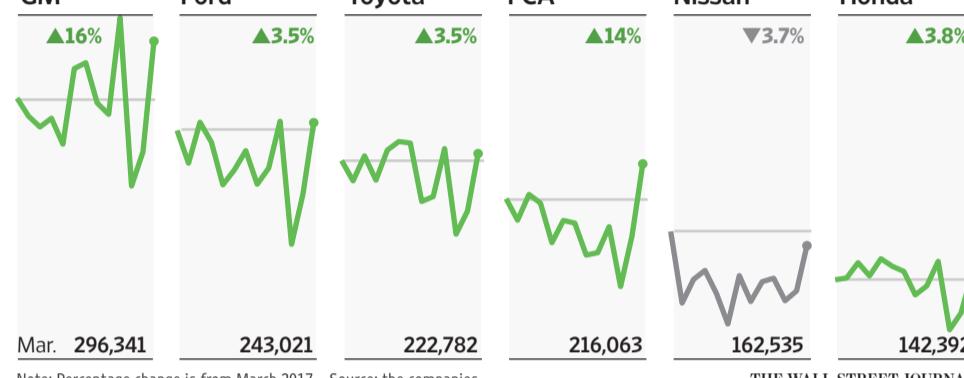
Trucking Along

All of the Big 6 auto companies in the U.S. now rely on pickups and SUVs for at least half their sales based on March data.

FiatChrysler	90.5%
Ford	78.5
GM	78.1
Toyota	59.1
Nissan	54.7
Honda	52.5

Source: the companies
THE WALL STREET JOURNAL.

Monthly Vehicle Sales Over the Past Year



Note: Percentage change is from March 2016
Source: the companies

by bad weather earlier in the year.

The shift toward larger vehicles remains the trend to watch, according to Jack Hollis, Toyota Motor Corp.'s North America sales chief, with the expectation that 70% of the overall market will soon be devoted to trucks and SUVs.

In 2012, passenger cars still accounted for just over half of the market, according to AutoData Corp.

Higher sales of those models generally lead to meatier

transaction prices at dealers since U.S. consumers will pay a premium for space or capability. This has a wide range of auto makers, from Nissan Motor Co. to Volkswagen AG, committing to stuff even more variants of SUVs into the dealer pipeline in coming years.

Though its March sales were a modest 1,711, the Lincoln Navigator is a proxy for America's appetite. Ford's sales chief, Mark LaNeve, said Tuesday the company has only

a two-week supply of the SUV on dealer lots and "we're not sure we can meet demand all year."

Toyota's Mr. Hollis said "there may be [parts] of the SUV market that we should be looking at." For a brand known for fuel-sipping passenger cars, expanding SUV offerings will be essential if the Japanese auto maker aims to improve its U.S. market share.

Others are tracking the same trend. Honda Motor Co. will cut Accord sedan produc-

tion in Ohio amid slack demand for fuel-efficient products. That follows moves by Detroit auto makers, including General Motors Co., to back away or even discontinue slow-selling passenger cars in favor of boosting supply of bigger products.

The car business is a relatively low-margin industry with long product cycles and enormous capital costs. That puts pressure on executives like Mr. Hollis to make accurate calls on consumer trends and double down on vehicle segments that offer the biggest profits.

Because prior emissions standards called for an average of 50 miles per gallon in automaker fleets by 2025, the 20-mpg Navigator or Wrangler would need significant investment—including costly batteries—that would eat into the bottom line.

Nearly all of the biggest auto makers posted sales gains in March. The month's seasonally adjusted annual sales rate came in at 17.48 million vehicles, compared with 16.8 million for March 2017, according to AutoData.

'Footprint' Rule Undercuts Push For Fuel Efficiency

The Trump administration's move to ease fuel-efficiency standards is a boon to car executives who have said they couldn't justify making smaller, less-profitable vehicles when cheap gas was stoking America's appetite for pickups and SUVs.

Fuel-economy targets set during the Obama era included measures to help move auto makers toward an industry average exceeding 50 miles a gallon by 2025. But the introduction of a grading method, known as the "footprint" rule, ended up putting auto makers further away from those targets by lowering the fuel-economy requirement as a vehicle gets bigger. The sliding scale replaced a minimum for each company based on a fuel-economy average regardless of size, which some auto makers said gave unfair advantage to producers of small cars.

Although, cars and trucks alike now faced progressively higher targets every year, the footprint rule meant that as engineers redesign vehicles, they are rewarded for making them bigger and, theoretically, less efficient.

"Auto makers have an incentive to make more SUVs and light trucks with less stringent standards than high-performance sedans," said Kate Whitefoot, an assistant professor of mechanical engineering and public policy at Carnegie Mellon University.

In the 2016 model year, the average vehicle footprint at 11 of 17 auto makers grew, according to the government.

General Motors Co. and Ford Motor Co. had the biggest, averaging 53.3 square feet for their car and truck fleets, while Mitsubishi Motors Co. had the smallest at 44.1 square feet.

—Chester Dawson



The auto maker missed a production goal for the Model 3 but said the 'groundwork' is in place.

Tesla Makes Halting Progress With Its Mass-Market Sedan

By TIM HIGGINS

Tesla Inc. on Tuesday revealed it missed a crucial production goal for its new Model 3 sedan, though the auto maker showed progress with what is its first mass-market car and tried to reassure investors about its capital needs.

The Silicon Valley company said it produced 2,020 Model 3 cars in the previous seven days, which includes two days in April. It had been targeting 2,500 vehicles a week by the end of March.

The shortfall adds pressure on Tesla to meet its oft-stated—and twice delayed—goal of building 5,000 Model 3 cars a week by the end of June. Analysts say that rate is an inflection point, enabling Tesla to generate meaningful cash to support the business. Further delays could significantly squeeze Tesla's cash.

Tesla on Tuesday hedged on its 5,000-a-week goal, saying it continues to target that rate "in about three months." On the plus side, the company is close to tripling its weekly output as of three months ago, and it said it won't need to

raise any debt or equity, apart from standard credit lines.

The company hailed its progress as laying "the groundwork for Q3 to have the long-sought ideal combination of high volume, good gross margin and strong positive operating cash flow."

The Model 3 production rate looked good to David Whiston, an analyst for Morningstar Research Services LLC. "The key now is to keep the momentum going and get closer to scale," he said. "There's a long way to go."

After a weekslong decline, Tesla shares rose 6% to \$267.53 on Tuesday. Its 5.3% unsecured bonds that mature in 2025 climbed to 88.25 cents on the dollar from 87 cents Monday, according to MarketAxess.

Tesla is in one of the most critical phases in its history, a make-or-break period in which it must boost production of the Model 3 to prove it can create a car for the masses, or face severe financial consequences.

The company finished last year with \$3.4 billion in cash on hand after its negative cash

flow averaged about \$1 billion a quarter—a pace analysts have said means the company would need to raise more money this year unless it significantly boosts production.

Shares of the auto maker have fallen more than 36% since a peak in September when investors were enamored with Chief Executive Elon Musk's vision for electric-powered cars that could drive themselves.

Mr. Musk has a reputation for setting ambitious deadlines that he fails to meet on time, a practice that has become unsettling in recent months as Tesla's struggles have mounted.

Recent share-price declines reflected broad weakness among technology stocks and increased scrutiny of Tesla's semiautonomous driving system after a fatal crash. Also, last week, Moody's Investors Service downgraded Tesla's credit rating, citing concern about the company's cash levels and production delays. Tesla also voluntarily recalled 123,000 Model S sedans because of a possible power-steering failure.



Noisy attacks aren't hard to find...

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PERSONAL TECHNOLOGY | By David Pierce

iPhone's 'Do Not Disturb' Needs Wake-Up Call



When smartphones came to steal our attention, we never had a chance.

Even in the rare moments we manage to put them down, they buzz incessantly, begging us to come back.

Now, more than a decade into the smartphone era, investors, activists and customers alike have begun to push phone makers, especially **Apple** Inc., to find a way to solve phone addiction.

The feature we need already exists: It's called Do Not Disturb. Whether you use an iPhone or an Android device, you have a one-tap way to shut your phone up. Do Not Disturb should be every smartphone user's best friend and saving grace. Instead, it's a feature that doesn't work the way we do.

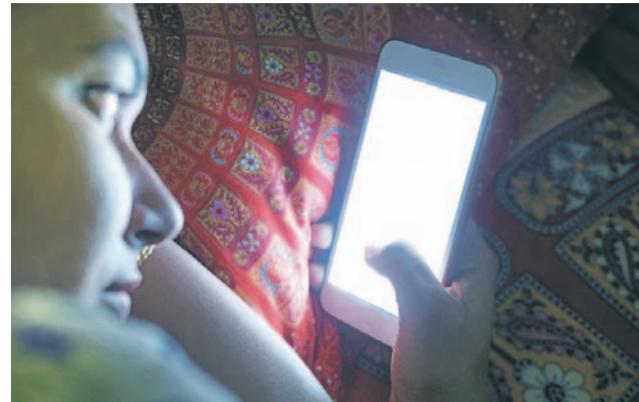
Apple launched Do Not Disturb in 2012 to keep your phone from waking you up in the middle of the night. When you tap the moon icon, your phone instantly shuts up. Your notifications are visible

if you wake up your phone, but it won't buzz or light up automatically. There are nuances: You can name contacts who can call you—no texts get through when Do Not Disturb is engaged—or allow anyone who calls twice to buzz through on the second call.

Last year, the company launched Do Not Disturb While Driving, which engages when your phone detects driving or connects to your car stereo. It allows alarms and timers—and Apple Maps—but generally keeps the screen dark.

The problem is that this dichotomy—you're either on or off—doesn't actually represent how people use their phones. When you're sleeping, you might want total quiet. But what about at work, when you're still reachable but trying to focus on your presentation instead of ESPN updates? Or when the people you care most about would rather use WhatsApp or Snapchat, instead of calling you?

Do Not Disturb should have



Smartphones buzz incessantly, begging us to return again and again.

should be able to set their own rules. Studies have shown that when people reduce notifications, they worry they're missing important things. By ensuring you're seeing the things that matter, and shutting up the (many, many more) things that don't, Do Not Disturb could address this.

Google and Apple say they're working on improvements to Do Not Disturb, though both declined to provide specific plans.

When you really need to focus, of course, there's one feature even more powerful than Do Not Disturb. Just turn your phone off. But then how will you navigate home? Or read your book? Or plan dinner, play "Alto's Adventure" or check your fantasy team? I don't want to be disturbed, but I definitely still want Spotify.

ONLINE



Watch the video and find more technology coverage at wsj.com/tech

Easy Steps to Set Up the Feature

Go to iPhone settings, and tap Do Not Disturb to:

• Set a schedule. You can make Do Not Disturb turn on at the same time every day—maybe after dinner, when it's time to relax—and then off again in the morning.

• Pick your favorites. You can allow all phone calls even when Do Not Disturb is engaged.

But a better move is to name the four or five people who should always get through. Think partners, bosses, babysitters.

• Toggle at will. Do Not Disturb controls are only a swipe or two away, in the Control Center of your iPhone or in the quick settings menu on Android.

Swipe down, tap the moon icon, and enjoy a ding-free dinner.

• Use while driving. Do I really have to explain?

Uber-Grab Deal Draws Competition Scrutiny

By JAKE MAXWELL WATTS

SINGAPORE—**Uber Technologies** Inc.'s landmark deal to exit Southeast Asia by taking a 27.5% stake in regional competitor **Grab** Inc. is attracting scrutiny from regulators in several countries who have threatened to block the deal on concerns that it could create a monopoly detrimental to ride-hailing consumers.

Authorities in Singapore, Malaysia and the Philippines could delay or derail a transaction that is already under way and was intended to shore up Uber's unprofitable operations ahead of an expected initial public offering of stock in

2019. Uber said it intends to disable its ride-hailing app in Southeast Asian markets as soon as the end of this week.

The case is seen as a test for regulators in the region, many of which were established only in the past few years. "This is the first cross-border merger in Southeast Asia of interest to competition agencies in the region," said R. Ian McEwin, head of consultancy Competition Consulting Asia. Other deals have attracted less public attention or affected fewer markets.

Competition authorities in the Philippines said Tuesday they had launched a review of the transaction based on "rea-

sonable grounds that the said acquisition may likely substantially lessen, prevent, or restrict competition." In Malaysia, officials said Monday they were examining the deal for possible review. The Competition and Consumer Commission of Singapore has also launched an investigation and said it is considering ordering the companies to put the deal on hold because it anticipated "a substantial lessening of competition," the first time it has used that power.

Grab and Uber have until Wednesday to respond to the proposed suspension order from the Singapore consumer commission, which has powers

to impose financial penalties of as much as 10% of a company's revenue for as long as three years and to order a deal to be reversed if it finds it anticompetitive. Grab's headquarters are in Singapore.

Grab spokeswoman said the scrutiny "is a normal regulatory step" and the company believes the Uber deal will improve services for riders and drivers. Grab argues it faces competition from companies such as Go-Jek in Indonesia.

An Uber spokesman declined to comment and referred queries to Grab.

—Newley Purnell
in New Delhi
contributed to this article.



Uber plans to leave Southeast Asia in return for a stake in Grab.

ACHMAD IBRAHIM/ASSOCIATED PRESS

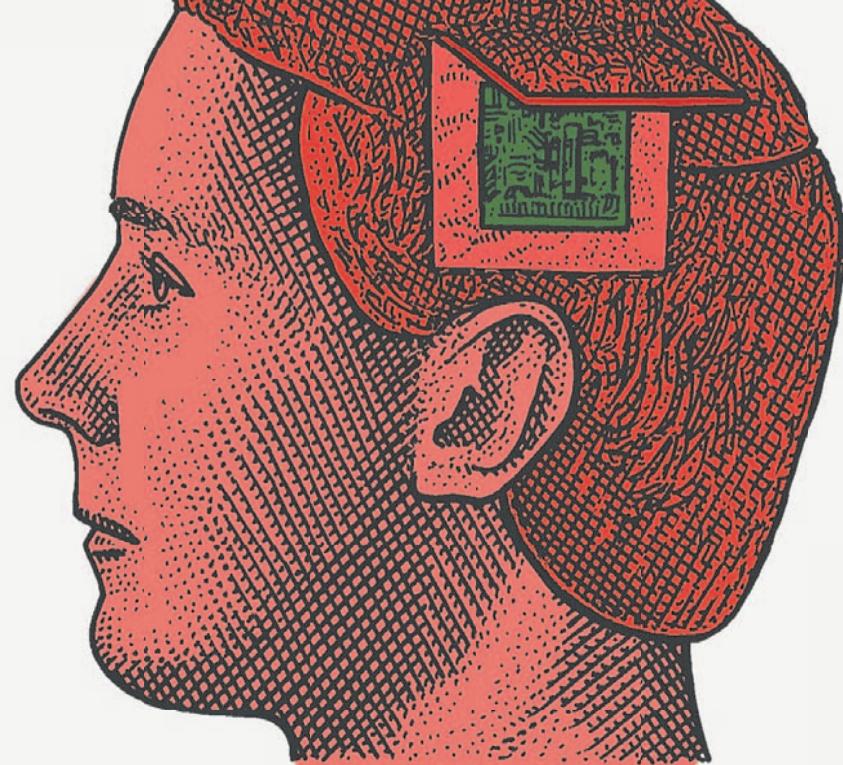
WSJ
PODCASTS

THE FUTURE OF EVERYTHING SEASON 3

From new fertility tools and faux-food to blockchain and battlefield AI, season 3 of The Future of Everything podcast series examines how recent advancements in science and technology will dynamically transform our daily lives.



ApplePodcasts.com/FOE



TECHNOLOGY



The settings icon will show a red badge if Apple Pay isn't set up.

