

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

THURSDAY, MAY 4, 2017 ~ VOL. CCLXIX NO. 103

WSJ.com

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DJIA 20957.90 ▲ 8.01 0.04% NASDAQ 6072.55 ▼ 0.4% STOXX 600 389.37 ▼ 0.04% 10-YR. TREAS. ▼ 4/32, yield 2.30% OIL \$47.82 ▲ \$0.16 GOLD \$1,246.40 ▼ \$8.70 EURO \$1.0887 YEN 112.75

## What's News

### Business & Finance

Puerto Rico was placed under court protection in what amounts to the largest-ever U.S. municipal bankruptcy. A1

◆ Delta's delay onslaught last month resulted from pilots and flight attendants being unable to phone in for their assignments. A1

◆ The Fed said it expects growth to rebound as it held rates steady, signaling it is likely to continue gradually raising them this year. A1

◆ The Dow rose 8.01 points to 20957.90 and the dollar and Treasury yields edged up after the Fed decision. B11

◆ The SEC is investigating whether solar-energy firms are masking how many customers they are losing. A1

◆ Facebook's profit surged 76% despite concerns tied to video-ad performance and graphic content. B1, B2

◆ Big banks are pulling back on car loans, helping drive down sales and raising fears of a deeper slump. B1

◆ A global tumble in metals prices gained speed in China markets Thursday amid concerns about demand. B1

◆ China refused to clear a deal for a state company to help bail Malaysia out of the IMDB financial scandal. B1

◆ Struggling lender Home Capital has entered talks with potential buyers. B11

◆ Tesla is on track to meet its production deadline for its first mass-market vehicle, CEO Musk said. B3

◆ New Mountain is in advanced talks to buy lab-supply distributor VWR. B3

### World-Wide

◆ House GOP leaders said the chamber would vote Thursday on their bill to overhaul the ACA, in a show of confidence that they can lock down enough support. A1

◆ Comey defended his decision to alert Congress about a renewed probe of Clinton's emails shortly before Election Day. A3

◆ Trump on Thursday will sign an expansion of religious rights, a prized goal of social conservatives. A4

◆ The House passed a \$1.1 trillion bill to fund the government through Sept. 30, a step toward avoiding a shutdown on Saturday. A4

◆ Trump met with Abbas and said he would do whatever is necessary to broker a Mideast peace deal. A9

◆ Putin called for the creation of so-called safe zones in Syria following talks with Trump and Erdogan. A9

◆ Tillerson said the U.S. would pursue national security and economic interests before turning to human-rights concerns. A9

◆ U.K. leader May accused EU politicians and officials of issuing threats against Britain over Brexit talks. A7

◆ Macron and Le Pen squared off in a French presidential debate pitting an EU defender against a critic. A7

◆ A suicide bomber struck a U.S. military convoy in Kabul, killing eight Afghan civilians. ISIS claimed responsibility. A9

◆ Legionnaires' disease bacteria are rife in cooling towers, a study found. A3

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Please see SOLAR page A10

# U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## How Ultralow Interest Rates Could Backfire

When the Federal Reserve raises interest rates, the stock market usually

takes it badly. These days, though, one big sector is praying for tighter monetary policy: banks.

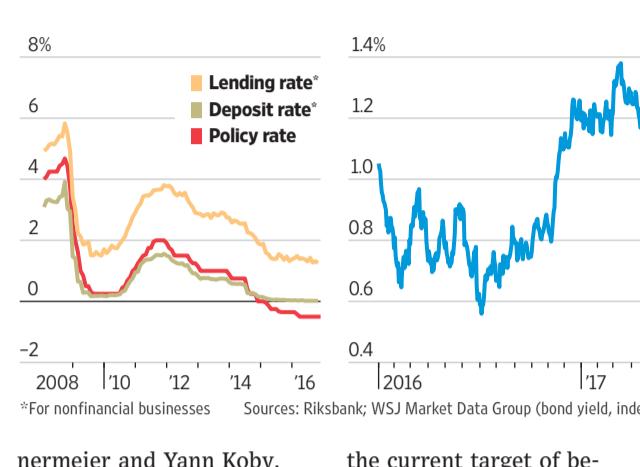
Lenders' stocks have been on a tear, rising 24% since the November election, and not just on hopes the Trump administration will reduce regulation. After all, banks have rallied almost as much in Europe. Rather, it reflects two Federal Reserve rate increases, expectations of more, and confidence the European Central Bank won't push rates further into negative territory or expand its bond buying.

That is the opposite of the usual relationship. Rising rates typically hurt banks by raising their cost of funds and damping demand for loans.

The inversion of this historic relationship is ominous. It suggests that central banks' use of interest rates near or below zero to revive stagnant economies can backfire by undermining bank profits and capital and, thus, their ability to lend. Two Princeton University economists, Markus Brun-

### The Low-Rate Squeeze

In Sweden, negative interest rates were passed on to commercial-bank lenders but not depositors. In the U.S., higher rates have cheered bank investors.



\*For nonfinancial businesses Sources: Riksbank; WSJ Market Data Group (bond yield, index)

nermeier and Yann Koby, have coined the term the "reversal rate" for the rate at which easy-monetary policy switches from stimulative to contractionary.

The idea is controversial. Fed officials have disputed the link, and in Europe, banks report that while low rates have hurt profits, they have also helped lending. Nor is the U.S. now near such a reversal rate. The economy is growing solidly and the Fed has signaled it hopes to raise short-term rates this year by another half percentage point from

the current target of between 0.75% and 1%.

**B**ut the reversal rate, if it does exist, casts a large shadow over the future. Structural forces, such as weak productivity growth and a glut of global savings, likely mean central banks will have to push rates close to zero more often than in the past. There may be circumstances when this does more harm than good.

Standard economics says that as rates drop, they increase demand for credit and investment, raise stock

prices and thus wealth, and weaken the exchange rate, which is good for exports.

In theory, interest rates shouldn't lose their potency as they fall below zero. Yet a study presented at the International Monetary Fund last fall found some evidence that they do.

Precisely why is unclear, but the likeliest culprit is the impact on commercial banks. They profit from the margin between what they charge on loans and what they pay depositors for the funds they lend out. When central banks push their policy rates below

zero, commercial banks are reluctant to impose that on their depositors by charging them a negative rate on their accounts.

For example, between early 2015 and mid-2016 Sweden's Riksbank pushed its policy rate from zero to minus 0.5%. Loan rates by commercial banks also dropped, but not as much, and their deposit rates, which were already at zero, barely fell at all.

This also affects bank profits. A study by two Chicago Fed economists found that lower interest rates tend to depress banks' returns on assets. That study did find that this effect was more than offset by stronger loan growth, more fee income and lower loan-loss provisions.

But those offsets may diminish over time. Research by the Swiss-based Bank for International Settlements found that in 2009 and 2010, falling interest rates bolstered bank profits, but from 2011 to 2014 they had the opposite effect. The BIS also looked at 108 global banks and found that as interest rates drop, lending rises—until rates reach very low levels, when lending starts to shrink.

When interest rates dropped to zero, central banks turn to another tool

for stimulating demand: buying bonds, which reduces long-term rates. This compresses the spread between long-term and short-term interest rates, i.e. the yield curve. Because loans are linked to long-term rates and deposits to short-term ones, a flatter yield curve also erodes profits.

**T**he BIS authors caution that it is difficult to disentangle any negative effects of low interest rates and a flatter yield curve on banks from the overall weak economic environment.

With economic growth now picking up, central banks don't have to worry as much about the health of commercial banks. Nonetheless, the longer the ECB keeps rates negative, the harder it will be for commercial banks to recover.

And the Fed, which is debating when to start shrinking its balance sheet, may want to consider the effect on banks. Selling some of its \$4 trillion in bonds should push up long-term rates, which would restrain growth, but it would steepen the yield curve and bolster banks' incentives to lend. That should provide some comfort as the Fed slowly returns monetary policy to normal.

## FED

Continued from Page One tant," said Michael Gapan, chief U.S. economist at Barclays, in a note to clients.

"It signaled that it would maintain its normalization path this year" without "any tone of uncertainty over the state of the economy or hesitation over the path of policy," he wrote.

In each of the last two years, the Fed has been forced to shelve its plans to raise rates gradually due to economic shocks, especially from abroad, and it lifted short-term rates just once at the end of each year. So far this year, more resilient global growth has given the Fed more room to stick with its strategy.

When officials raised rates at their March meeting, they penciled in two additional quarter-percentage-point increases this year. Many analysts expect those to happen in June and September.

Because the Fed hadn't been expected to raise rates Wednesday, investors were instead focused on signals about whether recent softness in inflation and consumer spending

might alter plans for the next meeting, June 13-14. Traders in futures markets placed a 70% probability of a move at that meeting following Wednesday's statement, according to CME Group.

Central bank officials "went into this meeting with the intention of not upsetting the apple cart, and they succeeded," said Tom Porcelli, chief U.S. economist at RBC Capital Markets, a global investment bank.

Yields on the benchmark 10-year Treasury edged higher after the meeting, to 2.32%, while stocks were little changed, with the Dow Jones Industrial Average closing up 0.04%, or 8.01 points, to 20957.90.

The big question now is whether the economy will perform in line with the Fed's expectation. Gross domestic product grew at a feeble 0.7% annual rate in the first quarter as consumers reined in spending despite recent surges in household confidence surveys and an increase in stock prices.

Economic growth is widely expected to pick up this spring, though the results so far have been mixed. Personal spending rose in March after two months of declines, but

auto makers reported demand in April turned surprisingly sluggish.

Forecasts from Macroeconomic Advisers currently track GDP growth for the second quarter running at about a 3.8% annual rate, while a model from the Atlanta Fed shows a 4.3% pace.

Inflation also weakened in March. While some officials had expected inflation to ease due to energy prices, the Fed's preferred measure of inflation

showed that prices excluding the more volatile food and energy categories also rose more slowly in March. Compared with a year earlier, overall prices rose 1.8% in March, while prices excluding food and energy rose 1.6%, below the Fed's 2% target.

While progress on the inflation front has been uneven, economists increasingly believe the central bank has neared its congressional mandate to seek full employment,

meaning the economy provides as many jobs as possible without triggering inflation. The unemployment rate fell to 4.5% in March, the lowest level in nearly a decade. The Fed's policy statement Wednesday emphasized continued job gains, which it characterized as "solid."

Officials also noted firmer spending from businesses, which has lagged behind in recent quarters. The statement noted modest gains in house-

hold spending but said the fundamentals underpinning personal consumption "remained solid."

