

THE WALL STREET JOURNAL.

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DJIA 24682.31 ▼ 44.96 0.2% NASDAQ 7345.29 ▼ 0.3% STOXX 600 374.96 ▼ 0.2% 10-YR. TREAS. ▼ 6/32, yield 2.901% OIL \$65.17 ▲ \$1.77 GOLD \$1,320.70 ▲ \$9.60 EURO \$1.2338 YEN 106.05

What's News

Business & Finance

The Fed voted to raise its benchmark rate by a quarter point and signaled it could pick up the pace of increases to cool growth after next year. **A1**

◆ Stocks erased gains and closed lower after the Fed meeting. The Dow shed 44.96 points to 24682.31. **B13**

◆ Facebook's Zuckerberg broke his silence amid an uproar over how outsiders handle the social network's user data, admitting mistakes. **A1**

◆ A video of the fatal accident involving an Uber self-driving car appears to show the vehicle heading straight into a pedestrian. **B1, B2**

◆ General Mills will raise prices on some meals and snacks to reflect higher ingredient and shipping costs. **B1**

◆ Median pay for CEOs of 133 of the largest U.S. companies reached an all-time high of \$11.6 million in 2017. **B1**

◆ The EU unveiled sweeping legislative proposals that would raise taxes on big technology companies. **B5**

◆ MGM fired its CEO amid disagreement over whether the studio was well-positioned for growth. **B3**

◆ Apple's Iovine will transition into a consulting role and step back from the firm's streaming-music business. **B4**

◆ Dropbox raised its IPO valuation and share-price target amid strong demand. **B13**

◆ FedEx said earnings at its express business dropped sharply last quarter. **B3**

◆ Citigroup said a loan to Kushner Cos. was "completely appropriate." **B12**

World-Wide

◆ Congressional leaders reached a deal on a spending bill that would fund the government until October, setting off a scramble to pass the legislation before current funding expires at week's end. **A1**

◆ China is preparing to target U.S. agricultural exports in response to punitive trade policies being set by the Trump administration. **A1**

◆ The administration is in talks with several allies and trading partners on exempting them from metal tariffs. **A8**

◆ The suspect in a string of package bombings in Austin, Texas, died when he detonated a device in his car as police closed in. **A3**

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◆ Trump defended a phone call with Putin in which he congratulated the Russian leader on his election win. **A4**

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◆ Peru's president resigned amid a corruption scandal roiling the country. **A11**

◆ Nigerian jihadists released almost all the 110 schoolgirls the insurgents kidnapped last month. **A11**

◆ An AIDS researcher was named by the administration to head the CDC. **A3**

◆ Americans are relocating to retirement hot spots scattered around the country and returning to suburbia. **A4**

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Please see EGG page A12

Fed Signals More Aggressive Path

U.S. central bank lifts benchmark rate and expects at least two more moves this year

By NICK TIMIRAO

WASHINGTON—Federal Reserve officials signaled Wednesday they could pick up the pace of interest-rate increases to cool economic growth after next year. **A1**

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said they expected to lift it another two or three times this year, and three times in 2019.

New forecasts show officials project faster economic growth, higher inflation and lower unemployment in coming years. They indicated they expect they will need to tap on the monetary brakes, raising rates in 2020 to a level that would mark the first time in more than a decade that interest-rate policy was deliberately restrictive.

Fed Chairman Jerome Powell, in his first news conference as the central bank's chief, said officials want to balance two risks. One is that

they raise rates too much, causing inflation to stay below their 2% target and damaging the Fed's credibility. The other is that they raise rates too slowly, letting the economy overheat and forcing them to move more quickly, triggering a recession.

"We're trying to take the middle ground, and the committee continues to believe that the middle ground consists of further gradual increases in the federal-funds rate," Mr. Powell said.

The rate increase approved Wednesday was widely expected. Before the Fed announcement, traders in fu-

tures markets already anticipated the Fed would raise rates a total of three times this year and placed a roughly 40% probability on at least four interest-rate increases this year, according to CME Group, an operator of futures exchanges.

"The Fed delivered everything they've telegraphed: strong growth, a flat trajectory."

Please see FED page A6

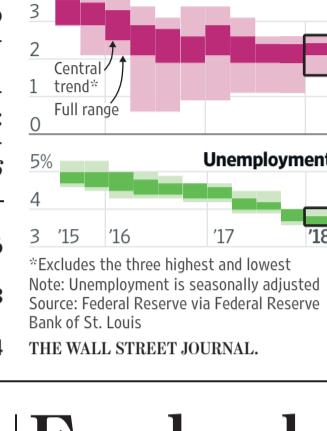
◆ Borrowing costs for consumers edge upward.... **A6**

◆ Stocks end lower, benchmark Treasury yield rises..... **B13**

◆ Heard on the Street: Fed will be safe, not sorry..... **B14**

Step Up

How Fed projections for the end of 2018 evolved



*Excludes the three highest and lowest Note: Unemployment is seasonally adjusted Source: Federal Reserve via Federal Reserve Bank of St. Louis

THE WALL STREET JOURNAL.

Suspected Texas Bomber Dies in Explosion as Search Zeros In

• Locations of explosions



CLOCKWISE: LOREN ELLIOTT/REUTERS; WOA/KABB/HANDOUT/REUTERS; THAO NGUYEN/EPA/SHUTTERSTOCK

Source: staff reports

THE WALL STREET JOURNAL.



TENSE END: Clockwise from top, the suspect, Mark Anthony Conditt, blew himself up on the side of a highway north of Austin early Wednesday; a video image used to identify the suspect, in hat; and the hotel where police had traced the suspect's vehicle before he fled. **A3**

Facebook Breaks Its Silence, Admits to 'Mistakes'

By DEEPA SEETHARAMAN

Facebook Inc. Chief Executive Mark Zuckerberg broke his silence five days into a growing uproar about how outsiders handle Facebook's user data, admitting mistakes and pledging an investigation but failing to calm some who thought he should have gone further in his remarks.

The growing controversy has shaken the social-media company, knocking its stock price lower and prompting renewed calls for governments to better regulate technology businesses that hold enormous quantities of information about their users.

Mr. Zuckerberg, in a post Wednesday on Facebook, said the company has already taken many steps to address user privacy in recent years, but he said "we also made mistakes, there's more to do, and we need to step up and do it."

Among the measures he said Facebook will take, the company will investigate and look for any potential abuses of personal data by app developers on its platform that have had access to large amounts of user data. Facebook also will audit any apps that display suspicious activity and notify any users affected, he said.

The investigation requires Please see DATA page A4

◆ Trading in Facebook options has soared..... **B13**

Deal Is Reached on Spending Bill

By KRISTINA PETERSON AND LAURA MECKLER

WASHINGTON—Congressional leaders reached an agreement Wednesday night on a spending bill that would fund the government until October, setting off a scramble to pass the legislation before current funding expires at week's end. **A1**

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day night, the bill would lift spending for the military and a wide range of domestic programs, delivering political wins to both parties. The bill would implement the first part of the two-year budget deal that was passed last month, the third such agreement lawmakers have struck to wriggle out of spending curbs passed in 2011.

Lawmakers will now have

only two days to consider and pass the 2,232-page bill before

the government's current funding expires at 12:01 a.m. Saturday. Debates over immigration policy, health-care markets, gun control and infrastructure funding had all complicated the negotiations, which added days of delay to the bill's release.

"No bill of this size is perfect," House Speaker Paul Ryan (R., Wis.) said in a statement Wednesday night. "But this legislation addresses important priorities

and makes us stronger at home and abroad."

Lawmakers and President Donald Trump agreed to the bill's \$1.3 trillion funding level last month as part of a two-year budget deal. As part of that agreement, the bill unveiled Wednesday night would boost defense spending by \$80 billion and domestic spending by \$63 billion above limits set in 2011.

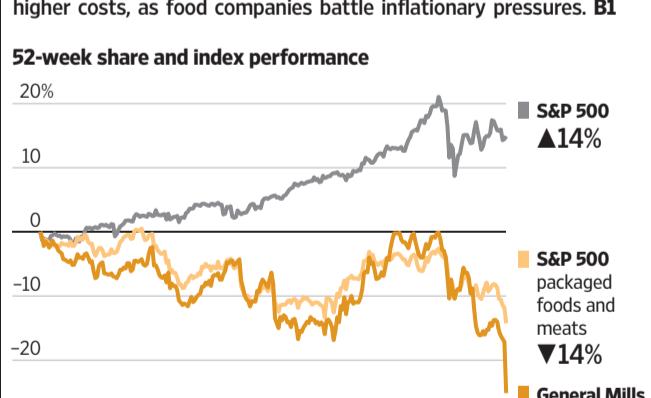
Democratic leaders ap-

Please see DEAL page A6

Inflation Eats Into Food Profits

General Mills will raise prices on some meals and snacks to reflect higher costs, as food companies battle inflationary pressures. **B1**

52-week share and index performance



As the Trump administration pursues talks with allies on exemptions from U.S. tar-

iffs on steel and aluminum, China risks escalating trade tensions with the U.S. by targeting U.S. agricultural exports from Farm Belt states.

Chinese officials, facing punitive U.S. trade policies that are set to be announced Thursday, are preparing to respond

Please see TRADE page A8

◆ Negotiators hammer out exemptions on tariffs..... **A8**

A Retail Success: Private Equity

Sycamore picked up faded brick-and-mortar brands, and made millions in the process

BY KHADEEJA SAFDAR AND MIRIAM GOTTFRIED

Fashion brand Anne Klein no longer has its own e-commerce site. Retailer Hot Topic has lost its crown jewel. Nine West Holdings, a collection of retail brands, has been stripped of valuable parts.

Doing much better is the owner of these once-popular brands, Sycamore Partners, which has managed to succeed where many others have failed. It has made hundreds of millions of dollars in the struggling retail sector by investing in brick-and-mortar chains.

While private-equity firms and public investors have been shying away from traditional retail, Sycamore has made bigger bets on the sector. It bought Staples Inc. in September for \$6.8 billion—the largest U.S. leveraged buyout of 2017, according to Dealogic—and is raising money for a third fund.

The fund has raised its target by at least \$500 million to \$4.5 billion, thanks to strong demand from pension funds

As markets have climbed, many private-equity firms have had to look beyond their historical playbook of cutting their way to success. Instead, they are focused on finding new growth opportunities for companies they buy.

With Sycamore's strategy, it isn't necessary to spruce up a purchased company. The firm often buys struggling

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

An Antitrust Case That Feels Stuck in the Past



In the 17 months since AT&T Inc. and Time Warner Inc. announced

their merger, here is what their internet rivals have been up to: **Amazon.com** Inc. won three Oscars, Hulu won the coveted Emmy for best drama, **Netflix** Inc.'s market value surpassed Time Warner's, and Facebook Inc. was ensnared in an electoral manipulation probe.

You wouldn't know this from lawsuit the Trump administration has filed to stop the AT&T-Time Warner merger. The suit, which went to trial this week, seems conceived in a world before the internet became a gigantic petri dish for video content.

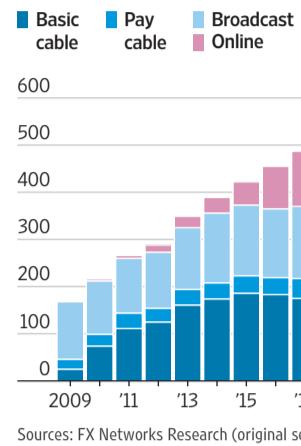
This isn't a trivial omission. At the heart of every antitrust case is the potential for a company to hurt its competitors and consumers through its dominance. If old media such as Time Warner ever possessed such power, it is ebbing fast as the clout of new media grows.

The Justice Department will win if it can persuade the court that the merger's effect is "significantly to lessen competition," an inherently uncertain and subjective judgment. Yet the economic test is more straightforward: For AT&T to exercise monopoly power in the sale of content

Screen Share

Online video companies are expanding production and audience, and their market value is soaring.

Number of scripted original series



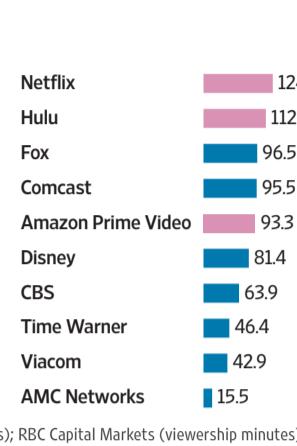
Sources: FX Networks Research (original series); RBC Capital Markets (viewership minutes); FactSet (market value)

such as HBO and CNN, alternative suppliers of content must face steep barriers. Those barriers are falling.

Since 2005, University of Minnesota economist Joel Waldfogel has shown, plunging prices for high-end digital cameras slashed the cost of producing high-quality filmed entertainment, leading to an explosion in the volume of new movies with no loss of quality.

Meanwhile broadband internet has provided a distribution alternative to movie studios, television networks and cable. Since 2009, the

Minutes subscribers spend on online video services



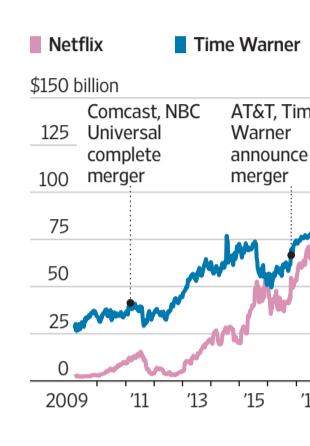
Sources: FX Networks Research (original series); RBC Capital Markets (viewership minutes); FactSet (market value)

number of original scripted series produced by online houses such as Amazon, Netflix and Hulu has soared from one to 117, now accounting for a quarter of all U.S. studio-produced series.

Online video is also quite "sticky": Subscribers spend an average of 124 minutes a day on Netflix, compared with 96 minutes on Comcast properties and 46 minutes on Time Warner channels, according to Steven Cahall and Mark Mahaney, analysts at RBC Capital Markets.

They attribute this in part to their relatively high quality: For every dollar of customer

Market capitalization



Sources: FX Networks Research (original series); RBC Capital Markets (viewership minutes); FactSet (market value)

its leverage is minimal, because "an expanding array of content sources" means no content is "genuinely essential for any given distributor."

The Justice Department largely dismisses that prospect. Such mistrust of free-market dynamism is unusual in a Republican administration. It is also strikingly at odds with the Justice Department's fellow Trump appointees at the Federal Communications Commission. Last year the FCC rolled back "net neutrality" rules that had barred internet providers from charging more for faster access to their networks.

The commission concluded that net neutrality discourages internet providers from experimentation and investment. That is what the antitrust suit may do, if AT&T's rationale for the merger is taken at face value. By delivering its content over AT&T's wireless network, Time Warner would, as Amazon and Netflix now do, gain insight into subscribers. AT&T says that isn't feasible with Time Warner's existing model.

"AT&T's overriding economic objective is to encourage consumers to use its networks, no matter whose programs they watch," the company adds. If owning Time Warner accomplishes that, its network becomes more valuable—and encourages it to expand.

More than just economics, of course, hangs over this trial. President Donald Trump, no fan of CNN, opposes the merger for, he says, concentrating too much media power in too few hands. The Justice Department says that played no role in its decision to sue, but the claim still resonates, on the right and on the left.

Yet blocking mergers to preserve political diversity gets dicey fast: Whose voices should be preserved? What degree of cross-ownership is permissible: should Verizon Communications Inc. be allowed to own Yahoo, or Walt Disney Co. to control FiveThirtyEight?

What if cross-ownership preserves otherwise financially fragile political voices?

If you're worried about monopoly power over political speech, there may be more fruitful places to look.

According to the Pew Research Center, 43% of Americans get their news from social media and news apps, more than do from network, local or cable television. Online platforms like Google and Facebook are closer to monopolies than any old media counterpart. And as the revelations over the use of Facebook data in political campaigns show, they can be weaponized in ways television never was.

U.S. WATCH

ECONOMY

Existing-Home Sales Rose 3% Last Month

Sales of previously owned U.S. homes rose strongly in February, overcoming stiff headwinds from a shortage of inventory and rising mortgage rates and home prices.

Existing-home sales increased 3% in February from the previous month to a seasonally adjusted annual rate of 5.54 million, the National Association of Realtors said Wednesday. Compared with a year earlier, February sales were up 11%.

The showing eases concerns that declines in sales in the two previous months presaged a slowdown.

Home sales were strong on the upper end of the market. Sales of homes in the \$500,000 to \$750,000 range increased 11.9% in February from a year earlier.

News Corp., owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.

—Laura Kusisto

ILLINOIS

Centrist Incumbent Edges Out Rival

Illinois Democratic Rep. Dan Lipinski narrowly defeated a primary-election challenge from an abortion-rights advocate for his House seat.

With the primary behind him, Mr. Lipinski will likely go on to win re-election in his heavily Democratic district, which includes suburbs southwest of Chicago. The result was championed by centrist activists who said Mr. Lipinski's victory showed some voters have an appetite for middle-of-the-road politics in the Trump era, but it disappointed progressives who sought to purge one of the few remaining elected Democrats who opposes abortion rights.

The Associated Press declared Mr. Lipinski the winner early on Wednesday. His margin over nonprofit executive Marie Newman was less than 2 percentage points, the Associated Press reported.

—Reid J. Epstein

WASHINGTON, D.C.

Official Cites Steps To Secure Elections

The U.S. has made significant strides in better protecting the election system after a Russian campaign of hacking and misinformation during the 2016 election, the Trump administration's Homeland Security chief told

Congress on Wednesday.

Kirstjen Nielsen, the secretary of Homeland Security, testified to the Senate Intelligence Committee that information sharing between the federal government and states and localities had improved. State and local officials, she said, are getting more access to classified information and better support.

Mrs. Nielsen said that 20 state

election officials had been granted security clearances to give them access to classified information, and that the department would immediately brief any state or local official on threats against their systems, even if the information was classified and even if the official lacked a clearance.

Russia has denied any effort to influence the 2016 election.

—Byron Tau

CORRECTIONS & AMPLIFICATIONS

About 9% of Spotify's shares will be unavailable to trade on the day the company goes public in April, for reasons including an agreement with investor **Tencent Holdings Ltd.** and vesting schedules; CEO Daniel Ek will be eligible to sell all of his stake when the company starts trading if he so chooses. A Money & Investing headline and article on Wednesday about Spotify in-

correctly said about two-thirds of Spotify's shares would be unavailable to trade on the first day, in part to keep a deluge of shares from hitting the market instantly. The article also incorrectly said Mr. Ek would be eligible to sell less than a third of his stake.

A graphic of housing starts that ran with a Page One article on Monday about a home-build-

ing slump showed the number of housing starts per 100 households. It was incorrectly labeled starts per household.

The top 25 food and beverage companies in the U.S. lost \$15 billion in market share to smaller brands between 2012 and 2016. A Media & Marketing article on March 5 about a niche-food conference incorrectly said \$5 billion.

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



A Texas state trooper at Mr. Conditt's home in Pflugerville. Police said witnesses, cellphone records and purchases led them to the suspect.

Tracking Austin's Bomber

Cellphone records, other clues led to a suspect who blew self up as police closed in

BY RUSSELL GOLD
AND DAN FROSCHE

PFLUGERVILLE, Texas—Days before Mark Anthony Conditt blew himself up alongside an interstate near Austin on Wednesday morning, investigators had zeroed in on him, believing he was the serial bomber whose lethal handiwork had terrorized the city.

Austin Police Chief Brian Manley said Mr. Conditt left a 25-minute “confession” on his cellphone. “It is the outcry of a very challenged young man talking about challenges in his life,” he said. He said Mr. Conditt didn’t mention terrorism or hate and described seven bombs, all of which law enforcement has accounted for.

The 23-year-old suspect had evaded capture for nearly three weeks as he left a path of package bombs across the Texas capital, killing two and injuring several more. The attacks had rattled the city. Its residents called police hundreds of times over suspicious packages and grew increasingly wary.

But authorities had begun focusing on Mr. Conditt. They pieced together a trove of clues: cellphone records, video surveillance, eyewitness statements, purchases and the bombs’ own ingredients.

“There were several small pieces that all came together,” said Fred Milanowski, the Bureau of Alcohol, Tobacco, Firearms and Explosives special agent who helped lead the investigation.

At first, they were playing catch-up, not realizing a first

'Just a Normal Kid' Suspected in Spree



PFLUGERVILLE, Texas—Mark Anthony Conditt, the man authorities say carried out a string of bombing attacks in Austin, was a home-schooled 23-year-old who had dropped out of college and lived in a fast-growing bedroom community north of Austin.

Mr. Conditt stood out for his intelligence, people who knew him said. He had once parried with classmates in a college class through blog posts, voicing his opposition to same-sex marriage, among other issues. He liked tennis, cycling and music, he wrote.

Stunned family members and friends said they saw no signs of the reign of violence police said Mr. Conditt confessed to unleashing on the Austin area this month. “We had no idea of the darkness that Mark must have been in,” said his aunt, Shannen Courtney. “For him to flip like this is extraordinary. I’m sorry we couldn’t have seen it.”

Ms. Courtney, who lives in Colorado and hosted Mr. Conditt’s family over Christmas,

described her nephew as the life of the party, who had a dry wit and said funny things when the family played cards. The suspect’s parents were roused by Federal Bureau of Investigation agents at 3:30 a.m. Wednesday, Ms. Courtney said. “They are just broken and hurting,” Ms. Courtney said.

Mike Courtney, Ms. Courtney’s husband, said he knew Mr. Conditt as intelligent and “just a normal kid.”

A longtime friend of the family said Mr. Conditt’s parents are trained engineers who had decided to home-school their children. “They’re a very normal family, very all-American, salt-of-the-earth people,” she said. “Oh, my God, I’m just shocked.”

—Erin Ailworth
and Scott Calvert

woman.

The ingredients in all three were similar, and several components were unusual enough that agents with the ATF thought they could try to trace the buyer. The bombs all used the same battery pack, said U.S. Rep. Michael McCaul, who represents parts of Austin.

Investigators began to look for which retailers sold these items and who had bought them. Federal investigators also started searching cell tower re-

cords with a basic question. Was there any cellphone in the vicinity of all the bombs?

On a call with reporters, Gov. Greg Abbott said a cellphone number had popped up in multiple locations tied to the bombings. It belonged to Mr. Conditt.

Law enforcement then got eyewitness reports of a vehicle possibly linked to the bombings, Mr. Abbott said. Investigators tied the car to Mr. Conditt, a 23-year-old college dropout.

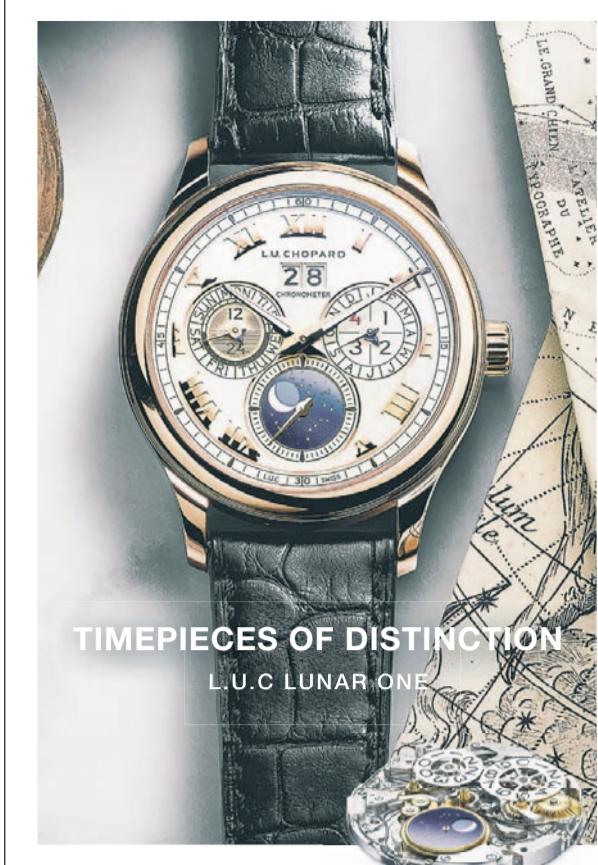
On Sunday, two men in their 20s were walking along a street in south Austin, in a wealthy neighborhood far from the first three bombs. One of them hit a trip wire strung between a bomb placed near a fence and a “Caution: Children at Play” sign. Mr. Abbott said that Mr. Conditt bought five of these signs at a Home Depot.

By Tuesday, investigators knew what Mr. Conditt looked like and were watching his house on a dead-end street in Pflugerville. On Tuesday evening, investigators filed an arrest warrant for Mr. Conditt under seal, charging him with possessing a destructive device.

By Wednesday morning, police traced his red Mazda to a hotel in Round Rock, an Austin suburb near his home. Police surrounded the hotel, and waited for tactical units to arrive. Before they did, Mr. Conditt drove out of the parking lot and began to drive away. Police started to follow, and within a couple hundred yards, Mr. Conditt drove his car into a ditch. As officers approached, a bomb went off inside the car, injuring one veteran officer. Another officer fired at the car.

Mr. Conditt was dead.

Later, police entered the house Mr. Conditt shared with two roommates, discovering ingredients for more bombs.



TIMEPIECES OF DISTINCTION

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Cindy Hyde-Smith was named to a U.S. Senate seat in Mississippi.

Commissioner to Fill Sen. Cochran's Seat

BY NATALIE ANDREWS

Mississippi Gov. Phil Bryant appointed Cindy Hyde-Smith, the state agriculture commissioner and a fellow Republican, to fill the GOP-held U.S. Senate seat being vacated next month by Thad Cochran, ahead of a special election later this year.

Mr. Cochran, 80 years old, said this month that he would resign on April 1 because of poor health, creating a second Senate race this year in the conservative state.

A special election will be held in November to fill out the remainder of Mr. Cochran’s term, which runs through

AIDS Researcher Picked to Lead CDC

BY STEPHANIE ARMOUR

The Trump administration named Robert Redfield to head the Centers for Disease Control and Prevention, putting a researcher known for his work on HIV/AIDS and heroin addiction at the helm of the nation’s leading public-health agency.

The position has been vacant since January, when former Director Dr. Brenda Fitzgerald resigned following reports that she purchased shares in a tobacco company and had other financial conflicts of interest.

“Dr. Redfield has dedicated his entire life to promoting public health and providing compassionate care to his patients, and we are proud to welcome him as director of the world’s premier epidemiological agency,” Health and Human Services Secretary Alex Azar said Wednesday.

Dr. Redfield will take the helm of the Atlanta-based institution and its 12,000 employees as it is struggling to cope with international and national health threats and facing congressional efforts to reduce its funding.

Dr. Redfield, a professor of medicine at the University of Maryland School of Medicine,

weathered criticism in the 1990s for his stance on mandatory HIV testing for patients that some saw as adding to the stigma around AIDS. He was also criticized in the 1990s by consumer health organizations and some congressional Democrats for his work on an experimental AIDS vaccine, according to several news reports. Critics said his analysis and statement created false hope for patients.

An investigation by the U.S. Army determined there was no evidence to support scientific misconduct, but some Democrats have already said they oppose his appointment. Dr. Redfield has worked in Africa and served in the Army. He did his residency at Walter Reed Army Medical School in Washington.

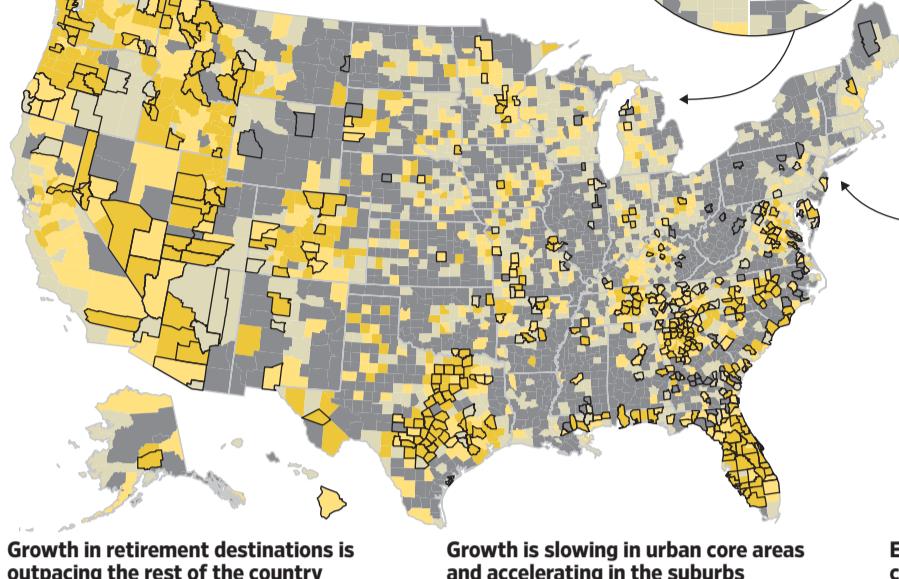
“I write with concern about your Administration’s consideration of Dr. Robert Redfield to lead the Centers for Disease Control and Prevention (CDC), given his lack of public health credentials and his history of controversial positions regarding the prevention and treatment of HIV/AIDS,” Sen. Patty Murray (D., Wash.) wrote on March 19 to President Donald Trump. The position doesn’t require Senate confirmation.

U.S. NEWS

Where Americans Are Moving

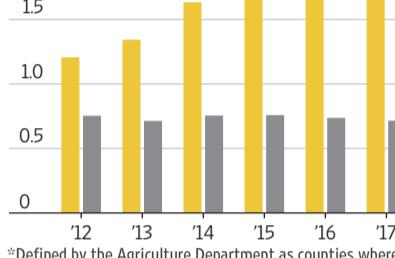
Newly released estimates from the Census Bureau show that population growth shifted last year toward suburbs and less congested places favored by retirees.

County population change, 2016 to 2017



Growth in retirement destinations is outpacing the rest of the country

Annual population change
■ Retirement counties ■ Nationally

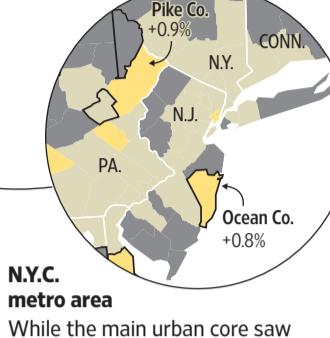


*Defined by the Agriculture Department as counties where 2000-10 migration of people ages 60 and up added at least 15% to the county total for that age group.

Sources: Census Bureau (population change); Dent. of Agriculture (retirement destinations)

**Michigan**

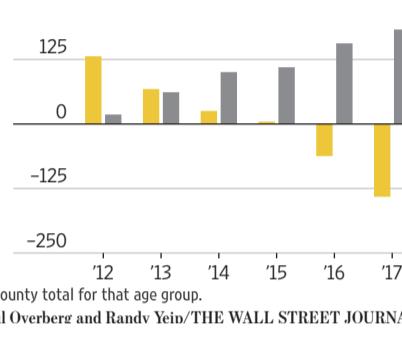
Retirement counties in the north saw gains, as did many of the suburban counties in the south.

**N.Y.C. metro area**

While the main urban core saw below-average growth, some fringe areas such as eastern Pennsylvania and Ocean City, N.J., a retirement county, saw larger gains.

Excluding immigration and births, urban core areas are losing people to suburbs

Annual net domestic migration
■ Central counties ■ Outlying counties



Renée Rigdon, Paul Overberg and Randy Yean/THE WALL STREET JOURNAL.

Retirees Drive Map Trends

By JANET ADAMY
AND PAUL OVERBERG

Americans are relocating to retirement hot spots scattered around the country and returning to suburbia, according to Census Bureau figures released Thursday.

The population of federally designated retirement destination counties rose 2% last year, almost three times the rate of national population growth, according to census county population estimates for the year that ended July 1.

Almost three-quarters of a million Americans during that period moved into one of the 442 counties that the Agriculture Department tags as retiree spots.

The figures are a fresh sign that the nation's 74 million baby boomers—those born between 1946 to 1964—have dug out from the 2007-09 recession that locked many of them in place when home and stock values plummeted.

They have fueled double-digit population growth in some old staples for retirees, such as Naples, Fla., and other places far from the Sunbelt, including Jackson, Wyo., and Coeur d'Alene, Idaho.

Suburbs are drawing more Americans who are being

priced out of expensive urban cores, and pulling in millennials and younger members of Generation X who are settling down to start families or have more children.

The suburban population of large metropolitan areas grew 1% last year. Domestic migration into such counties has tripled over the past five years, Census figures show.

America's big cities continue to grow, with their population rising 0.7% in 2017. But that growth is now on par with the country on the whole after years of outpacing it, and is primarily because immigrants keep arriving there. In the past five years, large U.S. cities have gone from drawing people from the rest of the country to in 2017 losing 437,000 domestic migrants.

The new figures underscored how metropolitan areas with low unemployment and affordable housing drew residents. The Dallas-Fort Worth metro area gained 146,000 residents last year, the most of any U.S. metro. Six of the top 10 largest-gaining counties in 2017 were in Texas.

Rust-belt areas continued to shrink, with the counties containing Chicago, Baltimore and Cleveland, respectively, losing the most residents in 2017.

YouTube Curbs Gun Videos

BY DOUGLAS MACMILLAN

YouTube said it would ban videos relating to the sale or assembly of guns and certain gun accessories, as tech giants face growing pressure to limit the promotion of firearms in the wake of the school shooting in Parkland, Fla.

The world's largest video site, a division of **Alphabet** Inc.'s Google, said this week it would prohibit all videos that link directly to sites that sell guns or accessories known as bump stocks, which allow certain firearms to fire as rapidly as machine guns. Bloomberg News reported the policy shift, which YouTube posted on its website on Monday.

Videos showing how to build a gun or install bump-stock devices will also be restricted under the new rules, which the company said it will begin enforcing in April.

YouTube already bans content explicitly promoting the sale of guns, a YouTube spokeswoman said in an emailed statement.

"We routinely make updates and adjustments to our enforcement guidelines across all of our policies," the spokeswoman said. "While we've long prohibited the sale of firearms, we recently notified creators of updates we will be making around content promoting the sale or manufacture of firearms and their accessories."

'Right to Try' Bill Passes

BY THOMAS M. BURTON

The House of Representatives passed a "Right to Try" bill backed by the White House that would make unproven drugs more easily available to terminally ill patients, following changes made to address criticism of a version passed by the Senate.

The House voted 276-149 Wednesday in favor of the legislation. The legislation, urged by the conservative Goldwater Institute think tank, is backed by Vice President Mike Pence and was endorsed in speeches by President Donald Trump.

Proponents say the bill is necessary because desperately ill patients need help getting investigatory drugs. But critics say the measure could undermine clinical research into new prescription drugs. They also point to FDA data that show the regulator already approves more than 99% of such requests.

President Defends His Phone Call to Putin

BY PETER NICHOLAS
AND REBECCA BALLHAUS

The White House on Wednesday defended a phone conversation between President Donald Trump and Russian counterpart Vladimir Putin, saying Mr. Trump made headway by striking a cordial tone rather than taking a more confrontational approach as suggested by his national-security advisers.

"I called President Putin of Russia to congratulate him on his election victory," Mr.

Trump tweeted. "The Fake News Media is crazed because they wanted me to excoriate him. They are wrong! Getting along with Russia (and others) is a good thing."

Mr. Trump faced criticism over his conversation with Mr. Putin for congratulating him on winning an election in which he faced no serious opponent. The Washington Post reported Tuesday that national-security aides, before the call, specifically advised Mr. Trump not to do that. They also advised him to condemn

the alleged poisoning of a former Russian spy in the U.K., which the president didn't do, a White House official said.

It isn't clear if Mr. Trump read the written guidance urging him not to congratulate

Mr. Putin. Before making the call, the president spoke privately to national security adviser H.R. McMaster and to other national-security officials, the official said. A spokesman for Mr. McMaster declined to comment.

The president and his chief of staff, John Kelly, were furious that the internal guidance regarding the phone call had been leaked, according to administration officials.

The White House on Wednesday said: "If this story is accurate, that means some-

one leaked the president's briefing papers. Leaking such information is a fireable offense and likely illegal."

On Capitol Hill, lawmakers criticized the leak.

"I don't agree with congratulating #Putin, but bigger outrage is this leak that could only come from someone in @POTUS inner circle," tweeted Florida Sen. Marco Rubio, a Republican. "If you don't like president, resign, but this ongoing pattern of duplicity holds potential for serious damage to the nation."

DATA

Continued from Page One

Facebook to map out how much and what kind of data was requested by app developers between 2007 and 2015, an expensive and far-reaching endeavor. Facebook will start by examining apps that had large user bases of around 100,000 people or more and those apps that pulled extensive data about a smaller group of people, according to people familiar with Facebook.

Bloomberg News reported the policy shift, which YouTube posted on its website on Monday.

In an interview with CNN, Mr. Zuckerberg apologized and said the company had been too trusting of developers in the past.

Mr. Zuckerberg added that he would be willing to testify in front of Congress if it was the right thing to do and said he didn't oppose some forms of regulation, specifically around ads transparency—a project that Facebook has been working on since last fall.

Sen. Amy Klobuchar (D., Minn.), who has been critical of Facebook's response, said earlier Wednesday that the company's leaders need to do more and Mr. Zuckerberg needs to testify.

Facebook's board issued its own statement late Wednesday, from lead director Sue Desmond-Hellman, saying Mr. Zuckerberg and his No. 2, executive, Chief Operating Officer Sheryl Sandberg, "know how serious this situation is and are working with the rest of Facebook lead-



Facebook CEO Mark Zuckerberg's comments came five days after the Cambridge Analytica crisis.

'The good news is that the most important actions to prevent this from happening again today we have already taken years ago. But we also made mistakes, there's more to do, and we need to step up and do it.'

Facebook CEO Mark Zuckerberg in a statement Wednesday on the Cambridge Analytica situation

ership to build stronger user protections. They have built the company and our business and are instrumental to its future."

The user-data controversy was the latest setback for Facebook, which has struggled to respond to a barrage of criticism over the past 18 months about a range of issues, including manipulation of its platform by foreign actors, the spread of fabricated news stories and user privacy.

Mr. Zuckerberg's comments come days after the crisis prompted calls for him to testify before legislators in the U.S. and Europe, carved tens of billions of dollars off Facebook's value and raised new questions about the leadership of one of the world's most powerful technology companies.