Screen's Red Dot Pushes Apple Pay

BY TRIPP MICKLE

Apple Inc. is nagging iPhone users to enroll in its mobile-payment service with a persistent red-circle badge. The strategy has worked with some, but is irritating others who say it is heavy-handed and exploits the tech giant's clout in ways that could disadvantage rivals.

The tactic, part of the iPhone's latest operating software launched last fall, is subtle. Users who opt not to input credit-card information for Apple Pay when setting up their phones now see the red circle over their settings icon, indicating their setup is incomplete. Some users also get notification reminders that go away only once they start the enrollment process.

Apple Pay allows users to upload credit or debit cards to an iPhone and securely pay at stores by holding the device above a contactless terminal. Apple earns money by charging banks a slice of each transaction through the mobile-payment service, which it said in 2014 would make cash and physical credit cards obsolete.

Though payment analysts say the service speeds up checkout times and is more secure than traditional cards, Apple Pay has struggled to achieve broad adoption in the U.S. Many remain skeptical that it is more secure, including Jack Frederick, a 29-year-old professional comedian from Queens, N.Y., who prefers using his credit card directly.

"This is the most aggressive they've ever been," said Mr. Frederick, who has had a red badge over his iPhone settings since updating his software in mid-January. He said the notification has made him consider trading his iPhone 6 for a Google Pixel. "All that from one dot," he said.

Apple declined to comment on potential antitrust concerns. The Justice Department didn't immediately respond to a request for comment.

Apple's own guidelines, posted online for some devices, advise developers to minimize badges and only use them to "present brief, essential information and atypical content changes."

—Peter Rudgegeair contributed to this article.

Digital Ledger

Share of mobile payment plans among consumers planning to use digital wallets in the next 90 days



Source: 451 Research

THE WALL STREET JOURNAL.

and **Alphabet** Inc.'s Google has been accused of blocking rivals' ads on its Chrome browser. Amazon said customers can always ask for specific brands. Google denied having undue influence over ad-blocking rules.

"Everyone is doing essentially the same trick," said Roger Kay, an analyst with Endpoint Technologies Associates. "It's really antitrust behavior."

Mr. Kay compared Apple Pay setup badges and notifications with **Microsoft** Corp. bundling its Internet Explorer browser with Windows in the 1990s—a strategy the Justice Department successfully sued to stop on antitrust grounds, saying it hurt rivals. "They used to have actual behavioral remedies and say you can't do this," Mr. Kay said.

Apple declined to comment on potential antitrust concerns. The Justice Department didn't immediately respond to a request for comment.

Apple's own guidelines, posted online for some devices, advise developers to minimize badges and only use them to "present brief, essential information and atypical content changes."

—Peter Rudgegeair contributed to this article.

Facebook Aids Users In Assessing Credibility

BY MARIA ARMENTAL

Facebook Inc.'s users in the U.S. will be able to see a news publisher's Wikipedia page and how frequently an article has been shared on the platform as part of the updates the social-media giant has made to help people better judge the credibility of content.

The changes, laid out Tuesday in a Facebook blog post, come as the company tries to fight the spread of false and sensational information through its platform.

Facebook said it had launched a test last year in the U.S. to provide users additional background information on news content and the publishers behind items appearing in their news feed. U.S. users will see an "about this article" button that provides information on related articles on the same topic and a link to a publisher's Wikipedia page.

News publishers don't control Wikipedia pages about their organizations, and content

appearing on those pages can be edited any time by users.

Facebook, which has more than two billion monthly active users, has been under renewed fire for its handling of personal data following news reports that data-analytics firm Cambridge Analytica had improperly accessed data on millions of Facebook users.

The social-media company has been overhauling the way it presents news and information as it struggles to address criticism about the quality of the content shared there and about its effect on society. Facebook uses data it has collected to create personalized news feeds.

In January, the company said it would favor posts, photos and videos that are shared and discussed among users and their friends over those posted by businesses and news organizations.

Facebook said Tuesday it will continue tests in the U.S. to help users evaluate the credibility of articles.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares and/or ADSs (both, as defined below). The U.S. Offer (as defined below) is made only by the Offer to Purchase, dated April 4, 2018, the related Share Acceptance Form, the related ADS Letter of Transmittal and the related Share Withdrawal Form and any amendments or supplements thereto, and is being made to all U.S. holders of Shares and all holders of ADSs, wherever located. The U.S. Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the U.S. Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. In those jurisdictions where applicable laws or regulations require the U.S. Offer to be made by a licensed broker or dealer, the U.S. Offer shall be deemed to be made on behalf of Offeror (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Offeror.

Notice of Offer to Purchase

All Outstanding Ordinary Shares, No Nominal Value, Held By U.S. Holders and All Shares Represented By Outstanding American Depository Shares, Held by All Holders, Wherever Located,

of

Ablynx NV

for

€45.00 Per Share,

Net To The Seller In Cash, Without Interest

and

€45.00 Per American Depository Share,

Net To The Seller In Cash, Without Interest

Pursuant to the Offer to Purchase dated April 4, 2018

by

Sanofi

Sanofi, a French *société anonyme* ("Offeror"), is offering to purchase up to 100% of the issued and outstanding ordinary shares, no nominal value ("Shares") of Ablynx NV, a Belgian *naamloze vennootschap* (the "Company") from U.S. holders (within the meaning of Rule 14d-1(d) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")) and up to 100% of the Shares of the Company represented by outstanding American Depository Shares of the Company (each, an "ADS" and collectively, "ADSs") issued by JPMorgan Chase Bank, N.A., acting as depositary from all holders (the "Depositary"), pursuant to that certain Deposit Agreement, dated as of September 5, 2014, among the Company, the Depositary and all holders from time to time of American depositary receipts ("ADRs") issued thereunder (as amended, the "Deposit Agreement"), wherever located, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated April 4, 2018 (the "Offer to Purchase"), the related Share Acceptance Form, the related ADS Letter of Transmittal and the related Share Withdrawal Form, as applicable (which, together with the Offer to Purchase, as they may be amended or supplemented from time to time, collectively constitute the "U.S. Offer"). The offer price for the U.S. Offer is €45.00 per Share and per ADS, net to the seller in cash, without interest (the "Offer Price"). The Offer Price paid to holders of ADSs will be paid in U.S. dollars converted in the manner described in Section 2—"Acceptance for Payment and Payment for Shares and/or ADSs" of the Offer to Purchase and will be distributed, net of expenses (including a fee related to the foreign exchange conversion and a fee of \$0.05 per ADS for the cancellation of the ADR evidencing such tendered ADS, in each case, as contemplated by the Deposit Agreement), to such holders. U.S. holders of Shares and/or holders of ADSs who hold their Shares and/or ADSs through a broker, banker or other nominee should consult such institution as to whether it charges any service fees or commissions.

THE U.S. OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON MAY 4, 2018, UNLESS THE U.S. OFFER IS EXTENDED OR EARLIER TERMINATED.

The U.S. Offer is being made pursuant to that certain Heads of Agreement Relating to a Friendly Tender Offer for Ablynx NV, dated January 28, 2018 (as it may be amended from time to time, the "Heads of Agreement"), by and between Offeror and the Company. Under the Heads of Agreement, Offeror has agreed to commence the U.S. Offer as contemporaneously as practicable with the commencement of the offer to purchase all of the Company's Shares, warrants and bonds in Belgium (the "Belgian Offer" and, together with the U.S. Offer, the "Offers") and Offeror's obligation to accept for payment and pay for ADSs and Shares tendered pursuant to the U.S. Offer is subject to the terms and conditions of the Heads of Agreement.

The U.S. Offer commenced on April 4, 2018 and will expire at 5:00 p.m., New York City time, on May 4, 2018, the "Initial Expiration Date". If, following the Initial Expiration Date, Offeror holds, as a result of the Offers, at least 75% but less than 90% of the Shares (including Shares represented by ADSs) and all of the Offer Conditions (as defined below) have been satisfied (or waived, as applicable), Offeror may, in its sole discretion, elect to provide for a subsequent offering period of at least five (5) Business Days (as defined below) (a "Voluntary Subsequent Offering Period"). For purposes of the Offer to Purchase, "Business Day" shall mean any day on which the Belgian and French banks and the banks of the state of New York are open to the public, except Saturdays and Sundays, and otherwise as defined pursuant to Exchange Act Rule 14d-1(g)(3). If, following the Initial Expiration Date or following a Voluntary Subsequent Offering Period, Offeror holds at least 90% of the Shares (including Shares represented by ADSs), Offeror must provide for a subsequent offering period of at least five (5) Business Days and no more than fifteen (15) Business Days (the "Mandatory Subsequent Offering Period"). If, following the Initial Expiration Date, the date and time of the expiration of any Voluntary Subsequent Offering Period or the Mandatory Subsequent Offering Period, as applicable, Offeror (a) holds at least 95% of the Shares (including Shares represented by ADSs) and (b) at least 90% of the Shares (including Shares represented by ADSs) were acquired by Offeror through acceptance of the Offers, Offeror may, in accordance with Belgian law, proceed with a squeeze-out (the "Squeeze-Out").

The U.S. Offer is not subject to a financing condition. The obligation of Offeror to accept for payment and pay for Shares and ADSs validly tendered (and not withdrawn) pursuant to the U.S. Offer is subject to the conditions set forth in Section 15 of the Offer to Purchase (collectively, the "Offer Conditions"). Among the Offer Conditions are: (i) the Minimum Tender Condition (as defined in the Offer to Purchase), which is summarized below, (ii) the Antitrust Condition (as defined in the Offer to Purchase), which was satisfied on February 27, 2018, with respect to the clearance by the German Federal Cartel Office and on February 28, 2018, with respect to the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976; (iii) no Material Adverse Change (as defined in the Offer to Purchase) having occurred; (iv) the Belgian Offer Withdrawal Condition (as defined in the Offer to Purchase); and (v) the Governmental Authority Condition (as defined in the Offer to Purchase). The "Minimum Tender Condition" means that there shall have been tendered in the Offers (and not withdrawn) Shares, warrants (as the case may be, conditionally in accordance with Article 1.1(b) of the Heads of Agreement), bonds and ADSs representing at least 75% of the number of Shares (including Shares represented by ADSs) at the end of the initial acceptance period of the Belgian Offer. The Offer Conditions are for the sole benefit of Offeror and, except for the Belgian Offer Withdrawal Condition, may be waived by Offeror (either in whole or in part) at any time and from time to time and in the sole discretion of Offeror, subject in each case to the terms of the Heads of Agreement and applicable law.

The Heads of Agreement provides that, subject to the parties' respective termination rights in the Heads of Agreement, Offeror will: (i) extend, as necessary, the U.S. Offer to be coterminous with the end of the then-current acceptance period of the Belgian Offer; and (ii) re-open the Belgian Offer and (y) commence a subsequent offering period with respect to the U.S. Offer, in each case, if necessary (and, in the case of the Belgian Offer, subject to approval by the Belgian Financial Services and Markets Authority) to cross the squeeze-out threshold that applies under Belgian law. The Heads of Agreement also provides, among other things, that, without the prior written consent of the Company, Offeror will not terminate or withdraw the U.S. Offer prior to any scheduled expiration date, unless the Belgian Offer has been withdrawn by the Offeror as permitted by applicable Belgian law.

The Board of Directors of the Company (the "Company Board") has unanimously: (i) declared that the Heads of Agreement and the other transactions contemplated thereby are advisable, fair to and in the best interests of the Company and its shareholders, (ii) adopted and approved the Heads of Agreement and approved that the Company enter into the Heads of Agreement and consummate the transactions contemplated thereby, including the U.S. Offer, on the terms and subject to the conditions set forth therein, and (iii) determined to recommend that the U.S. holders of Shares and holders of ADSs accept the U.S. Offer and tender their Shares and/or ADSs to Offeror pursuant to the U.S. Offer.

Except as set forth above, subject to the terms of the Heads of Agreement and the applicable rules and regulations of the SEC and other applicable laws and regulations, Offeror expressly reserves the right to waive any Offer Condition at any time and from time to time (except for the Belgian Offer Withdrawal Condition (as defined in the Offer to Purchase)), to reject any and all tenders that the Offeror determines are not in proper form or the acceptance for payment of, or payment for which may, in the Offeror's opinion, be unlawful and to waive any defect or irregularity in the tender of any Shares and/or ADSs of any particular holder, whether or not similar defects or irregularities are waived in the case of other security holders.

For purposes of the U.S. Offer, Offeror will be deemed to have accepted for payment, and thereby purchased, Shares and/or ADSs validly tendered to the Offeror and not withdrawn as, if and when it deposits the aggregate purchase price with BNP Paribas Fortis NV/SA (the "U.S. Share Tender Agent") and JPMorgan Chase Bank, N.A. (the "U.S. ADS Tender Agent"), as applicable. Upon the terms and subject to the conditions of the U.S. Offer, payment for Shares and/or ADSs accepted for payment pursuant to the U.S. Offer will be made by deposit of the Offer Price for such Shares and/or ADSs with (i) the U.S. Share Tender Agent, who will act as agent for all tendering U.S. holders of Shares for the purpose of receiving payment from Offeror and transmitting payment to the tendering holders of ADSs who tender such ADSs into the U.S. Offer. Under no circumstances will Offeror pay interest on the Offer Price for Shares and/or ADSs, regardless of any extension of the U.S. Offer or any delay in making such payment.

U.S. holders of Shares may only accept the U.S. Offer by providing their custodian credit institution or financial services institution with the Share Acceptance Form prior to the Initial Expiration Date or prior to the date and time of the expiration of any Voluntary Subsequent Offering Period, Mandatory Subsequent Offering Period or Squeeze-Out period, as applicable. Offeror will pay for ADSs accepted for payment pursuant to the U.S. Offer only after timely receipt by the U.S. ADS Tender Agent of (i) a book-entry confirmation with respect to such ADSs; (ii) an Agent's Message; (iii) the ADS Letter of Transmittal (or a manually executed copy thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of the ADS Letter of Transmittal); and (iv) any other documents required by the ADS Letter of Transmittal.

Shares and ADSs tendered pursuant to the U.S. Offer may be withdrawn at any time before 5:00 p.m., New York City time, on the Initial Expiration Date (or prior to the date and time of the expiration of any Voluntary Subsequent Offering Period or the Mandatory Subsequent Offering Period, as applicable). You may also withdraw your tender of Shares or ADSs prior to the expiration of the Squeeze-Out period; however, any Shares (including Shares represented by ADSs) not tendered during the Squeeze-Out period (including Shares represented by ADSs withdrawn or not properly re-tendered) will be transferred to Offeror by operation of Belgian law at the end of the Squeeze-Out period. For a withdrawal of Shares to be effective, (i) you must have previously validly tendered your Shares and (ii) instruct that your broker or securities intermediary properly complete the Share Withdrawal Form on your behalf and send it to the U.S. Share Tender Agent. For a withdrawal of ADSs to be effective, (i) you must have previously validly tendered your ADSs and (ii) instruct that your broker or securities intermediary provide the U.S. ADS Tender Agent with a notice of withdrawal on your behalf and, in turn, the U.S. ADS Tender Agent will comply with the procedures of DTC with respect to withdrawal of ADSs and in accordance with the instructions contained in the Offer to Purchase. You may not rescind a notice of withdrawal, and withdrawn Shares or ADSs will not be validly tendered for purposes of the U.S. Offer. However, you may re-tender withdrawn Shares or ADSs at any time before 5:00 p.m., New York City time, on the Initial Expiration Date (or prior to the date and time of the expiration of any Voluntary Subsequent Offering Period, the Mandatory Subsequent Offering Period or the Squeeze-Out period, as applicable), by following the procedures for tendering described in Section 3 of the Offer to Purchase.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

The Offer to Purchase, the related Share Acceptance Form, the related ADS Letter of Transmittal and the related Share Withdrawal Form will be mailed to record U.S. holders of Shares and record holders of ADSs whose names appear on the Company's shareholder list and will be furnished for subsequent transmittal to beneficial owners of Shares and ADSs to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Shares or ADSs that is, for U.S. federal income tax purposes, (1) a citizen or individual resident of the United States, (2) a corporation, or entity treated as a corporation, organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) a trust that (i) is subject to (a) the primary supervision of a court within the United States and (b) the authority of one or more U.S. persons to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person or (4) an estate that is subject to U.S. federal income tax on its income regardless of its source. The receipt of cash by U.S. Holder pursuant to the U.S. Offer will be a taxable transaction for U.S. federal income tax purposes. See Section 5 of the U.S. Offer to Purchase for a more detailed discussion of the tax treatment of the U.S. Offer. U.S. Holders should consult with their own tax advisor to determine the particular tax consequences to them of the U.S. Offer.