Financial conditions have been mixed since the Fed last met in March, with stocks pulling back from their highs and bond yields falling, in part as investors recalibrate their expectations about President Donald Trump, a Republican, and the GOP-controlled Congress's ability to deliver on their fiscal policy promises.

## CORRECTIONS & AMPLIFICATIONS

**Former police officer Michael Slager** pleaded guilty Tuesday to violating Walter Scott's civil rights in the April 2015 shooting death of Mr. Scott in Charleston, S.C. In some editions Wednesday, a U.S. News headline incorrectly said the shooting occurred in North Carolina.

**Mylan NV Chairman Robert J. Coury** received roughly \$100 million in compensation for 2016, excluding retirement benefits and other payments.

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THE WALL STREET JOURNAL  
(USPS 644-880)  
(Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935)  
(Western Edition ISSN 0193-2241)

Editorial and publication headquarters:  
1211 Avenue of the Americas,  
New York, NY 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, N.Y., and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chico, CA 95920.

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## U.S. NEWS

### Mississippi River Floods Parts of Midwest



**WADING IN:** Mississippi River floodwaters inundated Riverfront Park in Alton, Ill., on Wednesday. Heavy rains have swollen many rivers to record levels in parts of Missouri, Illinois, Oklahoma and Arkansas.

## Comey Defends His Moves

FBI director testifies about Oct. 28 letter that Democrats say led to Clinton's defeat

By ARUNA VISWANATHA AND BYRON TAU

WASHINGTON—Federal Bureau of Investigation Director James Comey on Wednesday defended in highly emotional terms his decision to alert Congress about a renewed investigation involving Democratic presidential candidate Hillary Clinton shortly before Election Day, saying he still believed it was right to do so.

"If I were not to speak about this, it would be disastrous, catastrophic concealment," Mr. Comey said, returning again and again to a letter he sent Congress on Oct. 28 regarding potential new evidence in the probe of Mrs. Clinton's private email arrangement when she was secretary of state.

In the end, that evidence didn't change the FBI's previous conclusion that no charges should be brought. Many Democrats have said Mr. Comey's letter violated Justice Department guidelines and caused Mrs. Clinton's defeat to President Donald Trump.

"It makes me mildly nauseous to think we might have had some impact on the election," Mr. Comey said, his voice rising as he spoke before the Senate Judiciary Committee. "But honestly, it wouldn't change the decision. Everybody who disagrees with me has to come back to October 28th with

#### Highlights From The Testimony

Here are some quotes from James Comey's testimony before the Senate Judiciary Committee on Wednesday:

**"Look, this is terrible. It makes me mildly nauseous to think we might have had some impact on the election. But honestly, it wouldn't change the decision."**

—On his decision to disclose in late October 2016 that the Clinton email probe was being reopened, less than two weeks before the election

**"I have a fabulous staff at all levels and one of my junior lawyers said, 'Should you consider that what you're**

**about to do may help elect Donald Trump president?' And I said, 'Thank you for raising that. Not for a moment. Because down that path lies the death of the FBI as an independent institution in America. I can't consider for a second whose political fortunes will be affected in what way.'**

—On the debate at the FBI over whether to disclose the reopening of the email probe

**"I think one of the lessons that particularly the Russians may have drawn from this [2016 campaign] is that this works. And so, as I said ... a month or so ago, I expect to see them back in 2018, especially 2020."**

—On countering future Russian interference in American elections

me and stare at this, and tell me—what you would do?"

The director's testimony came as senators of both parties questioned his handling of two sensitive matters involving the 2016 candidates. Mr. Comey both oversaw the probe of Mrs. Clinton and now is investigating whether members of Mr. Trump's campaign collaborated with Russia to influence the election. Both Mr. Trump and Russian officials have rejected the allegations.

Mr. Comey largely declined to answer questions about the Russia investigation, noting that it was continuing.

Mr. Comey's handling of the Clinton probe was unusual by

his own account.

Last July, he held a press conference to announce that while Mrs. Clinton's handling of national secrets had been "reckless," she had committed no prosecutable offenses. At the time, some Democrats criticized Mr. Comey's critique of her behavior as inappropriate.

The announcement of no charges would ordinarily be left to the Justice Department, and making the statement was "disastrous for me personally,"

Mr. Comey said Wednesday. But he suggested that the department's leadership had lost credibility, in part due to a meeting between then-Attorney General Loretta Lynch and

Mrs. Clinton's husband, former President Bill Clinton.

The Clinton probe was reopened in the fall after additional emails were discovered on a laptop belonging to former Rep. Anthony Weiner, then-husband of top Clinton aide Huma Abedin. At that point, Mr. Comey said, he had little choice but to let Congress know about the new development, even though it was 11 days before the election.

Mr. Comey said he viewed his choices as whether to speak about the new discovery, which would be "really bad," or conceal the information from Congress, which would be "catastrophic." He chose the former because "I could not see a door labeled 'no action here,'" he told senators.

The director's critics weren't likely to be persuaded by his explanation. "This explosive announcement—and it was—came unprompted and without knowing whether a single email warranted a new investigation," said Sen. Dianne Feinstein (D., Calif.). "It was, in fact, a big October surprise."

The incident remains a sore point on both sides of the aisle, especially among Democrats, who say Mr. Comey violated guidelines by speaking about an inquiry close to an election, costing Mrs. Clinton the election. This week, Mrs. Clinton herself partially blamed Mr. Comey for her defeat.

Republicans, to the contrary, claim the Obama Justice Department offered Mrs. Clinton political cover, and that its decision not to prosecute her was misguided.

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## Legionnaires' Bacteria Rife in Cooling Towers

By BETSY MCKAY

The rate of Legionnaires' disease rose nearly fourfold in the U.S. between 2000 and 2014, and researchers are trying to figure out why. A new study offers some potential clues about the role of cooling towers, the equipment that expels waste heat from buildings' air conditioning or other systems.

Researchers from the Centers for Disease Control and Prevention analyzed water from 196 cooling towers across the U.S. for Legionella, the bacteria that cause the se-

vere and sometimes-fatal form of pneumonia. They found live Legionella bacteria in 79 of them, in most regions of the country. Overall, they detected Legionella DNA—indicating the bacteria were either present or had been there at some point—in 164, or 84% of the cooling towers.

Cooling towers are known to be a major source of outbreaks of Legionnaires' disease, including a large outbreak in New York City's South Bronx in 2015 in which 138 people were sickened and 16 died. The bacteria can proliferate in the water system of cooling towers, then become airborne and inhaled.

The CDC study is the first to show how widespread Legionella may be in these devices across the country, its authors said.

"Legionella DNA is ubiquitous in U.S. cooling towers," said Anna Llewellyn, a fellow at the pneumonia response and surveillance laboratory at the CDC, who called the findings "surprising." That "highlights the potential for cooling-tower-related outbreaks to occur anywhere in the U.S."

Dr. Llewellyn cautioned that just because a tower has Legionella doesn't necessarily mean it is spreading disease. It isn't known how much Legionella makes a person sick.

#### Disease on the Rise

U.S. reported cases of Legionnaires' disease  
2.0 per 100,000 residents



Source: Centers for Disease Control and Prevention

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## U.S. NEWS

# Trump Sets Religious-Rights Order

By LOUISE RADNOFSKY  
AND IAN LOVETT

President Donald Trump will sign an expansion of religious rights in a Rose Garden ceremony Thursday morning, ending the three-month delay of a prized goal of social conservatives but offering only some of the affirmations they had sought.

Mr. Trump will roll back restrictions on political activity by houses of worship and declare "that it is the policy of the administration to protect and vigorously promote religious liberty" in an executive order, the White House said Wednesday night.

People familiar with the White House deliberations say they hope that will take the form of instructing Attorney General Jeff Sessions to begin

the process of setting new guidelines for how federal agencies must accommodate religious beliefs.

The executive order also will instruct agencies to waive for religiously affiliated employers a requirement that their health-insurance plans include coverage for contraception, which was established during the Obama administration and taken to the Supreme Court twice, without a conclusive resolution. But there will be few other specific issues addressed, in a potential blow for some activists.

"Tomorrow is another example of the president fulfilling his campaign promises. He promised the American people that he would protect their religious liberties," a White House official said.

The White House is almost

certain to face pushback from liberal groups, which said, after a draft order leaked in February, that such a move would pave the way for discrimination against gays and lesbians.

Liberals groups have long argued that gay rights or

*The executive action will roll back curbs on political activity by houses of worship.*

women's rights to access contraception outweigh religiously affiliated employers' rights to apply their beliefs in the workplace.

One of Mr. Trump's executive actions will instruct his

administration to "exercise maximum enforcement discretion to alleviate the burden of the Johnson Amendment," a section of the federal tax code that bans tax-exempt organizations like churches from endorsing political candidates.

Though the ban has seldom been enforced, it has riled conservative Christians who consider it a government incursion into their houses of worship. Since 2008, the Alliance Defending Freedom, a conservative legal organization, has led a campaign to overturn the amendment.

The president's order also is expected to require that the Department of Defense ensure greater religious rights for service members.

As a candidate, Mr. Trump committed to establishing a sweeping set of rights for reli-

giously affiliated charities and employers that wanted to hew to their beliefs as they worked, when faced with issues such as abortion, gay marriage and contraception.

Some gay-rights activists, including the Lambda Legal group, say they had already lined up individuals to sue the administration if it attempted to tilt the balance further toward the rights of adherents to particular religious beliefs.

Among the potential areas of contention: whether religiously affiliated health-care providers and social-services agencies must allow adoptions by same-sex couples, provide access to abortion, or allow transgender people to use facilities for the gender with which they identify, rather than the one assigned to them at birth.

## WASHINGTON WIRE

NAFTA

**Perdue: Pact Revamp Won't Hurt Farmers**

U.S. farmers and ranchers won't be worse off after the Trump administration renegotiates the North American Free Trade Agreement, Agriculture Secretary Sonny Perdue said.

Mr. Perdue, who was sworn in April 25, said in an interview that President Donald Trump needs to weigh Nafta's impact on all corners of the U.S. economy, not just agriculture. The 23-year-old agreement between Canada, the U.S. and Mexico has underpinned a boom in American crop and meat exports. Some in the farm sector fear revamping the pact could endanger those gains.

"I can assure you that neither this president, nor [Commerce Secretary Wilbur] Ross nor I, are going to negotiate or accept a worse deal than we have it now," Mr. Perdue said. "Our goal is to make it better for all producers."