"Facebook is exhibiting signs of systemic mismanagement, which is a new concern we had not contemplated until recently," Pivotal Research analyst Brian Wieser said in a note

Wednesday. Mr. Wieser has a "sell" rating on the stock.

Facebook's stock rose slightly Wednesday, after losing about 10% or \$50 billion, of its market value over the past few days.

In 2007, Facebook opened its platform to developers, paving the way for dating, job-search and other apps, as well as a new style of political campaigning. The move helped the social network become a fixture in its members' lives, catapulting the company from 58 million users to more than two billion today.

It also addressed criticism from people who argued Facebook shouldn't have sole custody over the data generated by users.

In 2014, Facebook severely restricted the data that could be available to developers, including dozens of different data points about users' friends. Those changes were implemented in 2015.

The current crisis began with Facebook's statement Friday

that it was looking into reports that data-analytics firm Cambridge Analytica, which worked with the Trump campaign in 2016, improperly accessed and retained user data obtained from Aleksandr Kogan, a psychology professor at the University of Cambridge.

Mr. Kogan followed Facebook rules in gathering the data but violated its policies by sharing it with Cambridge Analytica, Facebook said. Cambridge Analytica has said it complied with Facebook's rules.

Mr. Kogan collected the data through a personality-quiz app he built for Facebook that was downloaded by about 270,000 people in 2013. At the time, Facebook's data policies allowed developers to gather personal information about those users' friends.

Facebook said it plans to notify the tens of millions of users whose personal information was collected by Mr. Kogan and

shared with Cambridge Analytica. Reports in the New York Times and Britain's Observer said the episode involved information on some 50 million Facebook users.

Mr. Zuckerberg on Wednesday said the transfer was a "breach of trust between Kogan, Cambridge Analytica and Facebook. But it was also a breach of trust between Facebook and the people who share their data with us and expect us to protect it. We need to fix that."

Ms. Sandberg, in her own post, said "I deeply regret that we didn't do enough to deal with it. We have a responsibility to protect your data—and if we can't, then we don't deserve to serve you."

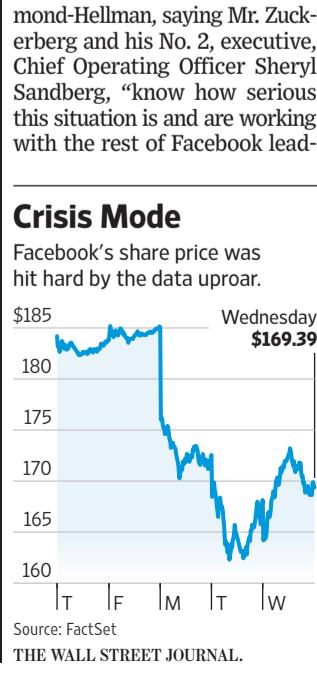
Over the weekend and early this week, senior Facebook officials spent much of the time trying to nail down what happened with Cambridge Analytica and contemplating whether and how Mr. Zuckerberg should respond, said people familiar with the matter. The company also spent those days trying to devise a plan to secure user data collected by developers since Facebook's 2007 decision to provide outsiders access to user data to build apps and services, according to Ms. Sandberg and other people familiar with the company.

On Wednesday, Facebook said it would audit apps that showed suspicious patterns in how they pulled certain types of data. Developers who don't submit to a thorough audit will be banned from Facebook. Developers who misused personal user data also will be banned from Facebook and their users notified.

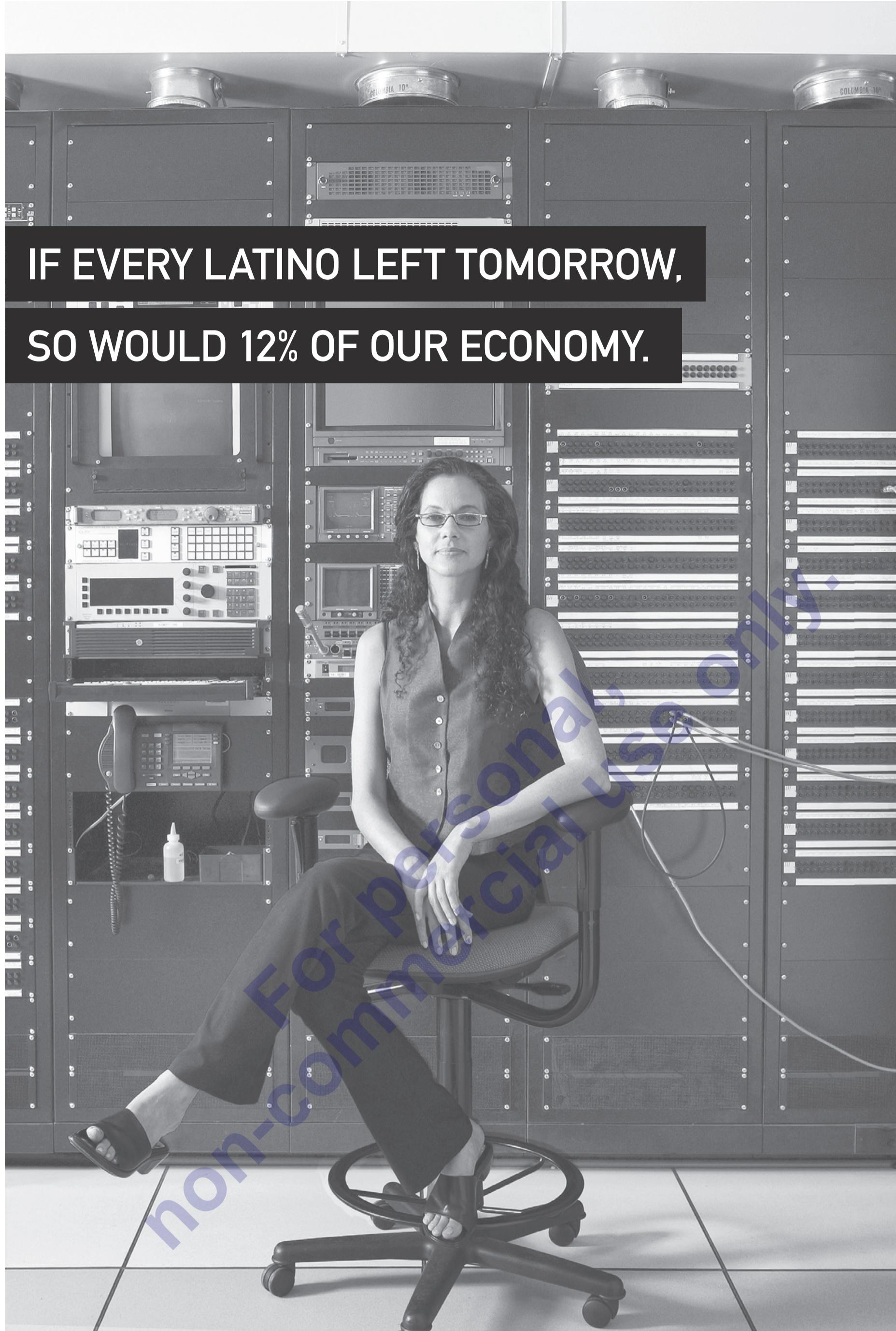
Facebook will further restrict data access currently available to developers, including removing developers' access to data about users who haven't used their apps in three months.

The scrutiny has weighed on Facebook staff, with many questioning why Mr. Zuckerberg didn't earlier discuss the company's role publicly, according to current and former employees. At a question-and-answer session for employees Tuesday about the episode, Facebook lawyer Paul Grewal presided. Mr. Zuckerberg and Ms. Sandberg weren't in the room.

—Robert McMillan contributed to this article.



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1. Schink, Werner, and David Hayes-Bautista. *Latino Gross Domestic Product (GDP) Report*. Latino Donor Collaborative, July 2017. <http://latinodonorcollaborative.org/latino-gdp-report/>, 8.

2. Schink and Hayes-Bautista, *Latino*, 5.

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4. Schink and Hayes-Bautista, *Latino*, 11.

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U.S. NEWS

Pennsylvania Plants Cut Coal Emissions

By KRIS MAHER

Coal-fired power plants in Pennsylvania cut smog-forming emissions by more than half last year, in a rare regulatory effort that has won support from both industry officials and environmentalists.

Emissions of nitrogen oxides, or NOx, at the state's six power plants that burn newly mined coal exclusively fell 60% last year from the year earlier to 23,133 tons.

At the 50-year-old Keystone Generating Station in the rural southwestern part of the state, emissions of nitrogen oxides fell 54% to 6,095 tons last year from the prior year, even though the plant burned more coal in 2017.

Industry experts credit a state regulation for the reductions. The rule, which took effect in January 2017, lowered the rate at which power plants and other sources can emit NOx. For power plants, it requires use of a potentially costly pollution control, in

which ammonia is injected to reduce NOx, but only during times of high power usage, when the method is most cost-effective.

Vince Brisini, director of environmental affairs at Olympus Power LLC, an owner of the big Keystone plant and another nearby coal-burning plant, said he had never seen emissions fall so rapidly across a state. He also said the rule provides enough flexibility for power plants to run cost effectively.

"This regulation will not force any coal-fired units to retire," Mr. Brisini said.

Pennsylvania's aging coal plants have been losing to natural gas, which is also abundant beneath the state. A third of the state's coal-fired generating capacity shut between 2010 and 2016, while natural-gas capacity grew by half, according to the Energy Information Administration.

Nitrogen oxides from sources including coal-fired power plants contribute to ozone formation, primarily in

summer. The emissions have been declining across the country for years, as utilities installed pollution controls and natural gas, which produces fewer NOx emissions, has increasingly supplanted coal.

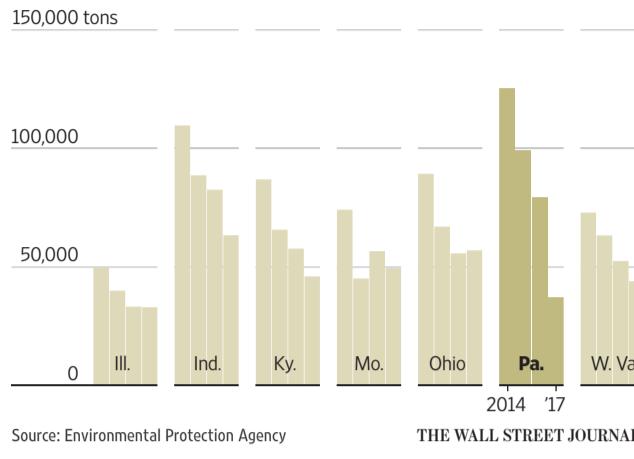
Despite declines in emissions, the issue of regulating nitrogen oxides has become more contentious, and states like Connecticut, Maryland and Delaware are asking federal regulators to require lower emissions in states including Pennsylvania, West Virginia and Ohio, and even at specific power plants. The Northeast states say most of their ozone is caused by pollutants blowing in from other states.

In Pennsylvania, a rule known as the Reasonably Available Control Technology II was implemented so the state could meet the federal 2008 standard of 75 parts per billion of ozone within its own borders.

The Pennsylvania rule requires power plants to operate existing pollution controls more often in a way that fac-

Clearing the Air

Total emissions of nitrogen oxides, or NOx, fell sharply in Pennsylvania last year. Below, some mid-western and Appalachian states with coal-fired generation:



Source: Environmental Protection Agency

Pennsylvania adopted is that it found a way to strike a balance," said Dave Flannery, legal counsel for the Midwest Ozone Group. He said requiring the use of controls that use ammonia during periods of low demand, for example, would have increased costs dramatically. The association's members include power-generation and industrial companies.

Regulators in Northeast states praised the reductions in Pennsylvania, but said they want even greater cuts.

"We appreciate the progress that Pennsylvania has made recently," Ben Grumbles, Maryland's secretary of the environment, said in an interview. "It will help but it still doesn't require those power plants to run their smog controls every day."

Environmentalists said they were also surprised by Pennsylvania's results. "I did not remotely expect air-pollution improvements of this magnitude," said John Walke, clean-air director of the Natural Resources Defense Council.

some of the first legislative steps to rein in gun violence, after a string of recent mass shootings. The legislation includes a measure from Sen. John Cornyn (R., Texas) to strengthen compliance with the national background check system for buying firearms. The bill would also end what gun-control advocates say has effectively been a ban on federal gun-violence research.

Those two changes "would be a very big deal, especially in the context of a Republican-controlled Congress and a Republican White House," said Sen. Chris Murphy (D., Conn.).

Meanwhile, the bill didn't end a dispute over how to pay for a new rail tunnel under the Hudson River connecting New York and New Jersey. The project's supporters say the federal government should pay for half of the project's \$12.7 billion cost; the Trump administration says New York and New Jersey should pay for the majority of the work.

The spending legislation would provide \$650 million to Amtrak for track improvements along its busy Northeast Corridor, an increase of \$322 million from 2017, and direct \$2.9 billion to discretionary grant programs, to which Amtrak and its partners plan to apply for funds to support the tunnel work.

The agreement ruffled conservatives, who wanted to see less funding for the tunnel and more for the border wall.

—Ted Mann
and Natalie Andrews
contributed to this article.



Democratic leaders Sen. Chuck Schumer and Rep. Nancy Pelosi praised the negotiations Wednesday.

BILL CLARK/ZUMA PRESS

Bill Lets the CDC Do Gun Research

WASHINGTON—Congress paved the way for a resumption of public-health research into gun violence by the Centers for Disease Control and Prevention, one of several measures inserted in a broad spending bill to address the Parkland, Fla., school shooting.

In a victory for Democrats, the provision will partially alter the 1996 ban, known as the "Dickey Amendment," which the CDC has interpreted as a blanket prohibition on gun-violence research. The legislation will explicitly allow the agency to conduct public-health research on gun use, though it would still be barred from advocating tighter gun control.

Lawmakers have also agreed to include a bipartisan measure strengthening federal background checks.

—Michelle Hackman

Mr. Paul said Wednesday he hadn't yet decided how he would act this week.

The bill ends—for now—one of the most contentious fights between Democrats and Mr. Trump, by including \$1.57 billion for construction of physical barriers on the border with Mexico and other security measures.

Mr. Trump won funding for 33 miles of new fencing on the Texas border—about half of what he re-

quested. He also got funding for 60 miles of replacement or secondary fencing, which is built alongside existing barriers. That is more than he asked for but is also far less controversial.

"Got \$1.6 Billion to start Wall on Southern Border, rest will be forthcoming," Mr. Trump said in a tweet late Wednesday. "Had to waste money on Dem giveaways in order to take care of military

pay increase and new equipment."

Democrats won a number of concessions, particularly regarding immigration enforcement inside the U.S. The bill provides for minimal or no increases to enforcement officers and detention bed space and no punishments for sanctuary cities. In addition, the new border construction must use designs now in use, which rules out a solid concrete wall.

Some conservatives, upset that the bill didn't include more funding for the wall, urged Mr. Trump to veto the bill. The White House said Mr. Trump had discussed the spending bill with Mr. Ryan and Senate Majority Leader Mitch McConnell (R., Ky.).

The bill doesn't actually fund a full 100 miles of border construction, even when replacement fencing is counted.

The spending bill included

FED

Continued from Page One

tory on inflation and a marginally steeper path of rates," said Ed Al-Hussainy, senior global rates strategist at Columbia Threadneedle Investments, an asset manager.

Stocks seesawed after the Fed's announcement and closed lower Wednesday.

The Dow Jones Industrial Average closed down 44.96 points, or 0.2%, at 24,682.31, after earlier rising as much as 250 points immediately following the Fed decision. The S&P 500 declined 5.01 points, or 0.2%, to 2,711.93, while the Nasdaq Composite fell 19.02 points, or 0.3%, to 7,345.29.

Investors had been braced for a more aggressive position from the Fed in the near term, Mr. Al-Hussainy said. The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall.

Before the meeting, investors' were eager to see how the Fed would react to the tax cuts and government-spending increase recently approved by Congress and President Donald Trump. Both are expected to boost economic growth.

Most Fed officials still expect to raise rates no more than three times this year. But more central bankers said they now anticipate increasing rates four times this year; seven of 15 penciled in four rate increases, up from four of 16 in December.

Most Fed officials expect to lift rates at least another

Fed officials see higher interest rates, faster economic growth and lower unemployment in the next few years than they did in their December projections.

The Fed's evolving economic forecasts, by meeting



*Long-run projections represent an assessment of where the indicator is expected to end up under appropriate monetary policy.

Notes: GDP and unemployment are seasonally adjusted; rate-target forecasts prior to June 2015 are interpolated from dot-plot figures.

Source: Federal Reserve via Federal Reserve Bank of St. Louis

Borrowing Costs For Consumers Edge Upward

More than two years after the Federal Reserve began raising short-term interest rates, consumers are starting to see the effects in their borrowing costs.

Rates on credit cards, mortgages and car loans are among those that have edged higher, though the increases have been minimal. And in the cases of home and auto loans, the new levels are still well below where they were before the recession.

The upward movement, however, is a sign that the economic expansion is well anchored, said Amy Crews Cutts, chief economist at Equifax.

"We're fully in recovery now," she said.

It often takes time for Fed rate increases to make their

way through to the rates that household borrowers pay, Ms. Cutts said. When the Fed starts raising rates, lenders continue to hold down the rates they charge consumers to avoid losing business.

Once the recovery is better established, they start nudging up rates on consumer loans, as is happening now, Ms. Cutts said.

As of last week, the average 30-year mortgage rate was 4.44%, the highest since the Fed began raising its benchmark interest rate in December 2015, according to data from Freddie Mac.

As of March 14, rates on five-year new-car loans had inched up to 4.46% according to Bankrate.com, a personal finance site.

The average interest rate on credit cards also has been climbing, reaching 16.84% last week, up from 16.28% a year ago, according to Bankrate.com.

—David Harrison

most a full point below the rate officials expect to prevail over the long run.

Wall Street economists expect the recent changes in tax policy and government spending will push unemployment even lower than the Fed has projected next year, to levels that haven't been seen since the Korean War. Economists said it is unclear what that could do to inflation or financial stability.

The Fed has a poor record of trying to cool the economy without triggering a recession.

"It's a risky thing to do, but they might feel they have to do it because this fiscal stimulus is coming at the wrong

time," Mr. Perli said.

Mr. Powell said policy under the forecast laid out Wednesday would turn "modestly restrictive" by 2020. But he also played it down by pointing to the difficulty of forecasting that far into the future.

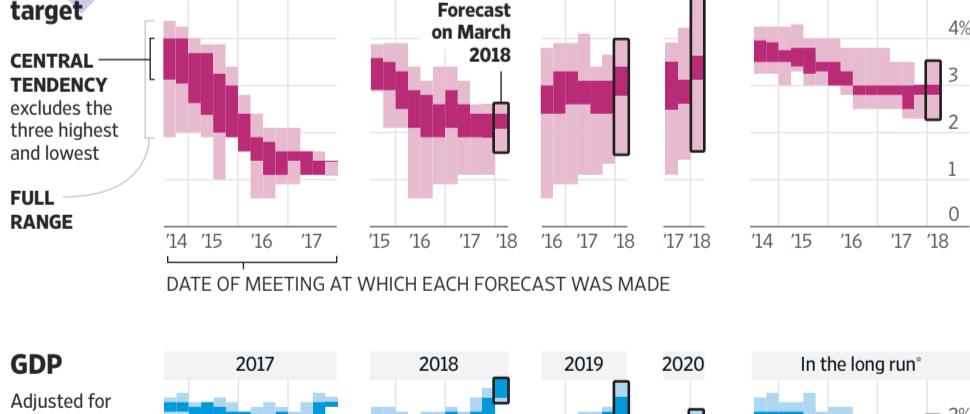
"You could imagine narratives in which that [forecast] would make sense, but honestly, I wouldn't put too much on that," he said.

Officials release economic projections every quarter. Their latest figures show they now expect inflation to rise above their 2% target next year and to stay there in 2020.

Rosier Outlook

Fed officials see higher interest rates, faster economic growth and lower unemployment in the next few years than they did in their December projections.

The Fed's evolving economic forecasts, by meeting



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Source: Federal Reserve via Federal Reserve Bank of St. Louis

slightly restrictive of growth because it is nearly one half a percentage point above the level policy makers estimate would neither spur nor curb economic activity over the long run.

"Taken at face value, it's a signal there is a consensus that says, 'We might have to

tighten too much,'" said Roberto Perli, an analyst at research firm Cornerstone Macro.

Fed officials now expect the unemployment rate to decline to 3.8% by the end of this year

and to 3.6% by the end of 2019, from 4.1%, where it has held since October. That is al-

most a full point below the rate officials expect to prevail over the long run.

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WORLD NEWS

Israel Says It Razed Syrian Reactor in '07

Officials break long silence on airstrikes in warning to Iran amid escalating tensions

By Dov Lieber

Israel said it destroyed a Syrian nuclear reactor in 2007, ending its silence over the airstrikes in what it said was a warning for an increasingly bellicose Iran threatening the country's existence.

Israel in recent months has amplified criticism of Iranian attempts to set up military bases in Syria, warning it would counter any attempts by Tehran and its allies to strengthen their presence on its border.

Tensions escalated in February after Israel's military said one of its jets was shot down by antiaircraft missiles during strikes on Syrian targets. Those strikes came after Israel said it intercepted an Iranian drone launched from Syria that had infiltrated its airspace.

Russia and Iran are the main backers of the Bashar al-Assad regime in the yearslong Syrian conflict and Tehran has vowed to destroy the Israeli state.

Some Iranian officials also have said Tehran could pull out of the 2015 nuclear deal that limits its enrichment program if the U.S. backs out, as President Donald Trump has threatened.

Iran says its enrichment program is for peaceful purposes, but Israel and other Western powers have long suspected that Tehran sought to develop nuclear weapons.

The acknowledgment of the destruction of the Syrian reactor "sends a clear message: Israel will never allow nuclear weapons to countries like Iran who threaten its existence," Israel Katz, the country's intelligence minister, wrote on Twitter.

His comments came after



The Israeli military on Wednesday released materials tied to its airstrikes on the nuclear facility, including before and after photos, below.

the Israeli military disclosed for the first time details about the 2007 operation, releasing previously classified information, pictures and video of the airstrikes.

"Israel's policy was and remains consistent—to prevent our enemies from acquiring nuclear weapons," Prime Minister Benjamin Netanyahu said late Wednesday.

The Syrian regime couldn't be reached to comment. It has previously denied that the bombed site was a nuclear reactor.

An official at Iran's United Nations mission in New York didn't respond to a request to comment.

It was widely thought that the airstrikes in 2007 were carried out by Israel, but its formal disclosure on Wednesday comes as Mr. Trump considers scuttling the Iranian nuclear deal in May.

Israel is pushing for strict overhauls, including more-robust inspections of Iranian facilities and an indefinite period to restrict Iran's nuclear program.

Ronen Bergman, a political and military analyst who wrote "Rise and Kill First"—a



The target before

The target after



history of Israel's intelligence agencies—said Israel was sending a message not just to Iran, but also to the Trump administration.

"Israeli officials are extremely frustrated with the way the Trump administration has not intervened on Iranian deployment in Syria. The message is that when Israel is left alone, it will react," he said.

The U.S. has acknowledged Iran's growing influence, but has been reluctant to intervene militarily outside areas controlled by its Kurdish allies in the northeast of Syria. In

February at a security conference in Munich, national security adviser Lt. Gen. H.R. McMaster accused Iran of building a network of proxies across the region to weaken governments whose interests clash with Tehran's.

In 2015, Israeli media published leaked recordings of former Israeli defense minister Ehud Barak who said he and Israel's current prime minister, Mr. Netanyahu, supported and prepared for striking Iran's nuclear facilities in 2010 and 2011. The initiative in 2010 was scuttled by senior Israeli

security officials who warned Israel didn't have the "operational capacity" to totally destroy Iran's nuclear program, and in 2011 by a lack of political support, Mr. Barak said in the tapes.

Mr. Barak also said in the tapes that a 2012 plan to strike Iran was called off because it coincided with a joint U.S.-Israel military drill.

In 1981, Israel destroyed an Iraqi nuclear reactor in a similar operation.

—Rory Jones, Asa Fitch and Sune Engel Rasmussen contributed to this article.

Attack Is Depicted In Newly Released Cockpit Video

The Israeli army on Wednesday released a trove of newly declassified material from the 2007 attack, dubbed as "operation outside of the box."

This included what appeared to be video from the cockpit at the moment Israeli jets bombed what Israeli officials said was the Al-Kubar reactor, located in the Deir Ezour desert region about 280 miles northwest of the Syrian capital.

Israel determined that the reactor, which was being built with the help of North Korea, was less than a year away from being able to produce plutonium before being destroyed, the documents said.

Amos Yadlin, who was head of the Israeli army's intelligence at the time of the strike, said in a phone conference with journalists that the operation had two goals: "no core, no war."

Mr. Yadlin explained Israel feared the operation could lead to an all-out war with Syria. To avoid this outcome, Israel didn't take responsibility for destroying the reactor, giving room for Syrian leader Bashar al-Assad to deny the incident ever took place.

"The message from the attack on the [Syrian] nuclear reactor in 2007 is that the State of Israel will not allow the establishment of capabilities that threaten Israel's existence," said Israeli Army Chief Gadi Eizenkot in a video message.

Mr. Yadlin and Ronen Bergman, a political and military analyst, said another reason for Wednesday's disclosure was the likely increasing pressure from local press to allow its publication after much of the story had already been reported by foreign media over the years.

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WORLD NEWS

U.S. in Talks to Exempt Allies From Tariffs

Negotiators hammering out exemptions from metal duties for key countries, top aide says

BY WILLIAM MAULDIN

WASHINGTON—The Trump administration said it is in close talks with several allies and trading partners on exempting them from U.S. tariffs on steel and aluminum, adding that some countries will face little threat of paying the duties while the negotiations are under way.

U.S. Trade Representative Robert Lighthizer, in the Trump administration's most expansive comments to date, told a House committee Wednesday that the U.S. is negotiating with Argentina, Australia, and the European Union and will soon begin discussions with Brazil. Mr. Lighthizer also indicated exemptions also may be in line for Canada, Mexico and South Korea, depending on the progress of broader trade negotiations with those nations.

The tariffs—25% on steel and 10% on aluminum—are set to take effect on Friday, but the talks over exemptions are likely to continue well into next month.



Mauricio Palos/Bloomberg News

Mexico may benefit, depending on a Nafta rewrite. Above, a steel facility in San Luis Potosi.

Mr. Lighthizer didn't specifically identify which countries would gain temporary or permanent exemptions, but the trade czar made it clear they were on the table.

"During the course of that

process, with respect to certain countries, the tariffs will not take effect," Mr. Lighthizer told the Ways and Means Committee. "Our hope is to get these things resolved by the end of April."

The stakes are high for the Trump administration and its trading partners. Many GOP lawmakers are calling on President Donald Trump to cancel the tariffs or grant exceptions for allies or key products used

by companies in their states.

The European Union also has threatened retaliation against American exports, including products linked to the home states of Senate Majority Leader Mitch McConnell and House Speaker Paul Ryan, both Republicans. Countries also have threatened to challenge the U.S. tariffs at the World Trade Organization.

However, the comments from a senior Trump official, coupled with negotiations at a working level, appear to be giving some foreign officials more hope they will dodge the bullet on the tariffs. "At the moment, I'm more positive," said Jyrki Katainen, a vice president of the European Commission, the EU's executive arm, in Brussels.

If such negotiations are successful, and large U.S. allies get exemptions, then the punitive weight of the metal tariffs will fall on Russia and China—which the administration has identified as national security challenges—and other countries including some in Asia and the Middle East.

Commerce Secretary Wilbur Ross had originally recommended, as one option for Mr. Trump, that specific countries be targeted with higher tariffs, effectively avoiding the need for exemptions for key

allies.

Mr. Lighthizer's comments, with the suggestion of broad exemptions for Europe and partners in the Americas, is at odds with the efforts of domestic steel and aluminum producers to achieve the broadest possible tariffs to protect their industry from overseas competition and China's metal glut. Steel companies and workers on Wednesday pressed House lawmakers to defend their industry at a separate meeting on Capitol Hill.

Mr. Trump's tariff order, based on a law designed to protect national security, already carved out Canada and Mexico. Officials from those countries are negotiating an overhaul of the North American Free Trade Agreement with Mr. Lighthizer.

Mr. Lighthizer confirmed the Canada and Mexico exemptions—dependent on whether the U.S. gets what it wants in the Nafta talks and an eventual Nafta deal.

South Korea is in a similar situation: Whether it wins an exemption may hinge on the shape of amendments sought by Mr. Lighthizer to its broad free-trade agreement with the U.S.

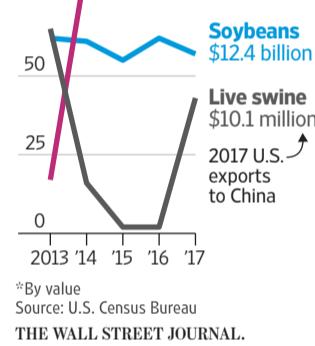
"Korea is a particular problem in the area of steel," Mr. Lighthizer said.

TRADE

Punching Back

Beijing plans to impose tariffs on U.S. farm exporters who count on the Chinese market.

U.S. exports to China as a share of all U.S. exports, by product*



JOSE LUIS MAGANA/ASSOCIATED PRESS

is expected to highlight Chinese violations of U.S. intellectual-property rights, and to suggest tariffs on Chinese imports worth at least \$30 billion along with restrictions on China's ability to buy U.S. technology and high-tech firms.

China's plans for retaliatory measures were laid out at a meeting last month convened by China's Commerce Ministry with Chinese importers of U.S. farm products, including China National Cereals, Oils and Foodstuffs Corp., a state-owned food-processing giant. These measures were prepared in anticipation of Trump administration moves.

At the meeting, Commerce Ministry officials sought the companies' views on the impact of scaling back U.S. agricultural imports, the people said. Since then the companies have been lining up alternative sources—for soybeans, for instance, countries including Brazil, Argentina and Poland.

Concerns about possible Chinese retaliation have weighed on crop and livestock markets in recent weeks. "Bottom line, we're terrified," said Brian Grossman, a market strategist at Zaner Group in Chicago who used to farm in North Dakota.

"It's not going to be good for the American farmer."

After The Wall Street Journal reported the possible Chinese counter-tariffs on Wednesday, shares of Bunge Ltd. fell 0.9%, while Archer Daniels Midland

Co. stock dropped 1%. ADM and Bunge are two of the world's largest soybean shippers, and China is far and away the world's biggest buyer. An impact on pig farmers could also affect soy farmers. "We need the pigs to eat what we produce," said Shane Hanna, who farms 1,400 acres in Delphi, Ind.

Alongside tariffs, however, Beijing also plans extend an olive branch to the U.S., which has been calling for better access to China's markets. The opening could include scrapping foreign-ownership limits on Chinese brokerages and insurers.

U.S. and other Western officials have often treated Beijing's market-opening pronouncements with skepticism, saying hurdles have risen despite similar pledges in the past. Early last year, it promised U.S. credit-card companies "full and prompt" access to China, but so far none has been given a green light.

President Xi's top economic deputy, Liu He, this month laid out a series of market-opening steps to senior U.S. officials in Washington, including Treasury Secretary Steven Mnuchin and Mr. Lighthizer, according to people with knowledge of the event.

"As of today, the administration hasn't been satisfied with the types of responses we're getting from China," said a U.S. trade official.

—Yoko Kubota and Liza Lin contributed to this article.

France's Former President Faces Charges

BY MATTHEW DALTON

French authorities brought preliminary charges against former President Nicolas Sarkozy for illegally financing his 2007 presidential campaign with cash from the regime of Libyan dictator Moammar Gadhafi, a judicial official said.

The charges against Mr. Sarkozy—which an official said he denied—amount to a stunning blow for a politician who just 18 months ago was seeking to recapture the presidency in France's election last year.

Along with campaign-finance violations, Mr. Sarkozy is charged with corruption and receiving money diverted from Libya's public coffers, the official said on Wednesday.

Evelyne Sire-Marin, a magistrate who isn't involved in the probe, told French television that the charges carry a sentence of up to 10 years in prison.

Mr. Sarkozy on Tuesday was detained for questioning in the probe, which began in 2012 and was examining allegations that the Gadhafi regime supplied Mr. Sarkozy's campaign with tens of millions of euros.

Bringing preliminary charges in the French judicial system is a pivotal step that means prosecutors have enough evidence to deepen an investigation; a judge can then either order the person to stand trial or dismiss the charges. A judge placed Mr. Sarkozy under judicial supervi-

sion while the investigation continues.

The charges are the latest in a probe that surfaced lurid accusations against Mr. Sarkozy, including that he accepted suitcases full of cash furnished by the Gadhafi regime while he was interior minister and preparing his presidential bid.

The charges deepen the woes of the center-right Les Républicains, France's largest opposition party. Mr. Sarkozy headed the party until he lost a primary to become its 2017 presidential nominee, and he remains an éminence grise, wielding influence over its current ranks.

The party's nominee in the 2017 election, François Fillon, also faces criminal charges for allegedly using public funds to finance phony jobs for family members when he was a lawmaker.

Even if ordered to stand trial and convicted, Mr. Sarkozy may never spend time in jail. Former French President Jacques Chirac, Mr. Sarkozy's political mentor, was convicted in 2011 of diverting public money when he was the mayor of Paris for his political campaigns. He was given a two-year suspended sentence.

The allegations against Mr. Sarkozy first came to light in 2011 with a claim from Saif Gadhafi, one of the Libyan leader's sons, days before the North Atlantic Treaty Organization launched a military campaign to support rebels fighting the Gadhafi regime.

As Mr. Sarkozy's aides were drawing up plans for airstrikes against Gadhafi's forces, Saif demanded in a television interview that Mr. Sarkozy "give back the money he took from Libya to finance his electoral campaign."

Since then, evidence from former Gadhafi officials and testimony from Ziad Takieddine, a businessman and associate of Mr. Sarkozy, have emerged to support the allegations against him.



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WORLD NEWS

Taiwan Shadows Chinese Carrier

BY EVA DOU

BEIJING—Taiwan's Defense Ministry said it sent ships and planes to monitor a Chinese aircraft carrier that entered the Taiwan Strait this week.

The rise in cross-strait tensions followed the U.S. passing a law approving visits of senior officials between Washington and Taipei. The law's passage drew protests in Beijing, which sees Taiwan as a renegade province. President Xi Jinping warned in a speech at the end of China's annual legislative session that any attempt to divide China would fail and suffer the "punishment of history."

Taiwan Defense Ministry spokesman Maj. Gen. Chen Chung-chi said defense officers had spotted the Liaoning aircraft carrier entering the Taiwan Strait on Tuesday. He added Taiwan dispatched military planes and ships to follow the carrier.

The Liaoning entered Taiwan's air-defense identification zone Tuesday at 8 p.m., sailing westward out of the zone about 12:30 p.m. Wednesday, Taiwan's Defense Ministry said in a statement. It said no unusual incidents took place.

The Liaoning has entered the strait several times in the past year. China's Defense Ministry and Taiwan Affairs Office didn't respond to faxed requests to comment.

The Liaoning sailings are seen as reminders to Taiwan's government that Beijing could attempt to take over the island by military force. The two split at the end of the Chinese civil war in 1949.

Cross-strait relations have deteriorated since Taiwan President Tsai Ing-wen, of the independence-minded Democratic Progressive Party, took office in 2016. Ms. Tsai took a harder line against Beijing than her predecessor, declining to acknowledge the "one China" principle, which stipulates Taiwan is an inseparable part of China. Beijing lashed out, shutting down some cross-strait cooperation and ramping up military exercises in surrounding waters.

The just-passed Taiwan Travel Act could elevate Taiwan's profile in Washington, and put Beijing further on edge. The new act authorizes high-level visits between the U.S. and Taiwan, something past administrations had avoided so as not to antagonize Beijing.

Built with a Soviet-era hull and launched in 2012, the Liaoning is China's only operational aircraft carrier and is used by Chinese troops for training. A second Chinese aircraft carrier is expected to enter service within the next two years.

—Xiao Xiao contributed to this article.



President Xi Jinping, whose image appears on the poster, believes the bureaucracy is hindering economic reform and China's power.

China's Xi Widens Control of Party

BY CHUN HAN WONG

BEIJING—Chinese President Xi Jinping moved to further entrench the Communist Party's dominance with an order to eliminate some government bodies and strengthen the party's control over decision making in areas including foreign affairs and religious policy.

A lengthy directive released on Wednesday follows up on a government restructuring announced last week and takes aim at a system of parallel and often duplicate party and state bureaucracies that has been in place for decades.

The plan calls for subsuming management of civil servants under the party's personnel department and giving party policy-making committees—used by Mr. Xi to dictate economic and foreign policies—outright authority over government agencies that carry out those plans. The party will also take full control

over supervising religion and managing policies governing Tibetans and other minority groups.

The party's powerful Propaganda Department, which has controlled the media for decades behind the scenes, is now being formally given charge over the news, publishing and film industries, replacing a state regulatory body.

Overall, the goal is to "strengthen the party's ability" to set and implement policy and "ensure that the party's leadership extends over everything," the directive issued by the party's Central Committee said.

The overhauls form part of Mr. Xi's broad plans to install himself and the 89 million-member party at the center of China's political landscape.

Doing away with duplicate governing bodies and making the party the leading authority enhances Mr. Xi's power, as did constitutional changes passed this month that allow

Mr. Xi to rule indefinitely, Chinese politics experts said.

"The mask has come off," said Jude Blanchette, a senior adviser and China analyst at Crumpton Group, an advisory firm based in Arlington, Va. "What was for a time a convenient fiction that the government was separate from the

Presidential order slims government, extends fiat to foreign affairs and religion.

party is, apparently, no longer needed."

A separation between the party and the government, as thin as it was in many cases, was part of a series of changes adopted by leader Deng Xiaoping four decades ago to professionalize a civil service devastated by radical campaigns

and better manage a founder-ing economy he wanted to revitalize through market-based reforms.

Under Mr. Xi, that system has been blamed for entrenching a bureaucracy whose foot-dragging Beijing says is hampering efforts to redirect a slowing economy onto a more sustainable path and make China a global power.

"The Communist Party of China is the country's supreme political-leadership force, and the fundamental guarantee for realizing the great rejuvenation of the Chinese nation," Mr. Xi said Tuesday in a televised speech at the end of China's annual legislative session.