The Offer to Purchase, the related Share Acceptance Form, the related ADS Letter of Transmittal and the related Share Withdrawal Form contain important information. U.S. holders of Shares and holders of ADSs should carefully read all documents in their entirety before any decision is made with respect to the U.S. Offer.

Questions or requests for assistance may be directed to MacKenzie Partners, Inc. (the "Information Agent") at the address and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the related Share Acceptance Form, the related ADS Letter of Transmittal and the related Share Withdrawal Form may be directed to the Information Agent or to brokers, dealers, commercial banks or trust companies. Such copies will be furnished promptly at Offeror's expense. Offeror will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent, the U.S. Share Tender Agent and the U.S. ADS Tender Agent) in connection with the solicitation of tenders of Shares and/or ADSs pursuant to the U.S. Offer.

The Information Agent for the Offer is:

**MACKENZIE
PARTNERS, INC.**

1407 Broadway, 27th Floor
New York, New York 10018

(212) 929-5500 (call collect)

or

CALL TOLL FREE (800) 322-2885

BUSINESS NEWS

Fox's Sky Bid Gets Assist From Disney

To help win approval from U.K. regulators, entertainment giant offers to buy news unit

By BEN DUMMETT AND STU WOO

LONDON—Walt Disney Co. is lending a hand to 21st Century Fox in the U.K., and it may be the long-term beneficiary.

Disney has offered to buy Sky News to help Fox win regulatory approval in its campaign to take over British pay-TV giant Sky PLC, a proposal designed to ultimately help Disney expand its own international presence and fend off a rival offer for Sky from Comcast Corp.

Fox's \$16 billion plan to

take full control of Sky has faced a lengthy review by U.K. regulators, who have been examining whether it would give the Murdoch family too much influence in British media. On Tuesday, Fox attempted to alleviate those concerns and bolster its position in the trans-Atlantic media-merger battle.

Disney has separately agreed to a \$52 billion acquisition of the majority of Fox's assets, including its film studios and 39% stake in Sky. Disney said on Tuesday if the British government allows Fox to consolidate all of Sky, it is open to acquiring Sky News, an unprofitable 24-hour news channel, even if the larger transaction doesn't proceed. Disney pledged to "sustain the operating capital of Sky News

and maintain its editorial independence."

Fox is trying to secure approval for its Sky takeover after Comcast launched its own \$31 billion offer for Sky in February, a £12.50-a-share informal bid (about \$17.50) that would top Fox's £10.75-a-share offer.

The proposal involving Sky News is just the latest move in a shifting battle among media companies to gain assets that will give them broader and more global reach in a consolidating industry.

Fox first proposed in late 2016 to buy the 61% of Sky it didn't already own. A year later, Fox agreed to sell the majority of its entertainment assets to Disney, which sees Sky as an important component of that deal and impor-

tant to its plan to expand its international footprint.

But Comcast has been trying to get in on the action. Its pursuit of the majority of Fox's entertainment assets, including the Sky stake, was rebuffed in favor of Disney. Then in February, Comcast made an informal offer to acquire Sky and scuttle Fox's yearslong pursuit of the U.K. pay-TV giant.

Fox has struggled to defend its pending deals. British authorities began reviewing Fox's bid for Sky before Disney made its approach for Fox assets. The review has continued because there are no guarantees the Disney deal will pass U.S. regulatory muster and ultimately close.

Disney's promise to buy and continue operating Sky News—regardless of the broader Fox acquisition—is designed to assuage concerns by U.K. regulators the Murdoch family's influence on local media would expand.

In a preliminary finding earlier this year, U.K. antitrust authorities said Fox's full ownership of Sky and its Sky News operations would give Fox Executive Chairman Rupert Murdoch too much influence in British media.

The Murdoch family controls a 39% voting interest in both Fox and in News Corp, which publishes major British newspapers including the Sun, the Times of London and the Sunday Times. News Corp also owns The Wall Street Journal.

The suitors are after Sky for its unusually large breadth of services and reach. It is both a telecom operator—selling TV, internet and phone services—and a media com-

Who Gets Sky?

Comcast, Disney and 21st Century Fox are all jostling for U.K. broadcaster Sky.

Dec. 9, 2016

Fox makes bid for 61% of Sky it doesn't already own.

Dec. 14, 2017

Disney agrees to buy 21st Century Fox assets, including 39% Sky stake.

Jan. 23, 2018

British regulators say Fox ownership of all of Sky isn't in public interest, but leave door open for remedial moves.

Feb. 27, 2018

Comcast offers to buy all of Sky.

April 3, 2018

Fox says Sky News could be carved out from Sky or sold to Disney to allay U.K. concerns.

Source: staff reports

THE WALL STREET JOURNAL.

Fox said in February it would create an independent board for Sky News, and fund the business for five years, to win regulatory support.

Fox sweetened the offer on Tuesday. Fox said it could sell Sky News to Disney or, alternatively, establish Sky News as a separate company within the bigger Sky group, with an independent board. It also pledged 15 years of guaranteed funding for the news channel.

"The enhanced firewall remedies we proposed to safeguard the editorial independence of Sky News addressed comprehensively and constructively the [regulators'] provisional concerns," Fox said.

The British antitrust regulator, the Competition and Markets Authority, wouldn't comment on the Fox proposals.

The authority has until May 1 to make a final recommendation to the U.K. government, which then must decide whether to back the Fox-Sky deal, approve it with conditions or reject it.

Even with government approval, the Fox-Sky deal isn't certain. At least 75% of Sky's shareholders, not including Fox, need to support the takeover in the face of competition from Comcast, which hasn't submitted a formal offer.

Sky's share price trades higher than the Comcast proposal, indicating that investors are expecting a bidding war. Hedge fund Elliott Management Corp. has been gradually increasing its stake in Sky, most recently to 2.8% on March 29.

Sky shares closed 2.12% higher at £13.25 in London trading.

UNITED STATES DISTRICT COURT MIDDLE DISTRICT OF TENNESSEE NASHVILLE DIVISION

DR. JOSEPH F. KASPER, Individually and on Behalf of All Others Similarly Situated, Plaintiff,
v.
AAC HOLDINGS, INC., JERROD N. MENZ, MICHAEL T. CARTWRIGHT, ANDREW W. MCWILLIAMS, and KIRK R. MANZ, Defendants.

Case No. 3:15-CV-00923-JPM
(Consolidated)

SUMMARY NOTICE OF (I) PROPOSED SETTLEMENT AND PLAN OF ALLOCATION; (II) SETTLEMENT HEARING; AND (III) MOTION FOR AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED AAC HOLDINGS, INC. ("AAC") SECURITIES BETWEEN OCTOBER 2, 2014, AND AUGUST 4, 2015 AT 9:40 A.M. (EDT) (the "Class").

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Middle District of Tennessee, that a hearing will be held on June 8, 2018, at 9:30 a.m., before the Honorable Jon P. McCalla, United States District Judge, at the United States District Court for the Middle District of Tennessee, Nashville Division, 801 Broadway, Room 783, Nashville, TN 37203, for the purpose of determining: a) whether the proposed Settlement of the claims alleged in the above captioned securities class action ("Action") for Twenty-Five Million Dollars (\$25,000,000) is fair, reasonable, and adequate and should be approved by the Court; b) whether the Action should be dismissed with prejudice against the Defendants as set forth in the Stipulation of Settlement dated February 15, 2018; c) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; d) whether Co-Lead Counsel's request for an award of attorneys' fees and reimbursement of litigation expenses should be approved by the Court; and e) any other relief the Court deems necessary to effectuate the terms of the Settlement.

IF YOU PURCHASED AAC SECURITIES BETWEEN OCTOBER 2, 2014 AND AUGUST 4, 2015 AT 9:40 A.M. (EDT), YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THIS LITIGATION.

If you have not received a detailed Notice of (I) Proposed Settlement and Plan of Allocation; (II) Settlement Hearing; and (III) Motion for Award of Attorneys' Fees and Reimbursement of Litigation Expenses ("Notice"), you may obtain copies by writing to *Kasper v. AAC Holdings*, Claims Administrator, c/o A.B. Data, Ltd., P.O. Box 170500, Milwaukee, WI 53217 or at www.aacsecuritiesclassaction.com. If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release by mail (*postmarked no later than July 19, 2018*) or submitted electronically *no later than July 19, 2018*, establishing that you are entitled to recovery.

If you are a Class Member, you have the right to object to the Settlement, the Plan of Allocation, or the fee and expense applications, or otherwise request to be heard. To object, you may submit a written objection in accordance with the procedures described in the more detailed Notice, referred to above, and/or you may appear at the hearing described above. Any written objection must be delivered to the following *postmarked no later than May 18, 2018*: (a) the Clerk of the Court, United States District Court, Middle District of Tennessee, Nashville Clerk's Office, 801 Broadway, Room 800, Nashville, TN 37203; (b) Donald R. Hall, Kaplan Fox & Kilsheimer LLP, 850 Third Avenue, 14th Floor, New York, NY 10022; (c) Ramzi Abadou, Kahn Swick & Foti LLC, 206 Covington Street, Madisonville, LA 70447; and (d) Lisa R. Bugni, King & Spalding LLP, 1180 Peachtree Street NE, Atlanta, GA 30309. Note that the Court can only approve or deny the Settlement, not change the terms of the Settlement.

PLEASE DO NOT CONTACT THE COURT, THE CLERK'S OFFICE OR AAC REGARDING THIS NOTICE. If you have any questions about the Settlement, you may contact Co-Lead Counsel at the addresses listed below:

Frederic S. Fox
Donald R. Hall
Jeffrey P. Campisi
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New York, NY 10022
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Madisonville, LA 70447
(504) 455-1400
www.ksfcounsel.com

By Order of the Clerk of Court
United States District Court
Middle District of Tennessee

Dated: April 4, 2018

PUBLIC NOTICES

IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

In re: Chapter 7

MACK INDUSTRIES, LTD., et al. Case No. 17-09308

{ Jointly Administered }

Debtors. Hon. Carol A. Doyle

NOTICE OF SALE OF REAL ESTATE FREE AND CLEAR

TO ALL PERSONS ASSERTING A CLAIM AGAINST OR

AN INTEREST IN CERTAIN REAL ESTATE OF MACK

INDUSTRIES, LTD., ET AL.

PLEASE NOTE THAT Ronald R. Peterson, not

individually, but as co-trustee of the "Trust,"

of the bankruptcy estate of Mack Industries, Ltd.,

Mack Industries II, LLC, Mack Industries III, LLC, Mack

Industries IV, LLC, and Oak Park Avenue Realty, Ltd.

(the "Debtors"), is seeking authority to sell certain

parcels and lots of real estate or interests in certain real

estate belonging to some or all of the Debtors in the

above-captioned cases outside of the ordinary course of

business and free and clear of liens and other interests.

For more information about the proposed sales, please

email mackbankruptcy@jenner.com to request a copy

of the full Notice of Sales of Real Estate Free and Clear

by or before Thursday, April 12, 2018, at 5:00 p.m. CST

with the filing of a copy of the notice with the Clerk of the

Court, or your name, company or business name, if applicable,

mailing address, telephone number, and email address in

the body of the email. Please note that the last date for

objecting or responding to the Trustee's motions to

approve the proposed sales is Thursday, April 19, 2018,

and that the hearings on the proposed sales are set for

Thursday, April 26, 2018.

Dated: April 4, 2018.

PUBLIC NOTICES

Publication Notice of Branch Closure

NOTIFICATION IS HEREBY GIVEN by BANK OF SCOTLAND PLC ("Bank of Scotland"), Edinburgh, Scotland, UNITED KINGDOM, that Bank of Scotland has advised the Superintendent of the New York State Department of Financial Services that it is commencing the process of the voluntary liquidation of its New York branch office, currently located at 1095 Avenue of the Americas, New York, New York 10036 under the provisions of Section 605.11(c) of the New York State Banking Law. Upon completion of this voluntary liquidation process, Bank of Scotland will conduct its business operations from its offices in the United Kingdom. Any and all persons seeking information about the closure of the New York Branch of Bank of Scotland or who desire to make claims against Bank of Scotland arising out of the operation of its New York Branch should submit written requests for information or written claims to Kevin P. McKendry, Senior Partner, North America, c/o Lloyds Bank, 1095 Avenue of the Americas, New York, New York 10036; Telephone: (212) 930-8920; email: kevin.mckendry@lbusa.com, on or prior to April 30, 2018.

IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

In re: Chapter 7

MACK INDUSTRIES, LTD., et al. Case No. 17-09308

{ Jointly Administered }

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with the filing of a copy of the notice with the Clerk of the

Court, or your name, company or business name, if applicable,

mail

BUSINESS NEWS

Firms Rush to Report on U.K. Pay

Multinationals must provide data showing how wages for men and women differ

By WIKTOR SZARY

LONDON—Multinationals in the U.K. are racing to disclose pay data for their employees before a Wednesday deadline, promising a rare snapshot of gender-pay inequality across some of the world's biggest companies.

The disclosures, mandated by recent U.K. legislation, require every company with 250 or more employees in the country to report a series of metrics about how pay for men and women differs. In addition to big British companies, such as BP PLC, some of the world's biggest multinationals, like Goldman Sachs Group Inc. and Google parent Alphabet Inc., are disclosing data, too, for their U.K. units.

The U.K. disclosures don't directly compare pay between men and women for the same job. Paying a man more than a woman in the same role is illegal in the U.K. Instead, it compares median hourly pay for men—the pay of a worker right in the middle of the firm's pay range—with median pay for women. It compares that pay on a single "snapshot date," April 5, 2017.

In the U.S., the Obama administration rolled out similar rules that would have required businesses to submit data about how much they pay workers of different genders, races and ethnic groups. The data wasn't meant to be publicly disclosed, but it was supposed to be available to the government, and could trigger probes. The effort was scrapped last year by the Trump administration, which said it would be burdensome for business.

Because of the lack of such comparable data, the U.K. disclosures are being scrutinized

not only for what they might say about British firms, but also about corporate practices at global firms.

"The U.K. is very similar to the U.S. in this respect," said Oriana Bandiera, a professor at the London School of Economics, who spearheaded the university's own gender pay gap review. "The cultural correlation is very high here."

The disclosures also break out median pay by quartiles, revealing any gender split in each salary bracket, as well as a company's bonus pool.

In early disclosures, pay tilts in a very predictable direction—favoring men. The data suggest more women across a wide swath of industries end up in low-paying jobs at their firm—skewing median pay lower. The opposite is true for men: In most companies that have disclosed their data, a concentration of men in high-paying jobs push median pay for males higher.

There are lots of reasons for the imbalance. In the retail sector, women are often overrepresented in low-wage, shop-floor jobs.

Budget airline easyJet PLC said that because there are so few women pilots—one of the companies' highest-paying jobs—median pay for men is higher. At Goldman Sachs, women make up just 15% of the bank's roughly 450 partners.