U.S. farm exports to Mexico were about \$18 billion in 2016, according to U.S. trade figures, up from \$4.2 billion when the agreement was signed in 1994.

—Jacob Bunge

SOUTH CAROLINA

**Democrats Launch Uphill Bid for Seat**

Democrats are getting a head start campaigning in a special election for a vacant House seat in South Carolina, but they still face an uphill fight in a conservative, mostly rural district.

In party primaries Tuesday in South Carolina's 5th Congressional District, Democrats rallied behind tax attorney Archie Parnell, while Republicans were forced into a runoff election when none of the seven GOP candidates won more than 50%.

The election is being held to replace Mick Mulvaney, who left Congress to be President Donald Trump's budget director. The general election will be June 20 but before that, the top two GOP vote-getters will face off in a May 16 runoff.

The GOP finalists are two veteran politicians—state House Speaker Tommy Pope and former state Rep. Ralph Norman.

The South Carolina race is one of three special House elections being held this spring that Democrats see as opportunities to flip a GOP seat into Democratic hands. All of them are long shots, but the odds in South Carolina are considered especially long.

The Mulvaney district favored Mr. Trump by 57%-39% in 2016.

—Janet Hook

# House Passes Bill in Move to Avert Shutdown

By NATALIE ANDREWS

WASHINGTON—The House passed a \$1.1 trillion bill to fund the government through Sept. 30, a step toward avoiding a government shutdown on Saturday.

The Senate is expected to vote on the bill before current government funding expires at 12:01 a.m. Saturday.

The must-pass bill, which passed on a 309-118 vote on Wednesday, was crafted by Republican and Democratic leadership in Congress and is being touted as a win by both parties. But it excludes a number of President Donald Trump's top priorities.

The measure increases military spending by \$19.9 billion over the fiscal year 2016 enacted level, less than Mr. Trump requested. GOP lawmakers claimed wins in what are called policy riders, or unrelated provisions tucked into the spending bill.

Democratic lawmakers also see the bill as a success. They staved off cuts to domestic programs that Mr. Trump had wanted.

Deputy Majority Whip Tom Cole (R., Okla.) said the increase in military spending was a win for Mr. Trump and Republicans. On the policy points, he said, "I don't think we gave up anything that mattered."

Republicans needed Democratic support to pass the spending bill because some fiscal conservatives said the legislation called for too much spending. Republican Rep. Justin Amash of Michigan tweeted his opposition to the bill, say-



The new funding bill that was passed by the House on Wednesday would increase military spending by \$19.9 billion.

ing, "Imagine you & your spouse are hugely in debt from overspending, so you call a meeting & agree each of you will spend more. That's Congress."

Administration officials touted the bill's military-spending increases, lack of equivalent boosts for non-defense spending and health-insurance payment appropriations, as well as provisions for coal miners.

Mr. Trump has indicated that he would sign the bill,

though several of his top priorities were left out.

The president's top request of funding for a wall along the border with Mexico was left out of the bill. The \$1.5 billion total amount for border security is half of what Mr. Trump requested.

The White House has described the bill's border provisions as "a good first step."

The White House said the deal was needed to keep the government open and is defer-

ring the fight over its priorities until the next spending bill, this fall. At the same time, Mr. Trump has seemed to criticize the deal, writing Tuesday on Twitter that the Senate should change its rule requiring 60 votes to move most legislation through the chamber. "The reason for the plan negotiated between the Republicans and Democrats is that we need 60 votes in the Senate which are not there! We either elect more Republican Sena-

tors in 2018 or change the rules now to 51%," he tweeted.

He also wrote that "our country needs a good 'shutdown' in September to fix this mess!"

House Minority Leader Nancy Pelosi (D., Calif.) called the president's response "pathetic" and said that "it's such a statement of poverty of knowledge on what it means to shut down government."

—Louise Radnofsky

contributed to this article.

# HEALTH

*Continued from Page One*  
moral monstrosity to their foreheads, and the American people will hold them accountable," House Minority Leader Nancy Pelosi (D., Calif.) said in a statement Wednesday night.

Even if the bill passes the House on Thursday, it faces uncertain prospects in the Senate, where many Republicans have already voiced concerns over its major tenets.

The House GOP bill would dismantle much of the ACA's taxes and subsidies and replace them with tax credits, largely tied to age, to help people buy insurance if they don't get it through employers. The bill would also reduce funding for Medicaid, the health program for low-income and disabled Americans.

Last week, GOP leaders added a measure aimed at bringing down premium costs that would allow states to apply for waivers to opt out of certain regulations established by the ACA. That measure won over conservatives who had balked at an earlier version of the bill, but alarmed many centrist Republicans over whether it would lead to higher costs for those with pre-existing conditions.

On Wednesday, Rep. Fred Upton (R., Mich.), an influential former committee chairman, introduced a new proposal aimed at easing those concerns. His measure would add \$8 billion over five years to help cover premiums and other out-of-pocket costs for people with pre-existing conditions.

Although most of the House

Republicans firmly opposed to the bill remained unmoved Wednesday, some GOP lawmakers who had been publicly undecided or leaning against the bill signed on to Mr. Upton's amendment. When the measure's text formally arrived at the Rules Committee Wednesday night, it was backed by GOP Reps. Jeff Denham, Steve Knight and David Valadao of California, David Young of Iowa, and Billy Long of Missouri, all of whom had voiced concerns.

The amendment's extra \$8 billion would only be available to states seeking waivers to undo an ACA regulation banning insurers from charging higher premiums for people with costly pre-existing conditions.

But the measure appeared to get GOP leaders closer to the 216 votes needed to pass the bill. Given that no Demo-

Those states could use the money to set up high-risk pools or other risk-sharing programs designed to shift some of the cost of those patients to the government, rather than spreading them among healthy customers. Insurance experts across the ideological spectrum said that \$8 billion wouldn't be enough to cover the number of people whose costs, they said, would rise as a result of the state waivers.

Senate Democratic leader Chuck Schumer compared it to "administering cough medicine to someone with stage-four cancer."

But the measure appeared to get GOP leaders closer to the 216 votes needed to pass the bill. Given that no Demo-

crats are expected to support the legislation, Republican leaders can lose no more than 22 GOP votes if all lawmakers are present.

"We will pass this bill," Mr. McCarthy said.

Still, the vote count is expected to be tight, as more than a dozen House Republicans remain opposed.

Thursday's vote could rescue House GOP leaders after they faltered repeatedly to secure support for the bill. Its passage could thrust the political controversy over to the Senate, where Republicans control 52 of the chamber's 100 seats, meaning they can lose no more than two votes.

—Natalie Andrews

and Anna Wilde Mathews contributed to this article.

fundable tax credits based on their age.

People under 30 would be eligible for a credit of \$2,000 a year, increasing on a sliding scale to \$4,000 for those over 60. The size of a tax credit would grow with the size of a family and be capped at \$14,000. But higher earners would get less: The credits would shrink for individuals making more than \$75,000 or households making more than \$150,000.

## Pre-existing conditions and other popular provisions

The proposal retains some parts of the ACA. Insurance companies would still be required to sell health plans to people with pre-existing conditions, and people could still keep their children on their health plans until age 26.

But an amendment to the bill would let states apply for waivers that could allow insurers to charge higher premiums to some people with pre-existing conditions. This would apply to people who let their insurance lapse for more than 63 days and, in the states with waivers, supplant a different provision allowing insurers to tack on a 30% surcharge for people who don't maintain continuous coverage.

To obtain the waivers, states would have to take steps to help people with costly medical conditions obtain coverage. That could include creating high risk pools or other risk-sharing programs.



Rep. Greg Walden (R., Ore.) spoke Wednesday after meeting with the president on health-care reform.

# How New Legislation Would Affect Your Care

By STEPHANIE ARMOUR  
AND MICHELLE HACKMAN

The Republican proposal to overhaul the Affordable Care Act, which is expected to receive a vote in the House on Thursday, would bring big changes to health-care coverage for many Americans. Here are some of the most important ones:

## The individual mandate

Individuals would no longer have to pay a penalty if they don't carry health coverage. But they wouldn't be off the hook. People who go uninsured for more than two months and then buy coverage would be subject to a 30% price boost on their premiums.

That surcharge is meant to discourage people from waiting until they become sick to purchase health coverage.

## Older Americans could pay more

Insurers would be allowed to charge their oldest customers more than they do now. Under current law, they can charge older people up to three times the amount they charge their youngest customers. The bill would allow them to charge five times as much, and states could obtain federal waivers to make that ratio even higher.

## New tax credits replace ACA subsidies

People who don't receive insurance through their employer would be able to get re-

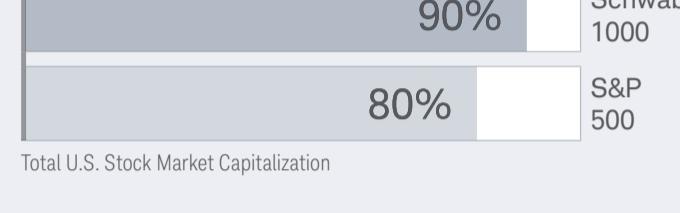
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**Think representative, inclusive, complete.**

	Schwab 1000	S&P 500
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10 Year	<b>7.61%</b>	<b>7.51%</b>
15 Year	<b>7.41%</b>	<b>7.09%</b>
20 Year	<b>8.18%</b>	<b>7.86%</b>
25 Year	<b>9.71%</b>	<b>9.52%</b>
Since Inception of Schwab 1000 (4/2/1991)	<b>9.78%</b>	<b>9.53%</b>

Both indexes are capitalization weighted and reflect total return, dividends reinvested.

Past performance shown is annualized and is no guarantee of future results.

Performance data as of March 31, 2017.

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Investments that track each of these indexes may have different performance as a result of fees, expenses, and tracking error, among other variables. Indexes are unmanaged; do not incur management fees, costs, and expenses; and cannot be invested in directly.

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## U.S. NEWS

# Some Autopsies Forgone in Opioid Crisis

BY SCOTT CALVERT  
AND JON KAMP

Struggling to keep pace with the mounting death toll from fatal opioid overdoses, medical examiners across the U.S. are skipping some autopsies and pleading for funds to hire more staff.

The stress is most acute in places like New England and the Rust Belt, where overdose deaths from heroin and more potent synthetic narcotics such as fentanyl have soared. Rising caseloads are delaying answers for grieving families, putting offices' professional certification at risk and exacerbating a shortage of trained pathologists.