By concentrating so much power at the top, however, Mr. Xi will now assume ownership of any problems and loses the ability to "blame lower-level officials for anything that goes wrong," said Ryan Manuel, a Chinese politics expert at the University of Hong Kong.



ANTHONY WALLACE/AGENCE FRANCE PRESSE/GETTY

China's Liaoning aircraft carrier in Hong Kong waters in July.

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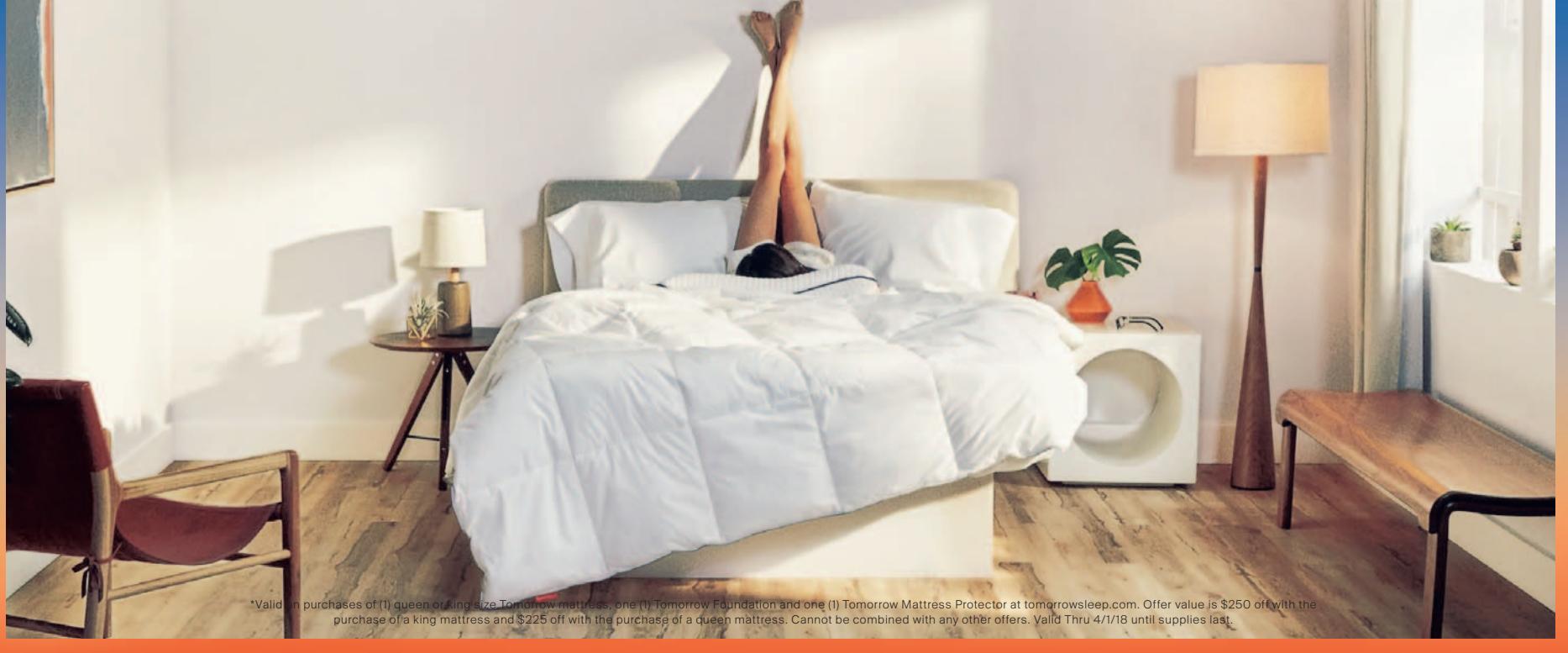
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WORLD NEWS

Nigeria Jihadists Release Group Of Schoolgirls

DAMATURU, Nigeria—A convoy of jihadist insurgents rolled into the remote border town of Dapchi at dawn Wednesday and released almost all the 110 schoolgirls they had kidnapped from there a month earlier.

By Drew Hinshaw,
Joe Parkinson
and Gbenga Akingbule

The militants, presumed to be from Islamic State West Africa Province, a breakaway faction of extremist group Boko Haram, handed over at least 91 of the girls, a spokesman for President Muhammadu Buhari said, after “back-channel efforts.” Nigeria’s security services were still tallying the official number of released girls, who were offered medical and psychosocial care.

In the afternoon, the girls were driven in a heavily armed convoy toward the capital, Abuja, for a meeting with Mr. Buhari.

At least four girls died in captivity, while another, a Christian named Leah Sherubu, was still being held because she refused to convert to Islam. Ms. Sherubu’s mother, Rebecca, collapsed

and was taken to a hospital when she heard her daughter wasn’t among those released.

The turban-clad insurgents entered the town of 15,000 waving weapons and black Boko Haram flags, as crowds surrounded their vehicles and chased them through the town’s sand-choked streets, images and video footage showed. The released schoolgirls appeared to be dressed in crisp and pressed new beige-colored veils.

“We are very happy that my daughter has been brought back,” said Mohammed Della Gbenga, whose daughter, Ya’kaka Mohammed, was among those returned. “There is a great jubilation in the town as we speak.”

The surprise release had the makings of a propaganda attempt for Islamic State-linked faction, known as ISIS-WA, whose fighters poured through the town in fresh, matching uniforms and balaclavas and were followed by cheering children from the town.

The girls were paraded through the town, many of them in clear distress: “We were kept in the bush,” Ya’kaka Mohammed said, choking back tears.

Their return came one



Some of the Dapchi schoolgirls wore what appeared to be crisp and pressed new beige-colored veils after their release on Wednesday.

month and one day after they were kidnapped from the Dapchi Government Science and Technology College, in a replica of the 2014 Chibok abduction that sparked the global movement #BringBackOurGirls.

On Wednesday, the fighters gave a short sermon to the crowd, then drove out, triumphantly leaving a town that Mr. Buhari visited days earlier.

In the view of Nigerian officials, ISIS-WA is trying to distinguish itself as a more sympathetic alternative for local communities than Boko Haram, the brutal insurgent group whose war has left more than 30,000 people dead.

Wednesday’s release underscored that: Even in the town where the group had kidnapped scores of young girls, it received a captive audience. “ISWAP entered Dapchi and were received as heroes,” an adviser to Nigeria’s security services said. “A number of young men either followed

them immediately or may do so later.”

In a scathing report on Tuesday, Amnesty International said Nigerian security forces were warned about the presence of Boko Haram fighters near Dapchi but failed to respond, allowing the insurgents to enter the town almost untouched.

WORLD WATCH

PERU

Video Release Spurs President to Resign

President Pedro Pablo Kuczynski, a market-friendly leader and one of Washington’s allies in Latin America, resigned after a secretly recorded video appeared to show his allies trying to buy off a lawmaker to sway a coming impeachment vote.

Mr. Kuczynski, 79 years old,

said in a televised speech that he was stepping down 19 months after taking office, amid allegations of wrongdoing over his past business ties with Brazilian construction firm Odebrecht SA.

Mr. Kuczynski denied wrongdoing, but said his resignation was for the good of the country as the political crisis had undermined his ability to govern. Vice President Martin Vizcarra was expected to take over the government.

“This has created enormous

damage for the country,” Mr. Kuczynski said of the scandal that led to his downfall, speaking as he sat at a desk with his ministers behind him. “For the good of the country, I’m resigning.”

Had he not resigned, Mr. Kuczynski would likely have been impeached on Thursday by congress, leading to his removal from office. That vote was to have been led by lawmakers loyal to opposition leader Keiko Fujimori.

—Ryan Dube

AFGHANISTAN

Suicide Bomber Kills At Least 34 in Kabul

A suspected Islamic State suicide bomber disguised as a street musician triggered explosives hidden inside a drum, killing at least 34 people among revelers gathered in Kabul to celebrate the Persian New Year, a senior Afghan security official said.

Islamic State, through its

Amaq news agency, claimed responsibility for the attack, which occurred on the first day of a two-day national holiday marking the Persian New Year and despite hundreds of additional police and soldiers deployed across the capital to protect Afghans enjoying their day off.

The assertion of responsibility by Islamic State couldn’t be independently confirmed, but the radical Sunni Muslim group’s local affiliate has frequently targeted

Shiite Muslims in Kabul in the past year, apparently seeking to deepen the country’s sectarian divisions and destabilize the U.S.-backed government of Ashraf Ghani.

The Taliban denied any involvement in the bombing. The attack highlighted the threat of terrorist violence that has risen in the Afghan capital in the past year, bedeviling even the most heavily guarded areas of the city.

—Craig Nelson

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RETAIL

Continued from Page One

valuable pieces. It cuts costs at whatever remains, sometimes using the savings to extract dividends.

The firm tells investors its returns "need not depend" on successfully identifying growth opportunities for its retail targets, according to documents for its new fund.

Sycamore also extracts returns from clothing chains by acting as a middleman between them and suppliers, using a company it owns to sell inventory to the retailers, sometimes as they struggle to remain solvent, according to industry executives and court filings.

Sycamore's returns have been spectacular. Its first fund, a \$1 billion pool raised in 2012, posted annualized returns of 43% after fees as of the end of June, according to fund documents the Journal reviewed. The pooled return of U.S. buyout funds of a similar size that period was 19% after fees, according to private-equity investment firm Hamilton Lane Inc.

The performance of a second fund, a \$2.5 billion pool from 2014, will largely hinge on the Staples investment.

'Best of the bunch'

"Sycamore is the best of the bunch in the retail sector," said Craig Johnson, president of Custom Growth Partners, a retail research firm. "It's not that they are perfect, but in the land of the blind, the one-eyed man is king."

As Sycamore and its investors profit, bondholders and retail employees sometimes suffer. Some investors who have lent Sycamore money to buy retailers have been left with less-valuable pieces of businesses as the firm has carved up companies and sold parts.

Employees sometimes lose their jobs as Sycamore closes stores and cuts costs, while remaining workers are often left to pick up the slack. "The employees, communities and neighboring tenants are the ones that feel the negative consequences," said Thomas Paulson, principal at Inflection Capital Management, an investment firm that focuses on consumer companies.

Like other private-equity firms, Sycamore raises money

from investors such as pension funds and combines it with debt in the form of bonds or loans to buy companies.

George Hopkins, executive director of the Arkansas Teacher Retirement System, said he met with Mr. Kaluzny and committed \$25 million to Sycamore's new fund. "I was ashamed when I walked out of that room about how little I knew about the retail space," he said. "I always know when I'm outmatched."

The aftermath of Sycamore's 2014 acquisition of Jones Group Inc. illustrates its approach. It bought the apparel and shoe seller for about \$1.2 billion, loading it with debt to finance the deal. The firm began splitting it into pieces and sold at least four Jones brands—Jones New York, Stuart Weitzman, Kurt Geiger and Easy Spirit.

The firm named one piece Nine West Holdings and appeared to let its brands wilt. It shut down the e-commerce site of Anne Klein and reduced the workforce at a number of labels, said a person familiar with Nine West Holdings.

Sycamore also closed nearly all Nine West stores, according to the shoe brand's website. Nine West Holdings, which has more than \$1.5 billion of debt left over from Sycamore's buyout, is struggling with declining sales and the probability of default is high, according to Moody's Investors Service. Sycamore had written down the value of its remaining equity stake in Nine West Holdings by nearly 88% to \$13 million as of June 30, fund documents show.

Sycamore's expected returns as of June 30 on the brands it split off and sold were more than four times its losses from the Nine West Holdings write-downs, according to fund documents.

Bondholders and employees haven't fared as well. Nine West Holdings bonds due in March 2019 are trading at about 6 cents on the dollar, according to FactSet.

Tamara Lewis, a former Nine West store manager, said her first store in Pennsylvania shut its doors last summer and she was transferred to an outlet location in New Jersey, which closed a few months later. "We were putting as much as we could into growing the business," said Ms. Lewis, 30. "We didn't know what was going on at the top."

Bondholders of Hot Topic,



Sycamore's \$6.8 billion purchase of Staples was the largest U.S. leveraged buyout of 2017. It split the business into three entities.

another Sycamore portfolio company, sued Sycamore after it spun off the teen retailer's plus-size Torrid label, which had been a growth vehicle. Torrid filed for an initial public offering in July, though it hasn't started trading yet.

The parties reached a settlement dictating that Sycamore can't take any distributions from the proceeds of a Torrid IPO until it pays off bondholders, according to people familiar with its terms.

Mr. Kaluzny, an alumnus of consulting firm Bain & Co., was previously a managing director

four years later.

Mr. Kaluzny founded Sycamore in 2011 with a colleague, taking some of Golden Gate's retail and consumer team with him.

Sycamore's team doesn't usually get involved in day-to-day operational decisions such as selecting merchandise and designing store layouts, preferring instead to hire consultants and veteran retail executives, said former executives at some of its portfolio companies.

Cost cutting

Mr. Kaluzny and his staff do get involved in decisions about cost cutting, these people said. The heads of Sycamore's portfolio companies regularly explain to the firm how they are meeting financial targets, they said.

Sycamore took a 9.9% stake in Talbots in 2012, saying it intended to help turn around the chain. A few months later, it offered \$215 million to buy the company. Talbots rejected the offer. Sycamore later sealed the deal for \$193 million.

Sycamore immediately sold \$145 million of the retailer's credit-card receivables. Talbots has since cut some staff, narrowed its product selection and shifted tasks to outside consultants and suppliers, said people familiar with the company.

The cost-cutting helped boost Talbots' profits, these people said. As of June 30, Sycamore told investors that it estimated returns at nearly seven times its original equity investment on the deal, according to its fund documents. The firm has realized \$515 million from its Talbots investment, while the remaining gains Sycamore has recorded and presented to prospective investors are still on paper, the documents show.

Sycamore profits from Talbots' operations in another way. The retailer gets a significant share of its inventory through MGF Sourcing, a Sycamore-owned supply agent, so Sycamore benefits even if Talbots can't sell the merchandise

Shopping Spree

What Sycamore tells investors its portfolio companies are worth



it supplies. Supply agents like MGF get paid to broker clothing transactions between factories and retailers.

Sycamore also deployed MGF after it took a nearly 8% stake in Aeropostale Inc. in 2013. The firm offered the struggling teen retailer \$150 million in loans that included a sourcing deal to buy garments through MGF, according to regulatory filings.

As part of its 2016 bankruptcy filing, Aeropostale alleged that MGF overcharged for goods and that Sycamore used its dual function as a supplier and lender to force the company prematurely into bankruptcy.

Mr. Kaluzny allegedly told Aeropostale's former CEO Julian Geiger that he planned to let Aeropostale deteriorate so that he could buy the company, according to a court filing.

Aeropostale was seeking to disqualify Sycamore from bidding for its assets in bankruptcy. The court found in favor of Sycamore. Another buyer outbid Sycamore for Aeropostale's assets.

Aeropostale declined to

comment. Mr. Geiger didn't respond to requests for comment.

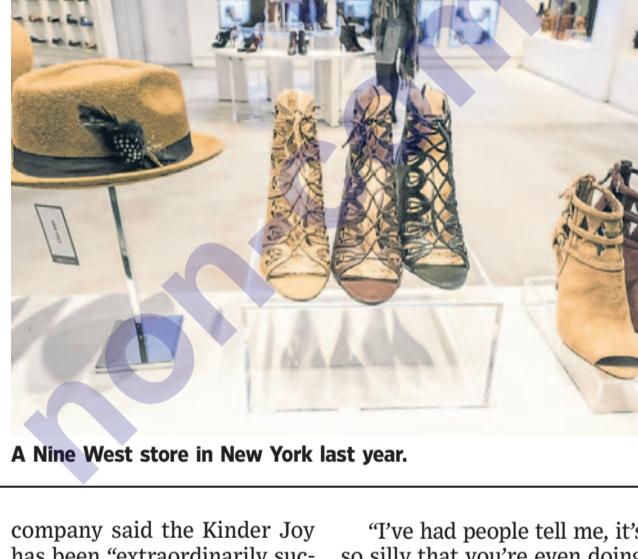
When it bought Staples, Sycamore split the business into three distinct entities, each with separate financing, in a sign it may be planning to sell the stronger pieces.

Staples' Canadian retail segment and its business of delivering supplies to corporate customers have fared better than its U.S. retail operation, which has been struggling with competition from Amazon.com Inc. and lower demand for ink and paper.

Before the takeover, Staples was closing stores and cutting jobs. Now it is putting pressure on store employees to meet sales targets, according to several former and current workers.

"They could get a return fairly quickly," said William Susman, managing director at Threadstone Advisors, a retail-focused advisory and investment firm. "If you can carve up a business and monetize the gems, and then polish what's left, it can be very attractive."

—Soma Biswas contributed to this article.



A Nine West store in New York last year.

at private-equity firm Golden Gate Capital. There, he helped orchestrate successful retail deals including \$150 million in loans to Zale Corp. Under the deal's terms, Golden Gate acquired 22% of the diamond seller at a discount to its stock price at the time, and reaped rewards when Signet Jewelers Ltd. bought Zale for \$1.4 billion

Sycamore took a 9.9% stake in Talbots in 2012, saying it intended to help turn around the chain. A few months later, it offered \$215 million to buy the company. Talbots rejected the offer. Sycamore later sealed the deal for \$193 million.

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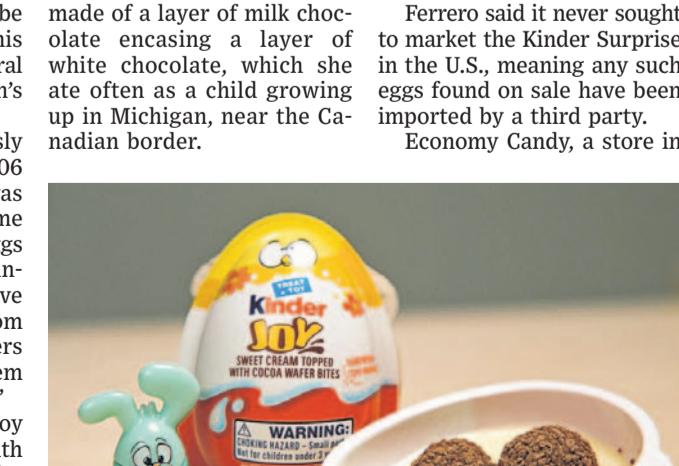
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Some toy-containing chocolate eggs pass U.S. regulatory muster. Choco Treasure, a product made by New Jersey-based Candy Treasure LLC, has been available nationwide since 2013. CEO Kevin Gass said the company worked closely with regulators to make sure the egg and its toys would meet all requirements. The product is made up of a toy-containing plastic egg that is almost, but not completely, coated in chocolate—making it clear to consumers that there is a nonedible object inside.

Ferrero said it never sought to market the Kinder Surprise in the U.S., meaning any such eggs found on sale have been imported by a third party.

Economy Candy, a store in



When opened, the Kinder Joy splits into halves, one containing a toy, the other a swirl of edible cream and chocolate wafer balls.

New York's Lower East Side, used to sell "a ton" of Kinder Surprise eggs, said third-generation owner Mitchell Cohen. "Nobody really knew they weren't supposed to be sold," he said. Then in 2011, a week after a story about Kinder Surprise eggs in New York ran in local media, the store got a visit from Agriculture Department officials, he said. Economy Candy stopped selling it.

"Around that same time," Mr. Cohen recalled, "people started coming in off the street trying to sell us a box of Kinder eggs like they were smuggled diamonds." In all instances, he said, "We've sent them on their way."

U.S. Customs and Border Protection said it seized over 160,000 Kinder Surprise eggs from travelers' baggage and from international mail shipments in the past seven years.

Caroline Liebenow, an electronics assembler from Nashua, N.H., says she knows one store, which she'd rather not name, where Kinder Surprise eggs can still be found. She said a recent discussion with store employees, about when the eggs would be back in stock, felt awkward due to the product's illegality.

"I'm not sure if they knew that we knew," she said.

EGG

Continued from Page One

made of plastic, not chocolate. It also has a different name: Kinder Joy. When cracked open, the Joy splits into two separately sealed halves, one containing the toy, the other holding a swirl of edible cream, two chocolate wafer balls and a small plastic spoon.

"That's not a Kinder egg!" Ms. Andersen recalled thinking. "It was kind of a let-down."

Both eggs are produced by Italian confectioner Ferrero International SA, maker of a number of well-known treats including Nutella chocolate spread. The company said it developed the Kinder Joy in 2001 as a warm-weather alternative to the quick-to-melt Kinder Surprise, which was first sold in the 1970s. Ferrero eventually rolled out the Joy beyond warm-weather climates, including, just a few months ago, the U.S., where it doesn't face the same legal problems as its cousin.

Ferrero's U.S. marketing campaign for the Kinder Joy, including a television ad during the Oscars, clearly stated the product had a different name and a plastic egg. The

company said the Kinder Joy has been "extraordinarily successful" world-wide, and has received "the same positive response from retailers and consumers here in the U.S."

To many Kinder Surprise enthusiasts, the alternative egg serves as a painful reminder that the product they love is still out of reach.

Leslie Dannels, a Florida mother of four who runs "Free the Egg," a blog dedicated to getting the Kinder Surprise legalized, said that since December she has been bombarded with messages from people congratulating her on achieving her mission.

"It was like, great job! Looks like the egg is legalized now," she said of the messages. She wrote a post to set the record straight.

The CPSC has vigorously enforced the ban. In a 2006 alert, the agency said it was "aware of reports" that some retailers were selling the eggs in the run-up to Easter. It instructed retailers to remove the contraband sweets from store shelves, and consumers to "immediately take them away from young children."

Ferrero said the Kinder Joy eggs "are fully compliant with both FDA and CPSC regulations."

The Kinder Surprise isn't the only European confection to run afoul of U.S. regulations for harboring a nonedible

GREATER NEW YORK

Spring Nor'easter Smacks Metro Region

Fourth storm in month closes schools, slows travel and knocks out power for thousands

BY PAUL BERGER
AND MARA GAY

New York City was at the center of the fourth nor'easter to strike this month, with wet snow and strong winds disrupting travel and business around the region Wednesday.

Many flights and rail services were canceled as the city and surrounding areas braced for up to 15 inches of snow. As of Wednesday evening, about 4,500 flights were canceled nationwide, mostly at Newark Liberty International, LaGuardia and John F. Kennedy International airports, according to FlightAware.

The subway and buses ran



Workers braved the elements at Astor Place in Manhattan.

with minor delays and disruptions Wednesday morning, but express train service wound down Wednesday afternoon to allow the Metropolitan Transportation Authority to store

trains on underground tracks. The Long Island Rail Road operated a regular weekday schedule, but officials asked riders to leave the city as early as possible Wednesday.

More than 13,000 electric customers were without power across New York and New Jersey on Wednesday evening, with most of the outages concentrated in southern New Jersey where Gov. Phil Murphy said ice was weighing down power lines.

Many schools across New York, New Jersey and Connecticut were closed Wednesday. Shutting New York City schools meant the district's administration of free SAT tests in high schools was postponed a month. City teenagers anxious to get the college entry exams over with will have to wait until April 24.

New York City schools will be open Thursday.

Not everyone got a snow day. Dan Cebalo, who lives in Cliffside Park, N.J., was headed to work in New York City despite sideways snow Wednesday morning.

"I think it's crazy," said Mr. Cebalo, 57 years old, of the springtime storm. He planned to leave work early if the weather got too bad. "If not, it will be a regular day."

New York City Mayor Bill de Blasio said the city was expecting "absolutely blizzard-like conditions" Wednesday night.

About 7,000 New York City public housing residents were without heat or hot water at some point during the day on Wednesday, according to city officials. By 12 p.m., as the mayor finished a news briefing on the storm, the New York City Housing Authority, known as NYCHA, had restored services to all but 700 residents. Less than an hour later, the King Towers apartment complex in Harlem lost heat and hot water for the second time in a single day, raising the number of people without services to 4,000.

At a news conference

Wednesday, New York Gov. Andrew Cuomo criticized how long it took utility companies to restore power to thousands of homes after a storm earlier this month and strongly warned them to respond more rapidly this time.

"Utility companies were not granted a license by God," he said. "It's not in the Old Testament that these utility companies have to have their licenses. If they're not performing for New Yorkers, they can lose their licenses, and we're fully prepared to do that."

In New Jersey, where Mr. Murphy had declared a state of emergency and ordered state offices to close, at least one person was killed when a bus and private vehicle collided on Interstate 78.

Amtrak was running on a reduced schedule Wednesday and Thursday on many lines, including the Northeast Corridor.

As Plant Closes, Residents Fear Financial Pain

BY JOSEPH DE AVILA

CORTLANDT, N.Y.—The closure of the Indian Point nuclear power plant is three years away but already the local school district is preparing for the possibility of teacher layoffs, higher taxes and even shutting down a school.

Hendrick Hudson School District, a system with nearly 2,500 students, derives about a third of its annual budget—or \$24 million—from Indian Point Energy Center owner Entergy Corp. After the shutdown, those payments will reduce each year and dry up altogether by 2025.

Losing that "has a catastrophic financial impact on the district," said Joseph Hochreiter, the school superintendent.

School taxes would have to rise 13% each year for four years to replace the lost revenue through tax increases alone, Mr. Hochreiter said. But the district can't only rely on higher taxes and is pushing New York state for new revenue streams, he said. The district will also study whether it must close one of its three elementary schools, he said.

Indian Point, located on the bank of the Hudson River about 30 miles north of Manhattan, opened in 1962 in Buchanan, a village in the town of Cortlandt. Gov. Andrew Cuomo, a Democrat, has called for the plant's closure for

more than 15 years and renewed those efforts following the 2011 nuclear disaster in Fukushima, Japan.

Entergy announced more than a year ago that it would close one of its two units in 2020 and the second in 2021, citing litigation with New York state and declining revenue.

The closure of the area's biggest employer, with up to 2,000 permanent and contract positions, is rippling through all aspects of the community. When the plant closes, Entergy also will wind down \$8 million in annual payments it makes to local governments, excluding the school district, in lieu of taxes.

The payments will end in 2025, and the property will be put back on the local tax rolls. Town officials said they don't know how much tax revenue the property will generate, but estimate it will be far less than

\$24M

Annual payments by Entergy to Hendrick Hudson School District

the \$32 million Entergy now pays to local governments and the school district.

The mood among homeowners has been grim, said Mark Goodenow, a Cortlandt



School officials are pushing New York state for assistance to help offset revenue they expect to lose when the Indian Point plant closes.

resident, who has two children in the Hendrick Hudson School District. Mr. Goodenow said he is worried about the potential loss of an elementary school and reduction in school programs. Residents also worry that real-estate values could fall, but Mr. Hochreiter, said they have been stable so far.

"I think everyone has braced for tax increases," said Mr. Goodenow, co-founder of grass roots group Power Through Cortlandt.

Local leaders have been pushing for the state to help make up the gap because they say New York has an obligation to provide financial assistance given its role the plant's

closure. In addition, Entergy will indefinitely store radioactive spent-fuel rods there, and it is unclear if any portion of the 240-acre waterfront site will be usable.

"We don't want to be a distressed community," said Linda Puglisi, supervisor of the town of Cortlandt, a Democrat.

A spokesman for Entergy said the 2021 shutdown plan gives local officials enough time to prepare for the closure. Entergy is open to signing a new financial agreement with the community "that recognizes the reduced value of the property at that time," said Jerry Nappi, the spokesman.

Task Force Studies How to Help Locals

Gov. Andrew Cuomo convened a state task force in February 2017 to address the financial concerns of a community north of New York City where a power plant will close.

The group plans to release recommendations this spring and has hired a consultant to examine what part, if any, of the Indian Point site can be redeveloped for other uses.

Cortlandt Town Supervisor Linda Puglisi, who is a member

of the task force, said the group lacks the authority to provide funds to the town to replace those from Entergy, the plant's owner. Ms. Puglisi wants Mr. Cuomo, who isn't a member of the task force, to be directly involved in these discussions. "You can't just close down a plant of this magnitude and then leave," she said.

A spokeswoman for Mr. Cuomo said the governor created the task force to mitigate the loss of the Entergy funds and noted that more financial help from the state won't be needed until 2021 when the payments begin to be phased out.

'Frozen' Musical Is Getting Off to a Hot Start on Broadway

BY CHARLES PASSY

"Frozen" already has established itself as a cinematic blockbuster, but with the Broadway version of the musical set to open on Thursday, the question remains if the atergoers will similarly warm to the wintry tale.

Early signs bode well for the show from Walt Disney Co.'s theatrical division. The production already has grossed nearly \$4.8 million during four weeks of preview performances, according to the Broadway League, the trade group that

tracks the industry. This represents almost 98% of its potential gross for the period.

Moreover, in the week ending this past Sunday "Frozen" grossed \$1,356,241, which put it ahead for the seven-day period of such long-running musicals as "A Bronx Tale: The Musical," "Anastasia," "Beautiful," "Come From Away," "Kinky Boots," "School of Rock," "The Book of Mormon," "The Phantom of the Opera," "Waitress" and the revivals of "Chicago" and "Hello, Dolly!"

Disney officials declined to comment on "Frozen's" ad-

vance sales or other aspects of the production, including its budget. But tickets for the show are on sale through March 2019, which indicates the entertainment giant is anticipating strong demand, according to theater-industry insiders.

The "Frozen" movie, released in November 2013, has proved to be one of Disney's biggest hits in recent years. To date, it has grossed \$1.2 billion world-wide, making it the 10th-highest grossing film of all time, according to Box Office Mojo, a film website.

Disney's theatrical division

brings with it a fairly solid record on Broadway—most notably, with its production of "The Lion King," which marked its 20th anniversary this past fall.

Still, Disney cold face some challenges. Theater-industry insiders note that "Frozen" is competing with a handful of new shows that are based on popular cinematic and other entertainment brands.

"SpongeBob SquarePants," the musical based on the TV show, opened in December. And now playing in previews is the two-part play "Harry Potter and the Cursed Child."

There's also "Mean Girls," based on the movie of the same name. It opened in previews this past week and nearly equaled "Frozen" with its seven-day gross of \$1,320,146, according to the Broadway League.

"Frozen" also will face competition, in a sense, from Disney itself, specifically, from "The Lion King" and "Aladdin." But veteran Broadway producer Ken Davenport disagrees. He says "Frozen" will allow Disney to build on its success. "Many people have seen 'Lion King.' They want something new," he adds.

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GREATER NEW YORK

It's a Wrap for Manhattan Townhouse

A TV marketer erects a 60-foot-high printed screen to show buyers the home's potential

BY JOSH BARBANEL

The house has features of a classic Upper East Side townhouse: A limestone facade with a grand entrance, bronze doors, stone columns and a cornice. But when the wind blows the limestone ripples in the breeze.

That's because the facade actually is an elaborate, 60-foot-high printed screen, strapped to an unlovely and mostly unadorned red brick building on East 66th Street in Manhattan.

It was the idea of Anand Khubani, a New Jersey businessman who specializes in "as-seen-on-TV" marketing.

He was searching for a new way to showcase a Manhattan townhouse that he has been having trouble selling.

A few years earlier, Mr. Khubani dabbled in the Manhattan real-estate market, paying cash for two town-

houses that he has been unable to sell as the Manhattan townhouse market weakened.

In 2015, he paid \$14 million for the 20-foot-wide building at 56 East 66th St. The original neo-Grec brownstone facade was part of a row of 10 similar houses designed in 1877. Decades later, some of these simple but sturdy facades were replaced with far

more ornate facades in the Beaux Arts and neoclassical styles. Number 56 survived intact until 1935, when a new front was built, with plain red brick and wide casement windows. It was converted into 10 rental apartments.

The entire block was part of the Upper East Side Historic District designated in 1981.

Mr. Khubani, the founder of IdeaVillage Products Corp., whose products include the MicroTouch Max personal hair trimmer, said he had a simple plan: Rebuild the house inside and out, with the approval of the city's Landmarks Preservation Commission.

After the commission sanctioned a redesign of the house, prices slid as townhouse sales slowed from the peak in 2014, said Lisa Simonsen, a Douglas Elliman broker, who is marketing the house along with Kristin Luccia, also of Douglas Elliman.

Mr. Khubani decided to put the building on the market as is, including plans for a new single-family townhouse that were approved in August 2015. He listed the un-renovated house with Ms. Simonsen for \$19.95 million in 2015, soon after the plans were approved, and eventually cut the listing price in stages to \$13.95 million in January, just below what he paid for it.

He said he came up with the idea for the screen on the front of the building out of frustration that buyers had trouble imagining what a finished townhouse might look like.

"The market had been a little quiet," Mr. Khubani said. "Rather than invest in developing it right away, the idea was to give the potential customer a vision."

The screen showcases the ability to create an updated limestone-and-glass townhouse "in one of the most coveted locations on the Up-



The building at 56 East 66th Street, covered with a printed screen, above, and unadorned, left.

per East Side," he said. Other houses in the area have facades that can't be altered because they have been landmarked.

"What is there now is nicer to look at than what was formerly there," said Matthew Lesser, a broker at Leslie J. Garfield, who is list-

ing a neoclassical townhouse that is now an apartment building two doors down for \$16 million. It was listed for \$20 million in 2016.

GREATER NEW YORK WATCH

CRIMINAL JUSTICE

Charges Are Dropped In 1992 Murder Case

Bronx prosecutors have dropped charges against a man who spent 22 years in prison for a double killing before new witnesses came forward and his conviction was overturned.

Calvin Buari's murder case was dismissed Wednesday. His conviction was tossed in May, but prosecutors initially pledged to appeal and retry the case if necessary. Mr. Buari was freed in May but remained under indictment until Wednesday.

The 47-year-old had been convicted of shooting brothers Elijah and Salhaddin Harris in 1992. Recently, two newfound witnesses testified they saw another man commit the shooting. A third said Mr. Buari was down the block when the gunfire rang out.

Mr. Buari's lawyer called the decision "long, long overdue."

—Associated Press

ART

Nazi-Looted Painting To Be Sold at Auction

A 16th-century painting that was looted by the Nazis and missing for nearly 80 years has been restored to its owner's heirs, and will be auctioned by Christie's next month in New York.

The auction house says it facilitated the return of the artwork, which is a portrait by German Renaissance painter Lucas Cranach the Elder.

The painting was part of a large art collection owned by the Gutmann family in the Netherlands. The owners were killed in Nazi death camps, and the painting appeared on an inventory of works recommended for the personal use of Adolf Hitler. The trail had gone cold until late last year, when Christie's was contacted about the painting's whereabouts and arranged its return.

The painting will be auctioned April 19. Christie's estimated the price at \$1 million to \$2 million.

—Associated Press

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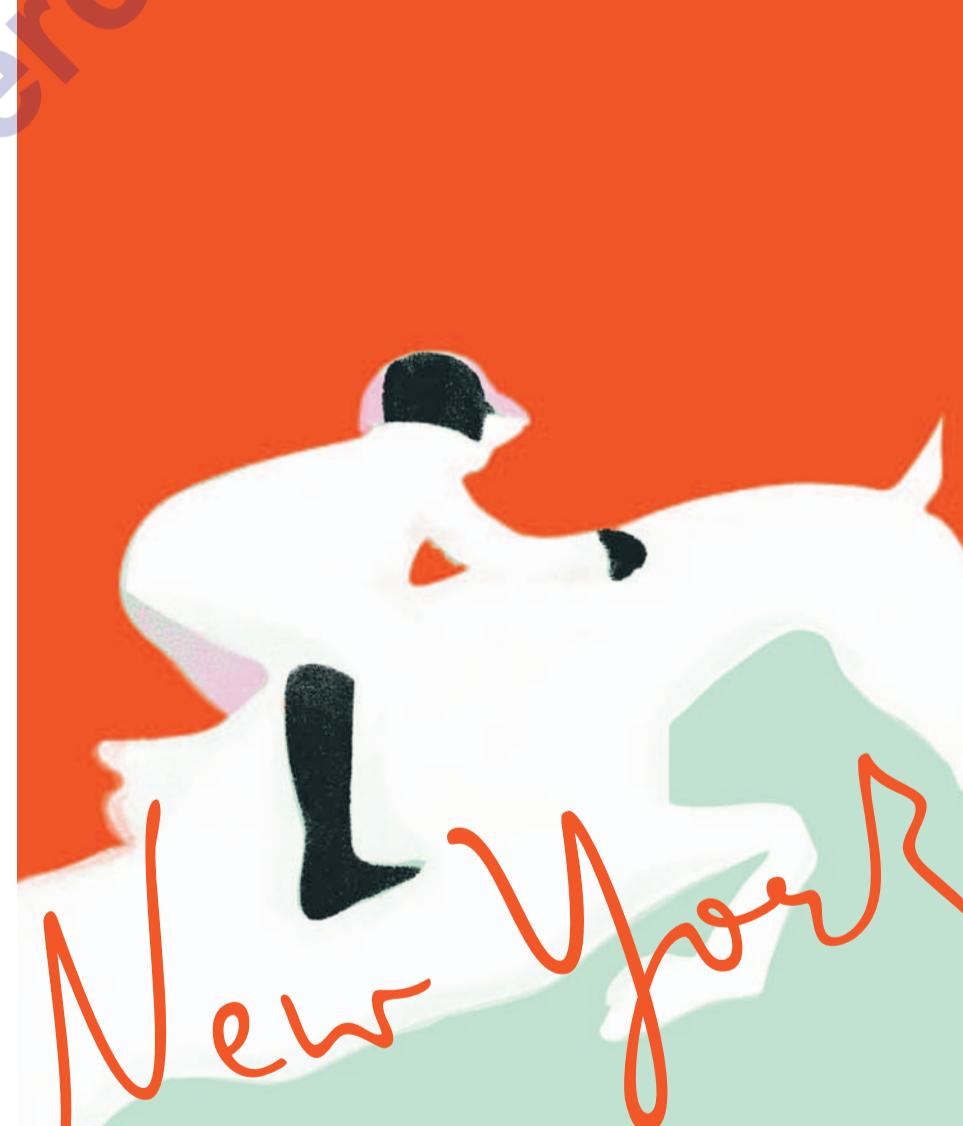
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LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

New IVF Test Spurs a Debate

As screening uncovers more 'mosaic' embryos containing some abnormal cells, women and doctors face difficult choices over their use

IT WAS her last chance.