That reflects underlying structural problems in the labor market for specific industries, says Prof. Bandiera. "A gender pay gap is often a sign of misallocation," she said. "So it's about leveraging women's talent. If you put the right people in the right places, the whole organization will benefit."

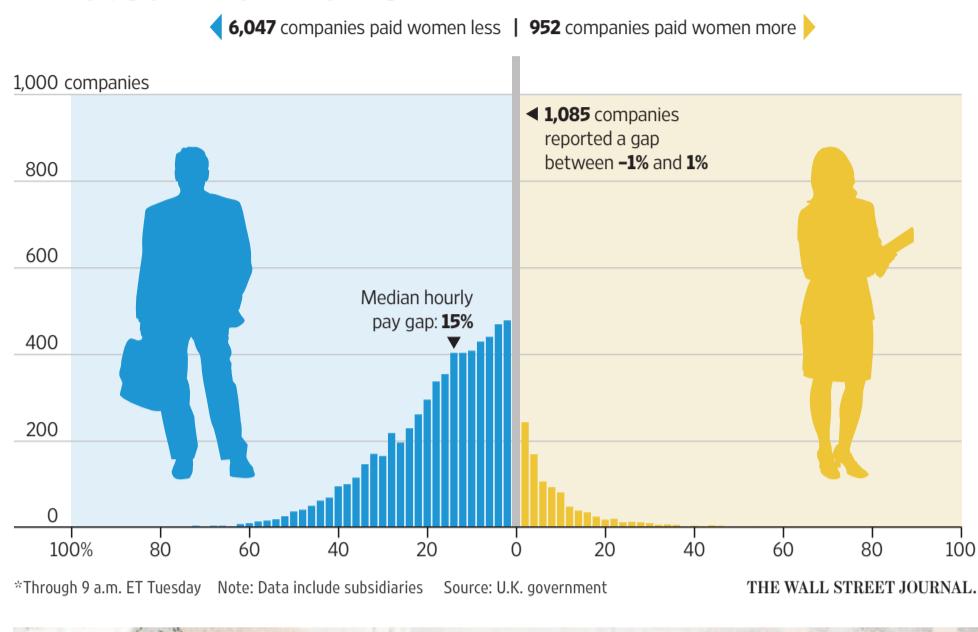
There is one glaring statistical aberration in the U.K. data—an unusually large number of firms have reported negligible difference in pay. That has raised questions about disclosure rules and how some companies have reported their numbers.

Mind the U.K. Gender Pay Gap

Distribution of gaps in median hourly pay between men and women.

Bar height represents the number of companies. Horizontal position indicates the size of the gap.

Gender pay gap for companies reporting so far*



Data suggest more women across a wide swath of U.K. sectors end up in low-paying jobs at their firm.

BUSINESS WATCH

APPLE

New Chief Named for Artificial Intelligence

Apple Inc. hired a prominent executive from rival Google to lead its artificial-intelligence efforts, an area of growing importance where analysts say the tech giant has trailed rivals in research and recruiting.

The company on Tuesday told employees it named John Giannandrea its first senior vice president of artificial intelligence, according to a person familiar with the internal announcement. Mr. Giannandrea, who left a similar role this week at Alphabet Inc.'s Google, will report directly to Chief Executive Tim Cook, the person said.

Apple didn't have immediate comment. Google confirmed Mr. Giannandrea's departure. The New York Times reported the hiring earlier.

Google has tapped Jeff Dean to lead its AI efforts, a company spokesman said. He joined the company in 1999 and has led its Google Brain project. Ben Gomes will be the new head of Google's search-engine organization.

—Tripp Mickle

TYSON FOODS

Sustainability Gains Ground

Tyson Foods plans to step up environmental sustainability efforts by changing practices on the grain farms that feed its chickens, hogs and cattle.

The top U.S. meat company by sales says it is committing to "improved environmental practices" by 2020 on 2 million acres of corn production—enough to feed all of the chickens Tyson produces in a year, and then some.

The plan involves steering farmers toward using less fertilizer and reducing erosion, and Tyson will retain "at least one third-party organization" in the effort.

It is part of an environmental push by Tyson, which is pitching its brands' sustainability virtues to protein-hungry consumers.

—Jacob Bunge

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— Michael Rockwell

INTERNATIONAL PROPERTY REPORT

United Kingdom

Foreign Investors Flock to the U.K.

Rental sector expands beyond small landlords as many opt to lease amid high home prices

By SHEFALI ANAND

For decades, as some of the biggest names in U.S. real estate built empires of rental apartment buildings, the business in the U.K. mostly was limited to mom-and-pop landlords with no more than a few dozen units each.

Now, major global institutions are jumping into the game as U.K. living habits change and investors search for higher yields in an aging bull market in commercial real estate. Demand for rentals also is increasing as shortages of affordable housing become more acute in the U.K., matching markets in other parts of Europe and the U.S.

The number of professionally managed rental apartments in the U.K. increased to 19,000 at the end of 2017 from 4,000 in 2014, according to research from the British Property Federation, a real-estate industry association. An additional 86,000 such homes are either under construction or in planning, the federation said.

Institutional investors had spent \$21 billion on these U.S.-style rentals as of 2016, according to **Knight Frank LLP**, a real-estate consulting firm. That number is expected to swell to about \$100 billion by 2022, the firm said.

"We think there's a lot of pent-up demand," said Simon Harding-Roots, executive director, major projects, at property developer Grosvenor Britain & Ireland. "London desperately needs it."

Grosvenor's plans include a 1,350-home rental complex in Bermondsey, a neighborhood in southeast London, at a site that previously was home to a biscuit factory. With an initial investment of £500 million (\$702 million), the project will include a range of apartments, from studios to three-bedroom units.

Some foreign-capital sources have broken into the U.K. market by teaming up



A rendering of a large rental-apartment complex, in Wembley Park near London, with nearly 3,000 units that are under construction.

with domestic companies. In 2016, PGGM, a Dutch pension-fund service provider that manages \$270 billion of assets, tied up with U.K. asset manager Legal & General Capital to initially invest £600 million to build more than 3,000 units of U.K. rental housing.

Other foreign investors include **Patrizia Immobilien AG** of Germany. Also, a venture of international property company **Lendlease Corp.**, based in Australia, and the Canada Pension Plan Investment Board announced a venture in January to build rental housing with an initial investment target of £1.5 billion.

Not surprisingly, big participants in the U.S. apartment rental market are showing up, hoping to re-create their success. South Carolina-based **Greystar Real Estate Partners**, a major operator of rental apartments in the U.S., is building a 1,965-home site in west London, among other projects.

The U.K. is behind the U.S. in rental apartment development partly because the country has a high rate of homeownership. Moreover, builders in the U.K. historically have preferred to construct homes for sale, because they can reap returns much faster.

But after years of escalating prices, many are finding houses unaffordable.

The average home price in the U.K. rose 35% in the five-year period ended in January, while the average price rose about 55% in London during the period, according to data from the U.K.'s Land Registry.

More people in the U.K. are opting to rent as a lifestyle choice because they don't want to be tied down to one place. This gives investors the confidence that there will be long-term renters who won't be rushing to buy a home when they have more money.

"Now, everybody understands that this is actually a structural demand for pur-

pose-built rental property," said James Muir, U.K. country head for Patrizia, which has invested £625 million to build 2,200 rental homes in Ireland and the U.K., including in London, Manchester and Birmingham.

Some companies that previously built homes only for sale are now turning to rental construction. "We've switched because the for-sale market is increasingly out of reach for the majority of London's population," said Angus Dodd, chief executive officer of Quintain Ltd., a U.K. developer.

Quintain is building one of the largest rental-apartment complexes in the country, in Wembley Park, a district in the London region, with nearly 3,000 units under construction. The developer's change in strategy was partly driven by its largest shareholder, U.S. private-equity firm **Lone Star Funds**.

Quintain's rentals range from studios to three-bedroom

apartments, and the buildings have shared living spaces including resident lounges and landscaped gardens. A typical two-bedroom apartment from Quintain rents for £2,000 a month, according to the developer.

Still, the rental-apartment business isn't without its risks. Several developers have focused on building upscale apartments that need to charge high rents, and they run the possibility of missing the market.

"The real depth of the market is in the middle market," said Peter Wyatt, residential development partner at Knight Frank.

Government regulation, however, can be tricky. London, for example, has proposed that 35% of all new housing development be "affordable," meaning below-market prices, to qualify for a fast-track route through the planning process. Developers say this number is too high.

Value Seen For Malls In Popular Locations

By DAVID HODARI

Bad news continued to mount in the U.S. retail real-estate industry last week as **GGP Inc.** accepted **Brookfield Property Partners LP**'s lowball offer and new statistics showed vacancies in the regional-mall sector hitting a six-year high.

In the U.K., though, a tangle of takeover offers made in recent months—with **Hammerstone PLC** in the middle—have highlighted the value investors still see in the most popular shopping centers.

France's **Klepierre SA** in March made an unsolicited £4.88 billion (\$6.85 billion) proposal to buy Hammerstone, whose portfolio includes 57 shopping destinations in the U.K., Ireland and France. The price, a 40% premium to where Hammerstone shares had been trading just prior, was rejected by the company as "wholly inadequate and entirely opportunistic."

That proposal came less than four months after Hammerstone said it planned to buy **Intu Properties PLC** for £3.4 billion, a 28% premium over Intu's share price the day before the deal was announced. Intu owns 17 shopping centers in the U.K. and three in Spain.

To be sure, the U.K. retail market is getting hit with the same pressure from online shopping, whose growth is being blamed for many of the shopping-center woes in the U.S. Online sales volumes continue to grow in the U.K. "ahead of all retail combined resulting in a 17% share of this sector in November," according to a CBRE Group Inc. report on 2017's second half.

But the U.S. retail real-es-

98.3%

Occupancy rate at Hammerson's U.K. malls at the end of 2017

tate sector is suffering from an oversupply of retail space, which isn't the case in the U.K. There is 24 square feet of retail space per capita in the U.S., compared with five square feet in the U.K., according to the International Council of Shopping Centers.

In 10 prime U.K. locations studied by CBRE, rents rose on average by 2.6% in the past 12 months. "Across the U.K., the best retail locations are fiercely fought for so rental values are rising," the report said.

Hammerson's appeal is partly that its portfolio includes many top locations. The company reported that its U.K. shopping centers were 98.3% occupied at the end of 2017, a 17-year high, up from 97.5% one year earlier.

"We're now in the generation of location. Less people are driving to shopping centers...cinemas are [also challenged]...and you need to have convenient locations if you want to make it these days," said Marc Mozzie, a real-estate research strategist at Société Générale.

Hammerson reported that retail sales at its U.K. shopping centers were down 2.7% for the year, but up 3% when new extensions at its Westquay, Southampton and Victoria Gate properties are taken into account. The shopping-center sales numbers also don't include the "additional online sales generated through the halo effect of our flagship destinations," Hammerson said in a report of its 2017 results.

To adapt to the new retail world, Hammerson is trying to use design, entertainment, technology, dining and other features to "wow and delight our customers," said Mark Bourgeois, Hammerson's U.K. and Ireland managing director, in a recent interview.

"Not all retail is equal," he said. "We're focusing on important regional destination venues, with a lot of [food and beverage outlets]...as the market polarizes."

—Peter Grant contributed to this article.

London Retains Office Dominance

By OLGA COTAGA



Some financial firms have renewed their commitment to London.

PLOTS & PLOYS

HOUSING

More Renters Shun Purchasing a Home

An increasing percentage of apartment renters isn't interested in buying a house as affordability challenges take a bigger toll on American aspirations of homeownership.

In all, 20% of renters said they have no interest in owning a home, up from 17% in August and 13% in 2016, according to a semiannual survey of renters by mortgage-finance company **Freddie Mac** in January.

Two-thirds of renters who plan to continue renting said they are doing so for financial reasons, up from 59% two years ago, according to the survey.

"Housing is becoming less and less affordable. Renting is perceived to be the more affordable housing option," said David Brickman, an executive vice president at Freddie Mac and head of its multifamily division.

Home prices have risen strongly in recent years, while rent increases have slowed. The S&P CoreLogic Case-Shiller National Home Price Index rose 6.2% in January from the same month a year earlier, while the average apartment rent increased 3.9% in the first quarter from a year earlier, according to real-estate research firm **Reis Inc.**

The preference for renting is being driven in part by baby boomers. Some 35% of baby boomers said they have no interest in owning a home, up from 31% in August and 23% two years ago, according to the Freddie Mac survey.

At the same time, concerns about affordability are most prevalent among younger renters. Nearly three-quarters of millennials said they are renting for financial reasons, up from 59% two years ago.

—Laura Kusisto

Even more reassuring, big financial-services firms have renewed their commitment to the city. In the largest lease of 2017, **Deutsche Bank AG** took 500,000 square feet at 21 Moorfields in the City of London, the capital's financial district.

This year SMBC Nikko, a subsidiary of **Sumitomo Mitsui Banking Corp.**, the second-largest bank in Japan by assets, took 161,000 square feet at 100 Liverpool St.

"Inactions speak louder than words," wrote **Green Street Advisors** in a March report on the London office market.

To be sure, concerns remain. The office leasing and sales market have gotten off to slow starts this year. Prices

of second-tier buildings that need capital infusions haven't recovered from their post-Brexit correction, a sign that investors remain wary about taking on leasing risk.

Moreover, U.K. officials are still negotiating with the EU over what kind of a trade deal the U.K. will have after the divorce.

If that happens, financial institutions will be forced to move some jobs to continental Europe, leaving a gap in the demand for central London office space.

The U.K. managed to agree on a transition period with the EU until Dec. 31, 2020, which gives it more time to negotiate a trade deal. But some issues such as the Irish border remain unresolved, and the EU ruled out an ambitious trade deal for London's financial-services sector.

"This is going to play out

over time," said Catherine McGuinness, chairman of the City of London's Policy and Resources Committee. "If we reach a bad deal with the EU or no deal at all, inevitably more business will be carried out in the EU that we currently have in London."

Still, analysts and investors have a cheerier outlook than they did two years ago. Green Street has revised its forecast

for job relocations by the financial-services sector to between 20,000 and 25,000 from about 40,000. There probably won't be over 5,000 relocations by March 2019, Green Street said.

Green Street analyst Hemant Kotak said his firm has had a number of "informal discussions with market participants" that a number of financial institutions are looking for space in London. "When you look at the opening/expanding of satellite operations in the EU, it appears to be driven by banks hedging their bets, rather than indication of wholesale moves so far," he said in an email.

"The fragmented nature of

these moves also gives us reason to be more optimistic that no one market can really be a challenger to London's dominance in the near or even medium term," Mr. Kotak said.

Meanwhile, the demand for space in London remains strong from media and technology firms that are attracted to the city's business-friendly climate and young and creative workforce.

In 2016, a couple of months after the Brexit vote, **Apple Inc.** committed to six floors in the Battersea Power Station, which is being redeveloped.

Google is building a £1 billion (\$1.4 billion) headquarters in King's Cross, where it rents an 11-story office block not far away from the development.

Facebook Inc. is in talks to join Google in King's Cross and is expected to take four buildings, tripling the size of its footprint in the capital.

Demand from media and tech companies has fueled the rise of co-working spaces.

Providers of co-working spaces were behind 20% of the total central London office takeup in the 12 months to February, according to CBRE.

A year ago, their share was 8%. **WeWork Cos.** was behind six of the 18 central London leasing deals in the past 12 months, according to real-estate adviser Savills.

But there is also a possible downside to the strong demand for co-working firms for space, market participants say. It could be a sign that tenants are hedging their bets until the Brexit impact is more clear.

You could argue that the

success of WeWork over the

last two to three years is cap-

turing that short-term uncer-

tainty among occupiers," said Stephen Downs, Savills' head of central London.