Massachusetts has kept on semiretired examiners to help with autopsies. Medical examiners in West Virginia are working weekends. Maryland officials agreed in April to add three more pathologists to avoid losing full accreditation.

"It's a problem for every area of our office, from transporting bodies to doing autopsies to toxicology testing," said James Gill, chief medical examiner in Connecticut.

The unrelenting opioid crisis has put major pressure on states struggling to stem a rising tide of fatal overdoses. Authorities are tightening controls on prescription opioids, aggressively targeting dealers in cases linked to deaths, while also widely distributing



James Gill, chief medical examiner in Connecticut

the overdose-reversal drug naloxone.

A growing array of synthetic opioids, many of them fentanyl cousins, has ratcheted up the dangers for drug users and the pressures on examiners, who investigate suspicious and sudden deaths. These exotic opioids often require lengthy and expensive toxicology work.

The Connecticut medical examiner's office and one in central Florida recently lost full accreditation status from the National Association of Medical Examiners, which recommends no more than 250 autopsies a year, while Maryland's office has been on the brink of a downgrade because

of the high number of autopsies they are handling. Examining in several other states are fighting to maintain their accreditation while scouring for more staff.

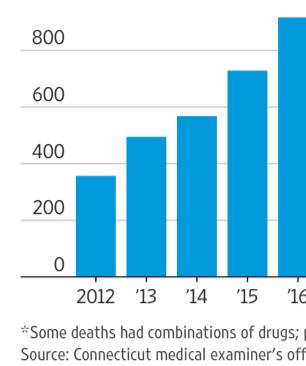
Medical-examiner offices don't need to have industry certification, but once an office is fully accredited, a downgrade can be a red flag. Defense attorneys can argue it reflects lower-quality work, medical examiners say.

"If someone has too many cases, there are going to be mistakes," said Barbara Wolf, chief medical examiner for five counties in central Florida and who chairs the accreditation committee for the medical examiners association.

### Lethal Doses

Connecticut is one of the states hard-hit by drug overdoses, with fentanyl a key driver.

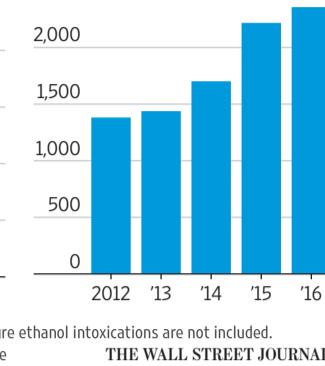
#### Drug overdoses in Connecticut\*



\*Some deaths had combinations of drugs; pure ethanol intoxications are not included.

Source: Connecticut medical examiner's office

#### Autopsies



THE WALL STREET JOURNAL.

from a year earlier and are still climbing.

"I don't know where the top is, but this year is looking worse," Dr. Gilson said.

In Connecticut, the medical examiner's office autopsied 2,357 bodies last year, a roughly 70% jump over four years, pushing the number of autopsies-per-pathologist far above the industry group's recommended level. Lethal drug overdoses in Connecticut rose 157% to 917 in that span.

A state legislative committee last week added funds for two forensic pathologists that are needed to regain full accreditation. Work is also set to start on a larger refrigerated body storage facility.

### Rules Are Designed To Avoid Mistakes

The National Association of Medical Examiners recommends autopsies for all drug overdoses.

However, examiners in several states said they aren't bound by law to perform them for the sudden deaths they investigate.

The group also suggests that individual pathologists in an office perform, on average, no more than 250 autopsies a year, to guard against exhaustion and potential mistakes.

Exceeding that limit is considered a warning sign, while topping an average of 325 annual autopsies apiece—which has happened in many hard-hit areas—is grounds for an accreditation downgrade for the whole office.

Autopsies involve external exams, removal and dissection of organs and sample collecting for testing that can take weeks.

The physical procedure itself lasts anywhere from an hour to all day depending on how complex the case is, according to James Gill, chief medical examiner in Connecticut.

—Scott Calvert and Jon Kamp

## College Shooting



MURDER-SUICIDE SUSPECTED: Students and faculty exited a building after a fatal shooting that left two dead at North Lake College in Irving, Texas, on Wednesday. Earlier, people barricaded themselves inside rooms after an active-shooter alert was issued.

## DEBT

Continued from Page One

eral action could mean deeper losses on bonds than analysts have anticipated, though some investors purchased bonds at lower prices and Puerto Rico bond prices were largely unchanged on Wednesday.

It also further complicates the island's bid to improve its relationship with Washington lawmakers, which has grown more fraught as Puerto Rico officials sought aid critical to ending a decadelong economic swoon—aid U.S. officials were loath to provide. Analysts said the bankruptcy could provide a forum for the orderly allocation of Puerto Rico's resources.

The Puerto Rico Financial Oversight and Management Board, installed last year by Congress, on Wednesday invoked a law that puts the standoff with creditors before a federal judge in San Juan in a restructuring process known as Title III that doesn't involve the U.S. bankruptcy court system.

The maneuver itself is unlikely to immediately change day-to-day life in Puerto Rico—an island already beset by an unemployment rate above 12%—more than twice the national average.

Sprawling bureaucracy and high electricity costs have stunted business investment, while government cutbacks have closed everything from schools to social-service providers. The departure of some

citizens has sapped its tax base, further squeezing budgets.

"What I see all around me is uncertainty. People sometimes just leave the key in the house or the car in the airport and just go," said Nancy Madden, founding director of an educational nonprofit in Humacao, Puerto Rico.

The territory has been in recession for most of the past decade. For years, federal tax credits helped cultivate a robust manufacturing sector and steer the island away from agriculture after World War II. But Congress ended those incentives in 2006, and the economy fell into a recession. Puerto Rico has struggled to create jobs ever since.

As the loss of jobs damped the economy, local leaders

strained to cut spending and boost tax collections.

For over a decade, Puerto Rico's government and its municipal corporations borrowed more to buy time to stave off deeper economic overhauls. With government payrolls down over the past decade, pension funds have fewer workers contributing and the plans are now underfunded by an estimated \$45 billion.

For years, investors overlooked these fiscal and demographic problems because Puerto Rico's bonds offered high yields and because they believed the island's economy would eventually recover.

But Puerto Rico began to lose access to the credit markets three years ago, when its ratings were downgraded. The

door closed for good in 2015 when the island's governor declared the debts unpayable.

Unrest has been growing on the island over installation of the oversight board and cutbacks by government. A massive blackout last year left half the island without power at one point. When the Zika virus landed on Puerto Rico last summer, the government had limited funds to fight back.

When the board first convened last year, about 50 demonstrators surrounded the entrance to the Alexander Hamilton U.S. Custom House in downtown Manhattan, where the meeting was held.

Protests continued as recently as Monday, affecting services at Puerto Rico's largest public hospital, paralyzing the

bus system and forcing many businesses to close, the Associated Press reported.

Puerto Rico was in marathon closed-door talks this month toward a global deal with various groups of creditors battling for top repayment priority in a restructuring. Hedge-fund creditors holding defaulted general obligation bonds were on the verge of completing an agreement late Tuesday before the oversight board intervened to stop negotiations, a spokesman for those creditors said.

Federal officials last month approved a wide-ranging framework for government spending that would scale back expenditures and allocations to creditors. Wednesday's move represents a step toward implementing the plan.

The plan "imposes pain everywhere," said Ignacio Alvarez, president and chief operating officer of Banco Popular de Puerto Rico in San Juan. "The cuts to the health system are massive. The cuts to the universities are large."

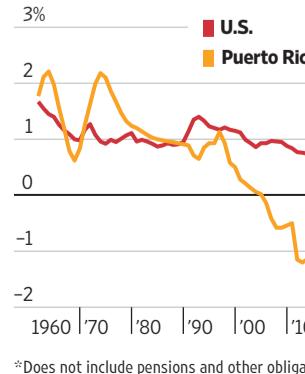
The Trump administration has largely embraced the oversight-board framework established by the Obama administration. Following a meeting with Gov. Ricardo Rosselló in February, Treasury Secretary Steven Mnuchin said Puerto Rico should continue to work with the oversight board, and a Treasury spokeswoman said the department supported the board's decision to invoke its Title III authority.

—Kate Davidson contributed to this article.

### Island Flight

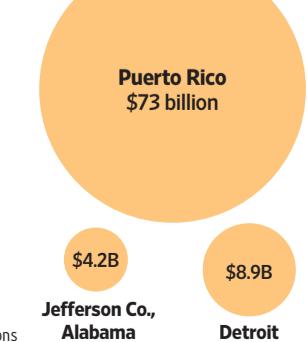
An exodus from Puerto Rico has hurt its growth prospects and shrunk its population to less than 3.5 million.

**Population**  
Change from a year earlier



\*Does not include pensions and other obligations  
Sources: World Bank (population);  
Municipal Market Analytics (bankruptcies)

### Biggest municipal bankruptcies Bond debt\*



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### Filing Affects Range Of Funds, Insurers

Puerto Rico's bankruptcy will ripple through a large universe of U.S. hedge funds, mutual funds and bond insurers that lent to the island commonwealth or guaranteed its borrowing.

Puerto Rico was long attractive to prominent money managers because its bonds offered high yields and investors believed the island's economic problems would eventually abate. Now these U.S. mutual funds and hedge funds face a lengthy legal fight to re-

coup as much as they can.

Mutual funds held about \$14 billion of Puerto Rico's bonds outstanding as of March, according to Morningstar Inc. Two fund families, OppenheimerFunds and Franklin Templeton Investments, held most of the debt. About 7% of Franklin's debt was insured as of mid-March, a person familiar with the matter has said.

Other investors that have owned Puerto Rico debt include Aurelius Capital Management LP, Autonomy Capital and Monarch Alternative Capital LP, which own general obligation bonds, according to court filings.

Scoggin Capital Management LLC, GoldenTree Asset

Management LP, Merced Capital LP, Tilden Park Capital Management LP and Whitebox Advisors LLC have held Cofinas, senior bonds backed by sales tax revenues, according to court filings and people familiar with the matter.

Roughly \$12 billion of the island's \$70 billion in outstanding debt is insured, according to insurers' filings. Insurers cover payments when local governments that sold the debt fail to pay.

Those with biggest exposure include Ambac Financial Group, National Public Finance Guarantee Corporation, and Assured Guaranty Ltd.