MaryJo Dunn had been trying to get pregnant through in-vitro fertilization for 20 months. At age 45, she expected it to be challenging. But giving up wasn't easy. She and her husband had lost their only child, a 17-month-old son, two years earlier to a rare type of cancer.

The Dunns were running out of time and money. They had already spent more than \$70,000 on fertility treatments and taken out a loan. But the doctor recommended against implanting Ms. Dunn's two remaining embryos, she recalls, because of the results of genetic tests on them. However, a counselor at the testing lab explained that the embryos weren't technically abnormal. One was undetermined because the DNA in the sample was of poor quality. The other was a type known as "mosaic," an embryo with both normal and abnormal cells.

"At that point I didn't know that there was even a possibility of transferring mosaic embryos or that they could result in a healthy baby," Ms. Dunn says. After talking with her doctor, she decided to go ahead and in December gave birth to two healthy baby girls, Riley and Kelsey. Her daughters are fraternal twins, one from the mosaic embryo.

Mosaic embryos and the test that detects them—preimplantation genetic screening—are complicating choices for women hoping to have children and stirring contention among fertility doctors. Mosaic embryos weren't easily detectable until about two years ago, when the technology for the test improved. A number of studies conclude that mosaic embryos represent about 20% of all embryos created through in-vitro fertilization.

When a woman undergoes IVF, her eggs are retrieved and combined with sperm to grow an embryo in a lab. Before an embryo is put into a woman, she can opt for the genetic test that determines if it is normal, abnormal or mosaic based on the number of chromosomes in a small sample of cells. The main risk mosaic embryos pose is miscarriage, experts say. There isn't evidence that such embryos pose a higher risk of birth defects, they add, though larger studies are needed in order to rule that out definitively.

A committee of the American Society for Reproductive Medicine published an opinion on embryo screening this week in the journal *Fertility and Sterility*. On the question of mosaic embryos, the committee didn't have enough information to form an opinion on what percentage of normal cells is needed to be recommended for use, says Alan Penzias, an associate professor at Harvard Medical School and chairman of the practice committee.

However, the fact that the latest generation of tests are reporting higher rates of mosaicism in embryos raises questions about the validity of the diagnosis, Dr. Penzias says. "If the less refined technology missed it, but pregnancies were still happening, it seems likely that the mosaics were probably being called normal before."

How labs interpret the results is part of the debate. Some independent labs that conduct the tests say many clinics don't tell patients



MARYJO AND SHANE DUNN with 3-month-old Kelsey, left, and Riley. The couple struggled with IVF for almost two years. Their fraternal twins were born from two embryos, including a 'mosaic' one.

if they have a mosaic embryo, leaving the lab with only two choices for classifying them: either normal or abnormal.

Santiago Munne, the former chief scientific officer of CooperGenomics, a New Jersey-based genetic-testing lab that is one of the largest in the country, estimated that about half of fertility clinics don't want to know if an embryo tests as mosaic. "There is quite a bit of resistance from doctors," says Dr. Munne, who recently left CooperGenomics to start another company. "They want the results to say 'normal' or 'abnormal.' The onus is then placed on the testing lab to really make a false choice because they're not normal and they're not abnormal. They are in-between and they have some potential."

Sarah Yarnall, global product director for PGS at CooperGenomics, says fertility clinics are wary but that things are changing as they learn more about mosaicism.

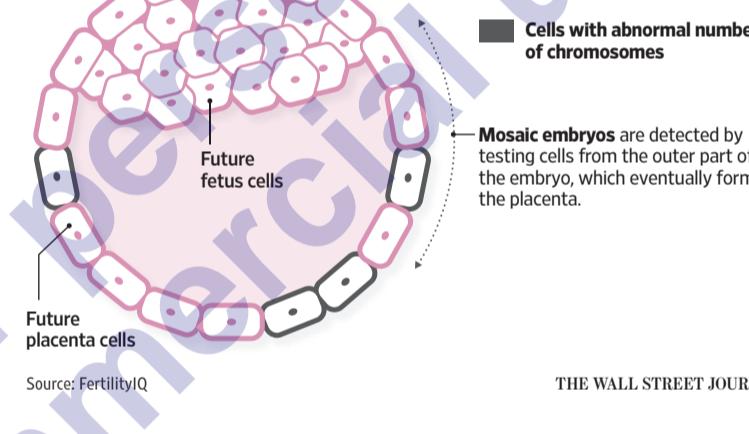
At Igenomix, a genetic-testing company based in Valencia, Spain, Scientific Director Carlos Simón says about 80% of the 200 U.S. clinics that it serves classify mosaic embryos as abnormal.

Studies have found that a mosaic embryo develops into a healthy baby about a third of the time. A study published in January in *Fertility and Sterility* showed that 78 mosaic embryos resulted in the births of 24 healthy babies. A comparison group of 251 normal embryos resulted in 117 such births.

In an editorial accompanying the study, Glenn Schattman, associate professor of reproductive medicine at Weill Cornell Medical College in New York, notes that what was surprising is that even embryos with up to 50% of abnormal cells implanted at the same rate as those that tested as normal. And though embryos with more than half abnormal cells had

The In-Between Embryo

A mosaic embryo contains some cells with a normal number of chromosomes and others with an abnormal number. In this hypothetical example, the abnormal cells appear on the outside of the embryo.



Source: FertilityIQ

THE WALL STREET JOURNAL.

lower implantation and birth rates, the pregnancies still resulted in healthy births, suggesting the abnormal cells were either eliminated or repaired.

The results, Dr. Schattman says, raise the bigger question of whether the testing should be done at all. "You might biopsy an area that's all abnormal cells and that's the only spot with abnormal cells," he says. "The area might be chromosomally abnormal but it doesn't represent the rest of the embryo."

Some clinics discourage patients from PGS tests. "I think most clinics like ours really struggle with it," says Richard Paulson, a professor and vice chair of the obstetrics and gynecology department at the University of Southern California. His clinic seldom recommends PGS testing of embryos.

Other doctors argue against implanting mosaic embryos. CCRM, a Colorado-based fertility clinic, has a policy against doing IVF with mosaic embryos, says Mandy Katz-Jaffe, scientific and genetics direc-

tor. Dr. Katz-Jaffe says clinic researchers analyzed 50 mosaic embryos donated by patients for research and found abnormal cells both outside and inside the embryo, which she sees as an indication that they could have resulted in babies with genetic defects.

In a survey of 264 women who had undergone IVF in the past year, more than half said they weren't told that PGS could reveal mosaic embryos, according to a recent survey by FertilityIQ, a San Francisco-based website with patient reviews of fertility doctors. More than 80% said they would want to know if an embryo were mosaic.

"Before patients pony up the cost of doing PGS, they should be told that ambiguity is going to be reflected in this test," says Jake Anderson, who started the website with his wife Deborah in 2015. "A lot of clinics are not breaking out in a properly refined way information that we know is medically pertinent."

The Dunns went back to their doctor, Lawrence Engmann, a re-

Testing Embryos

When women undergo in-vitro fertilization, doctors combine their eggs with sperm to form an embryo in the lab. Over the next five days, the embryo grows from one cell to about 100. Preimplantation genetic screening, or PGS, entails extracting five to seven cells from the outer part of the embryo on day five.

The test, which costs \$4,000-\$5,000, isn't required to undergo IVF and less than half of women have it done. It usually isn't covered by insurance.

Until about two years ago, the test only distinguished between normal and abnormal embryos. If an embryo's cells have the correct number of chromosomes—46—it is labeled euploid, or normal. If an embryo has cells with a missing or extra chromosome it is considered aneuploid, or abnormal, and not recommended for use. With next-generation sequencing technology came a finer degree of resolution and PGS became able to identify mosaic embryos, with a mix of normal and abnormal cells.

productive endocrinologist at the Center for Advanced Reproductive Services in Farmington, Conn., and pressed him on using the embryos. Dr. Engmann says he recommended against the mosaic embryo because the clinic's policy at the time was not to use them.

After signing legal waivers, he agreed to implant the mosaic embryo and the "undetermined" one in Ms. Dunn. The Dunns' twins were born six weeks early, on Dec. 15. Ms. Dunn realizes that her story is unusual. "It's a tricky thing," she says. "But I just want people to know that there's this possibility with these mosaic embryos."



Asia Kate Dillon, center, plays a driven intern who becomes a hedge fund's chief investment officer in the Showtime series 'Billions.' Its third season begins on Sunday.

TELEVISION

A MALE-DOMINATED WORLD MAKES WAY

BY JOHN JURGENSEN

"BILLIONS," a Showtime series set in the world of high finance, is about the flow of power and money. It is driven by the egos of, for the most part, male characters who spit lines such as "What's the point of having f--- you money if you never say f--- you?"

The chemistry of this testosterone-laden setup was altered with the introduction of a reserved, androgynous character named Taylor Mason. In the second season, this computational savant came in as an intern to the fictional hedge fund Axe Capital, quickly becoming the secret

weapon in its trading strategies. At the start of season 3, set to begin on Sunday, Taylor is serving as the firm's chief investment officer, standing in for cutthroat boss Bobby Axelrod (former "Homeland" star Damian Lewis), who has been sidelined after a sting by prosecutor Chuck Rhoades (Paul Giamatti).

Taylor is played by Asia Kate Dillon. Like the character, the 33-year-old actor identifies as gender nonbinary rather than as a man or woman, going by the pronoun "they" instead of "he" or "she." In "Billions," the traders accept Taylor without many probing questions because of the character's

Please see BILLIONS page A15

LIFE & ARTS

TELEVISION

The Latest Sensitive Assassin



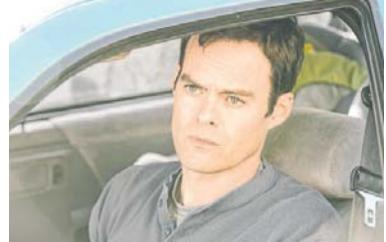
Henry Winkler and Bill Hader in the new HBO series 'Barry.'

THE NEW HBO COMEDY series "Barry" hangs on an unlikely premise: Bill Hader plays a depressed assassin who starts taking acting classes.

It is a far cry from traditional sitcoms that take everyday life to the extreme. "On 'Fawlty Towers,' nobody is going to get killed," says Mr. Hader, a 39-year-old actor who spent eight seasons on "Saturday Night Live." "I wanted to do something with the highest stakes as possible. Life and death."

When Mr. Hader proposed the idea of playing a professional killer, executive producer Alec Berg balked. Mr. Berg ("Seinfeld," "Silicon Valley") didn't want to fall into Hollywood's hit-man-with-a-heart trope (see examples below).

They decided to make the show more like a true-



crime story with absurd elements, namely Barry seeking purpose in a troupe of not-great actors led by a grandiose coach (Henry Winkler, 34 years on from the Fonz). Instead of playing Barry's profession for laughs or with action-movie style, the producers portrayed it with grim realism.

"The last four episodes, especially, are really violent," Mr. Hader says.

With eight episodes to work with, or more if HBO picks up the show for additional seasons, the creators of "Barry" tried to give their character a more complicated trajectory than movies in the hit man sub-genre typically have.

"We know where we want him to end up," Mr. Hader says, "and how he emotionally evolves. Or devolves."

—John Jurgensen

**'The Killer'** (1989)

HIT MAN: A mob assassin (Chow Yun-Fat) nearly blinds an innocent nightclub singer (Sally Yeh) during a gunfight. Consumed by guilt, he embarks on the always-disastrous "one last job" to pay for a corneal transplant to restore her sight.

COPING MECHANISM: Shootout ballets orchestrated by director John Woo, whose operatic violence changed the way action movies were made.

**'Grosse Pointe Blank'** (1997)

HIT MAN: Armed with guns, knives and an ironic sense of humor, a black-clad hit man played by John Cusack takes a job that coincides with his 10-year high-school reunion. It's a comedy of contrasts with a killer soundtrack.

COPING MECHANISM: Self-help mantras from his terrified therapist (Alan Arkin) and perspective from his former high-school sweetheart (Minnie Driver).

**'The Matador'** (2005)

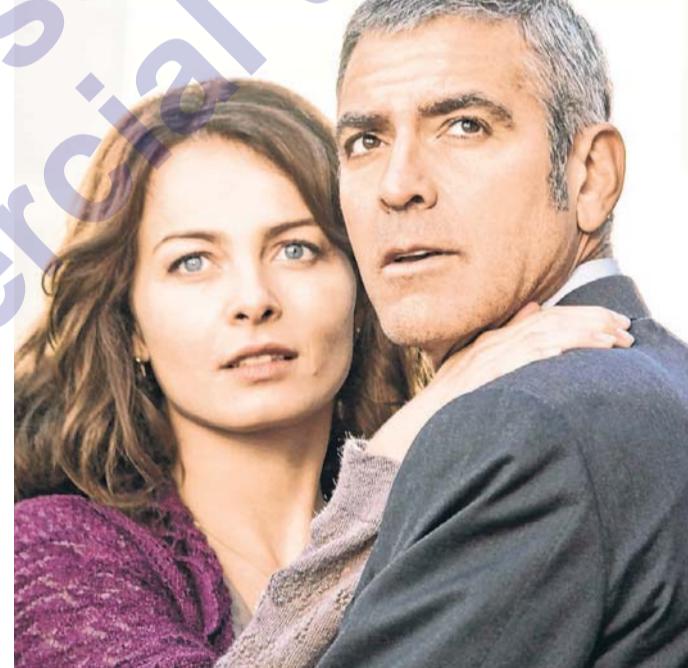
HIT MAN: Pierce Brosnan is an overworked international assassin at the end of his rope. Like a James Bond character gone to seed, he's sleazy, alcoholic and friendless, suffering panic attacks that put his livelihood and life at risk.

COPING MECHANISM: Confiding in a squared-away but struggling businessman (Greg Kinnear) who he meets in Mexico City.

**'In Bruges'** (2008)

HIT MAN: Colin Farrell's rookie assassin hides out in the titular Belgian city after a hit that killed an unintended victim. He wallows in guilt when he isn't badmouthing Bruges, offending tourists and getting into scuffles.

COPING MECHANISM: Guidance from his partner (Brendan Gleeson), who soaks up the art and architecture of the medieval town before getting the order to rub out his young protégé.

**'The American'** (2010)

HIT MAN: A taciturn pro played by George Clooney is haunted by a lethal act in the opening minutes of the movie—and probably a whole lot more in his past. He does calisthenics, chases down a rival assassin on a scooter and builds a custom rifle for a client.

COPING MECHANISM: Introspective conversations with a priest in the Italian village where he's staying out of sight, and a picnic and other assignments with a local prostitute.

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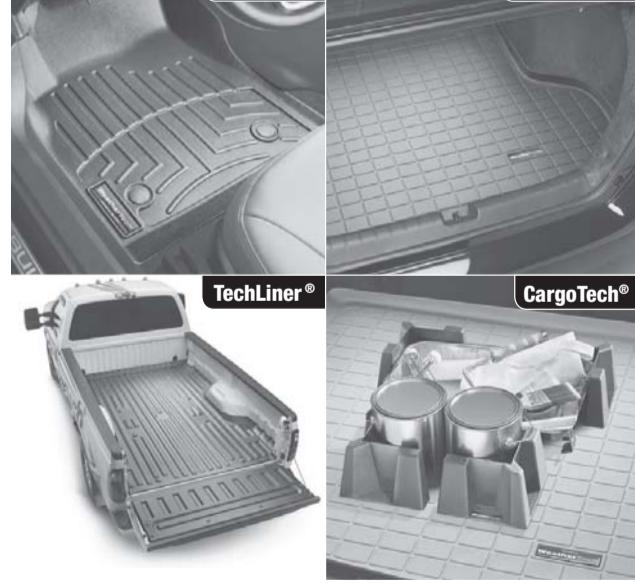
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LIFE & ARTS



BY M.J. ANDERSEN

Austin, Texas

SAVING THE BEST for last is fine in fireworks, but it can feel bittersweet in art. Ellsworth Kelly did not live to see the completion of Austin, the only building he ever designed. It opened to the public last month, two years after his death, on the University of Texas campus. Nevertheless, with the help of museum officials, donors and not a little Texas grit, Kelly has left Austin, the city, with a beautifully realized high-art temple—one that can only enhance his stature in the pantheon of modern artists.

A sleek, whisper-gray structure punctuated by geometric arrangements of stained glass, Austin has drawn fitting comparisons to the Rothko Chapel, in Houston, and Henri Matisse's Rosary Chapel, in Vence, France. Both double as religious and artistic spaces. However, Kelly insisted that his creation not be associated with religion.

The original idea took shape in the 1980s, when TV producer Douglas Cramer asked Kelly to design a building for his California vineyard. Though the project was never carried out, Kelly held onto the plans. Enter Mickey and Jeanne Klein, Texas collectors and UT alumni, who around 2012 were tipped off to



their existence by Houston dealer Hiram Butler. Working with Simone Wicha, the director at U.T.'s Blanton Museum of Art, and a supportive university administration, they helped spearhead a \$23 million fundraising campaign.

The 2,715-square-foot result stands near the Blanton. A walkway lined with periwinkle leads to the front door, from which visitors may look back on a vista culminating in the state capitol. At the opposite end, walkways continue into the campus.

From the outside, Austin looks hermetic: No windows allow a view in or out. It also looks as cheerful as a gumdrop. Its pared form resembles two intersecting lunch pails, or perhaps rural mailboxes. In fact, the four rounded facades evoke any number of homely American images, from grain silos to Quonset huts.

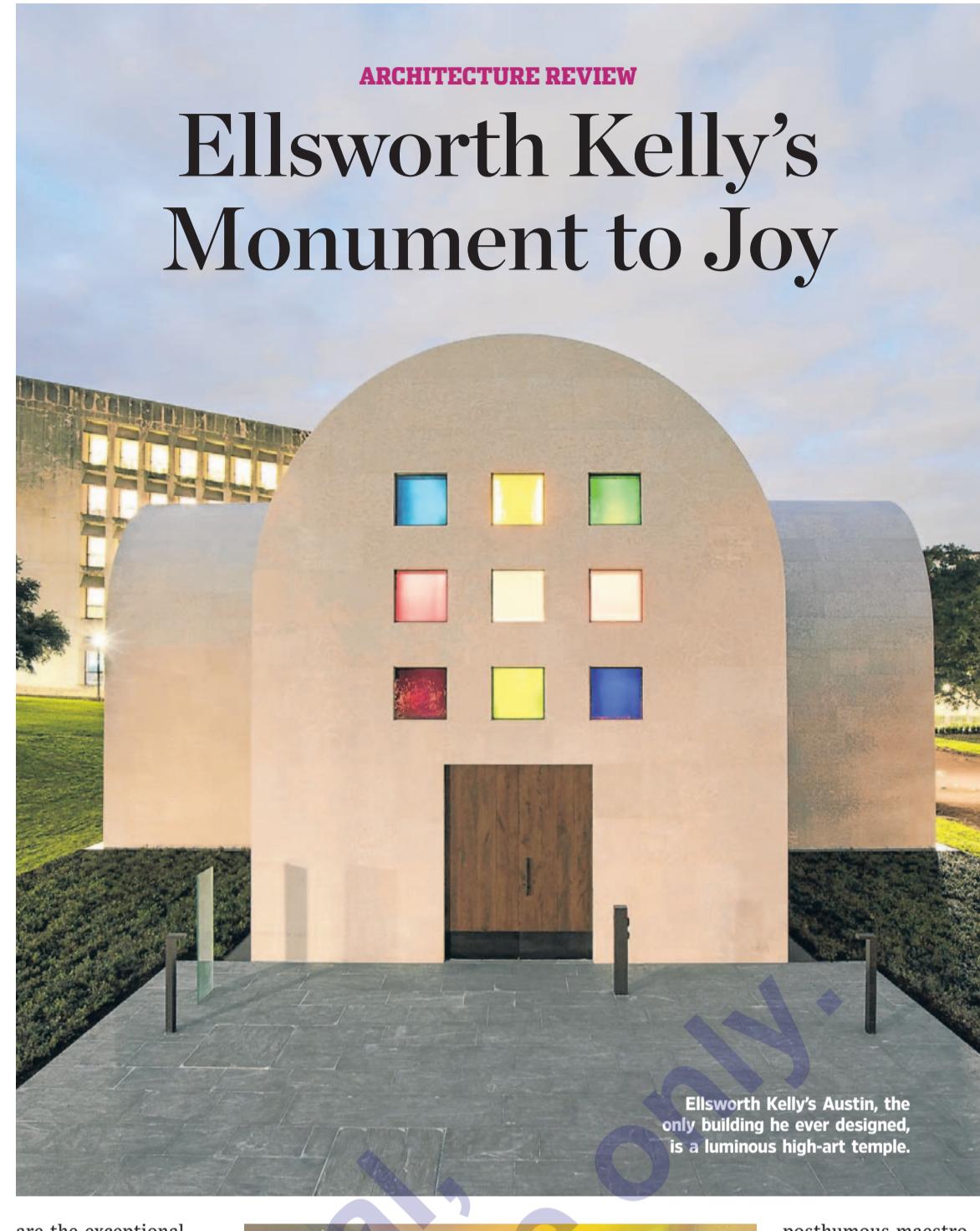
Stained-glass pieces dominate three of the facades. Two celebrate the spectrum: one with 12 colored spokes, the other with a dozen cubes tumbling in a circle. A nine-block grid above the door places colors in a more random arrangement, keeping the ensemble from feeling too programmatic.

Key to the success of Austin

Ellsworth Kelly with 'Colors for a Large Wall' (1954), left, and a trio of the black and white marble panels in Austin, below



Ellsworth Kelly with 'Colors for a Large Wall' (1954), left, and a trio of the black and white marble panels in Austin, below



ARCHITECTURE REVIEW

Ellsworth Kelly's Monument to Joy

Ellsworth Kelly's Austin, the only building he ever designed, is a luminous high-art temple.

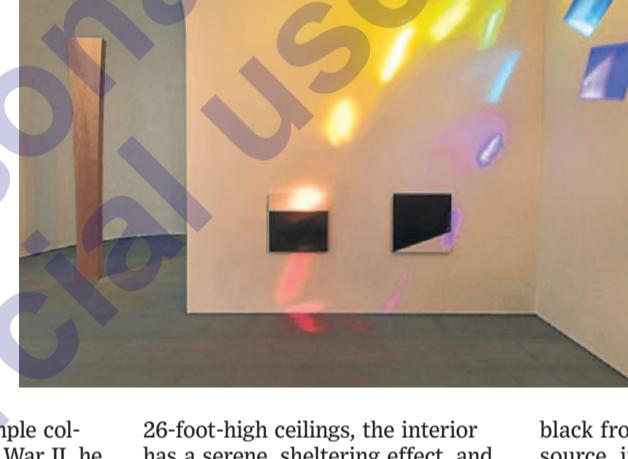
posthumous maestro of light. Depending on the strength and angle of the sun, the stained-glass pieces bathe the interior in changing colors.

Kelly had never worked with glass before, but despite his fading health, he was closely involved in its selection. He insisted that the glass be hand-blown. Marble was new to him also. The white was imported from Carrara, Italy; the

black from the world's only known source, in Belgium.

Carter E. Foster, the show's curator, says that though Kelly never visited the city of Austin, he approved of the site, not least because the closest buildings and a classic live oak nearby would only minimally obstruct the changing light. Kelly's admirers will be glad he did. With this secular temple he has left us a final monument to joy.

Ms. Andersen is a former member of the Providence Journal's editorial board and the author of "Portable Prairie: Confessions of an Unsettled Midwesterner" (Thomas Dunne/St. Martin's).



26-foot-high ceilings, the interior has a serene, sheltering effect, and a hush comparable to the Alamo's.

A companion exhibit at the Blanton, "Form Into Spirit: Ellsworth Kelly's 'Austin'" (through April 29), explores how the building recapitulates four of the artist's principal motifs: color grids; the spectrum; Kelly's subtly curved totems; and explorations of black and white. With all of these in well-balanced play, Austin is more than the sum of its parts.

Toggling between wall-mounted and freestanding pieces, Kelly's oeuvre might previously have been summarized as a series of secular hymns to color and form. Austin turns him into a

where we learn Taylor's dad was fired from his job at NASA, and that's a piece of information about Taylor's past and how it affected them.

You've been acting since you were a kid. How did you feel back then about the roles available to girls and boys?

I remember in middle school we did the musical "Oliver." I loved the movie, and I always wanted to play Oliver.

It might not have been stated, but the boys auditioned for Oliver and the girls auditioned for Nancy. But we also did a play called "Li'l Abner," and I was really excited that they let me put on a suit and a fake

mustache. Looking back, it was about something more than I understood at the time.

Have you created a back story for Taylor?

No, but that's not to say I haven't done that for other characters I've played. Television is different. I only know as much as the next script. If you're doing a play, you have all the information—the beginning, middle and end—to answer those questions. I could come up with any number of reasons for why Taylor behaves in a certain way, but the show could eventually contradict that. There was a scene

Was it uncomfortable for you to pick or choose?

Yeah, why does it have to be this way? And why, if I'm a girl, do I only get to do certain things? I was socialized as a girl. Assigned female at birth. Girls and women are a marginalized group, so I already had a feeling of, "why can't we just be whatever we want?"

What was your experience in casting and auditions before you got your break?

I moved to New York at 17 to go to school. At 24 I moved back to Ithaca, then moved back to New York at 28. When I came back, I felt like I was more myself than I had been. And so, because I had such a clear sense of who I was and what I was bringing to the table, that's what casting directors and producers were able to pick up on.

But at that stage of a career, actors usually have to take whatever roles they can get.

I grew up poor, financially lower class. Worked in restaurants for 17 years while going to acting school and trying to become a working actor. Because I know what it's like to not have money, I turn down roles if I don't want to play them. I'd rather go pick up five days of work in a restaurant.

Last year, you asked the Television Academy to clarify how gender applies to the actor and actress categories, and you submitted for an Emmy in the "actor" category. Were you satisfied with the way that played out?

Short of "we're changing the categories to just being 'performer' or 'actor,'" their answer was the next best thing. They said, "You're an autonomous performer and you can choose whichever category you want to enter." When you really break it down, separating people by sex as a prerequisite for judging art is archaic. We don't have cinematographer-ess, director-ess. We don't do it in any other place other than the acting categories.

BILLIONS

Continued from page A13 brilliance. For Dillon, however, gender issues frequently come to the fore of discussions about casting and performing.

The actor, who has played an inmate on Netflix's "Orange Is the New Black" and co-founded the theater company Mirror/Fire productions, discussed growing up in Ithaca, N.Y., boys' and girls' roles in school plays, and the power dynamics of "Billions." Here are excerpts from the conversation.

Many of the male characters in "Billions" are consumed by the pursuit of money. What is Taylor's incentive to succeed?

Taylor wants to see how far down the rabbit hole goes. Taylor is a millennial and a gamer with an objective to be the best. To calculate moves and possible outcomes to win the game. And if not to win, then to lose to the most worthy opponents, in whatever area that competition comes.

When you meet people who actually work on Wall Street, what do they say about Taylor?

The interactions are incredible. I've never had someone say anything negative. For the most part it's people saying, "We wish we had a Taylor at our office." There's also this cute thing I observe with certain hedgefunds, where I can sense that they're proud of the fact that they care about Tay-



Asia Kate Dillon, center, in the fifth season of Netflix's 'Orange Is the New Black.'

lor as a character. They're like, "This is a thing that is a little weird to me, but I'm OK with it and maybe I'm a more compassionate person than even I thought I was."

Is it difficult to get so many personal questions because of certain similarities with your character?

I spent so many years not understanding my own gender identity and not having the language for it, and not having those conversations, that now I'm so eager to talk about it. Then I learn more about myself and other people. Then they're more likely to have conver-

sations like that with other people, and that's how the world becomes safer for all of us.

Have you created a back story for Taylor?

No, but that's not to say I haven't done that for other characters I've played. Television is different. I only know as much as the next script. If you're doing a play, you have all the information—the beginning, middle and end—to answer those questions. I could come up with any number of reasons for why Taylor behaves in a certain way, but the show could eventually contradict that. There was a scene

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What was your experience in casting and auditions before you got your break?

SPORTS

NFL

NEW IDEAS FOR CATCH RULE

BY ANDREW BEATON

EVERY NFL SEASON has a crushing moment that bewilders everyone. Fans see a player catch the ball. They know it's a catch. Then the people in charge of determining whether or not it is a catch say it wasn't a catch. Mayhem ensues.

There have been gripes for years. Fans have felt cheated. They still feel cheated. And now the NFL has a new proposed definition for catching a football. The good news for fans: Surviving the ground, the verbiage that has been a constant scourge, is gone. The bad news: There's new wording that's only slightly less confusing.

Here's what the new rule, recommended by the league's competition committee, would entail: Control; two feet down or another body part; and a football move such as a third step, reaching/extending for the line to gain, "or the ability to perform such an act." Al Riveron, the NFL's senior vice president of officiating, tweeted out the proposal, saying it came "after much deliberation" with input from coaches, players and executives.

Understanding why this rule is so controversial only requires revisiting the most exciting game of this last regular season. (Pittsburgh fans can skip to the next paragraph to avoid revisiting the trauma.) Steelers tight end Jesse James (pictured) looked like he caught a game-winning touchdown pass against the Patriots. It was ruled a touchdown. There didn't seem to be any reason to doubt it. Then it went to replay. James, the officials determined, did not survive the ground with the ball. The call was overturned. Steelers quarterback Ben Roethlisberger threw an interception and the Patriots escaped with a victory.

Still, if this proposal is approved by teams, there appears to be room for controversy. Most of this is clear: a third step or reaching for the line to gain. But how exactly do you determine "the ability to perform such an act?" NFL fans may find out in 2018.



GOLF

Tony Romo Gets His Shot

The retired NFL star is playing on a PGA Tour sponsor's exemption

BY BRIAN COSTA

THERE ARE 132 players in the field at a PGA Tour event in the Dominican Republic this week, and at first glance, one of them is not like the rest. He is not a professional golfer. At age 37, he is not a promising young golfer. Whether his ability level meets the minimum required by the Tour is debatable.

But Tony Romo, the retired NFL quarterback, is easily more famous than any other player in the tournament. That appears to have been enough to earn Romo a spot through a longstanding backdoor for players who don't otherwise qualify: the sponsor's exemption.

In exchange for the millions of dollars they pay, title sponsors are typically allowed to invite two players of their choice, whether they have any kind of professional status or not. Promotional value has long been a consideration, but in the past year, some tournaments have weighed it more heavily over traditional competitive standards.

Last summer, Golden State Warriors star Stephen Curry played in a tournament on the Web.com Tour, the PGA Tour's developmental circuit. He missed the cut, but only after attracting dramatically more interest in the tournament. Now Romo, the longtime face of the Dallas Cowboys, will tee it up alongside PGA Tour pros, who have mixed views on his inclusion.

Many of them recognize that anything that helps the PGA Tour's business helps increase the prize money they play for. As was the



Tony Romo, top, plays a shot on the 18th hole during the AT&T Pebble Beach Pro-Am. Warriors star Stephen Curry played in a Web.com event in August.

case with Curry, there are some that grumble about more deserving players being left out for the sake of a promotional gimmick.

"This is simply a negotiating point between tournaments and the Tour, because they're separate organizations," said Stewart Cink, the 2009 British Open winner. "Whatever the tournaments need to do to get a little bit more exposure for their field or make it more attractive for fans, I think they should be allowed to do it."

Another Tour veteran said he had strong feelings on the subject, but didn't want to upset sponsors. Shaking his head, he said, "I'm still waiting for my chance to go run routes for the Patriots."

Organizers of the Dominican tournament—which is running opposite the more prestigious WGC-Dell Technologies Match Play in Austin, Texas—declined to answer questions about why they invited Romo. Romo's agent did not respond to questions about how the invite came about.

At a news conference in February, Romo said he hoped that PGA Tour pros would withhold any skepticism until they see him play.

"It's not rocket science," Romo said. "If you can hit a golf ball and you can hit it—if you hit a 5-iron,

you hit it 205 yards and you can put it to a back-right pin and fade it in there, they're going to respect you. And if you can't, then you'll probably get some blowback."

Golf may be the most rule-bound sport humans have devised, but when it comes to sponsors getting players they want into the field, the rules are not strictly enforced. Though unrestricted sponsor's exemptions are technically reserved for professionals or amateurs with a handicap of 0 or below, Curry had a 2.2 when he accepted an invite to the 2017 Ellie Mae Classic in Hayward, Calif.

Some lower-level golfers were miffed, but the benefit was obvious. While shooting a pair of 74s—a respectable performance, all things considered—Curry drew widespread interest on social media from people who don't normally follow golf. Trish Gregovich, the tournament director, said ticket sales nearly doubled from the year before. "He just brought a little sparkle to the whole event," she said.

Romo is listed as a 0.3 handicap, which requires only a bit of rounding to make him eligible. On the other hand, handicaps are based only on the scores players choose to post. Romo hasn't posted any scores since last Sep-

tember. He withdrew from a mini-tour event in Texas last month after shooting an opening-round 81.

"You never know how good you are until you go play and perform," Romo said earlier in February. "Obviously, the odds going against these guys are not great. I think we all know that. But I think that's what makes it really fun and enjoyable."

The risk for a tournament is a sponsor's exemption struggling so much that it becomes an embarrassment. Last month, a Web.com Tour event in Colombia gave a sponsor's invite to a 52-year-old Colombian businessman who only took up the sport several years ago. He was 56 strokes over par when he was disqualified for failing to turn in his scorecard after the second round. The episode sparked outrage over his inclusion.

The reason golfers care is simple: There are always more golfers trying to get into tournaments than there are spots. And every spot has the potential to be career-altering.

Grayson Murray needed a sponsor's invite to qualify for a Web.com Tour event in 2016. He tied for 10th place, earning him a spot in the following week's tournament and starting a run that got him to the PGA Tour last year. He has since won one tournament and nearly \$2.2 million in prize money.

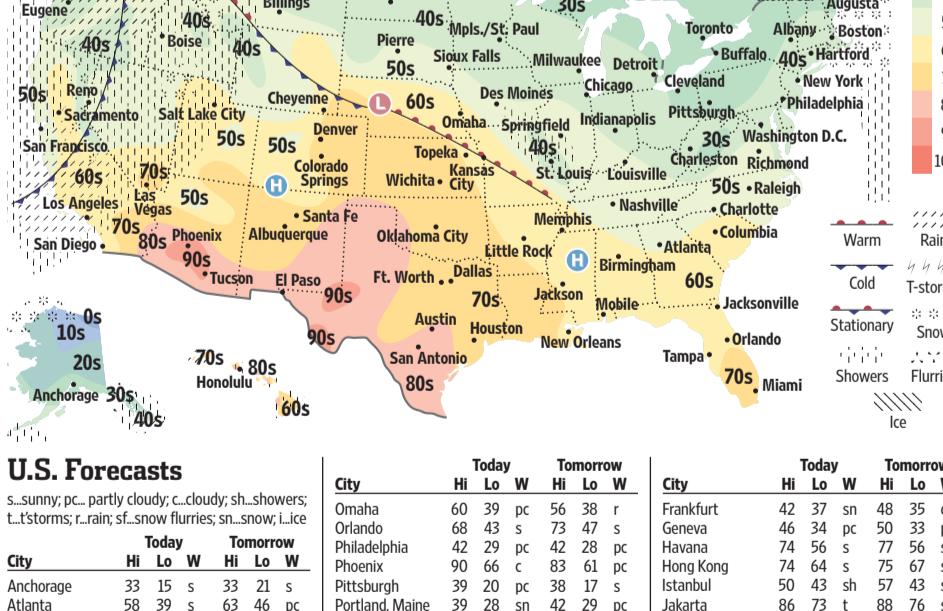
The sponsor's invite, Murray said, "turned my life around. That's the backside of giving it to guys who don't do this for a career."

But Cink pointed to another upside: The sight of a celebrity struggling against workaday pros only shows people how good the pros really are.

"The fact is we're talking about the Dominican Republic tournament—I don't even know the name of it," Cink said. "If it wasn't Tony Romo, we probably wouldn't even be talking about it."