—Peter Grant

contributed to this article.

INTERNATIONAL PROPERTY REPORT | U.K.

Developers Wait as Rail Project Stalls

Crossrail transit plan runs up against delays and political obstacles on funding next phase

BY ISOBEL LEE

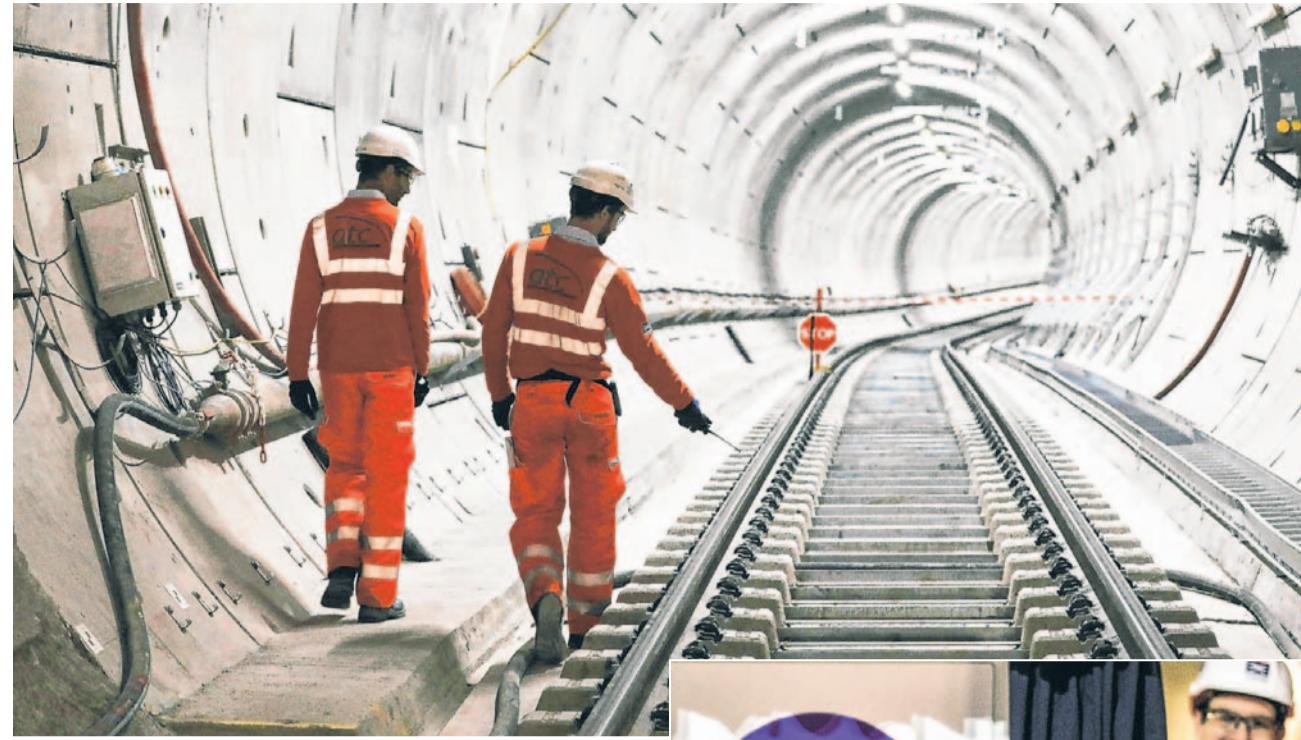
London residents who for years have been coping with the construction of the city's most ambitious new transportation project since World War II began to get their payoff last year with the partial opening of the first line of the £14.8 billion (\$20.8 billion) Crossrail system.

But for many real-estate developers and investors, the rewards will take longer. Plans for 12 projects with more than three million square feet of office, retail and residential space are in the works over and near the new Elizabeth Line stations and construction sites. Yet many of them are still on the drawing board as station delays stack up.

Moreover, frustration has been increasing about delays with the second and more far-reaching phase of the project, dubbed Crossrail 2. Political considerations have bogged down government agencies in their attempts to figure out how to pay its estimated £30 billion cost.

The U.K. government's Department of Transport has pushed its latest funding review of Crossrail 2 to the fall. A February report by the National Infrastructure Commission, a public-interest group, called progress on Crossrail 2 "hugely disappointing."

In an interview, Sir John Armitt, the commission's chairman, blamed the impasse partly on the Greater London Authority's reluctance to raise taxes to meet its expected 50% contribution. "At a national level, the government is concerned not to be seen as supporting another London proj-



The Elizabeth Line, named after the queen, will have 73 miles of new tracks when it is fully opened in December.

ect to the exclusion of capital projects in the north of the country," he said.

Crossrail's fits and starts come as large infrastructure projects are playing an important role in efforts by cities to compete in a global economy. Across the English Channel, for example, Paris is working on an ambitious plan to double the region's 200 miles of metro and commuter rail lines.

That plan also has run into financing issues. Its cost has ballooned to €35 billion (\$43.1 billion) from estimates of €25 billion in 2012, according to Fabrice Allouche, chief executive for France of real-estate services firm CBRE Group Inc.

"Significant parts of it have now been postponed, with some attempt to connect the key lines necessary for the Olympic Games, which will be held in Paris in 2024," Mr. Al-

louche said. "The rest won't complete until 2030, at the earliest."

The Elizabeth Line, named after the British monarch, will have 73 miles of new tracks and stop at 41 stations, 10 of them new, when fully opened in December.

The line is intended to ease pressure on the Underground and speed up travel within London and to areas east and west of the city. It is also going to offer a direct train connecting Heathrow Airport and central London stations.

Crossrail 2 is a diagonal line service from the southwest to the northeast of the capital. Planners hope to start construction in the early 2020s, with the new line opening in the early 2030s.

Commercial property developers have been making big bets on the Elizabeth Line. Last month, Grosvenor Britain



firm JLL. Particular winners are Whitechapel, in London's fashionable East End, and Woolwich, "which was simply not very well connected up until now," said Jon Neale, JLL's head of U.K. research. "Some of these boroughs will now be just 15 minutes from central London."

When it comes to real estate, Crossrail 2 will primarily benefit housing near the improved lines and new stations. CBRE research shows that a 10% reduction in commuting times can cause house prices to increase by as much as 6%.

One reason the Elizabeth Line succeeded was because it obtained significant financing from the powerful business hubs it links, including Canary Wharf and Heathrow Airport.

Still, Crossrail 2, like the Elizabeth Line, will pass through London's West End at Tottenham Court Road, where a £1 billion revamp is transforming the drab eastern end of Oxford Street.

Facebook Inc. and McKinsey & Co. have moved into the area in the past year. "As with the Elizabeth Line, civic leaders should unlock the West End's potential to help deliver Crossrail 2," said Craig McWilliam, chief executive of Grosvenor.

But there is political pressure on the U.K. government to fund infrastructure projects in other regions like HS2, a planned high-speed train connecting the capital with Birmingham, Leeds and Manchester. With a potential price tag of £56 billion, it would be the most expensive railway on earth at £403 million a mile, according to government calculations. "The Brexit vote was interpreted by Westminster as a reaction against the London cosmopolitan elite, so the next major infrastructure investment will probably have to be in the north of England," JLL's Mr. Neale said.

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THE WALL STREET JOURNAL.
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BANKING & FINANCE

Lending Rules Reviewed

Proposal would make it easier for banks to comply with law on serving poor areas

BY RACHEL LOUISE ENSIGN
AND LALITA CLOZEL

The Trump administration kicked off plans to revamp lending rules in lower-income communities with a proposal that would make it easier for banks to comply with a decades-old law that has long confounded the industry.

The Treasury Department, in a memo released Tuesday, said the 1977 Community Reinvestment Act hasn't kept pace with the evolving banking sector. The law, which was passed to stop "redlining," a form of lending discrimination, is enforced by a complicated series of regulations. Treasury Secretary Steven Mnuchin and Comptroller of the Currency Joseph Otting, who both dealt with the law as executives at OneWest Bank, now a part of **CIT Group** Inc., have said altering the rules is a priority.

Under the proposed changes, banks would be held to more objective standards for complying with the law. Currently, large parts of the exam hinge on regulators' subjective judgments. The changes also would make it easier for banks to meet certain lending requirements and lower penalties for compliance problems.

Since its inception, regulators and Congress have turned the CRA into a public test evaluating how many loans, branches and investments a bank has to serve the poor. The test uses complex formulas to grade banks, looking at mortgage data, branches in lower-income areas and loans to build apartments. Bad grades mean restrictions on activities, including mergers.

The report suggested broadening the loans and investments that count toward the exam, something bankers have requested. "Treasury be-



Treasury's Steven Mnuchin has said altering the 1977 Community Reinvestment Act is a priority.

lieves that by expanding the types of loans, investments, and services eligible for CRA credit and clarifying the eligibility criteria, the timeliness of ratings can improve," the memo said.

The Treasury's move sets the stage for more detailed changes from the regulators who jointly oversee the law: the OCC, Federal Reserve and Federal Deposit Insurance Corp. Those agencies must now develop and release their own proposals to advance any changes to the rules.

"They punted to the regulators on the specifics," said Ken Thomas, an expert on the CRA who was consulted on the Treasury report.

Other proposed changes could free banks from some costly commitments. For instance, banks often keep many branches open in poorer neighborhoods to get a good grade on the exam, even though these branches are far less lucrative than those in richer neighborhoods.

Treasury suggested making the evaluation of a bank's branch locations a less impor-

tant part of the test. "Advances in technology have reduced the need for branch-based services and have lessened community reliance upon traditional 'brick and mortar' branches," said the report, which was written after consulting with banks, trade groups and community groups.

Some suggested changes would diminish the incentive for banks to enter into multi-billion-dollar plans with community groups. These plans, which include commitments to make a certain amount of loans or investments in poorer parts of a community, have come to be seen by many lenders as a necessary step to get a merger approved or improve a bad CRA rating.

Some changes already have gone into effect. Last year the OCC made it harder for banks to be penalized for reasons not directly tied to lending under the law. It also suggested that in certain circumstances, banks with a bad community-reinvestment rating could still expand. The report proposed all banking regulators make similar changes.

Treasury also proposed that ratings are given out in a more timely manner. Out-of-date evaluations are seen as a problem. Many banks' current ratings are based on data from many years ago.

Some bankers cheered the report's proposals. "Bringing the law into the 21st century would allow banks greater flexibility to use mobile, online and other digital technologies to better interact with and serve consumers in their local communities," said Richard Hunt, head of the Consumer Bankers Association.

John Taylor, president of the National Community Reinvestment Coalition, a fair-lending advocacy group, said he was still "cautiously optimistic" about coming changes to the CRA rules, applauding Treasury's suggestion that the geographic areas examined at each bank be tweaked.

But he said worried poor areas could lose more of their branches if the exam gives less weight to a bank's branches. "The idea that the mobile phone is going to serve those purposes is naive," he said.

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Dow Jones Industrial Average

24033.36 ▲389.17, or 1.65%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.38 21.11
P/E estimate * 16.24 17.72
Dividend yield 2.21 2.35
All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

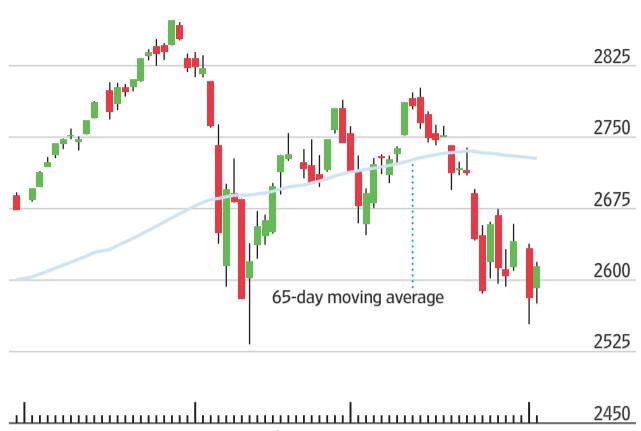
Dec. Jan. Feb. Mar. 22000 2450

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2614.45 ▲32.57, or 1.26%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 24.51 24.75
P/E estimate * 16.85 18.28
Dividend yield 1.95 1.97
All-time high 2872.87, 01/26/18



Dec. Jan. Feb. Mar. 2600 2525

65-day moving average

Nasdaq Composite Index

6941.28 ▲71.16, or 1.04%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 25.21 25.97
P/E estimate * 19.97 20.38
Dividend yield 1.04 1.11
All-time high: 7588.32, 03/12/18



Dec. Jan. Feb. Mar. 6700 6500

65-day moving average

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week			3-yr. ann.
						High	Low	% chg	
Dow Jones									
Industrial Average	24044.35	23664.33	24033.36	389.17	■ 1.65	26616.71	20404.49	16.2	-2.8 10.6
Transportation Avg	10410.34	10229.65	10394.25	203.68	■ 2.00	11373.38	8783.74	14.2	-2.1 6.5
Utility Average	692.12	683.75	689.01	2.03	■ 0.30	774.47	647.90	-1.6	-4.7 5.3
Total Stock Market	27148.34	26714.00	27098.78	332.51	■ 1.24	29630.47	24125.20	10.8	-2.1 7.7
Barron's 400	704.39	694.42	703.23	8.21	■ 1.18	757.37	610.89	13.4	-1.1 7.2
Nasdaq Stock Market									
Nasdaq Composite	6963.71	6835.23	6941.28	71.16	■ 1.04	7588.32	5805.15	17.7	0.5 12.4
Nasdaq 100	6485.27	6343.90	6458.83	67.99	■ 1.06	7131.12	5353.59	18.7	1.0 14.4
S&P									
500 Index	2619.14	2575.49	2614.45	32.57	■ 1.26	2872.87	2328.95	10.8	-2.2 8.1
MidCap 400	1866.12	1838.05	1860.37	25.06	■ 1.37	1995.23	1681.04	8.9	-2.1 6.9
SmallCap 600	932.70	919.59	930.92	13.68	■ 1.49	979.57	815.62	12.3	-0.6 8.9
Other Indexes									
Russell 2000	1514.56	1493.87	1512.15	19.62	■ 1.31	1610.71	1345.24	10.5	-1.5 6.4
NYSE Composite	12380.25	12220.21	12367.07	150.36	■ 1.23	13637.02	11324.53	7.8	-3.4 4.1
Value Line	541.84	534.54	541.05	6.51	■ 1.22	589.69	503.24	5.0	-3.8 1.8
NYSE Arca Biotech	4340.84	4244.66	4319.49	34.94	■ 0.82	4939.86	3449.61	22.7	2.3 3.2
NYSE Arca Pharma	525.03	517.13	524.83	7.36	■ 1.42	593.12	498.46	2.7	-3.7 -2.6
KWB Bank	106.17	104.20	105.92	1.57	■ 1.50	116.52	88.02	15.7	-0.7 13.5
PHLX® Gold/Silver	81.79	80.63	81.22	-0.79	■ -0.96	93.26	76.42	-5.9	-4.7 6.1
PHLX® Oil Service	135.47	130.82	135.09	2.97	■ 2.25	171.55	117.79	-20.2	-9.7 -11.5
PHLX® Semiconductor	1305.14	1279.44	1302.09	25.08	■ 1.96	1445.90	960.01	30.1	3.9 23.6
Cboe Volatility	23.38	20.92	21.10	-2.52	■ -10.67	37.32	9.14	79.0	91.1 12.9

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
MSCI	MSCI	9,689.2	145.94	0.23	■ 0.16	145.94	145.18	
Mondelez Intl Cl A	MDLZ	9,081.2	40.71	-0.47	■ -1.14	41.22	40.71	
SPDR Bloomberg HY Bd	JNK	3,846.9	35.68	...	■ unch.	35.68	35.61	
Bank of America	BAC	3,585.3	29.56	-0.03	■ -0.10	29.63	29.31	
Cnsmr Staples Sel Sector	XLP	3,361.6	52.02	...	■ unch.	52.07	52.00	
Lumentum Holdings	LITE	3,189.2	61.50	1.10	■ 1.82	61.50	60.05	
JetBlue Airways	JBLU	3,123.1	20.15	...	■ unch.	20.20	20.15	
Real Estate Sector SPDR	XLRE	2,725.4	30.79	-0.02	■ -0.06	30.81	30.70	

Percentage gainers...