—Heather Gillers

# WORLD NEWS

## Europe's Economic Outlook Brightens

After two quarters of strong growth, 'the recovery feels broad-based, it feels resilient'

Signs of economic revival in the euro currency zone are multiplying, indicating that Europe is finally healing from a crisis-racked decade.

By Marcus Walker  
in Berlin, Jeannette Neumann in Madrid and Nick Kostov in Paris

The 19-country eurozone enjoyed a second successive quarter of strong growth in early 2017, outpacing the U.S. Business surveys point to a further acceleration in the current quarter. Markets are rising strongly as confidence in the economic outlook swells. Corporate earnings are rising briskly from a year ago.

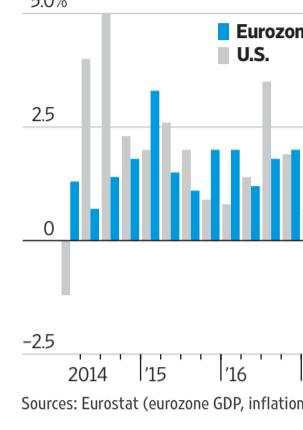
Eurozone politics also appear headed for greater stability than looked likely only a few months ago, although the outcome of Sunday's French presidential election remains a risk. Investors, however, are confident that pro-European Union centrist Emmanuel Macron will beat anti-EU nationalist Marine Le Pen. Mr. Macron is leading in opinion polls.

Gross domestic product in Europe's single-currency bloc

### On the Mend

Eurozone growth surpassed that of the U.S. in the first quarter, amid improvements in stock indexes, inflation and employment.

Annualized quarterly change in GDP



Sources: Eurostat (eurozone GDP, inflation, unemployment); Commerce Department (U.S. GDP); WSJ Market Data Group (stocks)

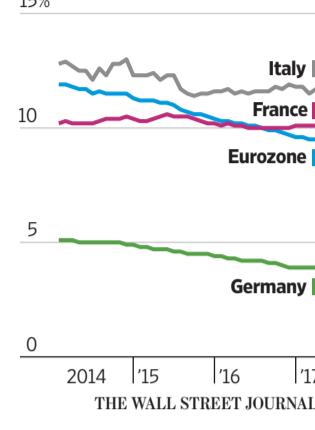
Change since the start of the year in stock indexes



Change from a year earlier in eurozone consumer prices



Unemployment rates



holds and companies have paid down debt, opening the door to more consumption and investment.

And the European Central Bank's assorted measures to cut the cost of credit, including large-scale bond buying, appear to have made a difference, giving governments and other debtors breathing room, economists say.

Financial markets are embracing Europe's upbeat growth outlook. In dollar terms, the Euro Stoxx 50 index is up almost 12.7% this year, nearly double the S&P 500's gains. The euro has also climbed against the dollar, trading at \$1.09 compared with \$1.05 at the start of the year, surprising analysts who predicted that the common currency would fall to parity with the greenback.

First-quarter earnings in the Stoxx Europe 600, excluding the volatile energy sector, are expected to increase 6.2% from the same quarter last year, according to Thomson Reuters data.

Helping drive this increase is a more-confident consumer. Andrea Le Pera, a 37-year-old who lives in Milan and works at a doctors' pension fund, recently bought a new BMW 2 Series Gran Tourer for his family. "I'm expecting a salary increase later this year, so I was sure I could take on the monthly payments," he said.

grew at an annualized pace of 1.8% in the first quarter, the EU said, maintaining an acceleration over the past year. The purchasing-managers index in April hit a six-year high, suggesting more improvement to come. Economists say the eurozone could grow close to 2% this year, a fast pace by the region's standards, especially if France joins Spain and Germany in a more vigorous recovery.

Stronger eurozone growth bodes well for the global economy, which has had to carry a sluggish, export-dependent Europe in recent years. Crucially, the improvement stems mainly from domestic demand, which

should benefit companies in the U.S., Asia and elsewhere that sell to the eurozone's nearly \$12 trillion economy. The broadening recovery could also help Europe's political establishment in its contest for popularity against anti-euro nationalists and populists.

At advertising giant Publicis Groupe SA, sales in France grew 12% in the first quarter.

The company tends to be a useful bellwether for the French economy, because its clients are diverse set of French businesses that boost or cut marketing budgets depending on how they are performing.

Publicis Chief Executive

Maurice Lévy said the "excellent growth" in early 2017 was particularly surprising given that companies tend to withhold ad spending in the run-up to presidential elections. "This time we didn't have a period where clients adopted a wait-and-see attitude toward investment because of the uncertainty," he said.

Growth is spread unevenly, with Italy in particular still struggling. Scars from the crisis years linger in swaths of the eurozone, ranging from high debts and unemployment to weak banks and a legacy of mistrust between creditor and debtor countries.

Ms. Le Pen said.

Mr. Macron shot back that Ms. Le Pen was preaching isolationism. "Confronted with this mind-set of defeat, I represent the mind-set of conquest," Mr. Macron said.

A snap poll of 1,314 viewers by Elabe for BFMTV showed that 63% found Mr. Macron the most convincing and 34% Ms. Le Pen.

For Mr. Macron, who is running for elected office for the first time, the debate was a test of whether he can hold his footing under pressure from a battle-hardened **National Front** candidate who is tapping into deep resentment of globalization and the **European Union**.

If Ms. Le Pen can turn the table on Mr. Macron during the debate, it could cast renewed doubt over the outcome of an election that is crucial for the future of the EU. Ms. Le Pen proposes pulling France from the euro and a radical overhaul of the EU to repatriate powers in Paris and implement protectionist trade policies.

## U.K.'s May Claims Brexit Meddling

Tensions between the U.K. and the European Union escalated Wednesday after British Prime Minister Theresa May accused European politicians and officials of issuing threats against Britain.

By Laurence Norman and Valentina Pop in Brussels and Jason Douglas in London

Hours after the EU's chief negotiator, Michel Barnier, detailed far-reaching demands for the Brexit deal, Mrs. May said they represented a hardening of the bloc's negotiating stance.

In a televised speech to voters ahead of a June 8 general election, she accused "some in Brussels" of willing the Brexit talks to fail. "Threats against Britain have been issued by European politicians and officials," she said, without being specific.

The threats "have been deliberately timed to affect the result of the general election," she said.

The raised tensions followed a dinner with Mrs. May and European Commission President Jean-Claude Juncker a week ago.

After the meeting, EU officials warned that the British



The prime minister said European officials have threatened Britain.

government still had illusions about what it could gain from the Brexit negotiations, and reports of what was described as a disastrous meeting appeared in the German press. Mrs. May

said European press reports had misrepresented the British ne-

gotiating position.

The ratcheting-up of the rhetoric shows how the negotiations over Brexit, which have yet to formally begin, have the capacity to fall prey to sour relations between the two sides. Nonetheless, Mrs. May may

see an electoral advantage in depicting the impending negotiations as requiring an unyielding response.

Earlier, in his first news conference since EU leaders on Saturday agreed to negotiating guidelines for him, Mr. Barnier emphasized that Brexit would be painful and complicated.

Wednesday's negotiating directives weigh in on the three key issues the EU wants settled up front in the Brexit talks: EU citizens' rights, a British payment to cover past EU financial commitments and the status of the Northern Ireland border.

The EU has insisted there can be no talks on an EU-U.K. trade agreement or transitional deal until the divorce issues are tackled. Mr. Barnier said he hoped that could be done by October or November but that was in the U.K.'s hands.

"Some have created the illusion that Brexit would have no material impact on our lives or that negotiations can be concluded quickly and painlessly," he said. "This is not the case."

—Jenny Gross in London contributed to this article.

## Left, Far-Right Vie for German Workers

By ANTON TROIANOVSKI



AfD's Guido Reil at a campaign event in Essen on April 8.

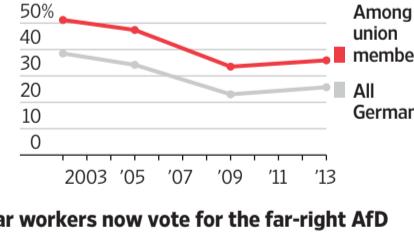
said Alfons Rüther, secretary for Essen of Germany's main metalworkers union, IG Metall. "The fear of losing one's job and the fear of foreigners are more powerful."

Much of the recent upheaval in Western Europe has stemmed from the weakness of the center-left as working-class voters forge new allegiances. In March, the Dutch Labor Party withered in national elections, drawing less than 6% of the vote. Last month, 39% of factory workers in France sided with Ms. Le Pen in the first-round presidential election, compared with 21% of all voters, according to pollster Ifop.

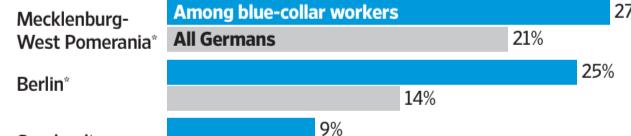
The phenomenon has been more muted in Germany, with the Social Democrats—the tra-

### Labor Shift

German union members' allegiance to the Social Democrats has fallen in recent years...



...and many blue-collar workers now vote for the far-right AfD



\*September 2016; †March

Source: Exit polls conducted by Forschungsgruppe Wahlen THE WALL STREET JOURNAL

ditional party of the working class—still near 30% support and the AfD below 10% overall.

But here in the Ruhr region, dotted with the relics of coal mines and steel plants that once provided hundreds of thousands of jobs, the center-left is being challenged.

On May 14, the Ruhr will vote in North Rhine-Westphalia's regional election, where Mr. Reil is a candidate. Ahead of the vote, seen as a preview of the Sept. 24 national election, the AfD is targeting blue-collar workers disappointed with the center-left's past support for pro-business reforms and immigration.