Weather

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



U.S. Forecasts

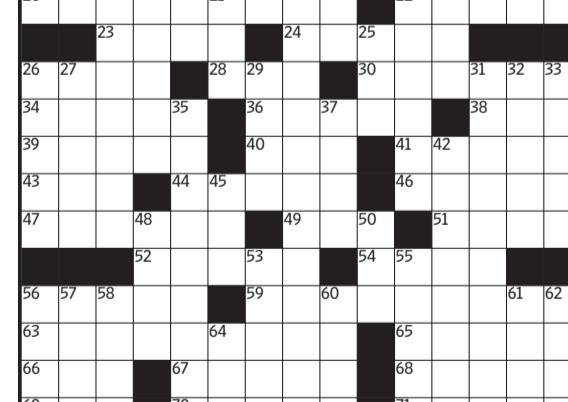
s.sunny; pc...partly cloudy; c.cloudy; sh.showers; t.tstorms; r.rain; sf.snow flurries; sn.snow; l.ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	33	15	s	33	21	s
Atlanta	58	39	s	63	46	pc
Austin	82	59	pc	84	64	pc
Baltimore	45	26	pc	43	24	pc
Boise	59	38	sh	55	39	c
Boston	41	31	c	42	31	pc
Burlington	36	23	pc	23	23	pc
Charlotte	58	33	pc	59	36	c
Chicago	48	29	s	45	33	s
Cleveland	39	26	pc	28	24	s
Dallas	79	61	pc	81	66	pc
Denver	72	45	pc	70	34	c
Detroit	45	26	s	45	25	s
Honolulu	81	70	c	81	70	c
Houston	78	61	pc	83	68	pc
Indianapolis	48	27	s	49	30	c
Kansas City	64	43	s	63	53	t
Las Vegas	71	54	sh	73	53	pc
Little Rock	66	48	pc	73	61	pc
Los Angeles	63	55	r	66	52	pc
Miami	74	53	s	76	59	s
Milwaukee	43	27	s	40	32	pc
Minneapolis	44	28	pc	28	27	c
Nashville	56	40	s	57	46	pc
New Orleans	69	52	s	77	63	c
New York City	42	32	pc	45	33	pc
Oklahoma City	74	55	pc	78	57	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	47	39	r	49	40	pc
Athens	70	54	t	66	49	s
Baghdad	85	57	pc	89	67	s
Bangkok	89	77	pc	92	77	pc
Beijing	63	40	s	64	41	pc
Berlin	39	34	sn	42	32	c
Brussels	44	37	sn	49	39	pc
Buenos Aires	77	58	s	83	57	pc
Cape Town	70	52	s	73	53	pc
Dubai	84	68	s	87	73	s
Dublin	50	40	r	49	34	r
Edinburgh	50	43	c	48	35	r
Zurich	42	31	c	46	27	s

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The WSJ Daily Crossword | Edited by Mike Shenk



GO THE DISTANCE | By Ned White

- | | | |
|-----------------------------|---|-------------------------------|
| Across | 28 One for all, e.g. <i>cone</i> | 49 Cone counterpart |
| 1 Harsh cries | 30 1993 Super Bowl MVP | 51 University city of Sweden |
| 6 Crush the final | 34 Diamond shape | 52 Name on a historic B-29 |
| 11 No friend | 36 Toady's specialty | 54 Dark 17-Across |
| 14 Big body | 38 "Sweet Talkin' Woman" band | 56 Spring |
| 15 Orphan boy of old comics | 54 Monteverdi masterwork | 59 "Can't beat that price!" |
| 16 Wahoo, for one | 40 Copy clumsily | 63 Hardly Mensa material |
| 17 Satire or cyberpunk | 41 They're available in Pro and Mini versions | 65 Networking giant |
| 18 Assembly of stars | 43 Extinct ostrichlike bird | 66 Film in which LeVar Burton |
| 20 Many a gallery owner | 44 Alka-Seltzer maker | 67 Scrub |
| 22 Class for coasters | 46 "Nothing here..." | 68 Seller of the sporty NSX |
| 23 Conflicted | 47 How some study | |
| 24 Annoying sorts | | |
| 26 Lots and lots | | |

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

31 Meets expectations, and a hint to words hidden in the starred answers

32 Priscilla Mullins's married name

33 Beat, but barely

35 *Deadpan comic duo of radio and TV

37 Heading for space?

42 Party pro

45 Trouble

48 Wine, in combinations

50 Makeup initials

53 Star vehicles

55 Award for scoring, e.g.

11 Phone bill section

12 Nivea competitor

13 Ryan's "La La Land" co-star

19 Undertaking for an intern

OPINION

Yes, Shut Down Mueller

WONDER LAND
By Daniel Henninger

President Trump and his lawyer John Dowd are right that the Mueller investigation should be shut down. But they're right for the wrong reason.

The Mueller investigation should be shut down before all of official Washington descends into total systemic madness. We may be there already.

The madness has two sources.

The first, in 2016, was the realization that Donald Trump might become president of the United States. And then he did. That unhinged cohorts in the Obama administration and released the media antibodies into the system. It also caused a top tier of FBI officials to let their professional discipline collapse. All these panicked people combined to produce the Trump-Russia collusion narrative, which has obsessed Washington without letup for more than a year.

The other source of the madness is Donald Trump's constantly repeated admiration for Vladimir Putin. To the point of obtuseness, Mr. Trump has never provided a rationale for his attitude toward Mr. Putin.

Coincident with this praise, the Putin record includes Ukraine, the slaughter of the Assad regime's opposition in Syria, the deployment of a cyber-spy team in the U.S., nuclear threats, the London nerve-weapon assassination attempt, continuous internal anti-Western propaganda, and Sunday's presidential-election landslide enabled by the suppression of his political opposition.

Donald Trump is right about the special counsel, but for the wrong reason.

Watching Washington's hyperbolic reaction to Jeff Sessions's firing of Andrew McCabe last weekend makes clear that the Russian collusion narrative has become a wildfire, a self-fueling force indiscriminately consuming everyone near it, including the president.

With his tweet-storms against the special counsel and other enemies, Donald Trump is starting to sound like Lear raging on the heath. O! 'tis foul!

King Lear had real enemies, and so does President Trump. Though the McCabe firing was wholly about the



Putin and Trump in Vietnam, Nov. 11.

deputy director's false statements to FBI colleagues regarding the investigation of Hillary Clinton's email servers, the media coverage changed the subject back to summaries of the Trump-Russia collusion narrative, which should be seen for what it is—a revenge drama.

By Sunday there was bipartisan talk of impeachment, resignations and massacres, climaxing when Democratic Rep. Steve Cohen of Tennessee fell to his knees in despair. "We all believe," he wept, "in an America that shouldn't be seeing the Constitution shredded."

This is ludicrous and fundamentally unserious. No greater crocodile-tear phrase exists in our time than that the Trump presidency is a threat to "our democracy."

The only element of the American political system to which Donald Trump poses an existential threat is his own presidency. His ravings about Robert Mueller, Crooked Hillary, Jeff Sessions and any other human crockery within reach isolate the president, eroding the political support he will need soon if a House Democratic majority begins impeachment proceedings.

Threatened with impeachment over Watergate, Richard Nixon had the support of his

electoral base to the end. But he knew the game was up when his fellow Republicans in Washington drew the blinds and left him alone in the street with his enemies. Donald Trump's tragedy is that he doesn't see the political abandonment ahead.

It is not beyond imagining that the Mueller team may "have something" on Mr. Trump. If so, it had better be big enough to command majority condemnation from a bewildered country.

But if, as looks likely, the prosecution will have to produce a de minimis charge—and maybe not even against Mr. Trump—then Mr. Muller should shut down the investigation and get this mess behind us. Institutional Washington has wandered onto a vast frozen lake, and that sound you hear is the ice beginning to crack.

The rule of law? That is turning into a pro-forma conceit, submerged on both sides beneath rising hatreds and retribution agendas. Too many people are looking for the justice of a Wild West hanging judge.

We don't need another special counsel. The various investigations by Congress and the Justice Department's inspector general should proceed to their conclusions. They are what's left of established norms of accountability.

The press would survive withdrawal from the collusion drug. It could even take on the substance of the actual Trump presidency, including the costs to America's interests of his Putin admiration. No matter the subject, Donald Trump will always be the bull's-eye. Which is the way he wants it.

Write henninger@wsj.com.

32 Questions for Trump and His Critics

By Karl Rove

Most weeks I use this space to offer opinions and suggest answers. But after this especially chaotic and jam-packed week, sometimes questions are the best way to clarify matters. In that spirit, here are some questions on my mind.

If there was no collusion or coordination between the Trump campaign and Russia, why isn't President Trump content to allow special counsel Robert Mueller to finish his investigation without White House pressure to wrap it up? If Mr. Trump is innocent, why doesn't he act that way, as Rep. Trey Gowdy suggested on "Fox News Sunday"? Wouldn't it be a complete vindication if the Mueller investigation confirmed there was no collusion? Or doesn't the Trump White House expect exoneration?

Hasn't every indictment in the investigation resulted from wrongdoing *outside* the 2016 campaign, like laundering payments from unsavory Ukrainian politicians or lying to investigators? Doesn't that indicate it is unlikely there was collusion?

When will California congressman and cable-TV hound Adam Schiff present the "ample evidence of collusion" he has touted in over a year of media appearances about the House Intelligence Committee investigation? Didn't Americans learn

more from a single TV appearance of the Republican leader of the investigation, Texas Rep. Mike Conaway, last Sunday than from all Mr. Schiff's hundreds of TV hits?

Why does Sen. Richard Blumenthal describe the firing of Deputy FBI Director Andrew McCabe as "evidence of obstruction of justice?" Wasn't Mr. McCabe removed after the independent Justice Department inspector general found that he misled investigators about authorizing staff to leak information about an ongoing investigation to reporters?

Didn't a subsequent review by career staff in the FBI's Office of Professional Responsibility also conclude that Mr. McCabe had "lacked candor—including under oath—on multiple occasions?" The FBI insists on honesty from those it investigates; shouldn't we hold the FBI to that same standard?

On the flip side, why did the president feel compelled to tweet that Mr. McCabe's firing was a "great day for Democracy"? If Mr. Trump hadn't gloated, wouldn't Americans be more focused on the inspector general's finding that Mr. McCabe lied and OPR's recommendation he be fired?

Have we become so tribal that Republicans must condemn Mr. Mueller's investigation as a "total witch hunt" while Democrats must oppose Mr. McCabe's firing? Can't thinking Americans believe the

Mueller investigation and the Justice Department's handling of the McCabe situation are both appropriate?

Why have so few Democrats condemned Hillary Clinton's March 10 speech at the India Today Conclave? Do most Democrats agree with her that Trump voters "didn't like black people getting rights" or "don't like women . . . getting jobs?" Do Democratic leaders think Mrs. Clinton ran poorly among

Why not act innocent? Where's the collusion? Was Hillary right? Can we go on this way?

white women because of "pressure to vote the way that your husband, your boss, your son, whoever, believes you should?" Do they find objectionable her statement that the regions she carried are "optimistic, diverse, dynamic, moving forward" and those parts she lost are not?

Don't Democrats realize this is their opportunity to bid a final farewell to the Clintons and begin reconnecting with Americans in "flyover" country?

What on earth are we to make of Mr. Trump's congratulatory call to Vladimir Putin following the latter's sham reelection? Why did the president dismiss his national security aides' explicit advice not to

congratulate Mr. Putin? Does the president think the Russian election was on the up-and-up? Did the White House believe, as the press secretary suggested Tuesday, that it is not the place of the U.S. to comment on how repressive regimes conduct elections?

Didn't Mr. Putin forbid his principal political opponent, Alexei Navalny, from even running? Didn't the Trump administration impose sanctions last week on the Russian oligarchs and cyberoperators the Mueller investigation charged with meddling in the 2016 election?

Didn't the U.S. join Britain in condemning Russia's attempted assassination in England of former spy Sergei Skripal and his daughter using a nerve agent? Doesn't Mr. Trump understand his congratulatory call raises doubts about how seriously he views Russia's efforts to disrupt American democracy and assassinate defectors in the West?

Can you believe these are just a few of the issues that arose this past week? Don't the responses of politicians on both sides seem to range from inadequate to infuriating? Can things go on this way, or does something have to give?

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

The Dead End of Identity Politics

By Crispin Sartwell

Suppose there are two political parties, the Blues and the Reds, each pursuing a demographic strategy to maximize its vote: "targeting" voters exclusively by race and sex. To make it simple, there are two racial categories, "white" and "minority." Imagine that no other demographic features are relevant, 100% of the electorate turns out, and everyone votes as the parties want them to: The Blues get all the female and minority votes; the Reds get all the white and all the male votes.

Your imagination runs out right there. All the white men will vote for the Reds, all the minority women for the Blues. But are white women and minority men supposed to vote their sex or their race? Unless

we can split individual voters into fragments of themselves, the scenario is impossible. Both parties are pursuing an impossible result.

Yet our actual political parties are pursuing something close to these strategies. Democrats have argued for years that demographic shifts would

To expand the base is almost inevitably to shrink it equally.

give them an enduring majority any minute now. Hillary Clinton's campaign was obsessed with demographics, formulated explicitly as an appeal to "women and minorities." The Trump campaign ran on a barely masked appeal to white people and men, under the

auspices of advisers like Steve Bannon.

When both parties are dedicated to maximizing race and gender gaps, they are stuck in a paradox. To expand their electorate is almost inevitably to shrink it in equal measure. In the long run these strategies can only produce a standoff.

Why not expand the universe of demographic categories? After the Democrats won big in November 2017, a story in the New York Times took that approach: "If the 2016 presidential election reflected a primal roar from disaffected white working class voters that delivered for President Trump and Republicans, Tuesday's results showed the potential of a rising coalition of women, minorities, and gay and transgender people who are solidly aligning with Democrats."

Such a coalition is impossible. It would include fractions of many divided persons, such as one-fourth of each working-class, white, gay man. It's a good thing we have only two viable political parties; otherwise, you'd be called upon to distribute slices of your selfhood as though you were dealing hands of poker.

The goal of both sides, meanwhile, is to pull groups of Americans apart and set them against each other, and to pull each of us apart internally. The logical failure of the political parties is driven by their ethical failure.

Mr. Sartwell, an associate professor of philosophy at Dickinson College, is author of "Entanglements: A System of Philosophy" (State University of New York, 2017).

BOOKSHELF | By James Kirchick

Europe's Other Strongman

Orbán

By Paul Lendvai
(Oxford, 273 pages, \$29.95)

In the summer of 1989, a bearded, shaggy-haired Viktor Orbán addressed a protest in Budapest's Heroes' Square. In a speech lasting less than seven minutes, the 26-year-old law student called for an end to the communist dictatorship, the holding of free elections and the withdrawal of Soviet troops from Hungary. That fall, Mr. Orbán attended Oxford on a scholarship funded by George Soros, but midway through his studies returned home amid the collapse of communism. He co-founded the political party Fidesz (Alliance of Young Democrats), which initially forbade membership to anyone over 35, and assailed his political elders for "conflating" their parties and their voters with the nation. By 1992, he became the vice chairman of Liberal International—the global federation of liberal political parties—and was widely hailed as the future of "new" Europe.

Today Mr. Orbán is a different person. The man who courageously stood up to Soviet occupation is now Vladimir Putin's closest ally in the European Union. He obsessively attacks Mr. Soros as an enemy of the people, cites China and Turkey as role models, and touts the virtues of "illiberal democracy."

There are two interpretations of this about-face. One holds that Mr. Orbán has always been a right-wing nationalist and merely adopted the guise of a Central European dissident to curry favor with Western liberal elites. The other, less charitable explanation is that Mr. Orbán is a power-hungry opportunist. The truth, according to Paul Lendvai in his new book, "Orbán," is that he is both—and all the more dangerous for that.

Mr. Lendvai, a journalist who has written extensively on Central and Eastern Europe, explains that, even before the collapse of communism, there were tensions between urban, "left-wing intellectuals . . . well read, open to the world and fluent in foreign languages," and the provincial Fidesz activists who, like Mr. Orbán, hailed from the countryside and were "predominantly lawyers with practical knowledge." By the mid-1990s, Mr. Lendvai argues, Mr. Orbán realized that far more votes lay in appealing to the social resentments of the rural "Christian middle classes." In Hungary, a nation that had been on the wrong side of history through both world wars and, as a result, lost two-thirds of its territory, he sensed "the psychosis of a nation in peril." Cynically exploiting these revanchist and irredentist impulses, Mr. Orbán alienated and expunged the liberal elements of Fidesz, transforming it into a conservative and nationalist party.

Mr. Orbán has had one of the most remarkable and enduring political careers of the post-Cold War era, first serving in office from 1998—as the youngest prime minister in Europe—through 2002, then again from 2010 to the present day. During the past eight years he has built what Mr. Lendvai calls a "skillfully veiled authoritarian system." In contrast to Belarus, Hungary's borders are open, its jails do not hold political prisoners, and there is no death penalty (all prerequisites of a nominally "free" country and for membership in the European Union, which Mr. Orbán openly disdains and frequently likens to the erstwhile Soviet Empire). But consider the vote shares that Fidesz won in 2010 and 2014—53% and 45%, respectively. Despite losing 600,000 votes in this period, Fidesz maintained its two-thirds majority thanks to gerrymandering and halving the total number of members of parliament.

Viktor Orbán once stood courageously for the principles of liberalism. Today he is Putin's closest ally in the European Union.

Mr. Orbán has also built around himself a Russian-style oligarchy, and nowhere is this more emblematic than in the hamlet of Felcsút, where the prime minister spent much of his boyhood. In a village of just 1,800, according to Mr. Lendvai, the self-confessed soccer fanatic has erected "the most beautiful stadium in the country," capable of seating 3,800. The author documents the "close connection" between Mr. Orbán and the mayor of the village, an Orbán "crony" who, in a single day, snapped up nearly 200 regional newspapers and, in 2015-16, "was able to triple his personal fortune to €80 million," becoming one of the nation's richest men.

In a country as inscrutable as Hungary, Mr. Lendvai makes a valuable guide. His book is more a socio-political history of postcommunist Hungary than a straightforward biography of its leader. At times, however, his distaste for the man he calls the architect of a "Führer democracy" clouds his analysis. Take, for instance, the 2015-16 migrant crisis. Fidesz by that point had lost a series of local elections and was faring dismally in public-opinion polls. Then Germany's Chancellor Angela Merkel opened her country to more than one million migrants and refugees from Africa, the Middle East and beyond, allowing Mr. Orbán to portray himself as the last man willing to defend Europe's borders. His career was revived.

Mr. Lendvai condemns Mr. Orbán for telling this newspaper in 2013 that "in a crisis you don't need governance by institutions. What is needed is somebody who tells the people that risky decisions must be taken." Yet this is precisely what Mrs. Merkel did when she acted without consulting her European partners. Mr. Lendvai betrays a haughty contempt for the Hungarian (and, by implication, wider European) voting public, which he slams for credulously accepting Mr. Orbán's rhetoric on migrants. But Mr. Orbán was "able to dictate the narrative about refugees" because Europe's ruling class had ignored the problems associated with migration for so long and derided anyone expressing even mild opposition to it as crypto-fascist.

This is the only blind spot in an otherwise convincing indictment of Hungary's prime minister, a man who is becoming increasingly unhinged. At a campaign rally last week, Mr. Orbán lit into the national "enemy," which he described as "not open, but hiding; not straightforward, but crafty; not honest, but base; not national, but international; does not believe in working but speculates with money; does not have its own homeland but feels it owns the whole world." Over his three decades at the center of Hungarian political life, Mr. Orbán had studiously avoided explicit appeals to Europe's deadliest hatred. But now we can add anti-Semitic incitement to his already lengthy list of depredations.

Mr. Kirchick is a visiting fellow at the Center on the United States and Europe at the Brookings Institution and the author of "The End of Europe: Dictators, Demagogues, and the Coming Dark Age."

OPINION

REVIEW & OUTLOOK

Europe's Tax War on U.S. Tech

One difference between President Trump and the European Union is that Mr. Trump makes mistakes on his own and off the cuff, while Brussels makes mistakes by committee after careful study. So while European mandarins are kvetching about the trade war Mr. Trump risks starting with metals tariffs, Europe is now launching its own economic war with a proposal to tax U.S. tech firms.

Not that European leaders will admit the tech-tax plan they unveiled Wednesday is protectionism. The European Commission, the EU's bureaucratic wing, is plugging for a 3% tax on revenues—no matter the profits—that large tech firms earn from sales in Europe. The companies would pay the tax to each country in which a sale occurs, rather than in the countries where their European headquarters are based, as under current rules.

For "large tech firms" you should read "American companies" since the rules are tailored to apply to the likes of Amazon, Apple, Google and Facebook. The tax proposal ensnares companies that sell digital advertising or provide a platform for online trade between third parties. This exempts such firms as brick-and-mortar department stores that sell designer handbags over their websites, no matter how digital the transactions look.

The measure would apply only to companies with at least €750 million in annual world-wide revenue and €50 million in sales within the EU. Europe wishes it had a tech company of that global heft.

The claim is that this will solve the problem of American tech giants paying "too little" tax in Europe. They've supposedly done this by booking profits in the low-tax European countries where they have regional headquarters. And in true European style, leaders already are demanding higher rates before the tech tax even exists. The proposal will be "only a start-

ing point," French Finance Minister Bruno Le Maire said this month, expressing his hope the rate rises over time.

It won't raise much revenue but it will hurt EU tax competition.

pay an effective tax rate of 9%-10% globally, compared to an effective rate of 23% for traditional businesses, and that the new tax will raise €5 billion more a year.

The real numbers as estimated by free-market think tank ECIPE are nearer a tax rate of 29% for tech firms and 28% for traditional companies. The main effect of the digital tax will be to redistribute revenue from the low-tax EU states like Ireland and Luxembourg that host corporate headquarters to high-tax, high-population states like France and Germany. The tech tax is essentially a back door way to reduce intra-EU tax competition.

Someone should ask if this is worth a brawl with Mr. Trump. The U.S. Treasury has complained for years about European tax discrimination against American tech companies, especially since Europe is laying claim to taxes from profits to which Treasury thinks it's also entitled. Europe's tax-and-tech protectionism was bad enough when the forgiving President Obama was in office. Pursuing it in the same week Brussels wants Mr. Trump to exempt the EU from U.S. steel tariffs is the kind of bad idea only Brussels could think up.

European leaders often complain that Europe hasn't produced a global rival to Silicon Valley's giants, and policies like this tax plan are a big part of the reason. Europe should view digital firms as engines of job creation. Instead Brussels treats e-companies mainly as opportunities for revenue extraction. Don't be surprised if Mr. Trump sees this as an excuse to escalate his protectionism.

The Fed Gets Optimistic—for the Fed

The Federal Open Market Committee raised the federal funds interest rate by a quarter point to 1.75% on Wednesday, but that was expected. The more intriguing news is that the committee signaled a little more optimism about economic growth and the potential for lowering unemployment without triggering inflation.

"The economic outlook has strengthened in recent months," the FOMC said in the most important new language in its statement after its meeting. This was underscored by the quarterly release of economic projections by the Fed board and regional bank presidents. The median growth estimate for GDP this year rose to 2.7% from 2.5% in December and 2.4% in 2019 from 2.1%.

That's pessimistic compared to many private forecasters, but it's positively giddy for the current Fed, which overestimated the growth stimulus from government spending for years after the 2008 recession. But in recent years the Fed has seemed to overreact in the other direction by internalizing the inevitability of "secular stagnation." At least some at the central bank are now conceding that tax reform and other policies will provide at least some growth boost for a couple of years.

Also encouraging was the projection that the jobless rate has more room to fall—to a me-

dian estimate of 3.8% this year from 4.1% currently and then to 3.6% through 2020. This is nearly a full percentage point lower than the

Fed's long run projection for sustainable unemployment. It suggests that the Fed believes that faster growth can coax more potential workers from the sidelines of the economy and into the workforce.

Jerome Powell acknowledged Wednesday, in his first news conference as Chairman, that the Fed's estimates of sustainable unemployment have fallen by a percentage point in recent years as the expansion has continued. This means the Fed will feel less constrained by its traditional Phillips Curve notion that lower unemployment inevitably means higher inflation.

Regarding inflation, the Fed median estimate is that the increase in "core" prices (without energy and food) will exceed its 2% target in 2019 and 2020, though only to 2.1%. Mr. Powell seemed unconcerned, though some on the Open Market Committee now foresee a somewhat faster increase in interest rates through 2019 to head off any inflation revival.

The bottom line is that the Powell Fed is continuing on the path set by predecessor Janet Yellen, as widely expected. Mr. Powell isn't showing much leg regarding his own monetary philosophy, as he hasn't throughout his tenure as a Governor since 2012. He will be tested, but not yet.

Long Live Nancy Pelosi

Nancy Pelosi has dominated House Democrats for 15 years, and some have begun to suggest that it's time for her to go. This would be bad news for Republicans, but the reality is that the anti-Pelosi rhetoric is mostly campaign posturing.

Republicans aim to use the 77-year-old Mrs. Pelosi as a scarecrow in midterm races. In Georgia's 6th Congressional district special election last year, Democrat Jon Ossoff struggled to create daylight between himself and Mrs. Pelosi, and his narrow loss was a lesson for right and left.

Conor Lamb fended off Pelosi goblins in Pennsylvania's Congressional special election last week by vowing not to vote for the Minority Leader as Speaker. Now many Democrats in competitive districts are singing a similar tune. "I was just in D.C. and that's the advice everybody gives: Don't say you're for Pelosi," former Nebraska Rep. Brad Ashford, who's running for his old seat, told the New York Times. Mr. Ashford didn't rule out voting for Mrs. Pelosi.

Repudiating the San Francisco liberal allows Democrats to distance themselves from the progressive left without having to explain areas in which they disagree. For instance, would they have voted for ObamaCare if they were in Congress when it passed?

In the latest WSJ/NBC News poll, Mrs. Pelosi has a 21% positive rating—lower than the NRA (37%), Donald Trump (37%) and the GOP (30%). There aren't many warm, fuzzy feelings associated with Mrs. Pelosi, who even some progressives blame for failing to recover from large House losses in 2010. As Oregon Democrat Kurt Schrader, who used to lead the 18-member

weak Blue Dog Coalition, quipped: "I have liberals back home, the one thing they really like about me is the fact that I voted against Nancy."

Yet no one has emerged who can beat her. Eight-term Ohio Democrat Tim Ryan challenged Mrs. Pelosi after the November 2016 election but lost 134-63. Afterward Mrs. Pelosi declared, "I quite frankly feel more liberated than I ever have."

A formidable fundraiser, Mrs. Pelosi knows it's better to be feared than loved and rules by allocating committee positions and campaign contributions. This is how she imposed party discipline to pass ObamaCare, Dodd-Frank, union card-check and cap-and-trade. The latter two failed in a Democratic Senate.

Dozens of Democrats later paid for these votes with their seats, but Mrs. Pelosi is unrepentant. "I am a master legislator, I am a shrewd politician and I have a following in the country that, apart from a presidential candidate, nobody else can claim," she told the Times, with some justification.

Joseph Crowley of New York and Minority Whip Steny Hoyer have been floated as potential Pelosi replacements. But Mr. Hoyer is 78, and identity-obsessed Democrats would be hard-pressed to dump Mrs. Pelosi for a white, straight guy like Mr. Crowley.

The best chance to depose Mrs. Pelosi would be if Democrats failed to retake the House this year despite the Trump tailwinds. She knows that if they do win back the majority, she'll get the credit—so she's only too happy to let "moderate" Democrats claim to repudiate her for the campaign show. The speakership will more than make up for it.

The rate will have to rise because there's less additional revenue here than Brussels and its political masters in Paris and Berlin believe. The European Commission claims international tech companies

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OPINION

Republicans' Quiet Health Victory

By Bobby Jindal

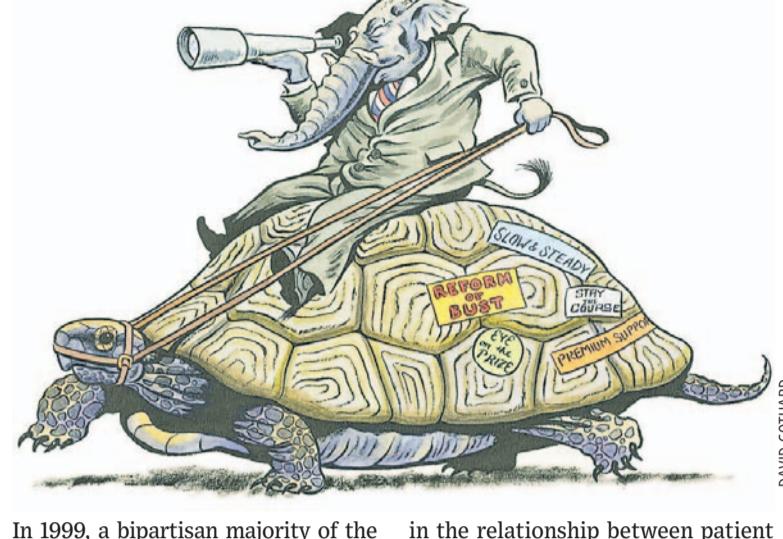
When Republicans failed to repeal ObamaCare last year, it recalled the old line about snatching defeat from the jaws of victory. That loss, however, should not be allowed to overshadow an important Republican success on health care. Millions of Medicare beneficiaries now get their coverage through private plans under Medicare Advantage—a quiet step forward that brings real benefits. To ensure continued progress, Republicans must resist the temptation to choose short-term savings over long-term reform.

Washington has been trying to fix Medicare for decades. Historically, conservatives have wanted the government to give beneficiaries vouchers of a fixed dollar amount, regardless of the price of health care. That meant the risk of rising costs would fall on beneficiaries. Liberals have wanted to keep the current system, under which taxpayers absorb increased costs.

A third of patients on Medicare now opt for a private plan—and it could grow to 40% by 2024.

There is a middle ground. In the late 1990s, Congress and the Clinton administration created the National Bipartisan Commission on the Future of Medicare, for which I was the executive director. The commission's chairmen, Sen. John Breaux (D, La.) and Rep. Bill Thomas (R, Calif.), recommended that Medicare incorporate a model called "premium support." Seniors who wanted to opt out of the government's fee-for-service system could choose from an array of health plans providing at least actuarially equivalent coverage. The government would pay these beneficiaries a fixed percentage of the average premium of the plans they collectively chose.

This was a way to address Medicare's insolvency, improve its efficiency, and update its benefits without raising taxes or cutting the program.



In 1999, a bipartisan majority of the commission voted to endorse premium support. But the statute setting up the process required a supermajority, and the proposal fell short. What a missed opportunity.

Premium support offered three main benefits. First, competition among plans, combined with incentives for seniors to choose efficient ones with lower premiums, would reduce the annual growth in Medicare spending, with the savings split between taxpayers and beneficiaries. Those savings would start modestly and then compound. In contrast, Congress's fixation on 10-year budget windows results in proposals like raising the retirement age or means-testing Medicare premiums, which aren't enough to affect materially the program's long-term solvency.

Second, premium support would reduce market distortions. As the commission's proposal was being developed, the head of the Mayo Clinic testified that 130,000 pages of rules and regulations applied to Medicare services. A former Clinton official noted the difficulty of having the government set 10,000 prices in 3,000 counties. Even well-intentioned bureaucrats cannot run a one-size-fits-all program for millions of people nationwide without unintended consequences. Medicare's usual approach to rising costs is to cut reimbursements or limit the services provided. Both are blunt instruments. Premium support would take government out of Medicare and reduce bureaucratic interference

in the relationship between patient and doctor.

Third, nimble plans would be quicker to adopt new innovations and delivery systems. Fee-for-service Medicare still has a \$1,340 deductible for hospital care, as well as a separate premium and deductible for outpatient care. These features resemble a health plan from the 1960s, when Medicare was created. Although the government has experimented with paying for outcomes and quality, it cannot move as quickly as the private sector, especially given political interference from incumbent providers opposed to disruption.

The good news is that despite the failure to enact premium support, Medicare Advantage is accomplishing much the same for millions of seniors. Enrollment in private Medicare plans has steadily increased to 20 million, or a third of the program's beneficiaries. That's projected to hit 40% by 2024. This represents serious success.

Republicans must follow the physician's oath and do no harm. The last time enrollment in private Medicare plans was growing, a GOP Congress passed the 1997 Balanced Budget Act, which set payments in many counties lower than they would have been otherwise. Enrollment then declined from 1999 through 2003, when Congress changed the payment system again. Private plans didn't recover to their previous level until 2007. In other words, reform was set back by nearly a decade because

Republicans were focused on short-term savings.

Today the Medicare Advantage ecosystem is encouraging the innovation that backers of premium support envisioned 20 years ago. Capitated plans—which are paid a flat fee for each patient, regardless of services provided—are competing furiously to lower costs and improve patient outcomes. Specialized companies have sprung up to help avoid medication conflicts, manage specialty care, or prevent complications. Medical providers are taking risk and measuring patient outcomes, not just services performed.

Medicare Advantage isn't as powerful as premium support, but it's still a huge improvement over having one government-run option. Republicans should work to help it grow even faster. One idea is to make Medicare Advantage the default, while allowing seniors who want the government-run plan to opt out. Another would be to pursue more risk-sharing for seniors also enrolled in Medicaid.

But the best thing Republicans can do is to provide predictability. Critics argue Medicare Advantage plan payments are still too high due to improper risk-adjustment, and lowering them could provide some short-term savings. But it's more important to achieve the structural change of having a majority of Medicare beneficiaries choose private plans. Republicans should prioritize the opportunity for long-term reform, competition and reduction of government interference in health care.

For decades, Ted Kennedy worked tirelessly to move the U.S. toward a single-payer system, taking incremental steps when necessary. Republicans must adopt the same disciplined approach toward consumer-oriented health care, and bolstering Medicare Advantage enrollment is a great step. As these plans become more popular, they are attracting bipartisan support. Republicans may have lost the fight for premium support 20 years ago, but today with Medicare Advantage they are poised to win millions of seniors to the side of real reform.

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

How Tariffs Dampen the Energy Boom

By Rupert Darwall

I s someone in the White House colluding with China? The Trump administration's decision to impose tariffs on imported aluminum and steel lets China off the hook for its chronic and deliberate overproduction. Worse, it sets the stage for a trade war that would rob U.S. manufacturers of the advantages stemming from America's recent transformation into the world's hydrocarbon superpower.

From lifting restrictions on offshore drilling to ending the Obama administration's war on coal, Mr. Trump's robustly pro-growth energy policies have so far delighted American industry. Energy Secretary Rick Perry told an audience at February's Conservative Political Action Conference that America has finally turned the page on the Jimmy Carter era of resource pessimism and energy shortages. Forecasters expect U.S. oil production to surpass Saudi Arabia's output in 2018. Last year the U.S. produced 19.4% more natural gas than Russia.

A trade war would prevent American manufacturers from taking advantage of abundant hydrocarbons.

Having freed itself from the Paris climate agreement and dumped the Clean Power Plan, the U.S. now has easy access to more low-cost energy than almost any other industrialized nation. American coal production, exports and employment rose in 2017 after years of decline. Thanks to technological innovations such as horizontal drilling and hydraulic fracturing, the U.S. is awash in cheap, domestically produced natural gas. No other industrial nation comes close to matching America's energy exceptionalism.

Normally all this would be great news for domestic manufacturers, which rely on energy-intensive aluminum and steel as inputs. In Europe, where green policies have pushed up energy costs, natural-gas and electricity prices are roughly double those in the U.S. Yet despite the low cost of domestic natural gas, U.S. primary production of aluminum has fallen by more than half since 2015.

The reason is simple: China. In 2000 China produced about 11% of primary aluminum; now Chinese aluminum accounts for more than half of world output. After the 2016 election, the Aluminum Association urged President-elect Trump to make China's aluminum sector a top trade priority and force Beijing to the negotiating table. By adopting National Trade Council director Peter Navarro's aluminum tariffs this month, the White House effectively kicked over the table instead.

A former colleague has described Mr. Navarro as an "environmental pit bull." He opposes major parts of the Trump administration's energy agenda, sees carbon taxes and wind power as solutions to global warming, and is against exports of American energy. Without access to foreign markets, the U.S. coal industry would likely die.

The 25% tariff on imported steel is even more destructive than the aluminum tariff because it pits the U.S. against its European allies, making it harder for the EU to pressure China to reduce overproduction. EU steel output has fallen 23% since 2007, while Chinese production has risen 65%. In 2007, China increased its steel output by an amount greater than the total combined output of the EU and U.S.

Until recently, the EU and the U.S. had a shared interest in tackling the problem. But that spirit of cooperation is gone. American steel tariffs are the issue now, not Chinese overproduction.

America's newfound energy leadership could become an effective counterweight to China's financial muscle in the developing world. But if Mr. Trump insists on starting a trade war that makes American manufacturers less competitive and pushes the U.S. to the margins of the international trading system, expect the world's aspirational economies increasingly to turn to Beijing. Everyone would lose, but the biggest hit would be to America itself. Let's hope there's time for second thoughts.

Mr. Darwall is the author of "Green Tyranny: Exposing the totalitarian roots of the Climate Industrial Complex" (Encounter Books, 2017).

Gina Haspel Followed Faulty Advice in Good Faith

By Robert F. Turner

I was outraged when I learned in 2005 that the Central Intelligence Agency had engaged in "enhanced interrogation techniques," and I spoke against it publicly on several occasions. But I am also outraged at the suggestion by some senators that Gina Haspel's nomination to lead the CIA should be blocked because she played a role in the implementation of the enhanced-interrogation program.

It would be unfair to deny her CIA confirmation because the Justice Department erred.

Ms. Haspel is not an attorney, and she had every reason to rely in good faith on the legal memoranda produced by the Justice Department's Office of Legal Counsel upholding the controversial techniques. As former ACLU Deputy Legal Adviser Jameel Jaffer recently noted, OLC opinions "have the force of law within the executive branch."

We must keep in mind that these acts occurred during an armed conflict authorized by Congress. War is an ugly business. Causing enemy personnel extreme discomfort is common during wartime, and shooting them—or blowing off their arms or legs with rockets or artillery—is far more painful than "stress positions," sleep deprivation, or even waterboarding. The goal of enhanced

interrogation was to obtain information that might prevent the next 9/11 attack.

The decisive issue for me was upholding the rule of law. Having spent nearly four decades studying national-security law, I believed that Common Article 3 of the 1949 Geneva Conventions—which requires that all detainees in noninternational armed conflicts be treated humanely—governed the struggle with al Qaeda and thus prohibited at least some of the enhanced-interrogation techniques. By ratifying the conventions, America had pledged its sacred honor to abide by their terms. Refusing to do so would also undermine our own ability to persuade other countries to obey their legal obligations, and thus weaken the rule of law.

The OLC lawyers reached a different conclusion, noting that Common Article 3 applies to "armed conflict not of an international character occurring in the territory of one of the High Contracting Parties." Quite reasonably—but I believe wrongly—they concluded this provision did not apply because 75 countries were involved in the "war on terror," and thus it was "of an international character"; and it was not limited to the territory of one party.

In the 2005 *Hamdan v. Rumsfeld* case the U.S. Circuit Court of Appeals for the District of Columbia unanimously agreed with the OLC lawyers that Common Article 3 did not apply. The following year, the Supreme Court split on the issue in what would have been a 5-4 decision had Chief Justice John Roberts not recused himself on grounds that he had

a proxy for criminal history.

But why didn't the EEOC withdraw this misguided Obama-era rule on its own? Because Obama-era commissioners still run the show. The EEOC is a bipartisan commission led by five presidentially appointed members. Two seats are vacant, giving Democrats a 2-1 majority. President Trump has nominated two outstanding candidates to fill the vacancies and give the commission a 3-2 Republican majority.

Chairman-designate Janet Dhillon is a lawyer and corporate executive—the sort of woman who would be celebrated as a feminist trailblazer if she were a progressive Democrat. In fact, she's a conservative stalwart. The other nominee, Daniel Gade, is a retired Army Ranger who lost his leg in combat in Iraq. He holds a doctorate in public policy and administration and has taught at West Point.

These nominees should be shoo-ins. But as a condition for allowing their confirmation without lengthy

joined the unanimous opinion on the same case at the D.C. Circuit.

For Ms. Haspel, that question was settled when OLC declared that certain enhanced-interrogation techniques were legal. Those opinions continued in force until they were withdrawn in 2004, long after her involvement in the program had ended.