CBL Assocs Properties	CBL	53.1	4.27	0.09	■ 2.15	4.33	4.15	
Caesars Entertainment	CZR	443.8	10.85	0.20	■ 1.88	10.85	10.65	
Lumentum Holdings	LITE	3,189.2	61.50	1.10	■ 1.82	61.50	60.05	
American Tower REIT	AMT	79.4	143.88	2.41	■ 1.70	143.88	141.40	
Constellation Brands A	STZ	80.4	228.16	3.07	■ 1.36	228.16	224.99	

...And losers

Cloudera	CLDR	1,229.6	16.85	-5.39	■ -24.24	23.01	1
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	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-100	25,000 lbs.; \$ per lb.	3,0495	3,0615	3,0405	3,0580	0.0175	2,258	
April		3,0495	3,0615	3,0405	3,0580	0.0175	2,258	
May		3,0495	3,0695	3,0385	3,0635	0.0135	146,958	
Gold (CMX)-100	troy oz.; \$ per troy oz.	1340.40	1341.50	1328.50	1332.80	-9.30	2,203	
June		1345.00	1346.60	1332.70	1337.30	-9.60	378,233	
Aug		1351.20	1352.40	1339.00	1343.40	-9.50	52,375	
Oct		1357.40	1357.40	1345.40	1349.50	-9.50	7,301	
Dec		1363.30	1364.70	1351.70	1356.00	-9.40	47,704	
Dec'19		1392.00	1392.00	1392.00	1395.40	-9.30	3,452	
Palladium (NYM)-50	troy oz.; \$ per troy oz.	931.05	939.50	925.20	927.80	0.30	21,950	
Sept		921.70	935.00	921.20	923.40	0.35	1,650	
Platinum (NYM)-50	troy oz.; \$ per troy oz.	933.90	933.90	918.80	925.30	-5.40	54	
July		938.30	940.80	921.50	931.30	-5.20	71,918	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.		16,470	16,580	16,470	16,347	-0.280	342	
April		16,470	16,605	16,340	16,392	-0.280	149,752	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.		62.94	63.86	62.86	63.51	0.50	482,873	
June		62.93	63.80	62.82	63.46	0.50	366,939	
July		62.66	63.54	62.62	63.21	0.49	163,792	
Sept		61.67	62.57	61.67	62.28	0.53	179,968	
Dec		60.27	61.20	60.27	60.90	0.57	258,076	
Dec'19		56.15	56.97	56.11	56.72	0.58	139,493	
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.		1.9791	2.0012	1.9769	1.9950	0.0148	139,042	
June		1.9769	1.9959	1.9758	1.9910	0.0133	81,519	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.		1.9696	1.9981	1.9676	1.9741	0.0080	156,008	
June		1.9740	2.0012	1.9719	1.9790	0.0076	79,095	
Natural Gas (NYM)-10,000 MMBtu's; \$ per MMBtu.		2.678	2.707	2.667	2.697	0.014	399,292	
June		2.727	2.755	2.719	2.745	0.013	101,435	
July		2.781	2.810	2.776	2.801	0.014	162,067	
Sept		2.786	2.813	2.781	2.808	0.014	104,278	
Oct		2.800	2.826	2.797	2.821	0.013	130,115	
Jan'19		3.061	3.082	3.058	3.079	0.012	72,181	

Contract

Open	High	hilo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.	387.00	392.00	386.75	388.50	1.25	581,267
May	395.75	400.50	395.25	397.25	1.50	516,369
Oats (CBT)-5,000 bu.; cents per bu.	232.75	234.50	230.25	232.50	.75	4,320
July	242.00	243.00	237.00	240.25	-.75	1,826
Soybeans (CBT)-5,000 bu.; cents per bu.	1036.25	1048.75	1038.00	2.50	335,908	
May	1047.00	1059.75	1046.50	1049.25	3.00	264,429
Soybean Meal (CBT)-100 tons; \$ per ton.	378.00	384.00	377.30	380.00	2.70	183,066
July	381.00	387.30	380.40	383.30	2.90	131,431
Soybean Oil (CBT)-60,000 lbs.; cents per lb.	32.01	32.73	31.95	32.34	.30	215,778
July	32.26	33.00	32.22	32.62	.32	134,417
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	1232.00	1240.00	1225.00	1238.50	7.50	5,289
July	1248.00	1248.50	1241.50	1255.00	7.00	1,691
Wheat (CBT)-5,000 bu.; cents per bu.	448.50	463.50	448.25	457.50	11.25	227,938
July	465.50	480.25	465.50	474.00	10.50	140,228
Wheat (CBT)-5,000 bu.; cents per bu.	473.50	492.50	471.50	484.75	17.25	106,761
July	492.00	511.00	490.75	503.25	16.50	89,335
Wheat (MPLS)-5,000 bu.; cents per bu.	573.00	584.00	572.00	583.00	9.50	31,151
July	582.00	592.50	581.00	592.25	9.75	15,399
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	132,025	132,925	130,375	130,525	-1.350	10,151
May	132,475	133,550	130,800	130,975	-1.400	22,002
Cattle-Live (CME)-40,000 lbs.; cents per lb.	112,650	113,350	111,775	111,975	-.425	35,835
June	109,050	101,825	99,550	99,625	-1.325	160,128
Hogs-Lean (CME)-40,000 lbs.; cents per lb.	54,350	54,400	51,350	51,675	-2.600	21,440
June	73,350	73,550	70,900	71,650	-1.900	97,587
Lumber (CME)-110,000 bd ft.; \$ per 1,000 bd ft.	513.00	522.70	513.00	516.40	3.70	5,188
May	500.30	510.80	500.30	504.80	4.00	1,003

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.	14.23	14.23	14.22	14.22	...	4,161		
May	14.34	14.48	14.31	14.46	.16	3,460		
Oats (CBT)-5,000 bu.; cents per bu.	2,600	2,606	2,477	2,498	-.58	102,633		
July	2,633	2,639	2,516	2,536	-.48	79,051		
Coffee (ICE-US)-37,500 lbs.; cents per lb.	116.75	117.15	116.00	116.60	-.155	138,030		
May	118.90	119.25	118.15	118.65	-.155	63,208		
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.	12.40	12.51	12.23	12.47	.12	389,811		
July	12.51	12.64	12.38	12.61	.15	266,476		
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.	24.65	24.70	24.65	24.69	.19	3,187		
May	24.95	25.07	24.90	24.96	-.02	2,602		
Cotton (ICE-US)-50,000 lbs.; cents per lb.	80.97	82.81	80.97	82.02	.56	110,077		
July	81.30	82.71	81.28	82.01	.21	76,805		
Orange Juice (CME)-15,000 lbs.; cents per lb.	139.60	139.70	137.45	138.35	-.275	9,261		
July	140.70	140.70	138.35	139.35	-.220	2,438		

Interest Rate Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest

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BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 l-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 df-FIRST day of trading.
 h-Does not meet continued listing standards.
 lf-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 y-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, April 3, 2018

Stock	Net		Stock	Net		Stock	Net		Stock	Net		Stock	Net		Stock	Net				
	Stock	Sym Close Chg		Stock	Sym Close Chg		Stock	Sym Close Chg		Stock	Sym Close Chg		Stock	Sym Close Chg	Stock	Sym Close Chg				
A ABB	ABB	23.31 -0.14	AmerExpress AXP	AXP	92.74 1.74	BcoSantaChil BSAC	BSAC	34.18 0.52	Eaton ETN	ETN	77.86 0.17	Hubbell HUBB	HUBB	118.29 0.95	MartinMarietta MLM	MLM	201.33 -0.04	PrudentialFin PRU	PRU	102.83 1.88
ADT ADT	ADT	7.55 -0.28	AmHomes4Rent AMH	AMH	19.75 0.09	BcoSamMex BSMX	BMSX	7.30 0.20	EatonVance EV	EV	54.98 1.21	Humana HUM	HUM	282.47 1.77	PrudentialTech PRUV	PRUV	49.44 0.07	Prudential PRU	PRU	26.66 0.28
AES AES	AES	11.50 0.13	BancosAntander BAN	BAN	6.46 0.03	BancomerB BMO	BMO	75.12 0.28	eBay EBAY	EBAY	39.61 0.25	JHJ JHBT	JHBT	121.76 1.81	PublicServiceEn PEG	PEG	50.30 0.43	Tenaris TS	TS	34.75 0.59
Aflac AFL	AFL	43.69 0.72	BancomerB BMO	BMO	45.19 2.06	Ecobal ECL	ECL	136.90 2.93	HuntingtonBchs HBAN	HBAN	14.83 0.16	Mastercard MA	MA	172.47 0.87	PublicStorage PSA	PSA	200.62 1.21	Teradyne TER	TER	44.29 0.50
AGNC Inv AGNC	AGNC	18.88 0.13	BancoOzarks BOZK	BOZK	47.93 0.97	Ecopetrol EC	EC	19.75 0.45	HuntingIngallsHill HILL	HILL	259.13 5.72	MatchGroup MTCH	MTCH	42.17 -0.58	PuiteGroup PHM	PHM	28.68 0.11	Tesla TSLA	TSLA	267.53 15.05
ANGI Homesvc ANGI	ANGI	13.39 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	EdisonInt EIX	EIX	63.11 0.01	Huntsman HUN	HUN	28.55 1.73	MaximProd MXIM	MXIM	58.90 1.49	Quigen QGEN	QGEN	31.49 -0.10	TevaPharm TEVA	TEVA	16.95 0.18
Ansys ANS	ANS	155.67 0.20	BancoOzarks BOZK	BOZK	47.93 0.97	ElectronicsA EA	EA	119.51 0.79	IAC/InterActive IAC	IAC	151.18 0.21	McCorrnick MKC	MKC	104.03 0.20	Qualcomm QCOM	QCOM	54.78 0.97	Textron TXT	TXT	58.18 0.53
ASML ASML	ASML	199.43 6.38	BancoOzarks BOZK	BOZK	47.93 0.97	EmersonElec EMR	EMR	67.85 1.57	ICICI Bank IBN	IBN	8.26 0.07	McDonalds MCD	MCD	160.44 2.68	QuestDiag DGX	DGX	98.90 1.59	ThermoFisherSci TMO	TMO	206.68 3.54
ASML ASML	ASML	199.43 6.38	BancoOzarks BOZK	BOZK	47.93 0.97	EndbridgeEnPt EEP	EEP	9.59 0.02	IndexLab IDXX	IDXX	188.71 2.09	Medtronic MDT	MDT	78.35 0.87	Thorindustries THO	THO	109.56 0.08			
At&T AT&T	AT&T	35.37 0.27	BancoOzarks BOZK	BOZK	47.93 0.97	Enbridge ENB	ENB	30.31 -0.28	iHsMarket INFO	INFO	47.83 0.31	MelcoResorts MLCO	MLCO	28.34 0.13	TelekomIndonesia TLK	TLK	26.66 0.28			
AbbottLabs ABBV	ABBV	90.50 0.79	BancoOzarks BOZK	BOZK	47.93 0.97	Encana ECA	ECA	10.76 0.22	ING Groep ING	ING	16.74 ...	MercadoLibre MELI	MELI	342.87 -0.43	Tenaris TS	TS	34.75 0.59			
Aflac AFL	AFL	43.69 0.72	BancoOzarks BOZK	BOZK	47.93 0.97	EnelAmericas ENA	ENA	11.81 0.21	Invesco IVZ	IVZ	31.31 0.47	Merck MRK	MRK	54.09 0.82	Telradenyne TER	TER	44.29 0.50			
AGNC Inv AGNC	AGNC	18.88 0.13	BancoOzarks BOZK	BOZK	47.93 0.97	EdwardsLife EDL	EDL	136.90 2.93	HyattHotels H	H	75.93 0.34	MetLife MET	MET	45.63 0.61	Tesla TSLA	TSLA	267.53 15.05			
ANGI Homesvc ANGI	ANGI	13.39 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	ElectronicA EA	EA	119.51 0.79	IAC/InterActive IAC	IAC	151.18 0.21	MicrochipTech MCHP	MCHP	89.03 1.40	TevaPharm TEVA	TEVA	16.95 0.18			
Ansys ANS	ANS	155.67 0.20	BancoOzarks BOZK	BOZK	47.93 0.97	EmersonElec EMR	EMR	67.85 1.57	ICICI Bank IBN	IBN	8.26 0.07	MicroStorage PSA	PSA	200.62 1.21	TimeInsur TXN	TXN	102.18 1.53			
Ansystech ASYS	ASYS	206.20 1.80	BancoOzarks BOZK	BOZK	47.93 0.97	EndbridgeEnPt EEP	EEP	9.59 0.02	IndexLab IDXX	IDXX	188.71 2.09	Prudential PRU	PRU	102.83 1.88	Textron TXT	TXT	58.18 0.53			
Anteris ANT	ANT	14.78 1.74	BancoOzarks BOZK	BOZK	47.93 0.97	Enbridge ENB	ENB	30.31 -0.28	iHsMarket INFO	INFO	47.83 0.31	PrudentialTech PRUV	PRUV	49.44 0.07	Theradnyne TER	TER	44.29 0.50			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equifax EFX	EFX	118.38 3.43	HuntingIngallsHill HILL	HILL	259.13 5.72	PublicStorage PSA	PSA	200.62 1.21	Tesla TSLA	TSLA	267.53 15.05			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	Prudential PRU	PRU	102.83 1.88	TelekomIndonesia TLK	TLK	26.66 0.28			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	PrudentialTech PRUV	PRUV	49.44 0.07	Telradenyne TER	TER	44.29 0.50			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	Prudential PRU	PRU	102.83 1.88	Tesla TSLA	TSLA	267.53 15.05			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	PrudentialTech PRUV	PRUV	49.44 0.07	Theradnyne TER	TER	44.29 0.50			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	Prudential PRU	PRU	102.83 1.88	Tesla TSLA	TSLA	267.53 15.05			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	PrudentialTech PRUV	PRUV	49.44 0.07	Theradnyne TER	TER	44.29 0.50			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	Prudential PRU	PRU	102.83 1.88	Tesla TSLA	TSLA	267.53 15.05			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	PrudentialTech PRUV	PRUV	49.44 0.07	Theradnyne TER	TER	44.29 0.50			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL	259.13 5.72	Prudential PRU	PRU	102.83 1.88	Tesla TSLA	TSLA	267.53 15.05			
ArctechBrands AYI	AYI	13.47 0.09	BancoOzarks BOZK	BOZK	47.93 0.97	Equinix EQIX	EQIX	408.60 0.05	HuntingIngallsHill HILL	HILL</										

BANKING & FINANCE

Japan Crypto Deal in Works

Coincheck Inc., the Japanese cryptocurrency exchange that suffered one of the industry's worst hacks and lost customer assets worth more than \$500 million, is in line for a rescue.

By Suryatapa Bhattacharya in Tokyo and Steven Russolillo in Hong Kong

Japanese internet brokerage **Monex Group** Inc. said Tuesday it was looking at acquiring Coincheck, part of a push by Monex into cryptocurrencies. Monex shares closed up 23% in Tokyo on the news.

A deal, if completed, would be aimed at fully restoring Coincheck to normal operations after the January hack, in which the exchange lost 523 million units of a virtual currency called NEM, then valued at ¥58 billion (\$547.5 million). In March, Coincheck spent ¥46.3 billion to compensate 260,000 customers whose currency was stolen.