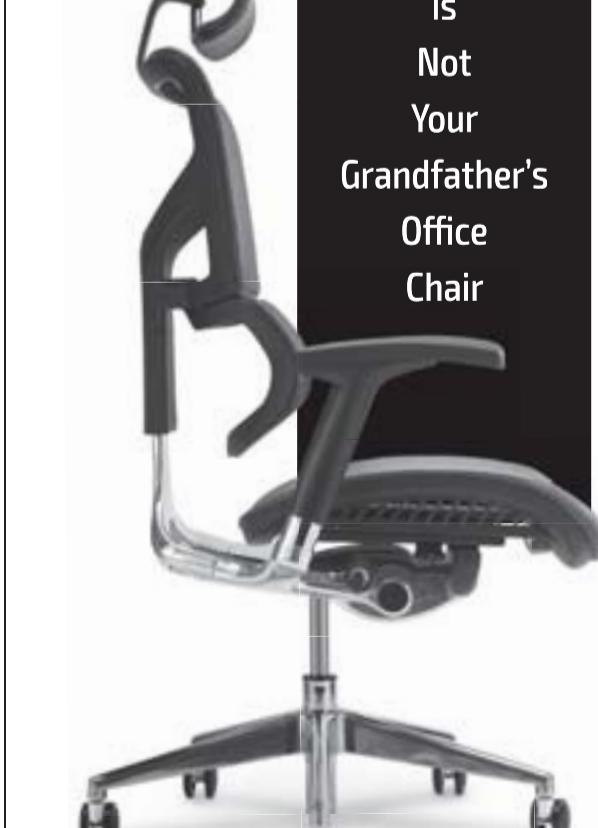
Mr. Reil, a foreman in the region's last operating coal mine, switched to the party

last year after 26 years with the Social Democrats. In the city council, he represents Essen's hardscrabble north end, where opposition to immigration is driving people away from the center-left.

"I want all this scum that's washing up here to flow back out," said one 61-year-old electrician who used to vote for the Social Democrats but now backs the AfD.

Social Democrats say they are confident their chancellor candidate, former European Parliament President Martin Schulz, will minimize those losses. Mr. Schulz has pledged to fight "for the Germany of the hard-working people rather than the Germany of the self-appointed elites."

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## WORLD NEWS

# Trump Strikes Confident Tone on Mideast

President meets with Abbas and says of peace agreement: 'We will get it done.'

President Donald Trump raised expectations for a peace agreement between Israelis and Palestinians as he met with Palestinian leader Mah-

By Carol E. Lee in Washington and Rory Jones in Tel Aviv

moud Abbas on Wednesday, saying he would do whatever is necessary to broker a deal and pledging, "We will get it done."

Mr. Trump was dismissive of the notion that a foreign-policy knot that has vexed his predecessors for decades is the "toughest deal to make." He said he hoped to invite Mr. Abbas back to the White House to mark progress in an effort that Mr. Trump's administration has been working on only for a few months.

"Let's see if we can find the solution," Mr. Trump said. "It's something that I think is, frankly, maybe not as difficult as people have thought over the years."

Mr. Abbas, president of the Palestinian Authority, which rules the West Bank, said he looked forward to working



Mr. Trump shook hands with Mr. Abbas in the Oval Office at the White House on Wednesday.

with Mr. Trump to achieve a "historic deal to bring about peace." But his remarks also underscored challenges faced by the effort. Palestinians, he said, are "the only remaining people in the world that still live under occupation," a term Israeli officials dislike.

Mr. Trump's confidence drew skepticism, as former Israeli-Palestinian mediators believe the two sides are as far apart as they have ever been.

"I'm an optimist by nature. But goodness gracious!" Daniel Shapiro, former U.S. ambassador to Israel in the Obama administration, tweeted from his official account in response to Mr. Trump's comments.

Fundamental differences between Israelis and Palestinians have prevented a peace deal from being reached for decades. "In my mind, as someone that has worked on this for the last 30 years, I

don't think we have ever been at a lower point," Dennis Ross, former peace negotiator for multiple U.S. administrations, said Monday. "The level of disbelief between the two sides has never been greater."

White House press secretary Sean Spicer argued that the difference between previous attempts to reach a peace deal and the one undertaken by the Trump administration is "the man." He said Mr.

### Putin Recommends Safe Zones to Boost Syria Peace Efforts

MOSCOW—Russian President Vladimir Putin called for the creation of so-called safe zones in Syria following talks with President Donald Trump and his Turkish counterpart Recep Tayyip Erdogan, a move aimed at strengthening the fragile peace process in the six-year conflict.

"It is our shared position, that the creation of safe zones should lead to further peace making and strengthen the cease-fire regime," Mr. Putin said in a news conference Wednesday in the Black Sea resort city of Sochi with Mr. Erdogan, who said he supported the idea.

Mr. Putin said he had spoken to Mr. Trump on Tuesday about the idea of safe zones, or de-escalation zones, in a telephone conversation to alleviate suffering and help solidify local cease-fires already in place.

Those cease-fires, guaranteed by Russia, Turkey and Iran, form the foundation for peace talks that began on Wednesday in the Kazakh capital of Astana. Mr. Putin said he had spoken also to Iran and Syria about the idea.

Russia's diplomacy around Syria, while using air force to support Syrian President Bashar al-Assad's forces against rebels fighting against him, has given Moscow significant leverage over other international players who have sought to influence the conflict.

—Thomas Grove

continued with that stance on Wednesday, saying the U.S. would only serve as a mediator for talks.

Mr. Abbas's ability to make the compromises necessary to reach an agreement with Israel is limited, due to his unpopularity at home.

The Palestinian leadership is divided between the Abbas-led Palestinian Authority and the Islamist movement Hamas, which governs the Gaza Strip.

## Tillerson Signals Shift Away From Focus On Rights

BY FELICIA SCHWARTZ

WASHINGTON—Secretary of State Rex Tillerson said the U.S. would pursue national security and economic interests before turning to human-rights concerns in its relationships with other countries, signaling a shift in Washington's global outlook.

Mr. Tillerson's remarks, to U.S. diplomats and employees at the State Department on Wednesday, amounted to the clearest expression yet of President Donald Trump's "America First" foreign-policy doctrine, in which the U.S. won't condition its approach to other countries based on "how they treat people," he said.

"We really have to understand, in each country or each region of the world that we're dealing with, what are our national security interests, what are our economic prosperity interests, and then, as we can advocate and advance our values, we should," he said.

In separating U.S. policies from values such as human rights, democracy, press freedom and the treatment of minorities, Mr. Tillerson appeared to outline a departure from priorities pursued during both the Bush and Obama administrations.

Since taking office, Mr. Trump has sought to strengthen ties with leaders who have drawn criticism for their human-rights records.

Rights groups and some lawmakers have raised concerns about what they have described as a U.S. turn away from an emphasis on human rights and basic freedoms. On Wednesday, Amnesty International USA director Margaret Huang said the administration is "literally trying to erase human rights before our own eyes."

Mr. Tillerson said emphasizing rights can impede other imperatives. Such an approach "doesn't mean that we don't advocate for and aspire to freedom, human dignity and the treatment of people the world over," he said.

Former President George W. Bush declared as his second-term foreign-policy goal that he would seek and support the growth of democratic movements and institutions. Former President Barack Obama said in a 2011 speech that American support for political and economic rights isn't "a secondary interest," but "a top priority that must be translated into concrete actions and supported by all of the diplomatic, economic and strategic tools at our disposal."

## Bomber Hits U.S. Military Convoy in Kabul

BY EHSANULLAH AMIRI AND JESSICA DONATI

KABUL—A suicide bomber struck a U.S. military convoy as it traveled through central Kabul, killing eight Afghan civilians and wounding at least 29 others, including three American troops, Afghan officials and the U.S. military said.

Islamic State claimed responsibility for Wednesday's bombing, saying through its Amaq news agency that a suicide attacker had detonated a car packed with explosives.

As in similar previous assaults in the Afghan capital,

civilians bore the brunt of the blast, which was heard more than a mile away and sent a large cloud of smoke into the sky above the city.

An Afghan health ministry official said at least 26 Afghan civilians were wounded in the attack. The U.S. military didn't identify the units of the injured American soldiers.

The bombing was the first high-profile attack in Kabul since the Taliban, Afghanistan's largest insurgency, announced the start of their annual spring offensive last week. The group usually claims responsibility for such

recent months Islamic State's Afghan branch, which calls itself Khorasan Province, has carried out attacks in the city.

Foreign officials now say Islamic State and the Taliban are either cooperating in the Afghan capital, or that some Taliban members in Kabul may have switched their allegiance to Islamic State.

Islamic State claimed responsibility for an attack in March on a military hospital in Kabul that left at least 30 people dead, the Afghan government said. Foreign officials in Kabul said the toll may have been two or three times higher.

Islamic State first emerged in Afghanistan in 2014. Since then, its support has grown in pockets across the country, drawing members of the Taliban and other insurgent groups.

Islamic State's success in establishing a foothold in Afghanistan has made it the focus of U.S. military efforts in the country. U.S. and Afghan soldiers have been carrying out operations for more than a month in Nangarhar, clearing militants from villages they had occupied for years and chasing them into the mountains.

## Venezuelan Minister Chides Regime She Serves

BY ANATOLY KURMANAEV AND KEJAL VYAS

CARACAS—Venezuela's top prosecutor, already under pressure for criticizing the authoritarian government she serves, condemned state violence against protesters, decried the stratospheric inflation racking her country, and praised the constitution President Nicolás Maduro wants to eliminate.

Attorney General Luisa Ortega's comments on Wednesday to The Wall Street Journal, in a rare interview, appeared to confirm her break with the hard-line leftist regime, which expects unquestioned loyalty as it wrestles with a surge of public unrest.

Mr. Maduro has intensified the government's crackdown on protests and civil unrest that have cost at least 31 lives in recent weeks. On Wednesday, videos went viral on social media showing the National Guard using armored riot-control vehicles to run over protesters in Caracas. The incident was confirmed by the mayor of the capital city's Chacao district, who said 164 people were injured during the day.

Ms. Ortega's carefully couched criticisms of Mr. Maduro's slide into authoritarianism have made her an unlikely face of dissent after having served for a decade as a pillar of the Socialist government.

"It's time to come to terms with ourselves," the 59-year-old lawyer said at her office in the capital. "It's time to hold talks and to negotiate. It means one has to yield on decisions for the good of the country."

Talk like that is unusual from a top-ranking Venezuelan official, particularly one like Ms. Ortega, who has long drawn the ire of rights groups for using what they considered kangaroo courts to lock away political foes and for allegedly helping the government bury charges of rampant corruption.

The government appears to be trying to shun her aside in the face of her displays of independence. Her speeches no longer get live coverage from state TV, and the Maduro government has ramped up the use of military tribunals to circumvent the public prosecutor.

Ms. Ortega has urged that the right of protest be respected and

due process guaranteed, complaining of hundreds of arbitrary detentions. Her comments undercut the government's line that the violence stems exclusively from right-wing agitators.

"We can't demand peaceful and legal behavior from citizens if the state takes decisions that don't accord with the law," Ms. Ortega said.

Many of Ms. Ortega's critics say she is looking to clean up her image in case of a change of government in Caracas. "She can't just change her mask that easily," said protester Marta Corrales at a recent rally.