To make the withdrawal of the OLC memos retroactive—punishing nonlawyer intelligence professionals for acting in good faith based on legal advice from the Justice Department's top lawyers—is contrary to American values. The Constitution expressly prohibits Congress and the states from enacting ex post facto laws.

Sen. John McCain has reasonably demanded that before Ms. Haspel is

confirmed, she "must pledge without reservation to uphold" the prohibitions against torture and other physical abuse of detainees.

She should, and surely will, since these prohibitions are now part of U.S. federal law—but voting to block her nomination because she followed legal advice in good faith would be unjust. It would send a signal to intelligence and military professionals that doing difficult jobs during wartime—even when legally authorized—could be hazardous to their careers.

Mr. Turner is a distinguished fellow and co-founder of the Center for National Security Law at the University of Virginia. He served as counsel to the President's Intelligence Oversight Board, 1981-84.

Make a Deal on the EEOC

By Carrie Lukas

Afederal court last month ruled that the Equal Employment Opportunity Commission had violated federal law when it decreed that businesses couldn't take account of criminal history in hiring. Judge Sam Cummings found the agency had violated the Administrative Procedure Act by failing to provide the public with notice and the opportunity to comment on its decision. It also was a self-defeating policy, in terms of preventing discrimination. "In the absence of better information," Civil Rights Commission member Peter Kirwan noted, "employers use race as a proxy for criminal history."

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These nominees should be shoo-ins. But as a condition for allowing their confirmation without lengthy

debate, Democrats have insisted that Mr. Trump nominate Chai Feldblum for a third term, after her current term expires in July.

Some Senate Republicans have understandably balked at confirming the very progressive Ms. Feldblum to another term. But this means that, rather than having a Republican majority on the EEOC

Senate Democrats offer Republicans a two-for-one compromise that would give the GOP a majority.

commission, Ms. Feldblum and the other Democratic commissioner, Charlotte Burrows, are running the show. When Ms. Feldblum's term expires in July, she could continue to serve as a holdover for months, until a replacement is confirmed or the Senate adjourns.

The Republicans who oppose making a deal are holding back what should be an era of aggressive reform at an important government agency. Employers large and small could be affected on matters ranging from religious liberty to data-collection requirements.

With an uncertain majority after November, it's more important than ever that Senate Republicans appoint as many qualified conservative nominees as possible. The EEOC would be a good place to start.

Ms. Lukas is president of the Independent Women's Forum.

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Food Makers Ready Higher Prices

General Mills plans some increases as costs for shipping and ingredients mount

BY ANNIE GASPARRO

General Mills Inc. will raise prices on some meals and snacks to reflect higher ingredient and shipping costs, as food companies battle inflationary pressures that are eat-

ing into profits.

The maker of Cheerios cereal and Yoplait yogurt said freight costs in North America were near 20-year highs in February and food prices were also higher than expected, prompting the conglomerate to lower its earnings expectations for the year.

"We are seeing an unprecedented rise in logistics costs," Chief Executive Jeff Harmening said in an interview. For food costs, he said, "the inflation is

not unprecedent, but we are a quarter late in reacting."

General Mills shares fell nearly 9% on Wednesday to \$45.51, their lowest price in five years. The stock has dropped about 24% over the past year while the S&P 500 rose 14%. Shares in other food makers including Campbell

Soup Co., Kellogg Co. and Conagra Brands Inc. also fell, though by smaller margins.

Campbell, Hershey Co., Mondelez International Inc.

and J.M. Smucker Co. in recent months have said they are struggling to protect profits while freight and food costs rise. Fourteen of the last 15 packaged-food makers to report their quarterly results posted delivered lower-than-expected gross margins, said J.P. Morgan analyst Ken Goldman.

Conagra is due to report on its latest quarter on Thursday. Analysts project its gross margin will fall to 30.4% from 31.3% the prior year. In Decem-

ber, Conagra warned inflation and other pressures would weigh on operating margins.

Food distributors and grocers have also noted rising freight and commodity costs, and some including Sysco Corp. are passing some of the increase to customers. Food makers Tyson Foods Inc., Hormel Foods Corp. and B&G

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◆ Heard on the Street: General Mills sounds an alarm B14

Uber Car Appeared Headed For Victim

BY GREG BENSINGER AND TIM HIGGINS

A newly released video of the fatal accident involving a pedestrian and an Uber Technologies Inc. self-driving car appears to show the vehicle heading straight into a woman walking her bike across the road without slowing down or swerving to avoid her.

The video, collected by Tempe, Ariz., police from cameras inside and outside the Uber vehicle, appears to also show the human safety operator at the wheel was looking down for approximately five seconds before the moment of impact. This person's role is to take over controls to help prevent accidents or erratic driving from the robot vehicle.

The fatality prompted Uber to temporarily pull its self-driving vehicles from four North American cities while investigators determine the circumstances.

No charges have been filed and Tempe police on Wednesday said they are actively investigating Sunday night's accident and will submit their findings to the Maricopa County Attorney's office. Uber said this week it is cooperating with local and federal investigators following the death of 49-year-old Elaine Herzberg.

"The video is disturbing and heartbreaking to watch, and our thoughts continue to be with Elaine's loved ones," an Uber spokeswoman said in a statement on Wednesday. "Our cars remain grounded, and we're assisting local, state and federal authorities in any way we can." Uber said it had no further comment.

While Tempe police haven't determined whether Uber was at fault, they did initially say the accident was likely unavoidable.

There is no indication that the Uber car—equipped with laser sensors, radar and camera sensors to detect its surroundings—identified the pedestrian ahead of the collision. If that is the case, this accident could damage the public's perception of robot vehicles, jolt regulators to take action and threaten the progress of dozens of auto

Please see UBER page B2

ONLINE



For the video of the accident involving the Uber car, go to WSJ.com

ETF Rise Stokes Fear Of Trading Difficulty

BY MIKE BIRD

Bets against some exchange-traded funds have hit records as investors question whether this industry could handle sudden redemptions in a downturn.

Investors are wagering against the shares of some ETFs that buy securities like high-yield debt, which may be hard to sell if markets turned suddenly, a fear stoked by increased volatility this year.

The number of shares being shorted on the two largest high-yield bond funds has risen to records this year, reaching 40% for the iShares iBoxx U.S. Dollar High Yield Corporate Bond ETF and 20% for the SPDR Bloomberg Barclays High Yield Bond ETF, according to FactSet.

The U.S. ETF industry is valued at about \$3.6 trillion, up from just above \$500 billion in 2008, according to the Investment Company Institute, raising its importance in the financial system and magnifying the risk if the funds run into difficulties. In comparison, conventional U.S. mutual funds have assets valued at more than \$16 trillion, according to ICI.

Still, other analysts point to relatively recent episodes, like the rise in spreads on high-yield bonds in 2015 and 2016, as proof that ETFs can manage periods of stress well.

"It's going to get pretty interesting here with the Fed proceeding with interest-rate hikes. You have a 30-year bull market in fixed income and people aren't used to what happens if there's a downturn in that market," said Daniel Gallagher, a former commissioner of the Securities and

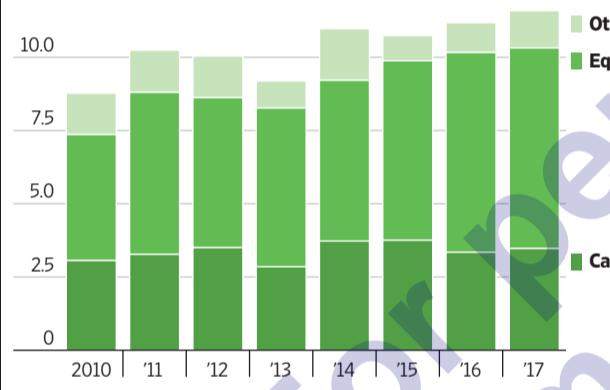
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CEO Pay Reached New High in 2017



From left, Chief Executive Hock Tan of Broadcom, Virginia Rometty of International Business Machines, and Tesla's Elon Musk.

Median compensation at 133 large U.S. firms, with average pay mix



Note: Through March 16 for current S&P 500 CEOs during years in which they headed the same firms.

Source: MyLogIQ. Photos (from left): Lucas Jackson/Reuters; Joshua Roberts/Reuters; Morgan Sette/EPA/Shutterstock

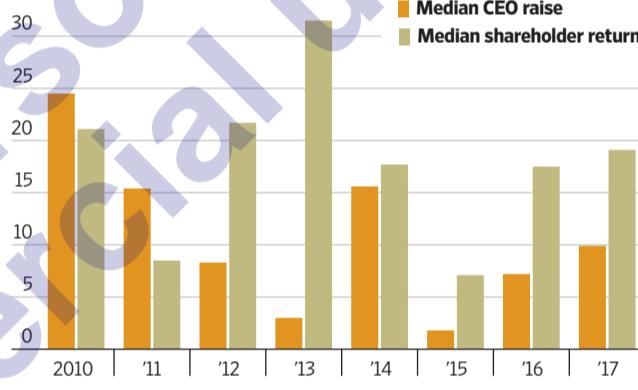
By THEO FRANCIS
AND JOANN S. LUBLIN

The chief executives of America's biggest companies are on track for another banner year of compensation, fueled by a soaring stock market and an improving economy.

Median pay for the chief executives of 133 of the largest U.S. companies reached an all-time high of \$11.6 million in 2017, up from \$11.2 million in 2016, a Wall Street Journal analysis of proxy statement data found.

The highest paid so far? Hock Tan, the chief of Broadcom Ltd., who has been at the

CEO pay versus company performance



both businesses and U.S. consumers. And investors have pressured boards to better align CEO compensation packages to shareholder returns. The S&P 500 index returned about 22% last year.

Companies in the Journal's analysis reported strong returns, as well, with half posting total shareholder return above 19.1%, improved from 2016's median total return of 17.5%. Total return reflects changes in a company's share price and the effect of dividend payments.

Corporate profits surged in many industries last year, fueled by healthy spending by

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INSIDE

PERSONAL TECHNOLOGY | By David Pierce

This App Can Give Order to Your Chaos



Everything I need to keep my life running is stored online. Somewhere. I just can't find it.

I'm talking about all the account numbers, meeting notes, to-do lists, contact information and column drafts I need to see every day. Plus the recipes I want to cook. Some of that stuff lives in my email inbox, and some in Google Docs. Then there are my Pinterest boards and the Evernote account I can never organize coherently.

In theory, the internet makes it easier than ever to keep everything I need a few taps away. In reality, the internet has a way of fragmenting our lives.

Over the past few weeks, an app called Notion has helped me turn chaos into order. Notion combines many of the best features of Google Docs, Excel and

I now have a page with all Please see PIERCE page B4

Please see PIERCE page B4

Dropbox, along with lots of task-management and organizational tools. Notion Labs Chief Executive Ivan Zhao describes the product as "the next generation of Microsoft Office," which is a little hyperbolic and a lot ambitious. But it is the best life-organization tool that I've tried.

Notion combines the features of a note-taking app, a task-management app and a spreadsheet tool the way that Steve Jobs combined an iPod, a cellphone and a web browser into the iPhone: All these tools work together to create something more than its parts.

I should mention that

Notion is fairly expensive: It

has a limited free tier, and

costs \$8 a month for heavy use. Still, it might pay for itself in the apps it replaces, and I've found it easily worth the cost.

I now have a page with all

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HOW STRONG IS YOUR CORE?



It's time to find out. Go to page B3.



All investments involve risk, including loss of principal.

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PRICES

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Foods Inc. have all said they would raise prices to offset higher freight costs.

The Labor Department said prices that businesses charge for goods and services were up 0.2% in February compared with the prior month, more than economists expected. The increase followed broad producer-price increases in January as well, suggesting consumers may soon see higher prices, too, as businesses pass on more of their own rising costs.

A shortage of trucks has pushed up shipping rates since federal regulation changed late last year to more closely monitor the time truckers spend on the road. Some companies have paid a premium to get their products to retailers on time. Others have had shipments delayed as freight volumes climbed.

Minneapolis-based General Mills usually uses more expensive on-demand shipping for just 5% of shipments. Lately, supply constraints have forced it to ship a fifth of its products at higher on-demand rates, pushing transport cost up as much as 60% for those goods.

To compensate, Mr. Harmening said General Mills will raise prices on some products and sell some products in smaller packages. He said the company would also tweak the discounts it offers.

Analysts questioned whether General Mills and its peers can raise prices without losing shoppers as competition in grocery stores intensifies. "Investors just worry so

much that the retail environment is so difficult," said Citi-bank analyst David Driscoll.

Indeed, some grocery stores are cutting prices even as costs rise to compete with discount retailers. The cost of a basket of items at a selection of Kroger Co. stores fell this month compared with February, according to a Telsey Advisory Group survey.

"It is more difficult than ever" to raise prices, said Mr. Goldman, the J.P. Morgan analyst.

He said General Mills faced additional pressure because of its own missteps as costs rose, whereas other food makers seem to have planned better for the shipping shortage and inflation.

Part of the problem General Mills faced was that sales improved while shipping costs were soaring. Brands like Cheerios and Progresso soup lately sold faster than rival brands—progress for a company that hasn't seen that kind of success in years.

General Mills has had to pay outside manufacturers to help it meet demand for some of those products and elevated shipping rates to get them into stores. "We expected our new products to be better, but didn't expect them to be this much better," Mr. Harmening said.

General Mills's comparable sales rose 1% in the latest quarter, including a bump in the U.S. as more people bought Nature Valley granola bars and new flavors of Cheerios. But the higher costs dragged adjusted operating margin down 1.2 percentage points to 15.7%.

—Heather Haddon contributed to this article.

JUSTIN SULLIVAN/GETTY IMAGES

General Mills has had to pay higher rates to ship its products.

BUSINESS & FINANCE

Lawsuit Funders Face New Scrutiny

By JACOB GERSHMAN

Investors placing bets on commercial lawsuits have long operated under a veil of secrecy. But as litigation funding in the U.S. has spread to more courthouses and transformed into a billion-dollar business, plaintiffs and their faceless financiers are confronting calls for more transparency.

At the urging of the U.S. Chamber of Commerce, the arm of the federal judiciary that oversees procedural rules recently decided to examine whether the court system should require all civil litigants to reveal financing deals with outsiders who have wagered on legal outcomes. The Senate Judiciary Committee also is weighing legislation that passed the House last year that would force class-action plaintiffs to reveal whether they are getting funding. Meanwhile, courts are divided over whether to order disclosure.

The major players of litigation finance say their critics are trying to chill investment in lawsuits under a banner of transparency.

Litigation funding enables litigants and law firms to secure financing to pursue lawsuits or, less commonly, to defend against a claim. In exchange for cash, the borrower agrees to give funders a portion of any settlement, judgment or fee awards.

The motives for financing lawsuits can vary. Funders can have personal reasons for backing a suit, like in Hulk Hogan's privacy case against now-defunct Gawker Media that was

Legal Tender

Total capital raised by litigation firms for investment in U.S. litigation as of Dec. 31, 2017



Source: the firms
THE WALL STREET JOURNAL.

secretly financed by billionaire investor Peter Thiel.

Funding companies such as U.K.-based Burford Capital LLC and Australia-based IMF Bentham Ltd. operate more like venture capitalists, scouring and vetting lawsuits for their return potential. Funding firms have raised hundreds of millions of dollars to finance hundreds of commercial lawsuits in the U.S., ranging from a class action against Chevron Corp. over a rig explosion to a patent dispute against the video game industry.

Funders and litigants often enter nondisclosure agreements. And most of the time, a funder's role in a lawsuit is kept secret from opposing parties.

"If someone is invested in a lawsuit against you, they've bought part of the outcome," said John Beisner, a Washington defense lawyer at Skadden, Arps, Slate, Meagher & Flom LLP and a lobbyist for the chamber. "I think the defendant has a right to know who's driving this bus in conducting litigation against you."

The Chamber of Commerce says the secrecy enables outside investors to conceal their influence over a lawsuit and settlement decisions, while blinding courts to potential financial conflicts of interest. And for corporate defendants, there are tactical advantages in knowing if an adversary has funding, particularly in settlement talks.

Funders say their critics are overstating the need for sunlight.

"They're trying to make it more difficult to get litigation finance. I understand why. We make it harder and more expensive to settle cases," said Allison Chock, chief investment officer for Bentham's U.S. division. Litigation funding, she said, helps level the playing field by putting plaintiffs on "more equal financial footing against deep-pocketed defendants."

Funders say a blanket disclosure rule could unfairly expose a plaintiff's litigation budget. It could also embolden defendants to bombard plaintiffs with unjustified demands to pry into funding agreements with investors.

The issue is getting a fresh look from the federal judiciary's civil rules advisory body, which

last fall agreed to study a proposal from the Chamber of Commerce that would require civil litigants to reveal compensation agreements contingent on legal outcomes.

Courts have largely protected the confidentiality of litigation funding, citing rules shielding both communications between attorneys and clients and "work product" documents prepared in anticipation of litigation.

In a recent copyright lawsuit in Seattle, for example, Zillow.com wanted to figure out if a photography firm suing the real-estate site had outside financing. U.S. District Judge James Robart said there was no compelling reason for the plaintiff to share that information.

Another decision last month in Delaware suggests that funders can't be assured of confidentiality. Videogame makers Activision Blizzard Inc., Electronic Arts Inc. and Take-Two Interactive Software Inc. won the right to see email communications between a company suing them for patent infringement and Hamilton Capital, a hedge fund that had lent the plaintiff \$15 million, according to court papers.

Plaintiff Acceleration Bay had described itself as a technology incubator, but the companies said the emails could show that its adversary was a shell company set up to sue them. U.S. District Judge Richard G. Andrews held that the emails—exchanged before the case had been filed and before any litigation funding agreement had been signed—were fair game.

Uber Car Fatality Awakens Insurers

By LESLIE SCISM

As federal investigators begin to examine a pedestrian fatality involving a self-driving Uber Technologies Inc. car this week, America's car insurers are watching closely.

Car insurers haul in roughly \$230 billion of premiums a year, but much of that intake could evaporate in coming decades, say some consultants, assuming crucial breakthroughs in driverless technology that would eliminate the many wrecks caused by human error.

The potential hit to their bottom lines has property-casualty insurers in an arms race to figure out how they can design policies and price the risk of the vehicles that technology firms, such as Uber and Alphabet Inc., are seeking to deploy, according to industry brokers, executives and trade groups.

It isn't clear that the death this week in Arizona would be an example of how liability would shake out for the industry. A person familiar with Uber said the firm's test vehicles are insured through a commercial-insurance policy for a maximum of \$5 million per accident. The insurer or insurers couldn't immediately be confirmed.

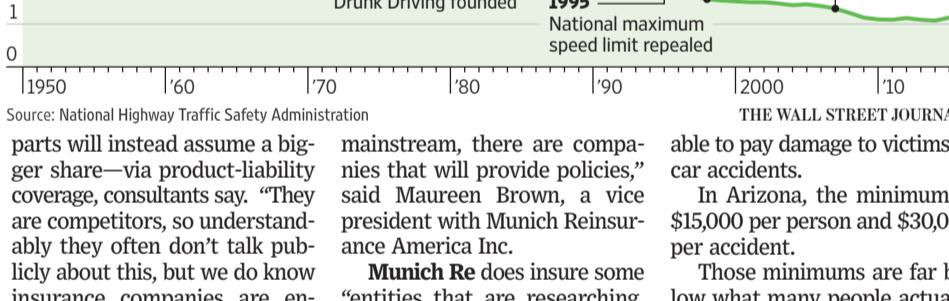
The Uber accident highlights a likely broader trend to come. Under the current arrangement, individual car owners must buy liability policies to help cover damage in wrecks they cause. But in a possible metamorphosis, individuals would bear less financial responsibility.

Instead, the makers of the vehicles and their many complex

Human Error

The rate of U.S. auto fatalities has declined since 1950, as new laws, steady technological improvement and campaigns to change behavior reduced many leading causes of fatal wrecks.

Annual motor vehicle crash deaths per 100 million vehicle-miles traveled



Source: National Highway Traffic Safety Administration

parts will instead assume a bigger share via product-liability coverage, consultants say. "They are competitors, so understandably they often don't talk publicly about this, but we do know insurance companies are engaged with developers, trying to help them reduce their liability exposure," said Jim Whittle, associate general counsel for the American Insurance Association, a lobbying group representing some of the nation's biggest property-casualty insurers.

Those possibly at fault for accidents: vehicle owners, manufacturers, suppliers, service providers and even data providers.

The shift from personal liability

is also an opportunity for many of the biggest insurers eager to get in on the action of insuring autonomous vehicles.

"While insurance coverage for [autonomous vehicles] is not

mainstream, there are companies that will provide policies," said Maureen Brown, a vice president with Munich Reinsurance America Inc.

Munich Re does insure some entities that are researching, testing, or developing hardware or software designed to move autonomous vehicle technology forward," according to the firm.

As control of vehicles gradually moves from people to computers, exactly how liability will shift remains to be determined, insurance brokers say. Uncertainties abound as to how autonomous vehicles will perform on roads with manually operated vehicles, among other things.

To test vehicles in any state, Uber and its rivals must meet financial-responsibility laws that obligate all car owners to carry insurance. States require the coverage so that money is available to pay damage to victims of car accidents.

In Arizona, the minimum is \$15,000 per person and \$30,000 per accident.

Those minimums are far below what many people actually carry, set low partly to help encourage insurance purchases. When it comes to deep-pocketed corporate owners of vehicles, victims could sue for greater sums.

Indeed, should autonomous cars proliferate and if their safety record isn't as great

BUSINESS NEWS

Meredith To Lay Off 1,000 at Time Inc.

BY JEFFREY A. TRACHTENBERG

Meredith Corp. said it intends to lay off 1,000 staffers at Time Inc. over the next 10 months in addition to 200 positions it cut this week, part of a push to reduce expenses following its acquisition of the storied magazine publisher in January.

The moves are part of an integration process that Meredith expects will yield \$400 million to \$500 million in cost savings over the next two years.

Separately, Meredith said it is exploring the possible sale of Time Inc. titles including Time, Sports Illustrated, Fortune and Money.

A person close to the situation said most of the inbound interest in each of the four titles hasn't been from strategic buyers but rather from wealthy individuals interested in the subject area. Now that bankers have been hired and a sales process is under way, it is possible that more strategic buyers could express interest, this person said.

Those affected by this week's layoffs are primarily corporate employees in New York in areas such as legal, finance and consumer marketing, according to the company.

Meredith, which publishes magazines such as Better Homes & Gardens and Shape, has previously said it would lay off an estimated 600 staffers at a fulfillment center in Tampa that is in the process of being closed, bringing the total number of Time Inc. employees who will eventually lose their jobs to at least 1,800.

Meredith officially closed its acquisition of Time Inc. on Jan. 31 of this year.

—Stephanie Yang contributed to this article.

Abrupt move comes amid dispute over whether the studio was focused on growth

BY BEN FRITZ AND JOE FLINT

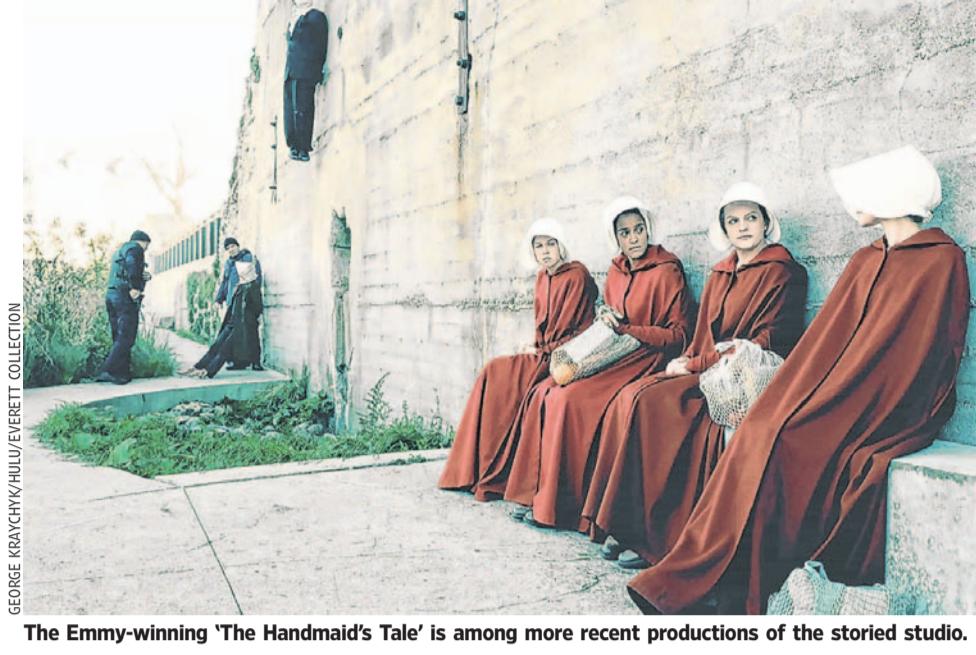
The board of **MGM Holdings** Inc. abruptly fired Chief Executive Gary Barber amid disagreement over whether the Hollywood studio was well-positioned for growth, according to people close to the company.

Mr. Barber's termination Monday came five months after the board renewed his contract, and without a designated successor. The longtime studio chief was blindsided by the news, one of the people said.

Closely held MGM is known for the James Bond movies as well as television shows such as the Emmy-winning drama "The Handmaid's Tale."

Mr. Barber previously had disagreed with some board members over how MGM should make the transition to a combined producer and distributor capable of holding its own against giants such as **Netflix** Inc. from a pure content-production company, according to people with knowledge of the disagreements.

Monday's news caught people throughout Hollywood by surprise, including many of MGM's approximately 600 em-



The Emmy-winning 'The Handmaid's Tale' is among more recent productions of the storied studio.

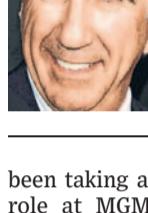
ployees. In a brief statement, the company said its board had "initiated a CEO transition," providing no details on Mr. Barber's departure.

Members of the board believe that Mr. Barber was running the company with an eye toward selling it rather than focusing on long-term growth, a contention with which the chief executive disagreed, according to several of the people close to the company.

A question for MGM's future will be whether it can turn its premium cable channel Epix into a vibrant digital business

that competes with Netflix, HBO and other subscription video services. MGM in 2017 gained full ownership of Epix—previously a joint venture with Viacom Inc. and Lions Gate Entertainment Corp.—in a deal that valued the channel at around \$1 billion. Mr. Barber, whose background is in accounting and film, didn't appear to have a strategy for Epix that satisfied the board.

MGM's board is led by Kevin Ulrich, head of private-equity firm **Anchorage Capital Partners**, the studio's largest shareholder. Mr. Ulrich has



Some critics thought Gary Barber was running the company with an eye toward selling it.

been taking a more hands-on role at MGM and last year took over the chairman role from Mr. Barber.

Driving the firing was a sense among some board members that Mr. Barber wasn't being aggressive

enough in pursuing new partnerships and growth strategies, as he had previously agreed to do, one of the people close to the company said.

Mr. Barber, meanwhile, believed he was building shareholder value by executing and then managing acquisitions including Epix and "Survivor" producer Mark Burnett's production company, another one of the people said. Mr. Barber was working on other potential deals for MGM, this person added.

Previously, MGM's board had been pleased with how Mr. Barber led the studio out of years of upheaval when he took it over following a pre-packaged bankruptcy in late 2010, the people close to the company said. Valued at \$1.9 billion when it emerged from bankruptcy, MGM's privately traded shares have recently been exchanged at prices implying a total value of more than \$5 billion, a person with knowledge of the matter said.

The board is now expected to look outside the studio for a new leader, someone who is likely to have a stronger background in digital media and television than Mr. Barber, some of the people close to the company said.

Meanwhile, it is being run by an "office of the CEO" including top executives who previously reported to Mr. Barber, the board said.

FedEx Says Profit Fell in Its Express Business

BY PAUL ZIOBRO

Some retailers gambled on slower shipping options during the holidays, depriving FedEx Corp. of higher-priced express shipments until the crunchtime before Christmas.

The move paid off for shippers, as FedEx's ground network delivered more than 54 million packages a day earlier than expected. But FedEx's ex-

press business, which had spent big on aircraft and staffing anticipating higher volume, posted a steep drop in operating profit in the latest quarter. The unit incurred \$170 million in extra costs during the December-to-February quarter, including for added costs during the peak shipping period.

"We saw customers stay in the ground system longer this

year," David Cunningham, head of the express unit, said on an earnings call Tuesday evening. Instead, he said, there was a "more concentrated surge" in express shipments in the final few days before Christmas.

FedEx said investments to automate its ground network in recent years have sped up service, which likely gave shippers more confidence to

use it during the 2017 holidays.

The performance of the ground business rescued FedEx's overall performance. The Memphis-based company reported a slight drop in operating profit to \$1 billion despite a 10% increase in revenue, to \$16.5 billion.

FedEx's profit in its express business fell 24% to \$424 million, while the ground unit's

profit surged by a similar percentage to \$634 million.

FedEx raised its profit outlook for the remainder of the fiscal year, which ends May 31, as it expects better margins during the final period. "The fourth quarter is going to be gangbusters," Chief Executive Fred Smith said. "The fourth quarter is going to be gangbusters," FedEx Chief Executive Fred Smith said.

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percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Class I percentile ranks of the Fund were 1% (6/986 funds) for the 1-year period, 1% (8/847 funds) for the 3-year period, 2% (12/778 funds) for the 5-year period and 1% (6/554 funds) for the 10-year period. Mutual funds and exchange traded funds are considered a single population for comparative purposes.

Fund ranking and rating based on the institutional share class which are not broadly available to retail investors.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, and summary prospectus, if available, at www.leggmason.com/individualinvestors. Please read the prospectus carefully.

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TECHNOLOGY

WSJ.com/Tech

Apple's Iovine to End Music Role

By TRIPP MICKLE
AND ANNE STEELE

Apple Inc. is losing the public face of its music operations, just as its streaming service is finding its beat.

Executive Jimmy Iovine will transition into a consulting role in August and step back from daily involvement with the company's streaming-music business, according to people familiar with his plans.

Mr. Iovine is one of the last of a team of prominent music executives Apple gained when it bought Beats Electronics LLC in 2014 for \$3 billion. Former Chief Executive Ian Rogers, Beats co-founder Dr. Dre and Nine Inch Nails frontman Trent Reznor, another top Beats executive, have all left or distanced themselves from the company since the Apple deal, people familiar with the business said. Beats President Luke Wood, who oversees the headphones business, remains.

The departures raise questions about the lasting value of Apple's largest deal at the same time its acquisitions strategy is attracting new interest with the planned repatriation of some \$250 billion in cash it has held overseas.

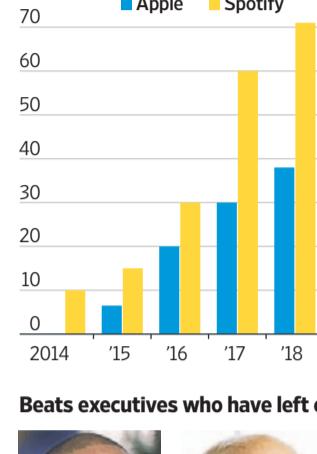
While the Beats deal jump-started Apple's music-streaming business and eliminated a rival, Apple had to revamp the first version of Apple Music because of design problems. Original video programming later pushed by Mr. Iovine also received critical reviews.

Beats's headphones and speaker business has diminished in significance as Apple launches and pushes its own audio products, including AirPods earbuds and HomePod

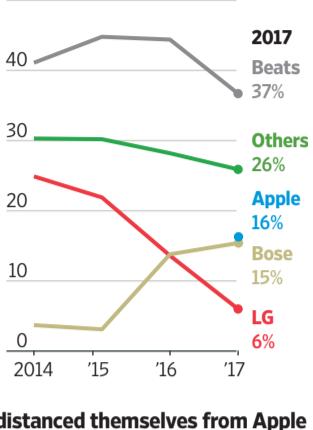
Dropping the Beat

Jimmy Iovine's transition into consulting raises questions about the lasting value of Apple's \$3 billion deal for Beats in 2014.

Paid streaming-music subscribers, world-wide



U.S. Bluetooth headphone market share



Beats executives who have left or distanced themselves from Apple



Notes: Subscriber data are reported at different points in the given year; Apple Music wasn't available in 2014.

Sources: the companies (subscribers); NPD Group (headphones). Photos: AP Photo (Dre); Zuma Press (Iovine); Getty Images (Reznor, Rogers)

THE WALL STREET JOURNAL.

former producer of performers Stevie Nicks and U2 who founded Interscope Records, has told people close to him that he plans to spend more time with his family while supporting Apple Senior Vice President Eddy Cue, who oversees Apple Music, as needed, the people said.

It isn't unusual for executives to leave after their companies get acquired by a bigger competitor. Many key executives have departed Apple after buyouts, finding it difficult to adapt to the tech giant's well-defined culture after leading smaller, independent operations.

For Mr. Iovine and his colleagues, transitioning from the edgy culture they established at Beats to an Apple Music culture that is more focused on appealing to the masses was a particular challenge, the people said. The timing of Mr. Iovine's move, however, is linked to the Apple shares he received in the Beats acquisition, which will fully vest in August, they said.

Apple's music business has been gaining momentum and is poised to overtake rival **Spotify Technology SA** this year in U.S. paid subscribers. That is mostly because of Apple Music's reach across many of Apple's 1.3 billion devices world-wide—on which its app is included by default—rather than the exclusive content agreements delivered through Mr. Iovine's close relationships with artists, according to music-industry executives.

Apple Music's Mr. Cue has leaned on three executives for day-to-day leadership, people familiar with the operation said.

Mr. Iovine has led the Los

Angeles music office, holding meetings with Apple Music employees and with artists and entertainment executives such as the Black Eyed Peas member will.i.am and former NBC television executive Ben Silverman, the people said.

But most of Apple Music's operations were left to senior executives Robert Kondrk, who oversees the business of Apple Music and iTunes, and Jeff Robbin, who oversees the product and engineering teams, the people said. The pair assumed a more active role at Apple Music after the streaming service was plagued by design and engineering issues following its launch in 2015. It was redesigned and rereleased a year later.

Mr. Cue now will have to determine whether to continue dividing responsibilities between Messrs. Kondrk and Robbin, elevate one to a more public role, or look externally for someone with music-industry ties to assist with artist relationships, people familiar with the matter said.

Mr. Iovine's planned departure further distances the Apple Music division from the company's push into video content. The executive had championed Apple's support of documentaries and shows such as "Carpool Karaoke," saying the combination of video and music would create "a fuller experience" that attracted more subscribers.

Apple last year hired Jamie Erlicht and Zack Van Amburg, who oversaw Sony Pictures Television productions such as "Breaking Bad," to lead a different division pushing into original content. They have a \$1 billion budget and report to Mr. Cue.

Watch App Is Used to Spot Heart Problems

By PETER LOFTUS

Smartwatches could detect a common heart-rhythm disorder with relatively high accuracy when people were at rest, but less so when participants were physically active, a new study found.

The study, led by researchers at the University of California, San Francisco, tested the use of the heart-rate sensor and step counter built into **Apple Inc.'s** Apple Watch, to try to detect atrial fibrillation, a type of irregular heartbeat that can cause blood clots and strokes if left untreated.

Researchers used a mobile application from **Cardiogram Inc.**—which provided funding for the study—to access the watch data, and a machine-learning network trained to analyze the data.

About 2.7 million Americans and 34 million people worldwide are estimated to have atrial fibrillation. Many patients don't experience symptoms, and it can go undetected until a complication occurs.

The study is part of research testing mobile devices such as watches as tools to monitor users' health. But the

2.7M

Number of Americans estimated to have atrial fibrillation

approach has limitations, including patient demographics that don't always represent the broader population—partly because of the high cost of some devices.

The Apple Watch costs between \$249 and \$399.

The new UCSF study is part of a broader project the school started in 2013 called Health eHeart, which is trying to harness mobile technologies to develop strategies for preventing and managing heart disease.

For the new analysis, researchers developed a type of machine learning known as a "deep neural network" to analyze the heart-rate and step-count data collected from about 6,680 of the study participants who had Apple Watches. The researchers used step-count data to assess whether increases in heart rates were irregular or normal because of physical activity.

Researchers provided Apple Watches to about 50 patients with atrial fibrillation while undergoing procedures at UCSF known as cardioversions to restore normal heart rhythms. Patients were flat on their backs and the watches collected heart-rate data while they were still experiencing irregular heartbeats, and then when normal heart rhythm was restored.

The algorithm was able to distinguish between atrial fibrillation and normal heartbeats with about 97% accuracy when compared with gold-standard electrocardiograms, according to results published online Wednesday by *JAMA Cardiology*.

But the results were less impressive in a test of the algorithm in about 1,620 people using Apple Watch outside of the hospital in their everyday lives. The watch distinguished between atrial fibrillation and normal heart rhythm with about 72% accuracy, compared with participants' reports to the researchers of whether they had atrial fibrillation.

—Tripp Mickle

contributed to this article.



Videogame users remain at the center of Tencent's success.

PIERCE

Continued from page B1

my airline and hotel loyalty numbers in a bulleted list, above a photo of my dental insurance card and an embedded map with directions to my dentist's office. I made databases with all the movies, books, TV shows, and YouTube videos I need to get to—each cell opens to a rich document with my notes and thoughts. Notion has all the interviews, research material and outlines for my columns. I'm getting married soon and am staring down my nuptial to-do list every day.

I used to need five separate apps to keep all this stuff straight. Now it's all in Notion, a few clicks or a simple search away.

It might be easier to think of Notion as a super-simple website builder than a productivity app.

When you open a new page in the app, you're really creating a blank grid onto which you can place and arrange just about anything. The app's basic element is the block, which could be a paragraph of text, a bulleted list, a table, an image, a code snippet, a YouTube video, a PDF and more. You insert blocks with a tap or keyboard shortcut, and then reorder and organize these to your heart's content. You can easily change the nature of a block, too. For instance, you can select a bunch of text and turn it into a to-do list.

Notion is like chess: easy to learn, hard to master. The

app itself looks fairly familiar, with a sidebar on the left and your open page on the right. It has a few aesthetic niceties, like the option to add a cover photo to the top of any page.