Regulators in Japan have been tightening their grip on cryptocurrency exchanges in the wake of the Coincheck hack, part of a global clampdown that includes steps by governments in China, South Korea and the U.S. Last month, Tokyo told seven exchanges including Coincheck to improve their operations.

Coincheck has said that it is working to fix its problems and that it might have to turn to another company for support. It declined to comment Tuesday about Monex.

Japan remains one of the most active places for trading in bitcoin and other virtual currencies, and more established financial institutions have been looking for ways to get into the business. About 60% of bitcoin trading is yen-denominated, according to data provider Coinhills, a firm that tracks digital currencies.

Monex, a pioneer online brokerage established in 1999, has rebounded recently from a slump in online trading, especially in currencies. Net profit reached ¥4.6 billion in the nine-month period ended in December.

Many people in Japan who trade currencies such as the dollar and yen have moved into bitcoin trading as well, making it a natural business for an online brokerage such as Monex.

The company said Tuesday that it has been looking to operate its own virtual-currency exchange and that its "most important theme" was figuring out ways to use blockchain, the digital-ledger technology that underpins bitcoin.



FROM TOP: KYOSHI OTA/BLOOMBERG; SHIZUO KAMBAYASHI/ASSOCIATED PRESS

Coincheck President Koichiro Wada and a bitcoin ad in Tokyo. Cryptocurrency exchange Coincheck has been struggling since it lost more than \$500 million in a January cyberheist.

In January, Monex set up a cryptocurrency laboratory headed by Nana Otsuki, the company's chief analyst. In an interview, Ms. Otsuki declined to comment on the potential Coincheck deal but said blockchain could streamline "so many inefficient procedures" in Japan's financial system.

A group of banks led by Mizuho Financial Group Inc. plan to introduce a digital currency called J-Coin this year. Mitsubishi UFJ Financial Group Inc., Japan's largest bank,

plans to introduce its own cryptocurrency called MUFG

Coin.

Last year, Japan established bitcoin as a legitimate payment method and enacted new rules on exchanges such as keeping minimum capital, segregating customer accounts and monitoring potential criminal activity.

Bitcoin fell below \$7,000 over the weekend, after surging to nearly \$20,000 in mid-December, and recently traded at \$7,300, according to research site CoinDesk.

In the wake of the Coincheck heist and the price decline, Japan's central bank is

sued new suggestions for how the public should view cryptocurrencies.

Published on Friday on a government consumer website in the form of a Q&A titled "Let's think about 'virtual currency!'", the Bank of Japan offered guidance on investing risk and addressed the question of whether cryptocurrencies should be banned. The central bank's answer was that it was worth giving the new technology a try as long as measures are in place to prevent money laundering or terrorism financing.

Collapse of Fintech Firm Puts Focus On Lax IPO Rules

BY JEAN EAGLESHAM AND AARON BACK

The most successful company to use post-financial crisis rules to list in the stock market has lost 85% of its value in six trading days, highlighting the risks for individual investors from a program designed to help small companies go public.

Longfin Corp., a financial technology company that does nearly all of its business in Singapore, listed its shares on Nasdaq in December. On Monday, the company said it was under investigation by the Securities and Exchange Commission. The company's rapid rise and epic collapse highlights flaws in how gatekeepers such as the SEC, stock exchanges and index providers are policing the fast-track method used by Longfin to sell shares to the public, regulators and lawyers said.

Making it easier for small companies to do IPOs is a "good thing if you think that public markets are important to capital formation," said Adam Pritchard, a law professor at the University of Michigan. But he added that there is an inescapable trade-off: "if you make the screens not as fine, then you're going to have more bad apples."

Longfin raised \$5.7 million in an initial public offering in December using a provision of the Jumpstart Our Business Startups Act of 2012, known as Reg A+, which was designed to allow young companies easier access to public markets by setting lower accounting and disclosure standards than for conventional IPOs.

In the years after the financial crisis, cautious investors were unwilling to fund small companies, but well before the law took effect in 2015, a gusher of private capital poured into startups. Now, public markets have been overtaken by private capital, which totaled at least \$2.4 trillion last year.

By contrast, these Reg A+ offerings were used to raise a total of \$400 million from 2015 through December, according to a review by consulting firm Audit Analytics.

Only 40 of more than 290 companies—most with no revenue—that sought to use the rules completed their offerings, the review found, and fewer still have gone on to a public listing. Longfin is one of 10 mini-IPOs to list on U.S. exchanges or over-the-counter

using Reg A+ and the only one to be trading over its offer price, according to Dealogic.

Longfin's short but turbulent history since its February 2017 formation—including a 13-fold rise in its stock after it bought a cryptocurrency company, the resignation of its chief financial and chief operating officers just before the IPO, and the SEC investigation—is a warning about the due diligence done by the SEC on these companies, a state regulator said.

If the SEC is "going to rubber stamp even the minimum requirements...it opens the door to scams and fraud," said William Galvin, Massachusetts secretary of the commonwealth. He said these offerings are more dangerous than private deals that are usually restricted to wealthy or professional investors because small investors can buy the shares.

An SEC spokesman declined to comment. The SEC said in 2015 the Reg A+ rules it had just agreed to offered "an ef-



Longfin's CEO Venkat Meenavalli owns 90% of the company's shares.

fective, workable path to raising capital that also provides strong investor protections."

Longfin's CEO Venkat Meenavalli, who owns 90% of the company's shares, said that Longfin "went through a stringent process of [approval by] SEC and Nasdaq" and that its filings are being unfairly judged against the tougher standards set for bigger companies.

Longfin, which runs its U.S. operations out of a three-desk office in New York, said in a filing Monday that 100% of its net sales are "outside of the U.S." The SEC accepted Longfin's assurances that it intends to expand its presence in the U.S. The regulator also approved the mini-IPO despite multiple misstatements in Longfin's disclosures, The Wall Street Journal reported.

Longfin shares fell nearly 30% on Tuesday, the day after it disclosed the SEC investigation and reported material weaknesses in financial controls. The company, which said it is cooperating with the probe, said it may not be able to continue as a going concern unless it attracts more capital.

Abu Dhabi Firm Buys Stake in 500 Startups

A United Arab Emirates-based investment company said it is taking a large minority stake in **500 Startups**, the first time the Silicon Valley

TAX

Continued from page B1
made.

Leading the opposition against the IRS's position is Lawrence Axelrod, an attorney at Ivens, Phillips & Barker.

"The IRS position is misguided because it doesn't take into account Treasury's own regulations," he said.

These regulations allow taxpayers to deduct amounts paid that will be due within 12 months. The IRS and its supporters disagree. They cite court decisions that say that to be deductible, taxes must have been imposed and the amount must be known.

Stephen Baxley, who heads tax planning for Bessemer Trust, a multifamily office, agrees with Mr. Axelrod.

"If the amount is a reasonable estimate made in good faith, it's deductible," he says. The firm is responsible for preparing nearly 1,000 individual returns.

Other tax preparers agree with the IRS.

Brian Lovett, a certified public accountant with WithumSmith+Brown in New Jersey, where property taxes tend to be high, says his firm is following the IRS's guidance: "We think the amount due must be determined for a prepayment to be deductible."

The correct answer matters.

More than 80% of property-tax revenue is collected by local governments with a fiscal



People were lining up to pay property taxes in Hempstead, N.Y., in December.

year other than Dec. 31, according to the latest data compiled by the Lincoln Institute of Land Policy. Frequently, the fiscal year ends on June 30.

As a result, total property tax bills for 2018 weren't determined by year-end in many areas of the country. Many could reasonably be estimated, however.

For example, say John lives in a county with a fiscal year ending June 30. By the end of 2017, he knew he would owe \$6,500 in property tax due by June 30, 2018. He could likely assume that his bill for the second half of 2018 would be about the same. So in late December, he prepaid \$13,000 for 2018 to his county.

According to the IRS's

position, John can deduct only a prepayment of \$6,500, because the amount due for the second half of the year hadn't been set.

But if Jane lives elsewhere and knew she would actually owe \$13,000 in property tax for 2018, she can deduct a prepayment of that amount on her 2017 return.

Some advisers allow both approaches. David Lifson, a CPA with Crowe Horwath who has many high-earning clients, says he recommends that clients deduct prepayments of known amounts. But he will allow a deduction of an estimate, "if I feel the client understands the risk that the IRS will disagree."

The debate is continuing. In March, Democrats on the House Ways and Means Committee wrote acting IRS Commissioner David Kautter

to protest the IRS's interpretation of the law.

The good news for taxpayers who want to deduct prepayments of estimates is that neither Mr. Lifson nor Mr. Baxley thinks these write-offs need to be disclosed on IRS Form 8275. On it, taxpayers are supposed to disclose risky positions to avoid certain penalties. Supporters of the IRS's position think the form should be filed, however.

Some taxpayers are also pushing preparers to take the deduction because the audit risk is low, given constraints on IRS resources.

Emily Matthews, a CPA with Edelstein & Co. in Boston, says she explains the IRS's position to clients. But she says, "I think we'll see a lot of people who prepaid estimated taxes opt to deduct them."

MARKETS

Treasury Prices Fall As Risk Returns

BY DANIEL KRUGER

Treasury prices fell as a stock-market rally curbed the appeal of assets perceived as safe.

The yield on the 10-year Treasury note snapped a four-day streak of declines on Tuesday, rising to

2.784% from 2.732% Monday. Yields rise as bond prices fall. It was the largest one-day increase in more than six weeks.

Recent volatility in stock prices has contributed to the appeal of bonds, some investors said, driving the 10-year yield to its lowest closing level since Jan. 31. The Dow Jones Industrial Average closed Tuesday down 9.7% from its record hit on Jan. 26.

The decline in stocks also has raised some questions among investors about whether financial conditions will tighten enough to prevent the Federal Reserve to meet its forecast of three rate increases this year.

Federal-funds futures late Tuesday signaled a 73% chance that the Fed would raise rates two more times by the end of 2018, according to data from CME Group Inc. CME data show an 85% likelihood that the next central-bank rate increase will happen at the Fed's June meeting.

The next major test for investors is Friday's scheduled release of the Labor Department's report on nonfarm payrolls. Investors will be looking for any signs that a tight labor market is leading to mounting wage pressures, which would help spur inflation in the broader economy. Inflation erodes the purchasing power of bonds' fixed-interest payments. "The market is making more of these stock-market corrections than the Fed will," said Aaron Kohli, an interest-rate strategist at BMO Capital Markets. "The market is misunderstanding the Fed."

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$159,583,899,600
Accepted bids	\$55,000,399,600
"noncompetitive"	\$725,015,200
"foreign noncompetitive"	\$100,000,000
Auction price (rate)	99.888167 (1.69%)
Coupon equivalent	1.721%
Bids at clearing yield accepted	44.50%
Cusip number	912796P7

The bills, dated April 5, 2018, mature on May 3, 2018.

All S&P 500 Sectors Post Gains

Energy, health-care and materials shares rise more than the index; tech bounces back

BY ALLISON PRANG
AND RIVA GOLD

U.S. stocks staged a broad rebound as all 11 sectors of the S&P 500 climbed after a rocky start to the quarter.

Trading was volatile, with the S&P 500 hovering between small gains and losses before buying accelerated in the final hour of the session.

Technology shares helped lead the rebound, with all of the so-called FAANG stocks—Facebook, Amazon.com, Apple, Netflix and Google parent Alphabet—rising following a heavy bout of selling Monday.

"Tech has provided strong leadership for equities for some time, and with concerns about regulatory risk and business models, that potentially raises the risk that the current correction extends," said John Stoppford, head of multiasset income

at Investec Asset Management.

Yet with a positive global growth outlook and coming earnings reports expected to be strong, many investors say recent stock pullbacks have presented an opportunity to buy highflying shares at cheaper prices.

The Dow Jones Industrial Average rose 389.17 points, or 1.6%, to 24,033.36, recouping some losses after falling nearly 2% Monday. All components of the blue-chip index rose, with the exception of International Business Machines.

The S&P 500 added 32.57 points, or 1.3%, to 2,614.45, and the tech-heavy Nasdaq Composite climbed 71.16 points, or 1%, to 6,941.28.

Tuesday's gains were helped by the energy, health-care and materials sectors, all of which rose more than the broader index. The S&P 500 energy sector jumped 2.1% as U.S. crude oil rose 0.8% to \$63.51 a barrel.

Among the FAANG stocks, Facebook rose 72 cents, or 0.5%, to \$156.11, while Netflix added 3.38, or 1.2%, to 283.67 and Amazon gained 20.06, or 1.5%, to 1,392.05.

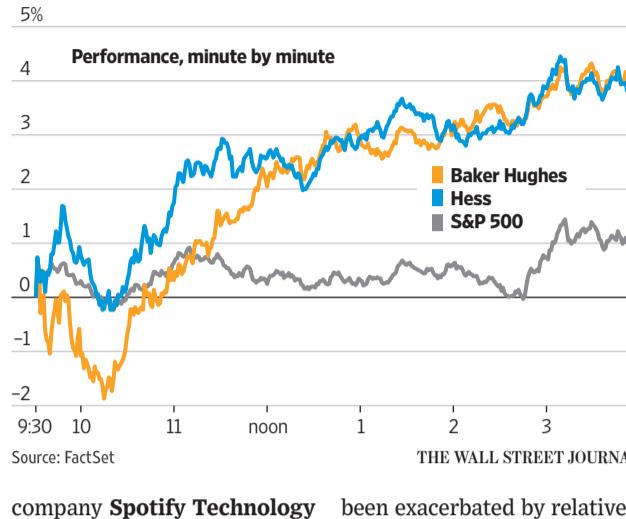
Shares of music-streaming

company Spotify Technology began trading Tuesday on the New York Stock Exchange and surged to close at 149.01. The shares sit well above early price indications and private-market trading, marking a win for shareholders. After going public through a nontraditional route known as a direct listing, the company has a valuation of \$26.5 billion.

Monday's selling may have

Energized

Oilfield-services company Baker Hughes and oil-and-gas firm Hess rose along with crude prices Tuesday, giving the S&P 500 a boost.



Source: FactSet THE WALL STREET JOURNAL.

including tariffs, Facebook's user-data controversy and the threat of a trade war, to explain what happened, said Tony Dwyer, chief market strategist for Canaccord Genuity. "We're shifting the reasons for the correction, which means it's not fundamental," he said. "It's relieving a ridiculous level of enthusiasm that was present in January."

The prospect of a trade war between the U.S. and China has added to the cautious tone in recent sessions, investors and analysts said. China announced tariffs Sunday of as much as 25% on U.S. pork and eight other kinds of goods, as well as 15% tariffs on fruit and 120 types of commodities.

The retaliatory tariffs announced by China, though small as a proportion of U.S. exports, may yet have a bigger impact on economic growth by hitting market confidence and delaying investment decisions, Moody's Investors Service said.

Outside the U.S., the Stoxx Europe 600 fell 0.5%, echoing a mostly upbeat session in Japan and China. Early Wednesday, Japan's Nikkei Stock Average and the Shanghai Composite were each up 0.3%.

Prices of Technology Bonds Signal Stability

BY SAM GOLDFARB

Bonds from big technology companies have held up better than their stocks in recent weeks, a sign that investors are more concerned about the valuations of tech giants than the companies' long-term financial health.