Others say her intentions are more sincere and come in response to her loss of powers as Mr. Maduro tries to consolidate control. In a polarized nation, said Nizar El Fakih, a lawyer who has defended Venezuelan political prisoners, "she's trying to carve out a third way, looking for a way to separate herself from Maduro."



FEDERICO PARRA/AGENCE FRANCE PRESSE/GETTY IMAGES

A National Guard riot-control vehicle ran over a protester in Caracas on Wednesday. The man was taken to the hospital but wasn't in critical condition, according to the mayor of Chacao district.

### PHILIPPINES

#### Duterte Environment Nominee Is Blocked

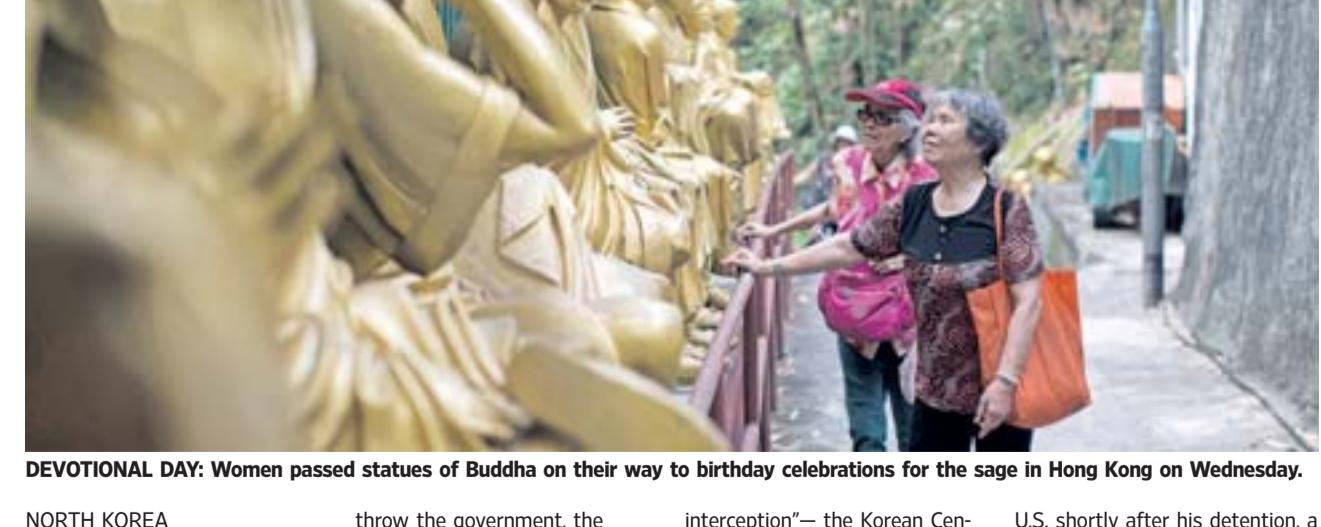
A constitutional body rejected the appointment of Gina Lopez as environment secretary, delivering a blow to President Rodrigo Duterte, who has supported her overhaul of the country's mining sector.

The rejection of Ms. Lopez, who closed dozens of mines in the world's largest nickel-ore exporter during her 10 months in office, is seen by her supporters as a win for big business over the interests of consumers.

The bicameral Commission on Appointments, which acts as a confirmation authority for certain positions nominated by the president, voted 16-8 against Ms. Lopez, local media reported.

Ms. Lopez was emotional after her defeat. "It is the constitutional right of every Filipino to a clean and healthy environment," she said on Wednesday.

—Jake Maxwell Watts



DEVOTIONAL DAY: Women passed statues of Buddha on their way to birthday celebrations for the sage in Hong Kong on Wednesday.

### NORTH KOREA

#### Detained American Accused of Plotting

A U.S. citizen detained last month in North Korea is being investigated for seeking to over-

throw the government, the country's state-controlled news agency said.

Kim Sang Dok committed "criminal acts of hostility aimed to overturn" the Pyongyang regime—"not only in the past but also during his last stay before

interception"—the Korean Central News Agency said on Wednesday, adding that the "interception" had taken place April 22 at the capital's international airport.

His wife, who was with him in Pyongyang, returned to the

U.S. shortly after his detention, a person familiar with the matter said.

Mr. Kim, also known by his English name, Tony, taught at Pyongyang University of Science and Technology.

—Jonathan Cheng

## WORLD NEWS



Guo Wengui, seen in an online interview, says he has detailed knowledge of wrongdoing by senior Communist Party officials.

# Exiled Tycoon Roils Beijing Politics

Businessman's allegations threaten Communist Party's transition plans

BY CHUN HAN WONG

BEIJING—Online allegations by an exiled businessman about corrupt ties between China's political and corporate elites are riveting many Chinese and threaten to intrude on the Communist Party's plans for a carefully choreographed leadership transition.

Guo Wengui, an up-by-the-bootstraps tycoon who says he has lived in the U.S. since 2015, has said in rambling video interviews and a deluge of Twitter posts that he has detailed knowledge of wrongdoing by senior Communist Party officials, their relatives and their associates.

Mr. Guo has provided scant evidence to substantiate his allegations. Still, they are the talk among many politically minded Chinese, and China's government has launched a multipronged campaign to discredit him.

The Foreign Ministry dismissed his allegations as falsehoods and called him a "criminal suspect," without

detailling any charges; Interpol, at Beijing's request, issued an arrest notice. Leading Chinese media have published articles portraying him as an unscrupulous businessman.

The government's full-throttle response underscores the stakes for Beijing. Mr. Guo's allegations, flowing

*The government has tried to discredit Guo Wengui and his corruption claims.*

freely through a broad online megaphone, have the potential to exacerbate behind-the-scenes jostling among senior leaders seeking positions in the Communist Party leadership that a congress is set to appoint this year.

"The way state and propaganda machinery have been mobilized to launch a coordinated attack on a whistle-

blower is unlike anything that has happened before," said Bao Pu, a Hong Kong-based publisher whose company specializes in books on Chinese politics.

In particular, allegations of high-level graft could undermine public confidence in President Xi Jinping's signature anticorruption campaign, Mr. Bao said.

On Chinese social media, where political gossip is often censored, users have compared Mr. Guo's disclosures with a television series dramatizing Mr. Xi's anticorruption drive. The government's information office didn't respond to a request to comment.

Mr. Guo's disclosures could be disruptive this year, regardless of their veracity.

His followers on Twitter, which operates beyond the reach of Chinese censors, have ballooned to more than 152,000, from 20,000 about two months ago.

Mr. Guo has said his whistleblowing is aimed at protecting himself, his family—some of whom are still in China—and his business interests. He has said he would decide what evidence to disclose and when as he negotiates with Chinese officials.

—Yifan Xie in Shanghai contributed to this article.

be anointed to a second five-year term as party leader at the congress. Party insiders say he wants to avoid controversies that could undermine his efforts to install allies and sideline rivals. Mr. Guo has targeted one of those allies, Wang Qishan, a senior Communist Party official who spearheads Mr. Xi's antigraft drive. The government's information office didn't respond to a request to comment.

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—Yifan Xie in Shanghai contributed to this article.

# Pyongyang Slams China's 'Betrayal'

By JONATHAN CHENG

SEOUL—North Korea accused China of "insincerity and betrayal," calling statements in the official Chinese media "an undisguised threat" to Pyongyang, as it sought to stave off pressure from Beijing on its nuclear and missile programs.

"China should no longer try to test the limits of the DPRK's patience," North Korea said in a commentary published on Wednesday by the official Korean Central News Agency, using the acronym for its formal name, the Democratic People's Republic of Korea. "China had better ponder over the grave consequences to be entailed by its reckless act of chopping down the pillar of the DPRK-China relations."

The commentary comes as China seeks to get North Korea to curb its weapons programs, amid pressure from the U.S. and other United Nations members.

North Korea's latest statements referred to recent articles in two official Chinese publications, the People's Daily and the Global Times, that apparently alluded to the possibility of Beijing confronting North Korea militarily, or ending friendly ties between the two neighbors and Cold War allies, if it didn't halt its weapons programs.

The commentary also referred to Chinese press statements about North Korea's weapons programs threatening China's northeast, which borders North Korea, and about how Pyongyang's actions were giving the U.S. an excuse to deploy more strategic assets to the region. The article said the U.S. military buildup in Asia was aimed at

China, not North Korea.

China's hardening line on North Korea, the commentary said, showed that Beijing was "dancing to the tune of the U.S.," and that China was exercising "big-power chauvinism" that meant "the dignity and vital rights of the DPRK should be sacrificed for the interests of China."

In April, President Donald Trump met Chinese President Xi Jinping at the Mar-a-Lago resort in Florida, where Mr. Trump says he offered China more favorable trade terms in exchange for help on confronting the threat from North Korea.

In February, China said it would suspend coal imports from North Korea until year-end, potentially depriving Pyongyang of a key revenue source, a move Mr. Trump has pointed to as a sign of China's willingness to turn the screws on North Korea.

Mr. Trump has said China holds the key to halting the North Korean weapons programs, citing the two countries' close economic and historical ties. Beijing in return has said its leverage is limited and has pressed the U.S. to enter into unconditional talks with Pyongyang.

China and North Korea have enjoyed friendly ties since the years immediately following World War II. The two countries have described their ties as being as close as that of "lips and teeth."

In recent decades, however, bilateral ties have become increasingly strained, as China opened its economy while North Korea grew more isolated and pursued a nuclear-weapons program.

## FROM PAGE ONE

# SOLAR

Continued from Page One

Some solar-energy companies have recently disclosed in public filings and earnings calls that rising numbers of customers are canceling, but the companies have given few details about the number of cancellations or their impact on the companies' business.

The SEC recently issued a subpoena to Sunrun and interviewed current and former employees about the adequacy of its disclosures on account cancellations, said the person familiar with the investigation. The SEC is also looking at SolarCity, the person said.

An SEC spokesman declined to comment. Representatives for Sunrun didn't respond to multiple requests for comment. A spokeswoman for SolarCity said in a written statement that the company "has remained focused on reporting the quality of our installed assets, not pre-install cancellation rates. Our growth projections have always been based on actual deployments."

Sunrun shares tumbled 8.8% on Wednesday to \$4.75, after news of the SEC probe was reported. The stock is down 65% from a 2015 record.

For years, solar companies have enjoyed explosive growth, transforming a fledgling sector into a \$33 billion industry.

To generate business, solar companies have long relied on thousands of salespeople who knock on doors and trail people as they shop at retailers, according to salespeople, executives and homeowners.