When you first open the app, though, it doesn't do enough to help you understand everything it can do. Even after weeks of using Notion daily, I'm only now figuring out the most efficient ways to do things while trying to avoid making terrible layout decisions. My advice: Make heavy use of Notion's

I've bounced around note-taking apps and productivity tools, never quite happy.

templates, because they help you lay out pages and show what the app's capable of.

There are native Notion apps for Windows, Mac and iOS. Mr. Zhao says an Android app should be available within weeks. The web app works beautifully on desktop and mobile, too, and it's the exact same experience no matter which platform you're using.

Notion is very dependent on internet connectivity. It works offline only with pages you've opened recently while connected—which means all you can do is cross your fingers every time you open Notion on a plane. On the upside, you can embed tweets and You-

Tube videos, even entire webpages, within a Notion document.

Though I use Notion to stay on top of my own work and life (and you should too), Notion is designed for business teams. It offers collaborative editing, inline comments and useful tools for managing permissions and assigning tasks. If you use Slack, you can get alerts every time someone comments on or changes a Notion document. It isn't a substitute for Slack or

Salesforce, but it can replace many of the tools so many companies use to store and share information.

Notion isn't as powerful a spreadsheet tool as Excel, and it doesn't have some of the task-management features I want—when a task is due, I would like an alert, for instance. (Notion says that's coming.) Yet the app has helped me whittle the places I keep stuff down to just two. I can't stop email from coming in; I can put everything else in Notion.

For years, I've bounced around various note-taking apps and productivity tools, never quite happy. Evernote makes it easy to capture information, but I never liked the interface. Google Docs and Keep don't offer enough features.

Notion fuses the best of each—and others—into a rare renaissance app, proficient in methods of creation and organization. I can't put a price on the peace of mind that comes from an unfragmented life. Wait, yes I can: It's eight bucks a month.



A smartwatch with heart data.

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No.	CUSIP	Security
1	03925AK6	Archibald Candy Corp.
2	233860983	Dairy Mart Convenience Stores, Inc.
3	252768AC0	Diamond Triumph Auto Glass
4	2695249C0	Eagle Geophysical, Inc.
5	29259UAC8	Encompass Services Corporation
6	963ESCP83	ESC Wheeling Pitt
7	5172899C0	Laroco Industries, Inc.
8	670688AA8	Nutritional Source Corp
9	690020AG7	Outboard Marine Corporation

Portfolio No. 2 - Equities		
Bid Deadline: April 4, 2018 at 10:00 a.m. (prevailing Eastern time)		
No.	CUSIP	Type
1	269524203	Eagle Geophysical, Inc.
2	4291801807	High Voltage Engineering Corporation
3	517289104	Laroco Industries, Inc.
4	None	Roma Restaurant Holdings Inc.
5	922371207	Vast Solutions, Inc.
6	922371306	Vast Solutions, Inc.
7	KCC371102	Vast Solutions, Inc.
8	922371108	Vast Solutions, Inc.
9	KCC371300	Vast Solutions, Inc.
10	922371201	Vast Solutions, Inc.
11	918909910	VS Holding Co.
12	948774302	Weirton Steel Corporation
13	98190	

TECHNOLOGY

Starbucks To Expand App to All

By JULIE JARGON

Starbucks Corp. wants to spread its mobile-ordering app beyond loyal customers to stem slowing U.S. sales.

Executives told shareholders at the coffee giant's annual meeting Wednesday that the app would be available to all customers, not just loyalty program members who use it now.

Chief Operating Officer Roz Brewer told shareholders in Seattle that the app helps Starbucks target products to customers more effectively. That could be an important tool as the chain adds more lunch items and cold drinks to draw more customers after the morning coffee rush.

"Cold isn't just for summer anymore," Ms. Brewer said of a category that she said now represents half of Starbucks' beverage sales.

Starbucks in January reported a 2% rise in same-store sales in the U.S. and globally in its fiscal first quarter, short of analyst expectations.

Starbucks Chairman Howard Schultz asked investors Wednesday to be patient with the company's share price, which has been largely flat for the past year as the S&P 500 has risen 16%.

"We are in this for the long term," Mr. Schultz said.

The chain is focusing on expansion in China, which it said will one day overtake the U.S. as its largest market. Starbucks wants to open more than 5,000 stores in China by 2021.

In the U.S., Starbucks wants to require customers who use its in-store Wi-Fi to enter their email address in the first store where they get connected. Thereafter the company's software would remember their device and connect automatically. That would give Starbucks new email addresses for non-rewards members that Starbucks could target.

EU Proposes New Digital Tax

The European Union unveiled sweeping legislative proposals to raise taxes on big technology companies, a move that risks angering U.S. officials when trans-Atlantic relations are already strained by trade tensions.

The proposed taxes are among Europe's most-aggressive.

By Natalia Drozdiak
in Brussels and
Sam Schechner in Paris

sive measures to target the perceived excesses of a small cadre of tech superpowers, including **Facebook** Inc. and **Alphabet** Inc.'s **Google**, potentially adding hundreds of millions of euros to some tech firms' tax bills. The U.S. warned last week against imposing tax measures that single out digital companies.

On Wednesday, the European Commission, the bloc's executive body, outlined an additional tax at 3% of revenue derived from certain digital activities by companies whose annual global revenue exceeds €750 million (\$918 million). The tax, which is envisioned as temporary, would apply to services whose value is generated from user involvement, such as social media, ride-hailing or food-delivery platforms, and the selling of targeted ads.

The measure would expire once EU countries implement the commission's proposal for long-term rules, which would tax profits companies make in countries where they have a significant number of users but might not have a physical presence. A company would have a "taxable digital presence" in a given country if it meets certain criteria, such as more than €7 million in revenue or 100,000 users for the year.

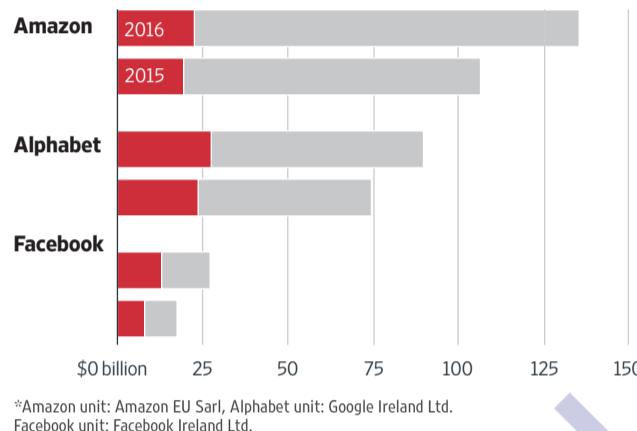
Last week, Treasury Secretary Steven Mnuchin said the U.S. "firmly opposes" legislative proposals that target digital companies, without specifically naming the EU. "Imposing new and redundant tax burdens would inhibit growth and ultimately harm workers and



U.S. tech firms have opposed certain tax changes. An employee at Google's offices in Hamburg.

Big Business

Some U.S. tech giants rake in billions of euros via European units, which could face a new 3% tax on digital revenue.



consumers," he said.

The disagreement comes as the EU butts heads with the U.S. over President Donald Trump's planned tariffs on aluminum and steel.

European officials, who have been working on the tax legislation since last year, say big American tech firms abuse the current system by shifting

"Digitalization brings countless benefits and opportunities. But it also requires adjustments to our traditional rules and systems," said European Commission Vice President Valdis Dombrovskis, who leads financial-services policy work at the EU.

The proposals, however, face opposition from some EU countries, a significant stumbling block because tax legislation requires the unanimous support of member states to become law.

Technology executives and lobbyists say they see the revenue tax as a biased effort to target big American tech companies.

"It's clearly politically motivated, and it's clearly targeted on some big non-European platforms," said Christian Borggreen, vice president for Europe at the U.S.-based Computer & Communications Industry Association, a lobby group that represents companies including **Amazon.com**, Facebook and Google.

EU Tax Commissioner Pierre Moscovici denied that the rules are designed to target any nationality. "This is not an anti-U.S. tax," he said Wednesday.

profit to lower-tax countries, underscoring the need to better account for online business models.

On average, the EU estimates that tech companies pay around 9.5% in tax on their profit on the continent, compared with 23.2% for traditional industries, though tech lobbyists dispute that figure.

Europe Takes A New Stance To Justify Levy

The European Union's justification for a new tax on technology companies hinges on a novel view of how profits are generated.

Traditionally, the profits of a company operating internationally have been taxed where its major decisions are made and where its most important assets are controlled. In practice, those taxes are often levied in countries where the company also has a large number of customers; but the location of users of its product or service isn't decisive.

The EU proposal, based on a stance laid out by the U.K. Treasury in November, takes a different approach.

European officials say digital products rely increasingly on crunching user data to generate value—for example, by targeting niche ads directly at users, or by combining millions of interactions to improve an app's voice-recognition capabilities.

European officials say that means value is generated where users are located—and the tax system should change to reflect that.

"That is a brand new principle," said Will Morris, deputy global tax policy leader at business-services firm PwC.

Some tax authorities, including those in the U.S., argue that digital businesses compensate users for the data they extract from them through the provision of services such as data hosting, email and entertainment.

If anyone is to be taxed under the barter arrangement, it would be users for the services they receive as payment, although nobody is proposing that be done.

—Paul Hannon

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Multi-Unit Expansion Is Booming

RECENT LEGISLATION FAVERS NEW FRANCHISEES AND THOSE WANTING TO TAKE ON MORE UNITS

By Julie Bennett

Tax reform legislation signed into law in late Dec., 2017 was nicknamed the Tax Cuts and Jobs Act. By lowering taxes on businesses, its supporters claimed, business owners could expand, hire more workers, and boost the overall economy. Its impact on franchising is immediate. Scores of multi-unit franchisees are planning to grow even larger.

Family buffet concept Golden Corral, in Raleigh, N.C., has 180 franchisees and, until now, only 31% of them have been operating two or more restaurants, says Bob McDevitt, senior vice president of franchise development. "Since the new tax code was passed, I've had conversations with several single-unit franchisees who now have a real interest in growing."

BRIGHTER OUTLOOK

Franchisee Terry Muckenfuss, who already owns three Golden Corrals in New Braunfels and San Antonio, Texas, says, "The new tax code makes the outlook for expanding a lot brighter." Mr. Muckenfuss, who has 200 workers now, is looking for new restaurant sites.

Like the majority of small-business owners, most franchisees operate as "pass-through businesses, whereby they pass their business income through to their individual tax returns," says Greg Helwig, president of Kiddie Academy Educational Child Care in Abingdon, Md. "The tax reform legislation equates to an approximately 20% reduction in their taxable income. Since the law passed, we've heard from both current franchisees looking to expand and new prospects who are thinking about franchising for the first time."

Devinder Singh, president of Kiddie Academies of Greater Seattle, opened his

*Franchisees looking to expand are advised to seek established concepts with solid growth.*

first center in Kirkland, Wash., in 2012. He now has four open, plus two in design phases, and is making plans for even more. Mr. Singh currently has 114 employees, mostly teachers. "We learned early on that to attract quality talent, we have to offer the same environment and similar benefits to what they could receive in the corporate sector," he says.

Other factors favor multi-unit franchisee expansion, says Joe Mathews, CEO of the Franchise Performance Group, a Nashville, Tenn., franchise consulting firm. "The economy is roaring, consumer spending is way up and banks are lending."

Mr. Singh says, "It took us three years to open our first Kiddie Academy because we were one of the first in Washington State. Finding financing and a location were the

hardest parts. Now we get calls from banks that want to lend us money, and developers tell us about new developments before they are built."

"The economy is roaring, consumer spending is way up and banks are lending."

On a personal level, it gets easier as you establish more franchises, says Melissa Clancey, who opened her first Great Clips hair salon in Elverson, Pa., in 2004, while her husband, Michael, kept his corporate job. "I was dedicated to it," she says. "I wanted to absorb everything and learn it well."

Today, the couple own 11 Great Clips and employ 110 stylists and managers. "We hope to open one or two more this year," Mrs. Clancey adds, "and Michael is getting close to joining me full time."

Franchisors incentivize franchisees to grow larger by reducing their initial franchise fees for multiple units. The initial fee to develop a single Kiddie Academy is \$135,000, says president Greg Helwig; the fee for a second unit is \$75,000 and each additional franchise costs \$60,000. "The fee for one Golden Corral is \$50,000," says Mr. McDevitt, "but for a limited time we will sell additional territories to existing franchisees for \$15,000 each."

THE SWEET SPOT

Great Clips in Minneapolis offers all new franchisees the option of a single hair salon for a \$25,000 fee, or they can sign on to open three in their markets for a total fee of \$40,000. Its CEO, Steve Hockett, says, "We have 4,300 salons owned by 1,200 franchisees. Our largest franchisee has 74 salons, but we think the sweet spot for most franchisees is between 12 and 15 salons."

There's still time to join the multi-unit boom, says Mr. Mathews. "There is a high demand for sophisticated, well-capitalized executives to become aggressive multi-unit franchisees. But don't chase brands built on new ideas. In franchising, older, established concepts work best. Look for concepts that have legs—that have had solid growth for at least five to seven years."

And look for an idea that gets you excited. "I love to watch parents' faces at pick-up time, when their children have learned something new," says Kiddie Academy franchisee Devinder Singh. "I know then that we are making their lives better."

Julie Bennett is a freelance writer specializing in franchising.

The Wall Street Journal news organization was not involved in the creation of this content

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MANAGEMENT

Crate and Barrel Refurbished

CEO Neela Montgomery is pushing the furniture chain into the digital age

BY KHADEEJA SAFDAR

Three years ago, Crate and Barrel had little social-media presence and relied primarily on still photography to showcase its furniture.

Now the retailer has more than one million Instagram followers and produces more digital content than photographs, publishing YouTube videos weekly.

Chief Executive Neela Montgomery, 43, has been working to modernize the 55-year-old furniture chain by decluttering stores and investing heavily in social media and digital capabilities. The brand spends more than 50% of its media budget on digital media.

Ms. Montgomery, who previously held various leadership roles at supermarket chain Tesco PLC, joined Crate and Barrel as chairman of the board in 2014. She took over as CEO in August when the brand's previous chief, Doug Diemoz.

Furniture has been late to shift online, but is now one of the fastest-growing segments of e-commerce.

Comparable sales at Crate and Barrel have increased over the past two years and rose nearly 8% in 2017. The chain, which is owned by closely held German company Otto Group, has more than 125 stores world-wide, including its modern brand CB2 and franchise locations.

The Wall Street Journal recently spoke with Ms. Montgomery about how the brand has been turning around its performance. Here are edited excerpts:



NIMA TARABI FOR THE WALL STREET JOURNAL

Since taking the helm of the furniture chain in August, Neela Montgomery has used social media to track and promote designs.

WSJ: What did you do to drive the recent sales gains?

We spent quite a lot of time really homing in on how customer shopping habits have changed. We focused on the customer who has great pride in their home and is almost like an amateur designer.

With the growth of blogs and websites like Houzz, she's always out there scanning social media, looking at design options, watching TV shows. We went to a more inspirational approach in our media catalog and our website.

We launched design studios in all of our stores, where we give people in-

home consultations or in-store consultations. We invested quite a lot more in our digital marketing and our social-media effort to talk more to content and inspiration.

WSJ: What strategies have you been using to change the brand's culture?

We've had to change people's perception around how they design content, how they take photographs, how you think that your product displays.

We've had to get our merchant teams much more engaged in using web-analytics data to understand what people are searching for, how people look at the product from an artistic perspective.

And then we've had to think about our store teams, because historically they were less well-versed in the assortment that wasn't in the stores.

WSJ: In the next couple of years, how do you think people will shop for furniture?

Today, we're already at 47% online sales. While that will grow, it may not grow as much as an apparel retailer with 20% to 30%. We expect it will probably level out at 60-40, but I may be surprised. We obviously understand that we need to make our store environments much more experiential, much more about events, about product

partnerships that create excitement and disruption.

WSJ: What do you think is the ideal number of stores?

We're very strategically looking at locations, and I think roughly we'll stay at maybe 100, plus another 20 CB2 stores. So, 120 for us.

WSJ: Setting retail prices has become more complex. What is Crate and Barrel doing to appeal to price-focused shoppers?

We have the advantage that 95% of our products are unique to Crate and Barrel. We've actually seen customers buy into our more expensive products over the last couple of years. When you of-

fer them something unique in quality or design, they're willing to pay more. Of course, we remain very competitive on some of our more comparable products, but what we've recognized is we really need to focus on differentiation and rewarding loyalty, rather than necessarily trying to out-price somebody else in the market.

WSJ: Would you ever consider selling Crate and Barrel goods on Amazon?

Clearly, Amazon is a formidable retailer that we respect, and most of our customers shop with them as well as us. At the moment, we would not consider that, because we want to maintain our branded experience. Customers tell us that's something they really value about us, and expect from us—a more differentiated level of service, a more personalized experience. At the moment, there doesn't seem to be reason for us to consider a platform play.

WSJ: Is shipping time a major consideration for your customers? What are you doing to compete with retailers like Wayfair?

We're focused this year on redesigning our supply chain to get product to customers faster. We're seeing big growth in our custom business. As a result, we actually see that customers are prepared to wait for those products because often they're made in America and to their specifications. Also for our e-commerce business, we're reducing our shipping times. We're at about 3-5 days, and we continue to push that even further every few months.

PAY

Continued from page B1
com posted a total shareholder return of 52% for the year.

A Broadcom spokesman said Mr. Tan's pay includes a performance-linked stock grant that vests over four years and that the company doesn't intend to award him more shares before 2022. "Over the last five years, Broadcom has generated total shareholder return of more than 680%," the spokesman said. "Mr. Tan's compensation package is clearly aligned with and designed to drive sustained shareholder value."

Last week, Broadcom dropped its four-month bid to acquire rival Qualcomm after the U.S. government blocked the \$117 billion hostile deal on national-security grounds.

Other top earners include Alex Molinaroli of Johnson Controls International PLC, who made \$78 million during the company's fiscal year that ended Sept. 30, and Dow Chemical Co. CEO Andrew Liveris, who made nearly \$66 million. Johnson Controls posted a total shareholder return of minus 1%, while DowDuPont Inc.'s return was 28%.

DowDuPont said \$43 million of Mr. Liveris's pay came from cashing out pension benefits following the Aug. 31 merger of Dow and DuPont.

Mr. Liveris now serves as executive chairman of the combined company and CEO of its Dow Chemical subsidiary. Absent those payouts, a spokeswoman said, Mr. Liveris's pay was essentially unchanged.

A Johnson Controls spokesman declined to comment. About \$64 million of Mr. Molinaroli's pay last year consisted of cash-severance payments after the company named his successor as CEO about six months earlier than planned, according to the company's proxy.

Pay slipped for about a quarter of CEOs in the Journal's latest analysis, in some cases significantly. It fell by 43% for Ms. Rometty of IBM, to \$18.6 million. AT&T Inc. chief Randall Stephenson's pay rose just 1% to \$28.7 million.

An IBM spokesman said Ms. Rometty's pay in 2016 included a one-time option grant, then valued at \$12.1 million. Excluding that grant, her 2017 pay is down about 10%. IBM's total return last year was minus 4%.

AT&T declined to comment.

Much of 2017's gains were driven by grants of company stock. The combined value of such grants rose by 10% over the previous year, according to a separate analysis of about 100 large public companies by Institutional Shareholder Services, which advises investors on proxy votes.

By contrast, aggregate cash compensation rose much

Tesla Shareholders Approve CEO Musk's Hefty Pay Package

Tesla Inc.'s shareholders approved a hefty pay package for Chief Executive Elon Musk that seeks to keep the billionaire in the driver's seat while tying his pay to ambitious goals for the company's growth.

The package passed by a large margin, according to a person present at the meeting.

Under the plan, Tesla's market value needs to skyrocket to \$650 billion over 10 years for all the options to vest.

The 46-year-old Mr. Musk also must stay at the company either as chief executive or executive chairman and chief

product officer to receive the package, which was initially valued at approximately \$2.6 billion but could yield him more than \$50 billion.

Based on Wednesday's closing, Tesla's market value stood at \$53.62 billion.

The plan, modeled on a 2012 pay package, includes stock options that would vest in 12 tranches, each with shares equal to 1% of the company's total shares outstanding as of Jan. 21.

At the time of the 2012 award, Tesla had a market value of about \$3.2 billion and then targeted a market value of \$43.2 billion, pointing to the then much larger market valuations of rivals Ford Motor Co. and General Motors Co. Tesla has since surpassed both companies in market value.

As with the 2012 award, the latest pay package ties Mr. Musk's compensation to the company's value reaching certain levels and a series of operational milestones being met.

For example, for the first tranche of options to vest, Tesla's market value would have to reach \$100 billion and achieve either \$20 billion in revenue or \$1.5 billion in earnings before interest, taxes, depreciation and amortization, after adjusting for stock compensation.

In 2017, Tesla's Ebitda stood at \$528.5 million and its revenue at \$11.76 billion, according to Thomson Reuters data.

Institutional Shareholder Services Inc. and Glass Lewis & Co. had recommended shareholders vote against the package.

—Maria Armental

more modestly, ISS found, and companies once again pared back on stock-option grants, which only have value if the shares exceed a preset price. The impact of pension gains, which are included in total pay figures, also eased compared with 2016.

A larger sample of proxies likely will reveal "more conservatism around CEO pay last year," said Irving S. Becker, vice chairman for executive pay and governance at Hay, a unit of recruiters Korn/Ferry International. He cited

boards' sensitivity about "the windfalls from the tax changes and the new CEO pay ratio disclosure" rules. For the first time, U.S. firms are required this year to disclose how much they pay their median workers and how that compares with the CEO's pay.

The Journal analyzed compensation and performance data for 133 companies in the S&P 500 index through March 16 with fiscal years ending since July 1, 2017, using data provided by MyLogIQ LLC. More than 30 additional top

bosses were omitted from aggregate calculations because they started or left the job during their employer's most recent fiscal year.

Some large pay packages fall outside the Journal's analysis, including that of Tesla, since the electric-car maker isn't in the S&P 500. Mr. Musk's pay package, which could be valued at more than \$50 billion, is notable not only for its size, but also for its 10-year horizon.

Tesla said Mr. Musk's pay would be entirely tied to the company's performance.

Two Ford Executives To Depart

BY CHRISTINA ROGERS

Ford Motor Co. is losing two executives it recently recruited from Silicon Valley, the latest in a series of executives to leave the car maker since Chief Executive Jim Hackett was hired last year.

Musa Tariq, a former Apple Inc. executive hired last year to be Ford's first brand chief, is leaving the company after a little more than a year on the job. Raj Rao, another hire from Silicon Valley tapped to run Ford's smart-mobility division, has also elected to leave the company, effective May 1, a Ford spokeswoman said.

Messrs. Tariq and Rao were among a number of auto-industry outsiders recruited from Silicon Valley by former CEO Mark Fields.

In his mid-30s, Mr. Tariq was among the youngest corporate officers at Ford and was in charge of building and differentiating Ford's brand worldwide.

Mr. Rao came to Ford from 3M Co., where he previously ran the company's Silicon Valley digital hub.

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Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

	Week Latest	Week Ago	-52-Week-High	-52-Week-Low
Federal funds				
U.S. consumer price index	1.4800	1.4400	1.4800	0.8400
All items	248.991	0.45	2.2	1.6500
Core	255.783	0.45	1.8	1.4000
International rates				
Prime rates	4.50	4.50	4.50	4.00
U.S.	3.45	3.45	3.45	2.70
Canada	1.475	1.475	1.475	1.475
Policy Rates	0.00	0.00	0.00	0.00
Euro zone	0.50	0.50	0.50	0.50
Switzerland	0.50	0.50	0.50	0.50
Britain	0.50	0.50	0.50	0.25
Australia	1.50	1.50	1.50	1.50
Secondary market				
Fannie Mae				
30-year mortgage yields				
30 days	4.109	4.026	4.109	3.255
26 weeks				

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24682.31 ▼44.96, or 0.18%
High, low, open and close for each trading day of the past three months.



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2711.93 ▼5.01, or 0.18%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

7345.29 ▼19.02, or 0.26%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	3-yr. ann.
Dow Jones								
Industrial Average	24977.65	24655.40	24682.31	-44.96	-0.18	26616.71	20404.49	19.5 -0.1 10.8
Transportation Avg	10794.39	10653.16	10657.73	-36.58	-0.34	11373.38	8783.74	18.6 0.4 5.2
Utility Average	688.69	677.74	679.56	-3.38	-0.49	774.47	647.90	-3.6 -6.1 4.5
Total Stock Market	28393.19	28110.96	28137.22	-22.43	-0.08	29630.47	24125.20	15.8 1.7 8.4
Barron's 400	738.08	729.84	733.41	3.14	0.43	757.37	610.89	19.6 3.2 8.6
Nasdaq Stock Market								
Nasdaq Composite	7415.66	7325.35	7345.29	-19.02	-0.26	7588.32	5805.15	26.2 6.4 13.5
Nasdaq 100	6930.70	6828.88	6853.45	-32.47	-0.47	7131.12	5353.59	27.7 7.1 15.4
S&P								
500 Index	2739.14	2709.79	2711.93	-5.01	-0.18	2872.87	2328.95	15.5 1.4 8.8
MidCap 400	1936.89	1918.44	1924.69	5.95	0.31	1995.23	1681.04	13.8 1.3 7.7
SmallCap 600	969.65	958.86	964.15	4.72	0.49	979.57	815.62	17.6 3.0 9.9
Other Indexes								
Russell 2000	1587.74	1570.40	1579.30	8.90	0.57	1610.71	1345.24	17.4 2.9 7.6
NYSE Composite	12776.33	12654.72	12683.76	20.12	0.16	13637.02	11324.53	11.0 -1.0 4.6
Value Line	563.57	557.87	560.29	2.28	0.41	589.69	503.24	9.9 -0.4 2.7
NYSE Arca Biotech	4735.28	4687.09	4708.30	8.23	0.18	4939.86	3449.61	33.8 11.5 3.6
NYSE Arca Pharma	544.54	539.37	540.08	-1.05	-0.19	593.12	498.46	5.7 -0.9 -2.5
KWB Bank	113.55	111.50	112.19	0.21	0.19	116.52	88.02	24.0 5.1 14.9
PHLX® Gold/Silver	81.00	78.80	80.59	2.47	3.16	93.26	76.42	-5.3 -5.5 5.2
PHLX® Oil Service	142.03	135.34	141.36	6.10	4.51	171.55	117.79	-14.1 -5.5 -9.1
PHLX® Semiconductor	1425.07	1401.47	1407.98	2.47	0.18	1445.90	960.01	40.9 12.4 24.4
Cboe Volatility	18.37	16.26	17.86	-0.34	-1.87	37.32	9.14	39.4 61.8 11.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	6,052.6	270.76	0.33	0.12	271.59	270.38	
Van Eck Vectors Jr Gold	GDXJ	4,827.2	32.51	...	unch.	32.51	32.31	
Van Eck Vectors Gold Miner	GDX	4,369.3	21.83	-0.03	-0.14	21.89	21.78	
Cisco Systems	CSCO	3,286.6	44.30	-0.01	-0.02	44.44	44.20	
LendingClub	LC	2,365.4	3.68	0.0004	0.01	3.68	3.68	
iShares Russell 2000 ETF	IWM	2,088.7	157.30	0.15	0.10	157.40	155.37	
Hewlett Packard Ent	HPE	2,035.8	18.71	...	unch.	18.75	18.71	
PwrShrs QQQ Tr Series 1	QQQ	1,927.4	167.26	0.34	0.20	167.64	166.83	

Percentage gainers...

Guess	GES	824.2	17.25	1.73	11.15	17.74	15.16	
Geron	GERN	654.3	5.48	0.49	9.82	5.75	4.98	
Michaels Cos.	MIK	75.1	22.39	1.20	5.66	22.39	21.06	
Energy Transfer Equity	ETE	77.3	15.24	0.58	3.96	15.24	14.66	
CenturyLink	CTL	111.5	16.84	0.49	3.00	16.88	16.21	
Prothron Corp. PLC	PRTA	38.72	4.87	14.39	70.00	27.19	-25.1	
KemPharm	KMPH	8.00	1.00	14.29	8.40	2.45	9.28	
Technical Communications	TCCO	6.05	0.75	14.15	15.40	2.25	157.4	
Sanchez Energy	SN	3.32	0.41	14.09	10.21	2.78	-64.1	
Achaogen	AKAO	12.48	1.48	13.45	27.49	9.83	-38.5	

...And losers

Nektar Therapeutics	NKTR	62.3	104.77	-2.14	-2.00	107.71	104.77	
Sanchez Energy	SN	118.0	3.26	-0.06	-1.81	3.32	3.20	
Weatherford International	WFT	191.4	2.42	-0.04	-1.63	2.46	2.42	
Novavax	NVAX	174.0	2.09	-0.03	-1.42	2.13	2.08	
Arena Pharmaceuticals	ARNA	78.5	43.41	-0.59	-1.34	44.26	43.32	

Trading Diary

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.						
March	3.0325	3.0685	3.0100	3.0485	0.0230	1,103	
May	3.0385	3.0930	3.0150	3.0585	0.0205	148,714	
Gold (CMX)	-100 troy oz.; \$ per troy oz.						
March	1312.40	1328.80	1312.40	1320.70	9.60	495	
April	1310.60	1336.90	1309.50	1321.50	9.60	214,602	
June	1317.00	1342.60	1315.50	1327.30	9.70	229,250	
Aug	1322.40	1348.00	1321.20	1333.40	9.90	41,471	
Oct	1334.60	1354.10	1333.10	1339.30	9.90	5,680	
Dec	1335.30	1359.20	1335.30	1345.80	10.20	41,331	
Palladium (NYM)	-50 troy oz.; \$ per troy oz.						
March	976.25	989.70	972.70	986.45	10.55	23,398	
Sept	974.10	984.90	972.00	981.65	10.45	1,092	
Platinum (NYM)	-50 troy oz.; \$ per troy oz.						
April	945.00	960.80	943.80	950.60	5.60	43,222	
July	966.00	966.30	949.00	956.10	5.80	34,283	
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.						
March	16.385	16.530	16.385	16.357	0.232	185	
May	16.165	16.665	16.155	16.419	0.234	153,924	
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.						
May	63.70	65.55	63.58	65.17	1.63	529,110	
June	63.47	65.35	63.35	64.95	1.64	347,794	
July	63.08	64.96	62.96	64.54	1.64	136,706	
Sept	61.99	63.89	61.89	63.42	1.59	149,110	
Dec	60.54	62.31	60.39	61.78	1.45	243,815	
Dec'19	56.26	57.53	56.07	57.13	1.07	125,351	
NY Harbor LdSD (NYM)	-42,000 gal.; \$ per gal.						
April	1.9504	2.0154	1.9529	2.0037	0.0542	51,721	
May	1.9581	2.0184	1.9560	2.0074	0.0544	108,521	
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.						
April	1.9731	2.0209	1.9666	2.0122	0.0463	52,651	
May	1.9819	2.0304	1.9759	2.0222	0.0471	152,666	
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.						
April	2.677	2.708	2.634	2.638	-.037	95,194	
May	2.706	2.735	2.664	2.667	-.037	351,200	
June	2.760	2.787	2.720	2.724	-.036	85,671	
July	2.820	2.845	2.779	2.784	-.034	137,101	
Sept	2.821	2.847	2.782	2.787	-.033	89,980	
Oct	2.832	2.857	2.794	2.799	-.033	129,268	

Agriculture Futures

Corn (CBT)	-5,000 bu.; cents per bu.
May	375.00
July	383.00
Oats (CBT)	-5,000 bu.; cents per bu.
May	235.75
July	241.00
Soybeans (CBT)	-5,000 bu.; cents per bu.
May	1029.50
July	1040.00
Soybean Meal (CBT)	-100 tons; \$ per ton.
May	362.50
July	365.00
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.
May	31.71
July	31.97
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.
May	1222.00
July	1237.00
Wheat (CBT)	-5,000 bu.; cents per bu.
May	453.50
July	468.50
Wheat (KC)	-5,000 bu.; cents per bu.
May	470.00
July	487.75
Wheat (MPLS)	-5,000 bu.; cents per bu.
May	593.00
July	602.75
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
March	138.150
May	138.300
Cattle-Live (CME)	-40,000 lbs.; cents per lb.
April	119,600
June	109,000
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
April	63,600
June	76,700
Lumber (CME)	-110,000 bd. ft.; \$ per 1,000 bd. ft.
May	487.90
July	475.70
Milk (CME)	-200,000 lbs., cents per lb.
March	14.27
April	14.42
Cocoa (ICE-US)	-10 metric tons; \$ per ton.
May	2,500
July	2,521
Coffee (ICE-US)	-37,500 lbs.; cents per lb.
May	118.60
July	120.85

Currency Futures

Japanese Yen (CME) - ¥12,500,000; \$ per 100Y							
April	.9410	.9462	.9396	.9441	.0028	853	
June	.9449	.9503	.9434	.9480	.0028	157,814	
Canadian Dollar (CME) - CAD 100,000; \$ per CAD							
April	.7653	.7758	.7653	.7744	.0094	230	
June	.7661	.7771	.7660	.7752	.0094	114,053	
British Pound (CME) - £62,500; \$ per £							
April	1.4031	1.4166	1.4026	1.4149	.0128	955	
June	1.4059	1.4203	1.4053	1.4184	.0128	157,123	
Swiss Franc (CME) - CHF 125,000; \$ per CHF							
June	1.0540	1.0622	1.0536	1.0600	.0052	44,247	
Australian Dollar (CME) - AUD 100,000; \$ per AUD							
April	.7693	.7780	.7675	.7756	.0073	1,222	
May	.7695	.7779	.7678	.7757	.0073	410	
June	.7691	.7782	.7674	.7757	.0072	94,733	
Sept	.7702	.7777	.7684	.7763	.0072	529	
Dec	.7693	.7719	.7693	.7769	.0070	342	
Mexican Peso (CME) - MXN 500,000; \$ per MXN							
June	.05255	.05358	.05254	.05332	.00077	182,534	
Euro (CME) - €125,000; \$ per €							
April	1.2274	1.2373	1.2273	1.2355	.0075	2,383	
June	1.2327	1.2432	1.2326	1.2411	.0076	465,057	

Index Futures

Mini DJ Industrial Average (CME) -\$5 x index							
June	24769	24998	24600	24727	-.38	106,080	
Sept	24830	25044	24713	24773	-.39	232	
May	27059	27240	27000	2718.25	-.52	2,706,998	
June	272630	274100	271400	2718.30	-.53	32,624	
Sept	27325	274400	271250	2718.25	-.52	2,706,998	
Dec	273100	275000	271975	2724.75	-.55	25,407	
June	27569	277000	274000	2718.25	-.55	25,407	
Sept	27659	277700	274000	2718.25	-.55	25,407	
Dec</td							

BIGGEST 1,000 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.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, March 21, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.86 -0.06

ADT ADT 8.97 0.01

AECOM ACM 37.19 0.68

AES AES 10.80 0.09

Aflac AFL 45.37 -0.06

AGNC Inv AGNC 18.72 -0.02

ANGI HomeSngs ANGI 14.45 0.02

Ansys ANSS 166.40 0.92

ASML ASML 213.73 1.13

AT&T T 36.00 -0.34

AbbottLabs ABT 62.42 -0.23

AbbVie ABBV 112.45 -0.20

Abiomed ABMD 293.1 -2.70

Accenture ACN 162.03 -0.25

ActivisionBlitz ATVI 71.61 0.24

AcuityBrands AYI 147.04 0.31

AdobeSystems ADBE 226.85 -2.90

AdvanceAuto AAP 115.24 0.99

AdvMicoDevices AMD 11.26 0.15

AdvSemEngg ASX 7.38 0.17

Aegon AEG 6.86 -0.04

AerCap AER 51.11 0.26

Aetna AET 170.01 -1.62

AffiliatedMtrs AMG 192.26 3.01

AgileTechs A 69.40 -0.45

AgnicoEagle AEM 40.57 0.94

AirProducts APP 166.24 0.58

Albomed ABMD 293.1 -2.70

AlkamataK Tech AKH 73.39 -0.29

AlaskaAir ALK 64.21 -0.98

Albermarle ALB 97.47 2.15

Alcos A 47.95 1.48

AlexandriaRest ARS 125.35 -1.03

AlexionPharm ALXN 117.89 -2.33

Alibaba BABA 195.35 -3.60

AlignTech ALGN 20.14 -0.26

Alkermes ALKS 60.50 0.18

Allegheny Y 612.09 -2.26

Allegion ALLE 85.94 0.31

Allergan AGN 163.70 0.08

AllianceData ADS 226.78 -0.90

AlliantEnergy LNT 39.66 -0.02

Allstate ALL 96.44 -0.55

AllyFinancial ALY 27.47 0.06

AltGen Bio BEGN 177.22 -2.50

Albemarle ALB 71.44 -0.62

BerkHathway B WBTX 66.23 0.19

BarclayHgs ABX 12.35 0.31

BarkerEntl BAXX 66.46 -0.45

Bartolin B 177.29 -2.39

Bayer AGW 88.00 -0.75

BayerHealthcare BHF 53.83 -0.23

BioNuvo B 126.91 -1.73

Bio-RadLabn B BIO 20.01 -0.31

BioTechInnovn BDX 121.50 -0.40

Bio-Techne TECH 149.68 -0.23

BioTelemetry BTE 109.27 -0.07

BioWorldWks WWS 80.85 -0.57

BirchtreeBios BIR 157.86 0.72

BirchtreeBios BIR 157.86 0.72

BirkshireHldg BIR 157.86 0.72

B

MONEY & INVESTING

Currencies Are Poles Apart

Canadian dollar sinks, Mexican peso rises as Nafta talks add to distinct domestic issues

By IRA JOSEBASHVILI

The currencies of Mexico and Canada have gone their separate ways this year, an unexpected outcome for two countries whose economies may be hurt by trade tensions with the U.S.

The Mexican peso is up 6.7% against the dollar this year, making it the best performing currency of the 16 tracked by the WSJ Dollar Index. The Canadian dollar, meanwhile, has fallen 2.6% against its U.S. counterpart, finishing below all currencies in the index save the Turkish lira. Both countries' economies lean heavily on the North American Free Trade Agreement, which is now being renegotiated as part of President Donald Trump's push to gain more favorable trade terms for the U.S.