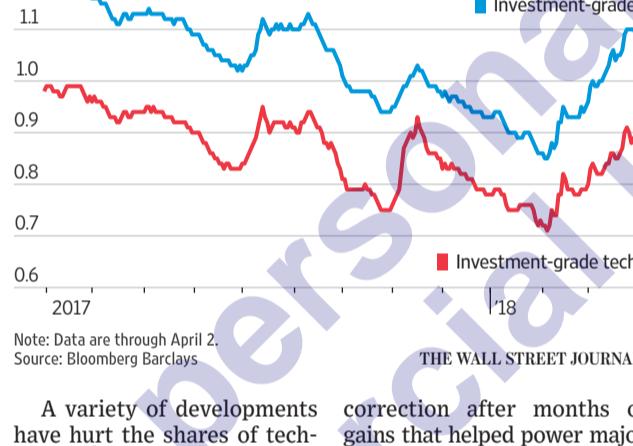
The prices of bonds backed by firms such as Google parent Alphabet Inc. have fallen modestly recently as their stocks have tumbled. Yet bonds from other sectors have fallen more, dragged down in large part by rising interest rates.

Since reaching a nearly 13-year low of 0.71 percentage point on Feb. 2, the extra yield, or spread, that investors demand to hold investment-grade tech bonds over Treasury surges has increased 0.18 percentage point, according to Bloomberg Barclays data. Over the same period, the average spread of all investment-grade U.S. corporate bonds has increased a larger amount: 0.25 percentage point to 1.10 percentage points.

By contrast, the S&P 500 information-technology sector, even after rising 1% Tuesday, has fallen roughly 4.7% over the past month, exceeding the 2.9% decline of the overall S&P 500.

Holding On

Technology bond spreads have increased recently but by less than the broader index.



Note: Data are through April 2.
Source: Bloomberg Barclays THE WALL STREET JOURNAL.

A variety of developments have hurt the shares of tech-focused companies recently, from worries about Facebook Inc.'s handling of users' data to President Donald Trump's critical tweets about Amazon.com Inc. Electric-car maker Tesla Inc. has shed value amid scrutiny of its driverless-car technology and worries about its ability to fund its growth with capital raises.

Some investors and analysts said shares of those companies were due for a course

correction after months of gains that helped power major indexes to records early in the year. Many remain optimistic that stock prices could bounce back, or at least stabilize, once companies report first-quarter earnings.

Even though their prices have fallen recently, bonds from tech companies, like corporate bonds more broadly, have rarely offered lower yields, reflecting a backdrop of solid economic growth, still-accommodative monetary poli-

cies, and a low corporate default rate.

One reason why tech bonds have outperformed the broader bond market in recent weeks is that they tend to have relatively high credit ratings, analysts say.

For all of the negative headlines, tech bonds still are a "pretty good safe haven," said Jordan Chalfin, a senior analyst at research firm CreditSights.

"There's a lot of headline risk, mostly regulatory, that I think could have implications for the upside on equities, but I don't think anyone is questioning the sustainability of these businesses," he said.

The strength of the technology sector is evident in specific bonds. For example, Alphabet's 1.998% notes that mature in 2026 traded Tuesday at 90.793 cents on the dollar, down from roughly 94 cents at the start of the year, according to MarketAxess. The bonds, however, are only trading that far below par because they were issued in the summer of 2016, when Treasury yields were hovering around record lows. Since then, prices have fallen as yields rose along with those of Treasuries.

Still, the bonds yield just 0.51 percentage point above

the comparable Treasury note, up from 0.36 percentage point at the start of the year but below the 0.68-point spread at which they were issued.

Meanwhile, Tesla's bonds rebounded off lows Tuesday after the electric-car maker said that it had made progress building its first mass-market sedan.

Tesla's 5.3% senior unsecured notes that mature in 2025 traded Tuesday at 88.25 cents on the dollar, up from 87 cents on Monday.

In contrast to tech companies like Alphabet, analysts say Tesla could face near-term financing problems if its stock and debt falls too far because it has depended on the capital markets to fund operations as it burns through billions of dollars of cash. Tesla's shares have fallen roughly 14% this year, compared with the S&P 500's 2.2% decline.

Still, even before they edged up Tuesday, Tesla's bonds weren't trading at levels that suggested investors weren't anticipating a crisis. At current prices, the 5.3% bonds yield about 7.4%, according to MarketAxess. That is just a little above the average 6.2% yield of all junk-rated bonds, according to Bloomberg Barclays data.

For Investors, Passage to India Is Now Marred by Uncertainty

BY CORINNE ABRAMS
AND DEBIPRASAD NAYAK

India's benchmark stock index has posted losses for six of the past nine weeks, reflecting growing uneasiness in an economy that was one of the best emerging-market performers of 2017.

Since Feb. 1, the benchmark S&P BSE Sensex Index has sunk to become one of the world's worst such performers.

Spooked investors are pulling funds due to a rising current-account deficit and stressed banking-sector loans. And they are also concerned the government could launch big spending plans to boost its chances of winning coming elections, causing budget instability.

A combination of macroeconomic pressures like increasing oil and commodity prices are also fueling concerns, according to a report from Bank of America Merrill Lynch.

The Sensex ended last year almost 28% higher—its biggest gain in three years—beating major emerging-market contemporaries.

But after following global stocks to a record of 36,443.98 in January, the index has fallen more than 7% since the start of February, versus a 6% drop in the MSCI Emerging Markets Index.

The Dow Jones Industrial Average was down 9.7% and S&P 500 fell 8.5% during the same period, but India had previously been seen as a bright spot among emerging markets when other indexes



The S&P BSE Sensex Index, one of emerging markets' top performers last year, is down more than 7% since February began.

DHRITI SINHA/BLOOMBERG NEWS

Losing Its Shine

S&P BSE Sensex Index is one of the worst performers as Modi magic fades.



Source: WSJ Market Data Group THE WALL STREET JOURNAL.

has said. And if Prime Minister Narendra Modi chooses big, populist spending plans ahead of a general election scheduled for 2019, that could boost consumption in rural areas, according to Bank of America Merrill Lynch.

Investors who are in India for the long haul are looking at the government's structural changes, and how far the country has come since it was categorized as one of the "Fragile Five," Mr. Schiessl noted.

"Is India in a much better position today than it was in 2012? I think most people would say absolutely," Mr. Schiessl said.

—Ese Erheriene contributed to this article.

advisory group at Mumbai-based Motilal Oswal Securities Ltd. "We saw some negative mood and sentiment from investors and we saw a selloff," he said.

Bank of America Merrill Lynch expects Indian equities' struggle to continue.

But there are green shoots: Investors have long been concerned about the high valuations of Indian stocks, as a consumption boom has yet to materialize.

But in the latest quarter, 42% of India's corporate earnings were above expectations, according to Morgan Stanley research. Only Russia and Mexico did better among emerging markets.

Sensex companies' earnings fell 1.9% in the financial year that ended on March 31, 2017—but are expected to bounce back with a 7.5% increase in the year that ended March 31, 2018.

Earnings growth is pro-

jected to jump even higher this financial year, to 21.8%, according to Indian broker Prabhudas Lilladher Pvt. Ltd.

India's overall economic picture also is expected to improve in the current fiscal year, with growth reaching 7% to 7.5% over a predicted 6.6% in the financial year that ended March 31.

Those numbers would put it on track to become the fifth-largest economy in the world, Finance Minister Arun Jaitley

MARKETS

Stocks in Line to Get an Earnings Lift

First-quarter surge in companies' profits is forecast, helped by tax cuts, the economy

By BEN EISEN AND AKANE OTANI

Corporate profitability is expected to have accelerated again during the first three months of the year, offering investors some reason for optimism after a punishing stretch in financial markets.

Boosted by a recent corporate-tax overhaul and a strengthening global economy, S&P 500 firms are forecast to report profit growth of 17% in the first quarter of 2018 from a year earlier, according to reported results and analysts' forecasts compiled by FactSet.

If that holds up when earnings season kicks off in earnest late next week, it would mark another strong period of earnings in a lengthy string of robust quarters.

Those estimates reflect an upward revision of 5.4% throughout the latest quarter, a record move higher as analysts lifted their earnings targets on individual firms due partly to the effects of a drop in the corporate-tax rate. In most instances, quarterly expectations start high and are revised down throughout the quarter by an average of 5.5% over the past decade, according to FactSet.

A strong earnings season could reinforce the underpinnings of the nine-year bull market in U.S. stocks. Share prices have tumbled in recent weeks, with the S&P 500 index down 9% from its Jan. 26 peak, stoking fears that the rally's best days are behind it. Investors recently have fretted about a wide range of uncertainties, from worries about a trade war to heightened scrutiny of technology giants.

But throughout the turbulence, earnings have held up.

"The earnings season should



*Data for Q1 2018 are preliminary. †Data for Q1 2018 are based on analysts' estimates. ‡Percentage change in price from the two days before a company's earnings report to the two days following the report.

Source: FactSet

be very strong," said Karyn Cavanaugh, senior market strategist at Voya Investment Management. "We're in that period in between earnings season where investors are getting a bit skittish, but the backdrop is positive for stocks."

Some sectors where share prices have trailed recently are

expected to have some of the most robust profit growth. Energy companies are forecast to have 79% earnings growth. S&P 500 technology companies are expected to have grown profits by 22%, with Facebook Inc., Apple Inc. and Netflix Inc. showing a bigger rise.

The recent tax-code over-

haul is expected to boost profits across the board. But even when removing the benefit of the lower corporate-tax rates, S&P 500 companies are expected to post double-digit earnings growth, according to Credit Suisse.

A solid economic backdrop has helped. The U.S. is ex-

pected to have grown at an annualized pace of 2.8% in the first quarter, according to the Federal Reserve Bank of Atlanta's real-time gross-domestic-product tracker. Reflecting higher demand for goods and services, S&P 500 sales are expected to have grown 7.3%.

One difference between the

coming earnings season and those in the recent past is that stocks now trade at lower valuations. That means they may gain more if earnings turn out better than expected.

That would be a shift from recent quarters. Though the vast majority of companies beat expectations in the previous earnings season, shares of forecast-topping companies fell 0.2% on average from two days before the report to two days after, according to FactSet. During the five years through the end of 2017, those stocks rose 1.2% on average.

Stock prices didn't react positively to strong earnings partly because they already traded at lofty valuations, analysts say. But with the S&P 500 off its record, the index trades at just about 16 times expected earnings over the next 12 months. That is the lowest since June 2016, down from a peak of 18.6 in late January.

"Given the market's recent pullback and surging profits, the S&P 500 has become substantially less expensive," said Jonathan Golub, chief U.S. equity strategist at Credit Suisse, in a research note.

Even so, some investors worry that good earnings won't be enough. U.S. stocks stumbled in the first three months of 2018, with the S&P 500 ending the quarter in negative territory for the first time since 2015. That was even as companies posted fourth-quarter results growing at the fastest pace since the second half of 2011.

Still, some believe the market's underwhelming response to the fourth-quarter earnings season was partially a function of stocks' roller-coaster start to the year, before they gave up those gains in February.

"We don't have the bravado sentiment that we did back when earnings started kicking in," and that should help stocks stabilize as earnings season begins in earnest, Voya's Ms. Cavanaugh said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Tesla's Model 3 Isn't the Model T

The T Versus The 3

Ford Motor's annual Model T production vs. Tesla's Model 3



Note: 'Year 1' is 1910 for Model T and 2017 for Model 3. For Tesla, all years are analyst consensus forecasts except 'Year 1,' which is an actual figure (1,810). Tesla forecasts not available for 'Year 7' through 'Year 9.'

Sources: the companies (actual); FactSet (forecasts)

the luxury Model S and Model X vehicles, which carry higher profit margins and can help keep the company's rickety finances afloat, fell by 12% from a year ago. Though Tesla said net orders for those cars hit a record in the first quarter, a 12% decline in actual deliveries doesn't exactly recall the glory days of Henry Ford.

Tesla also said an equity or debt raise isn't required this year beyond using its existing lines of credit. Weaning itself off constant tapping of the capital markets would indeed be a fantastic development for the company, but math says otherwise. Moody's Investors Service said Tesla will likely require a capital raise exceeding \$2 billion in the "near term" just last week.

Anyone tempted to bet on better times ahead would be wise to consider a recent statement from Elon Musk that wasn't in Tuesday's news release: "Car biz is hell," he said in a message posted on Twitter Monday afternoon. —Charley Grant

OVERHEARD

In Russia, post office hits you.

Americans have been treated to tirades from President Donald Trump in recent days alleging that e-commerce giant Amazon.com is ripping off the U.S. Postal Service and by extension U.S. taxpayers. Many experts dispute that, but one clear sign that the company isn't getting a sweetheart deal is its ambition to deliver packages by drone in the future—an expensive proposition compared with snail mail.

In Russia, meanwhile, where mail service really does rely on direct taxpayer support, the post office itself tested out a mail-delivery drone. It didn't go well. Seconds after takeoff, the drone, which was supposed to deliver a package to a neighboring village, crashed into the side of an apartment.

Reuters, which showed a video of the debacle, reports that expletives could then be heard off-camera. At least they didn't come from the country's president.

Blame Banks For Stingy Consumers

Weak consumer spending in recent months has puzzled Wall Street. The answer may lie with cautious Main Street lenders.

Personal-consumption expenditures, a broad measure of household spending, rose just 0.2% in both January and February on a seasonally adjusted basis, according to data from the Commerce Department. Separate data showed retail sales fell for the third month in a row in February.

These figures are somewhat puzzling given the strong macroeconomic backdrop for consumption. The labor market is tightening, wages are rising and consumers' take-home pay is being boosted by tax cuts. Why isn't spending stronger?

Cantor Fitzgerald strategists say that tightened lending standards by credit card, auto and other lenders may be squeezing consumer finances. Banks have been tightening lending standards since the end of 2016 after easing them for years before, according to the Federal Reserve's quarterly senior loan officer survey.

This makes sense given the amount that consumers have borrowed in recent years. Data from the New York Federal Reserve show that aggregate household debt balances at the end of last year exceeded their previous 2008 peak by \$473 billion.

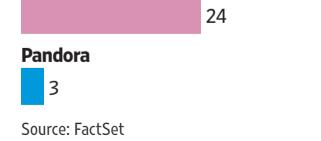
Credit card lenders including Capital One and Synchrony Financial have confirmed that they tightened lending standards in response to rising defaults or delinquencies. The debt that consumers have built up in recent years could be a drag on the economy for some time.

—Aaron Back

Spotify's High Valuation Is Bait for Other Tech Unicorns

Upbeat Valuation

Enterprise value as a multiple of 2017 gross profits



Source: FactSet

tify a market value of \$26.5 billion; previous estimates clustered round \$20 billion.

The valuation almost puts Spotify on a par with video-streaming giant Netflix, whose disruption of the U.S.

cable-TV market has made it a Silicon Valley darling. Adjusting for debt, Spotify trades at about 24 times gross profits, compared with 31 times for Netflix. Internet radio veteran Pandora Media, which now competes with Spotify for subscribers to music-on-demand, trades for three times gross profit.

The most plausible explanation for Spotify's high valuation is that investors think it can use its 157 million active users to disrupt the music industry much more profoundly than it already has. Some see the company as the future of the record industry, others as the future of radio. The problem with

these visions is that they bear only a tenuous relation to the present reality. For now, Spotify remains essentially a retailer, with troubling economics to match.

The company has a total of 178 million shares, and trading volume was roughly 30 million shares, implying that relatively small number of the company's shares were sold. How much more of the share capital will turn over in the coming days is unclear, but it could be substantial. Only 9% of Spotify shares are formally tied up, far less than in most IPOs. The two founders, who together own roughly 39% of the company, have suggested

that they aren't yet sellers, but this could always change in light of the higher-than-expected share price. For a listing process trumpeted for its transparency, the outlook for share trading is unusually opaque.

Still, the high share price Spotify has achieved in its public-market debut, even with a bare minimum of contact with potential investors, ensures it a place in the history books. The founders of other big-brand tech companies like Airbnb and Pinterest could be sorely tempted to follow the same path. IPO bankers may need to rethink their own business model.

—Stephen Wilmot