While worries over trade have sharpened in recent weeks, investor timing, central bank policy and domestic politics have all played a role in determining the currencies' trajectories this year.

Investors often use currencies to bet on political and economic outcomes, and many sold the peso in recent years as Mr. Trump's political fortunes improved during the U.S. presidential election, analysts said. This year's rally recoups some of the decline that has pushed the peso more than 9% lower against the dollar since the start of 2016. Some investors believe the selloff has left the peso with little room to fall and expect the currency to bounce.

"Many of the negative scenarios are already priced in," said Momtchil Pajarliev, deputy head of currencies at BNP Paribas Asset Management.

Mr. Pajarliev owns the peso as part of a basket of emerging-market currencies and believes it will appreciate further against the dollar.

Many bullish investors also are drawn to the yields of peso-denominated assets,



A market in Mexico City. The economies of both Mexico and Canada lean heavily on Nafta.

A Tale of Two Currencies

The Mexican peso has held on to its 2018 gains, despite mounting trade worries...

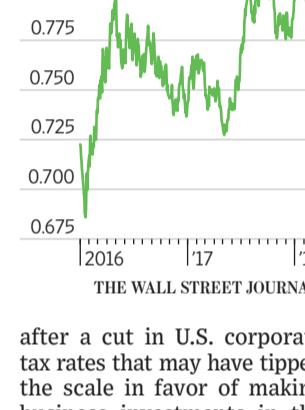
...while uneven economic data has weighed on the Canadian dollar.

How many U.S. dollars one peso buys



Source: Tullett Prebon

How many U.S. dollars one Canadian dollar buys



THE WALL STREET JOURNAL

which are much higher than those found in developed countries. Uncertainty over politics and trade may push Mexico's central bank to raise interest rates again, analysts at UBS Wealth Management said, further increasing the payout.

In Canada, trade worries have coincided with uneven economic data. January's trade statistics, released this month, disclosed a sharp drop in both exports and imports,

after a cut in U.S. corporate tax rates that may have tipped the scale in favor of making business investments in the U.S. instead of Canada.

The Bank of Canada left its benchmark interest rate unchanged this month and ramped up its warnings over trade. Economic growth in the fourth quarter also came in weaker than anticipated.

"Data momentum has lost a lot of steam," said Mark McCormick, North American head of foreign-exchange strategy at TD Securities. His firm believes the U.S. dollar will rise to 1.35 Canadian dollars, from C\$1.2902 late Wednesday in New York. The U.S. dollar fell 1.8% against the peso Wednesday, as the peso received a boost from progress on Nafta talks. The dollar lost 1.3% against the Canadian dollar.

Investors in both currencies run the risk of swift reversals. The peso is vulnerable to political uncertainty stemming from Mexico's presidential vote, slated for July. Some investors fear that the frontrunner, left-wing populist Andrés Manuel López Obrador, will stall economic overhauls and complicate renegotiation of Nafta if he is elected. Some investors in the Canadian dollar say a rally in oil, a key Canadian export, will eventually lift the country's currency. Improvement in Canada's economic data could also spark a recovery.

A turn for the worse in trade talks would likely dent both currencies, analysts said.

"If Trump walks away from Nafta, the Canadian dollar will get crushed," Mr. McCormick said.

Cormick, North American head of foreign-exchange strategy at TD Securities. His firm believes the U.S. dollar will rise to 1.35 Canadian dollars, from C\$1.2902 late Wednesday in New York. The U.S. dollar fell 1.8% against the peso Wednesday, as the peso received a boost from progress on Nafta talks. The dollar lost 1.3% against the Canadian dollar.

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Those new entrants have set off a race among established carriers in renters insurance to lower prices and improve customer experience.

Startups that sell renters insurance, such as Lemonade Inc. and Jetty National Inc., have marketed their insurance products as cheaper and easier to buy and manage online than traditional policies.

"There are so many different companies that are getting into the space," said Christopher Martin, insurtech research lead

for the U.S. for PricewaterhouseCoopers LLP. "All the insurers know they need to try to figure out a different way to either brand themselves or brand what they're doing."

Travelers will continue to sell traditional renters insurance in New York. It expects Traverse policies will appeal to different customers, Ms. Maerz said. New York-based Travelers doesn't disclose the size of its renters-insurance business. It was the No. 6 provider of U.S. homeowners insurance in 2017, according to the National Association of Insurance Commissioners.

Traverse insurance ranges from \$8 a month to more than \$30 a month, depending on what is insured, with no deductibles, Ms. Maerz said.

for the U.S. for PricewaterhouseCoopers LLP. "All the insurers know they need to try to figure out a different way to either brand themselves or brand what they're doing."

Travelers Cos. said the new product, called Traverse, will offer identity-theft and liability insurance. It also allows customers to choose other policies to include, ranging from property insurance for cellphones or jewelry to travel insurance for canceled flights or car breakdowns. The policies are available only in New York and include no deductibles.

Unlike with traditional renters insurance, customers don't have to get new policies if they move to different apartments. But Traverse policies still meet some landlords' requirements that tenants be insured, said Beth Maerz, Travelers' vice president of customer experience and innovation for personal insurance.

"The goal is to offer a product that speaks more to the need of millennials, where a traditional renters policy might not make the most sense for them," she said.

Renters insurance has typically been a small business line for insurers compared with their large homeowners and car-insurance businesses. But many startups have begun offering renters insurance and insurance for high-value possessions in recent years, aimed at younger clients.

Those new entrants have set off a race among established carriers in renters insurance to lower prices and improve customer experience.

Startups that sell renters insurance, such as Lemonade Inc. and Jetty National Inc., have marketed their insurance products as cheaper and easier to buy and manage online than traditional policies.

"There are so many different

companies that are getting into the space," said Christopher Martin, insurtech research lead

"When you have a liquidity event it's like squeezing an elephant through a keyhole," said Mike Thompson, president of S&P Investment Advisory Service. "We keep a cash reserve for precisely those events," he said.

The SEC ruled in 2016 that mutual funds must implement programs to manage and report on liquidity risk beginning in December this year, but many ETFs received exemptions.

Amundi's Mr. Mortier raised the use of credit lines as a specific risk when it came to liquidity. "There can be a snowball effect, and we refuse to do it. It's becoming a very big issue," he said. "It's a strange way to treat existing investors because you then need to reimburse the loan."

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Mr. Elman, a former British scrap metal trader who left school at age 15, had in recent decades become one of a handful of energetic leaders whose names became synonymous with powerful but often little-understood commodities trading firms. Others include Ivan Glasenberg, chief executive of Switzerland-based Glencore PLC, and Ian Taylor, the boss of Swiss oil trader Vitol.

These men built up their companies alongside the boom in global commodities prices in the early 2000s. But Noble has been battered by accusations of accounting irregularities, first leveled in early 2015 by an anonymous blogger, whom Noble claims is a disgruntled former employee. The firm has denied the allegations.

In a little over two years, it has sold off several major assets. Its long-term issuer credit rating was downgraded Tuesday to D, essentially default grade, by S&P Global Ratings.

ETFS

Continued from page B1

Exchange Commission and currently chief legal officer at pharmaceutical company Mylan NV.

ETF shares are created by broker-dealers who buy the securities that make up an index tracked by a fund and exchange them for new ETF shares.

When investors want to redeem the shares, the process works in reverse and the ETF must sell the securities. If market liquidity tumbles—the ability to buy and sell securities easily at or near a stated price—some investors worry

that the funds won't find buyers for those securities.

"Liquidity can be the next trigger of a crisis. Trust in the instruments of the market can be questioned, especially with so much leverage," said Vincent Mortier, deputy chief investment officer at Amundi SA, Europe's biggest asset manager by assets.

Others argue that corporate-bond ETFs already have fared well in volatile markets. Shelly Antoniewicz, senior economist at the Investment Company Institute, points to stresses in the high-yield market in late 2015 driven by tumbling commodity prices as an example of their resilience.

From June 2015 to February 2016, spreads, or the differ-

ence, between U.S. Treasury yields and U.S. high-yield debt almost doubled to 8.7 percentage points from about 4.5 percentage points. But even as spreads jumped, Ms. Antoniewicz notes that redemptions were limited and secondary market trading of the ETF shares rose, providing additional liquidity to the market.

Different measures of the depth of the credit market offer a mixed picture. Average daily trading volumes have risen in recent years, ticking above \$30 billion in 2017, nearly double their levels before the financial crisis.

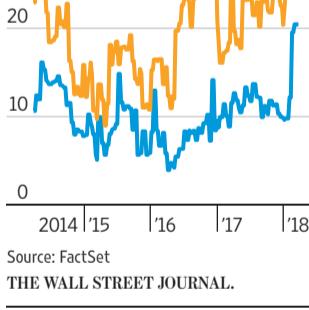
But dealer inventories of corporate bonds have fallen precipitously, from as high as \$250 billion ahead of the financial crisis to less than \$30 billion today.

The prospect of a liquidity mismatch between an ETF and its underlying investments has also raised questions about the credit lines often extended by a syndicate of lenders to some ETF sponsors.

If the assets held by an ETF are seen as too illiquid to sell, managers could instead tap the credit lines available to cover redemptions, in the hope that volatility subsides and underlying assets can be sold at more reasonable, reliable prices later on. But that logic depends on the volatility subsiding and prices rising, otherwise existing investors are left footing the bill for the tapped credit line.

Bearish Bets

Short interest as a share of total flotation



Source: FactSet

THE WALL STREET JOURNAL

Citigroup Says Loan, Kushner Talk Unrelated

BY TELIS DEMOS
AND ERICA ORDEN

Citigroup Inc. said in a letter sent Tuesday to lawmakers that a loan made to Kushner Cos. shortly after the bank's chief executive met with Jared Kushner last year was "completely appropriate."

Kushner Cos. also disclosed Wednesday that it had recently received a separate \$200 million loan from the bank.

The bank has faced questions about its dealings with Kushner Cos. following a White House meeting between its chief executive and Mr. Kushner.

Michael Corbat

March loan in late 2016 before Mr. Corbat and Mr. Kushner met.

Mr. Corbat "was unaware of the transaction" until the article was published, and the loan didn't require his approval, the bank said.

"This transaction was done in the normal course of Citi's commercial real estate lending business, received the necessary credit and risk approvals without input from Mr. Corbat, and was unrelated to any discussions with Mr. Kushner," the bank wrote.

Mr. Corbat requested the meeting with Mr. Kushner with the purpose of discussing U.S. trade policy and the North American Free Trade Agreement, the bank said.

Sen. Elizabeth Warren (D,

Singapore)—It isn't the retirement of which 77-year-old Richard Elman, the founder of commodities trading house Noble Group Ltd., would have dreamed.

Mr. Elman's Wednesday resignation as a nonexecutive director of the Hong Kong-based firm he founded three decades ago comes as Noble, struggling with high debts and a collapse in its share price, faces an existential crisis. He first announced plans to resign as executive chairman in 2016, leaving that position the following year and assuming the role of a nonexecutive director.

His final departure now comes after Noble last week signed a debt-restructuring agreement with its key creditors, with the aim of halving its \$3.4 billion of debt. The company now has a market value of around \$100 million, compared with more than \$11 billion at its peak in 2011.

That plan, which will severely dilute Noble shareholders' equity—almost erasing Mr. Elman's 18.3% stake—has been challenged by another key shareholder, Goldilocks Investment Co., a part of Abu Dhabi Financial Group.

Goldilocks, which bought an 8.1% stake in Noble last year, filed a lawsuit on Tuesday in the Singapore High Court against Noble and its executives, including Mr. Elman. It alleged that the firm inflated earnings to raise funds and failed in its fiduciary duties, according to a copy of the writ of summons seen by The Wall Street Journal.

In a statement, Noble said it is consulting with its legal advisers and intends to "vigorously resist any and all allegations or claims made against it."

Goldilocks said in a statement that Mr. Elman's departure may be the steppingstone toward the "revival of a fairer restructuring" plan with new independent directors on the board. It said it was assessing a possible new management team, and would be looking to propose replacements.

"He's had a good run while it lasted," Brayan Lai, an analyst at credit research firm Bondcritic, said of Mr. Elman. "His old company is being dismantled to its former roots and he is 77, he is not going to

stick around any longer than he should." Mr. Lai said investors should focus on the fate of the restructuring plan, which Noble aims to complete by July. But the lawsuit is "definitely a complication and could potentially stall the restructuring," he added.

Mr. Elman, a former British scrap metal trader who left school at age 15, had in recent decades become one of a handful of energetic leaders whose names became synonymous with powerful but often little-understood commodities trading firms. Others include Ivan Glasenberg, chief executive of Switzerland-based Glencore PLC, and Ian Taylor, the boss of Swiss oil trader Vitol.

These men built up their companies alongside the boom in global commodities prices in the early 2000s. But Noble has been battered by accusations of accounting irregularities, first leveled in early 2015 by an anonymous blogger, whom Noble claims is a disgruntled former employee. The firm has denied the allegations.

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Richard Elman, shown in 2012, leaves behind a firm in turmoil.

JEROME FAIRE/BLOOMBERG NEWS

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MARKETS

Yields Rise On Shift in Tightening For 2019

BY AKANE OTANI

The yield on the 10-year U.S. Treasury note rose for the fourth time in five trading days Wednesday after the Federal Reserve raised short-term interest rates and signaled it could pick up its pace of future rate increases.

CREDIT MARKETS Trading was volatile as the Fed concluded its two-day policy meeting, with the yield on the benchmark 10-year note jumping as high as 2.936% before settling at 2.901%, compared with 2.881% Tuesday. Yields rise as prices fall.

Analysts had widely expected the central bank to raise short-term interest rates by a quarter percentage point—a move that would mark the Fed's first interest-rate increase of the year and its sixth since late 2015. What they were less certain about was the extent to which the central bank would adjust its "dot plot," which conveys the interest-rate expectations of Federal Open Market Committee members.

The Fed's latest projections left investors divided. On the one hand, the Fed's dot plot showed officials still expect a total of three rate increases in 2018—easing concerns among investors who had feared that that number could shift to four, in part due to a \$1.5 trillion tax cut package and a \$300 billion, two-year federal funding increase that they say will spur economic growth and push inflation higher.

The yield on the two-year Treasury note, which is especially sensitive to interest-rate expectations, fell to 2.312% from 2.336% Tuesday.

But the central bank's dot plot also showed officials now expect to raise rates three times in 2019, up from their expectations back in December of two rate increases. And the central bank's economic projections showed officials believe inflation, which threatens the value of government bonds by chipping away at the purchasing power of their fixed payments, will rise above their 2% target in 2019 and 2020.



DAVID PAUL MORRIS/BLOOMBERG

A downbeat revenue forecast from Southwest Airlines sent its shares down 4.8% and helped make airline shares among the worst performers on Wednesday.

Stocks Fall After Fed Raises Rates

Some worry higher bond yields will make shares less attractive; dollar tumbles 0.7%

BY AMRITH RAMKUMAR AND DAVID HODARI

U.S. stocks erased gains and closed lower after the Federal Reserve raised interest rates and reiterated plans for two more increases this year.

Worries that a pickup in inflation could lead to a quicker-than-anticipated pace of rate increases contributed to last month's stock-market correction. Some investors had feared the Fed would raise rates four times in 2018, but the central bank on Wednesday reiterated plans for a total of three this year. Still, more officials now think four increases might be necessary, and the Fed also marked up slightly the estimate of interest rates it expects to prevail over the long run.

Some investors worry that higher borrowing costs will slow corporate activity and push up Treasury yields, making stocks less attractive. Wednesday's Fed statement could comfort some analysts

for now who wanted to see the central bank stay on a gradual path, though the longer-term concerns remain, said Michael Hans, chief investment officer of Clarfeld Financial Advisors.

"It was a fairly balanced statement without dramatic changes," Mr. Hans said. "It's a bit premature to get the pulse of the market to see if this is a considerable benefit for stocks."

The Dow Jones Industrial Average closed down 44.96 points, or 0.2%, at 24682.31, after earlier rising as much as 250 points immediately following the Fed decision. The S&P 500 shed 50.01 points, or 0.2%, to 2711.93, while the Nasdaq Composite fell 19.02 points, or 0.3%, to 7345.29. All three indexes swung between gains and losses for the second straight session following sharp declines to start the week.

The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall.

The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, declined 0.7%, for the largest one-day decline since Jan. 24.

Stocks rose earlier in the session after U.S. trade representative Robert Lighthizer told lawmakers that several key U.S. allies and trading

Turbulent Trading

Airline stocks tumbled Wednesday following a downbeat Southwest Airlines revenue projection.



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

partners won't face steel and aluminum tariffs until negotiations on possible exemptions wrap up next month.

Worries that protectionist trade policies could spread following the U.S. tariffs expected to take effect Friday and crimp global economic growth have made some money managers anxious in recent weeks. The White House is expected to announce a new raft of punitive measures aimed at China, including levies worth at least \$30 billion.

Finance ministers from the

Group of 20 industrial and developing nations failed to reach a fresh agreement on trade at a meeting this week in Buenos Aires, a sign that the U.S. and other countries remain split on the matter.

Despite anxiety over rates, trade and lawmakers reaching a deal to keep the government funded, stocks have largely stabilized following big declines last month.

"To me that speaks of underlying strength," said Brad McMillan, chief financial officer at Commonwealth Financial

Network. "Even though there are a lot of concerns, the fact that the market continues to hold up suggests this isn't going to be what derails the rally."

Energy stocks surged alongside oil prices Wednesday after a weekly report showed U.S. inventories surprisingly fell during the week ended March 16. The S&P 500 energy sector added 2.6%, its best day since November 2016. A rise in metals prices boosted materials stocks, which added 1.1%.

Airline stocks were among the worst performers following a downbeat revenue forecast from Southwest Airlines, which slid \$2.91, or 4.8%, to \$57.78. American Airlines Group dropped 1.23, or 2.2%, to 54.09, and Delta Air Lines fell 55 cents, or 1%, to 55.95.

General Mills shares dropped 4.42, or 8.9%, to 45.51 after it said higher food and shipping costs hurt profitability in the latest quarter and will weigh on the food maker's earnings for the year.

Elsewhere, the Stoxx Europe 600 fell 0.2%, with the index's banking sector among the worst performers.

At midday Thursday in Tokyo, the Nikkei 225 was up 0.4%, while Hong Kong's Hang Seng Index was down 0.6% and the Shanghai Composite was down 0.9%.

Facebook Options Get Thumbs Up

BY GUNJAN BANERJI

The tumble in Facebook Inc.'s shares has triggered frenzied trading of the company's options, including contracts that pay out if the stock falls more than 30% or regains most of its losses.

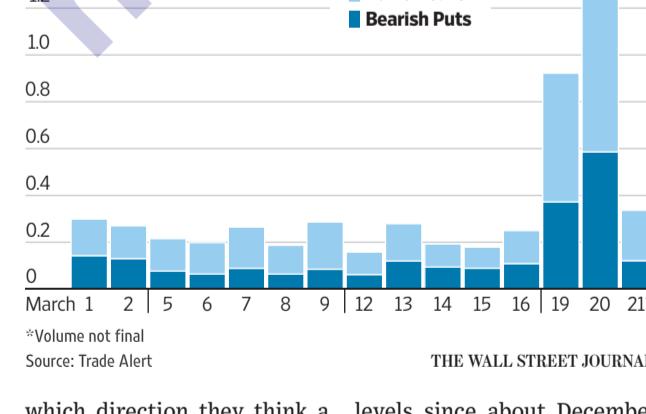
The social-media company's shares rose 0.7%, to \$169.39, Wednesday but have slumped 8.5% this week after reports that the data of up to 50 million users was transferred to an analytics firm tied to President Donald Trump's campaign.

Options volume has remained elevated all week. On Tuesday, volume of Facebook options was the second busiest ever, according to data provider Trade Alert. And some investors appeared to be girding for a volatile move in the stock.

Among the most popular options changing hands Tuesday were bearish put contracts expiring in April. Puts give holders the right, but not the obligation, to sell the shares at a certain price. Traders can tap options to make bets on

Burst of Trading

Options trading on Facebook exploded this week as share prices fell.



which direction they think a stock will move or to hedge portfolios.

The "strike prices" for the options—the levels at which the contracts can be exercised—were \$115 and \$120. That means Facebook shares would have to plunge 32% and 29%, respectively, from where they closed Wednesday for the options to pay out. Facebook's shares haven't traded at those

levels since about December 2016.

"They're most likely purchasing puts to protect themselves on the downside," said Mary Ryan, a Chicago-based senior options strategist at E*Trade Financial Corp. But some options investors may be positioning for a reversal, she said.

The news about Facebook sent its shares on their worst

two-day drop in more than two years, a sharp turnaround for the company, which has vastly outperformed the S&P 500 in recent years.

Also popular among Facebook options were bullish call options that pay out if the stock bounces to above \$180, near where the stock was trading before this week, Trade Alert data show. A call option gives the holder the right to buy the shares at a set price.

JPMorgan Chase & Co. analysts recommended a bullish options trade in a note Wednesday. "Clarity on the Cambridge issue and Facebook's willingness to self-regulate are likely near-term catalysts that may reduce investor fears, stabilize the stock and position it for a recovery into first-quarter results," JPMorgan analysts wrote.

Facebook options tend to be heavily traded, landing it on a list of the top 10 most-active options in 2017, alongside contracts on the S&P 500 and Apple Inc., according to a January report from research firm Tabb Group.

Dropbox Raises Target For Price Before IPO

BY AUSTEN HUFFORD AND MAUREEN FARRELL

Dropbox Inc. raised its valuation and share-price target on the heels of strong demand from potential investors ahead of its initial public offering.

The file-storage and collaboration company set a new valuation range between \$7.88 billion and \$8.75 billion, priming it to be one of the biggest tech IPOs in the past few years.

In a securities filing on Wednesday, Dropbox said it expects its shares to price between \$18 and \$20 each, compared with the \$16 to \$18 range the company expected earlier in the month. At the midpoint of the new range, based on a fully diluted share count, its valuation would be \$8.32 billion, above the previous estimate of \$7.44 billion but well below the \$10 billion valuation reached when it raised private capital in 2014.

That valuation level would make it the largest U.S. tech IPO since Snap Inc. made its

debut in March 2017, according to Dealogic.

The IPO would raise \$684 million at the midpoint of the range, and Dropbox said it would receive net proceeds of \$579.9 million, according to the filing.

As one of few richly valued tech startups to test the public markets in recent years, Dropbox will be closely watched as a potential barometer for the more than 100 U.S. companies valued at more than \$1 billion that still remain private—particularly the larger ones.

Most of the startups with the highest valuations have put off IPOs as they still have access to ample amounts of capital from big investors.

The San Francisco-based company changed its valuation range after it began an investor roadshow last week. IPOs aren't guaranteed to price within companies' expected ranges. Dropbox's offering is likely to price Thursday night, and the stock will begin trading Friday, according to people familiar with the matter.

U.S. Sale of Gulf of Mexico Oil and Gas Leases Draws Weak Response

BY TIMOTHY PUOK

drilling in the gulf to cover the state of New Mexico, in what Interior Secretary Ryan Zinke billed as the biggest such sale in U.S. history.

Only 1% of the acres offered drew a bid, and the winners paid an average of \$153 an acre, some of the lowest prices of the decade. Lease sales have languished for several years, since commodity prices plummeted more than three years ago.

The tepid response shows just how difficult it is for the administration to fulfill its promise of helping the energy industry grow at a time of abundant supplies. A boom in shale drilling has helped set the country on course to become the world's largest oil producer, but it has also sunk

prices and lured drillers away from higher-cost wells, especially offshore.

Mr. Zinke said the sale would be a bellwether for the sector earlier this month at an energy conference in Houston.

His department is trying to expand the federal lands it can offer to produce a wide range of commodities—including coal and rare metals, along

with oil and gas—and is among several executive agencies trying to roll back rules to lower costs for commodity producers and help them grow.

"Today's sale is a continuation of our all-of-the-above energy strategy," said Vincent DeVito, energy counselor to the interior secretary.

But Wednesday's results, which brought in nearly \$125 million plus royalties later—showed no sign that the administration's moves to spur development could overcome broader market forces, analysts said.

Few of the blocks on offer received multiple bids, and the companies bidding focused mostly on small additions they could make to areas they already controlled.

MARKETS

Two Wells Help Explain Natural-Gas Glut

BY RYAN DEZEMBER
AND STEPHANIE YANG

Natural-gas producers should be delighted: A cold winter has furnaces blazing into late March, domestic demand is up, and record volumes are being sold abroad.

Yet fuel prices are depressed. A pair of wells in southwest Wyoming helps explain why.

This winter, Ultra Petroleum Corp., just months after emerging from bankruptcy, completed two huge wells in the state, drilling down more than 2 miles and then sideways for another 2. Each has produced enough gas to fuel every household in Wyoming.

Ultra's wells—whose initial flows have been among the largest ever in the U.S.—show how prospectors continue to unearth huge troves of gas. That output is offsetting increases in the fuel's use and keeping a lid on prices.

On Wednesday, natural-gas futures for April delivery closed at \$2.638 a million British thermal units, down 27% from a winter-heating season high reached in January and below break even for many drilling prospects. Many banks and analysts predict average prices will remain below \$3 for years.

That is good for the homeowners, chemical makers and power plants that buy gas. But cheap gas has bedeviled drillers, many of whom are battling low prices by drilling bigger wells in search of efficiencies.

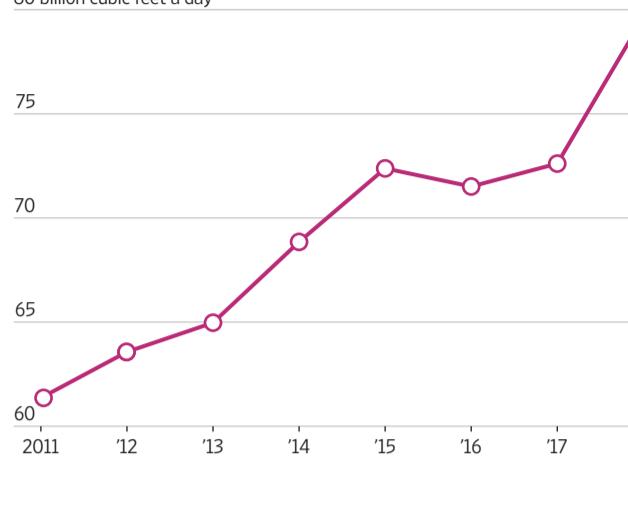
U.S. gas production has averaged 79.63 billion cubic feet a day this year, up nearly 10% from 2017's record output, according to S&P Global Platts, which compiles pipeline data.

"Supply is casting a pall over what's going on on the demand side of the ledger," said Richard Redash, who leads the firm's North American gas and power research.

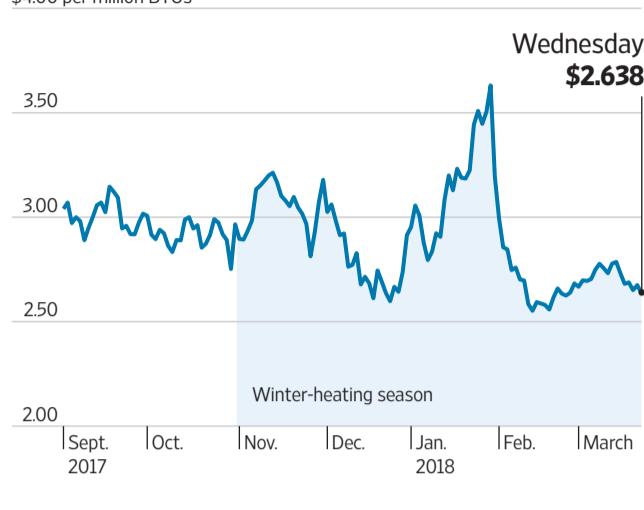
Snow days in Houston and

Record U.S. gas production has weighed on prices this winter, even with rising domestic demand and exports.

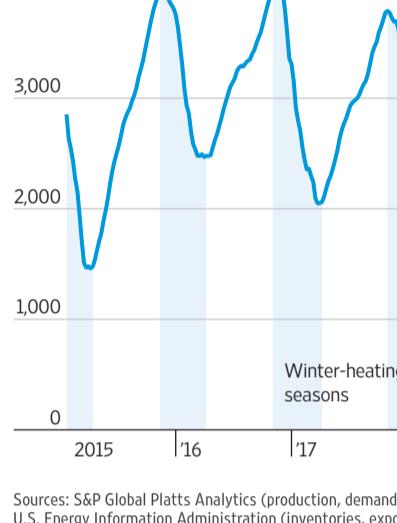
U.S. natural-gas production, daily average



Front-month natural-gas futures price

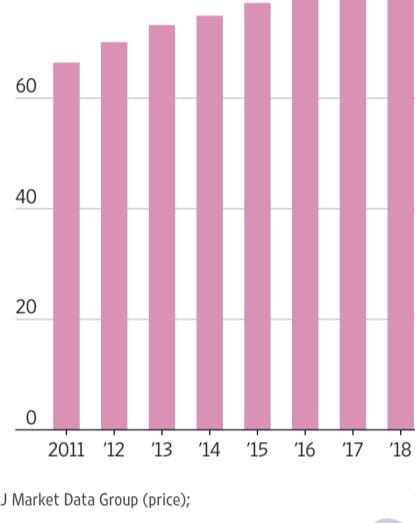


Natural-gas inventories, weekly

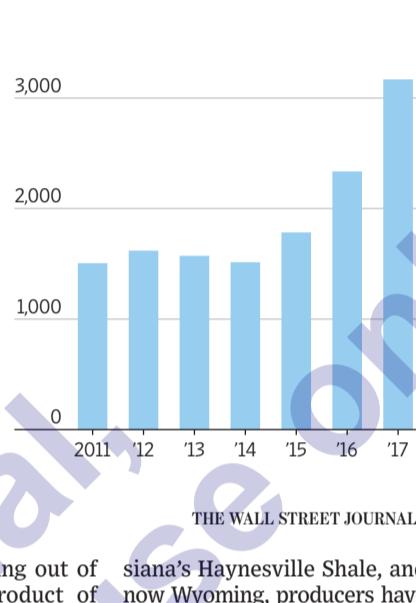


Sources: S&P Global Platts Analytics (production, demand); WSJ Market Data Group (price); U.S. Energy Information Administration (inventories, exports)

U.S. natural-gas demand, daily average



U.S. natural-gas exports, annually



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nor'easters in March have reduced gas in storage to its lowest level in three years. Chemical makers and other manufacturers are consuming record volumes. Mexico is importing more than ever. And **Dominion Energy** Inc.'s Cove Point export terminal in Maryland began filling tankers with liquefied natural gas this month, pushing overseas LNG shipments to new highs.

Yet this unprecedented demand growth has barely absorbed the gas flooding the

market. Gas is surging out of West Texas, a byproduct of frenzied oil drilling in the Permian Basin. Appalachian output is on the upswing as new pipelines connect swaths of the Marcellus and Utica shales to the market. In Louisi-

siana's Haynesville Shale, and now Wyoming, producers have supersize wells in attempts to lower their cost per unit and better compete with cheaper-to-drill areas.

Ultra has been one of the main producers in Wyoming's

Green River Basin, typically drilling vertical wells into a gas-bearing rock.

In April 2016, Ultra filed for bankruptcy protection after low gas prices pushed its earnings relative to debt below thresholds spelled out in agreements with creditors. When the Houston company emerged from bankruptcy protection a year later, it embarked on a plan to drill horizontal wells.

A horizontal well in 2016 was a flop. But this time, Ultra drilled a gusher, which maxed out at the equivalent of 51 million cubic feet a day. A third well was far less prolific.

For the fourth well, begun in January, the company went back to the more successful well design, which involved pumping 281,000 barrels of water and 12.4 million pounds of sand beneath the surface. This attempt was even better than the preceding one, producing as much as the equivalent of 54.5 million cubic feet a day. It cost about \$9 million.

On a daily basis, that is more than six times as much gas as Ultra's typical vertical well, which cost \$3 million to drill.

"Well performance like this is one of the reasons we aren't optimistic for a natural-gas price recovery," said Ethan Bellamy, energy analyst at Robert W. Baird & Co. "There's simply too much supply available."

Ultra says it has 700 locations on its land where it believes it can drill similarly designed wells.

This week, Jefferies analysts lowered their natural-gas-price forecasts for this year and next to \$2.80 a million BTUs from \$3.25. Raymond James & Associates Inc. predicts an even lower \$2.75 over that time.

"We often hear the question: Is there any hope for U.S. natural-gas prices?" the firm's analysts wrote in a note to clients. "The short answer: No, there isn't."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

The Fed Will Be Safe, Not Sorry

It is possible that, even as tax cuts and government spending boost growth and spur hiring, the risk of the economy overheating hasn't increased. Maybe, but the Federal Reserve probably isn't about to embrace that idea.

Fed policy makers on Wednesday raised their range on overnight rates by a quarter point, to 1.5% to 1.75%, and acknowledged that the outlook for the economy "has strengthened in recent months." New economic projections showed their median expectation was for gross domestic product to expand by 2.7% this year and for the unemployment rate to slip by the end of the year to 3.8% from the current 4.1%. In December, they had forecast GDP growth of 2.5% and an un-

employment rate of 3.9%.

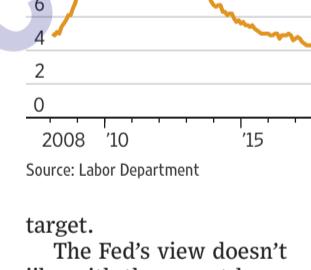
One thing that didn't change was the median forecast of how many times the Fed will raise rates this year—three. But that view on rates really amounted to a split decision because seven of 15 policy makers expect to raise rates at least four times this year. In December, only four of 16 expected four or more increases.

What is more, the policy makers think they will have to tighten by more in the years to come, projecting that overnight rates will reach 3.375% by the end of 2020, compared with their earlier forecast of 3.125%.

That reflects an expectation that the unemployment rate will slip to 3.6% by the end of next year and that inflation

will breach the Fed's 2%

How Low Can It Go?



Source: Labor Department

target.

The Fed's view doesn't jibe with the recent hopes and dreams of some investors. The February jobs report, which showed the unemployment rate stable at 4.1% even as hiring heated up, suggested there might still be a large number of potential workers who could yet enter the labor force. If

that is true, the upward pressures on wages in the months to come might not be so severe. The Labor Department's February report on consumer prices further damped inflation worries.

But for the Fed to take up the view that the job market can handle more hiring without getting tight, it would need a lot more proof than a single month's jobs report. Likewise, the idea that the economy will become more productive as companies step up investment in response to the tax cut, and therefore able to expand faster without pushing inflation higher, might be true. But the Fed would need to see evidence first.

In the meantime, the central bank is going to keep raising rates.

—Justin Lahart

General Mills Sounds Alarm for Food Sector

Packaged-food companies already are struggling to respond to a shift in consumer preferences toward healthier, simpler foods. Now, they also have to contend with higher input prices.

General Mills shares fell 8.9% Wednesday after the company lowered operating-profit guidance for its full fiscal year ending in May.

The maker of Cheerios cereal and Progresso soups now forecasts adjusted earnings-per-share growth of zero to 1% for the period, down from 3% to 4% projected growth.

The company cited higher commodity prices—including grains, nuts and dairy—as well as rising logistics and freight costs. On a conference call, management was contrite for not catching the trend of accelerating inflation earlier, and it outlined plans to respond by cutting costs, reconfiguring logistics networks and raising some prices.

Analysts on the call voiced skepticism that General Mills has room to pass higher costs on to consumers in the current tough environment. Among other factors, discount grocery chains are taking market share and pressuring suppliers to keep prices low. Shoppers also are

increasingly willing and able to compare prices online. During a previous bout of commodity price inflation a decade ago, companies like General Mills raised prices stealthily by shrinking package sizes, but this approach has inherent limits.

While sounding pessimistic on costs, General Mills talked up its sales performance. Having shrunk for several quarters, organic net sales growth turned modestly positive over the past two quarters. This was aided by new products. But this success shouldn't be exaggerated. The company's guidance for the full fiscal year is still for flat organic net sales.

The acquisition of natural pet-food maker Blue Buffalo Pet Products will help overall sales growth in future quarters. It won't do much to aid cost efficiency, though, because pet food is a new product segment with few expense synergies.

Shares of rival packaged-food companies fell along with General Mills on Wednesday, with **Campbell Soup** down 2.2% and **Kellogg** falling 4%. For investors, weak sales and rising costs make for an unappetizing mix.

—Aaron Back

Norwegian Air Ascent Looks Too Steep

Radar Malfunction



Source: FactSet

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the room for error.

The private placement will boost Norwegian's equity cushion, which finished 2017 at just 4.1 billion Norwegian krone (\$529.3 million), by 1.3 billion krone. But net debt, which clocked in at 22.3 billion krone in December, still will be almost four times its expanded equity. This doesn't include the company's even greater lease liabilities, which will need to be put on the balance sheet under new accounting rules starting next year.

A reclassification of the company's stake in a bank holding company, **Norwegian Finans Holding**, has also freed up capital on paper, but shows the depth of worry.

The domestic regulator required the airline to change the accounting treatment of the stake, almost halving its total equity cushion.

Norwegian has undertaken

Norwegian Air Shuttle can now roll back that treatment because its chairman announced his resignation from the bank's board.

The company raised the possibility of further moves to improve its capital position, including selling its loyalty program and spare **Airbus** planes, though details were scant.

At some cost to small shareholders, and with an eye on accounting technicalities, Norwegian has bought itself breathing room. It may need it.

With fuel prices rising, the environment for airlines is getting stormier.

Norwegian's need to beef up its books after one of the industry's best years on record raises the uncomfortable question: How will it weather a tough year for the industry?

—Stephen Wilmot

OVERHEARD

The judge in the U.S. government's blockbuster antitrust trial against **AT&T** seems frustrated. On Tuesday, he said it is "a little unsettling" that so much of the trial will focus on what AT&T and its rivals think will happen if it is allowed to acquire **Time Warner**.

"This is about who's the better guesser," he said. "I guess in this case I have to get a crystal ball, maybe at

one of those secondhand stores. It's crazy."

One rival that the Justice Department will call to testify about the (perceived) harmful effects of the merger is **Comcast-NBC**.

Oddly, Comcast's 2011 acquisition of NBC was itself a vertical merger of the sort AT&T is pursuing with Time Warner. Do they know something we don't?