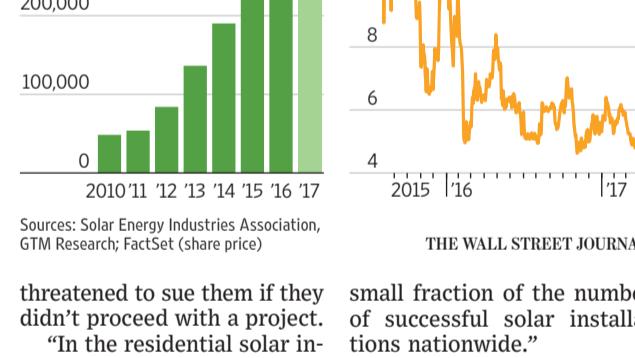
Hundreds of complaints have been filed against solar companies to attorneys general in Texas, Oregon, California and Florida, with customers saying they are paying more on their utility bills, not less as they were promised, and have been sold expensive systems they can't afford, according to Freedom of Information Act requests filed by the Campaign for Accountability, a consumer-watchdog group, and according to lawsuits filed by customers.

Some customers say they were strong-armed into buying solar-energy systems by sales representatives who

## Sun Spots

Growth of solar installations is expected to slow, hitting the shares of many firms in the business.

### Number of residential solar installations



threatened to sue them if they didn't proceed with a project.

"In the residential solar industry, integrity and word-of-mouth recommendations are paramount," the Solar Energy Industries Association said in a statement. "Our investigation of state public records suggests that the number of complaints represents a very small fraction of the number of successful solar installations nationwide."

Tesla Inc., which bought SolarCity in November, said on Friday it would stop making door-to-door solicitations. The electric-car company said that the decision reflects what prospective customers prefer.

The solar industry lately

has suffered from a series of problems: greater competition from smaller players that has led to price cuts for services, falling prices for solar panels, and more stringent regulations in some states.

Nationwide, companies are expected to increase the number of solar-electricity systems installed by less than 3% in 2017, according to the Solar Energy Industries Association. That is off from an increase of 16% last year and 64% in 2015.

Cancellations grew to be so large at SolarCity that in early 2016 about half of its customers were backing out of contracts before solar panels could be installed, said people familiar with the matter.

At Sunrun, that figure grew to be as high as 40% earlier this year, according to people familiar with the figure.

The increase in cancellations caused Sunrun to halve its growth expectations in 2016 from 80% to 40%, one of these people said.

Most of those figures weren't disclosed to investors. Instead, the companies have provided limited transparency.

In its annual report in

March, Sunrun said, "We have experienced increased customer cancellations in certain markets during 2016." The company does report how many systems it has installed net of cancellations, but it doesn't break out the number of cancellations.

SolarCity said cancellations increased last year, but didn't say by how much.

Katarzyna Herink, 35 years old, said she listened to a persuasive pitch from a Sunrun salesman at her house in Long Island, New York, last year.

Days later, the company told her she had signed a contract and they were going to start installation, without providing her any details about the cost or showing her the contract, Ms. Herink said.

When she complained, Sunrun told her a document she had initiated on the salesman's iPad during his initial visit constituted the contract, Ms. Herink said.

Ms. Herink immediately canceled the deal. "We actually wanted to do it, but it was such a scary experience," she said. "Now we've decided to stay away from it."

# FIDGET

Continued from Page One

stances already where these toys have become more of a distraction than an aid," he wrote, warning he might have to "temporarily confiscate the toys."

Fidget spinners have in short order become schoolyard currency, traded among students seeking them in their various colors and patterns—after they scour store shelves for them.

"Yesterday I received 72 of them and when school let out I felt like Willy Wonka in the chocolate factory," says Tony Windle, owner of T.W. Bonkers, a toy store in Placerville, Calif. "Kids lined up in my store. One kid was so excited he was shaking."

The gadgets, small enough to sneak into a pocket and costing \$5 to \$25 or more, started as tools learning specialists and school counselors prescribed for children to help them focus their fidgeting energy on a sideline activity, allowing them—the argument went—to keep eyes on the teacher.

Avery Gourvitz, an 11-year-old fifth-grader in Livingston, N.J., calls them "mesmerizing."

She was at a friend's house recently when one came in the

mail. "She started spinning it, and I thought it was awesome." At school, children gathered to watch spinning sessions.

When Avery sought one of her own, "every store was out of it," she says, which added to the allure. She finally found a glow-in-the-dark variety at a local T-shirt store. "Sometimes I balance it on my head."

At school, she plays with spinners only during recess, she says. She heard one teacher banned them from class.

It isn't clear how the fidget spinner came to life. The idea is widely credited to an expired 1997 patent describing "a toy which is spun on the finger for the amusement of children and adults." Manufacturers have been feverishly filling orders.

Children began posting videos of themselves doing tricks with spinning spinners—catching them midair, tossing them hand-to-hand, and balancing them on noses.

Which is the kind of activity, done in the classroom, that gives spinners a bad name. Fidget spinners are on this week's faculty-meeting agenda at Newtown Friends School in Newtown, Pa., says Sarah Hensley, who teaches seventh- and eighth-grade English there.

Ms. Hensley says the school has long let students use stress

balls and other devices to help with attention issues or anxiety. But many students say they play with fidget spinners in class for fun, she says, not to help concentrate. "This new style of fidget toys," she says, "really fall into a gray area."

The spinners are part of a broader category of toys meant to offer focus, including "fidget cubes," "thinking putty" and "fidget controllers" with but-

tons and switches.

The spinning "can be very stimulating, very captivating," says Jacqueline Sperling, director of training and research at the McLean Anxiety Mastery Program in Cambridge, Mass.

Such tools, she says, when geared to students with attention deficit or anxiety, can provide brain stimulation to help focus or a soothing outlet for excess energy. The problem

with spinners, she says, is that some students become completely focused on them.

The American pupil's desire to fidget with them spun up so quickly as to make retailers like Rob Placer dizzy. "Seven weeks ago, we started getting three or four calls a day for fidget spinners," says Mr. Placer, owner of Family Fun Hobbies in Hamilton, N.J. "I had no idea what they were."

He found three suppliers, and the first batch of 24 spinners came April 4. "My manager thought it was crazy that anybody would pay \$20 for these." They sold in two days.

"I have been through Beanie Babies, Webkinz, Silly Bandz and Rainbow Looms," says Christine Osborne, owner of Wonder Works chain of toy stores in Charleston, S.C. "We've never seen a craze hit this quick, this fast."

Revenues from fidget spinners totaled \$2.6 million in April, up from \$300,000 the month before, at Learning Express Inc., a chain of 120 toy stores nationwide, says Sharon DiMinico, chief executive.

One of her suppliers is Top Trenz Inc., a Bay Shore, N.Y., manufacturer and distributor of leggings, hair accessories and socks for teenage girls. Its spinners are patterned with designs such as gumballs and sprinkles. "We get about 200 orders per hour," says Jamie Glassberg, co-owner. Avery's father, Jason Gourvitz, says he would rather his daughter played with a fidget spinner than her cellphone. "She is texting and Instagramming and watching other people's blogs and that kind of nonsense," he says. "I prefer an analog toy to a digital toy."



Palm-sized 'fidget spinners,' which rotate on a central bearing, are a craze among U.S. schoolchildren.

LEAH LATELL/THE WALL STREET JOURNAL

# GREATER NEW YORK

## Trio Nabbed in Gang-Linked Attack

By JOSEPH DE AVILA

Three people who said they are members of the MS-13 gang were arrested and charged with attempted murder after the victim said he was shot at and attacked with a machete in Westbury, Long Island, authorities said Wednesday.

"These three guys have demonstrated they are extremely dangerous and needed to be taken off the streets," said Kevin Smith, chief of department for Nassau County Police.

The victim, who had an abrasion on his stomach from the machete attack, called police early Sunday morning to report the assault, according to



MASSAU COUNTY POLICE

**Jose Hernandez, Miguel Urias Argueta and Fidel Hernandez, who say they are in MS-13, were charged with attempted murder.**

county police. Another man was with the assailants and fled the scene with them, police said.

The arrests come days after U.S. Attorney General Jeff Sessions visited Long Island promising to provide more resources

to local police to take on the gang after a spate of murders in the region that officials have attributed to MS-13, a transnational gang whose leaders live in El Salvador.

The Trump administration

has blamed the gang's resurgence on lax immigration enforcement.

The Federal Bureau of Investigation, the New York State Police, the Nassau County Police and Suffolk County Police have stepped up efforts to crack down on MS-13 following the homicides of two girls last fall in Brentwood.

More than a dozen suspected gang members were charged in March in connection with those killings. Four of the adult defendants have pleaded not guilty.

Last month, the bodies of four men were found in a park in Central Islip and officials have blamed the gang for their deaths.

In total, police say the gang is responsible for 11 homicides in Suffolk County in 2016 and 2017. Of those, eight remain unsolved.

Police say Fidel Hernandez, 23 years old, and his brother, Jose Hernandez, 26, who are accused in the Sunday attack, also were wanted for a machete assault in January that also occurred in Westbury.

Both were charged with attempted murder for this incident.

The brothers, as well as their alleged accomplice, Miguel Urias Argueta, were scheduled to be arraigned on Wednesday in Hempstead. Their attorneys couldn't be reached for comment.



Judge Sheila Abdus-Salaam

NEW YORK COURT OF APPEALS

## Inquiry Complete In Death Of Judge

By ZOLAN KANNO-YOUNGS

The New York Police Department has completed its investigation into the death of the first African-American woman on the New York Court of Appeals, Chief of Detectives Robert Boyce said on Wednesday.

The evidence in the case of Sheila Abdus-Salaam, whose body was found in the Hudson River last month, has been turned over to the New York City office of the chief medical examiner, Chief Boyce said.

On Wednesday, a spokeswoman for the medical examiner said the medical examiner didn't have an official cause of death for Judge Abdus-Salaam, who was 65 years old.

When police found her body on April 12 in the river near West 132nd Street there were no visible signs of trauma or foul play, law-enforcement officials said. Her death likely was a suicide, authorities said.

Rev. Gregory A Jacobs, who was married to Ms. Abdus-Salaam and reported her missing on April 12, said in a previous statement that the suicide claims are "unfounded conclusions."

Detectives uncovered nine surveillance cameras showing the judge walking alone in the hours before her death toward the Hudson River. Police said the video showed her inside Riverbank State Park, which borders the river.

It isn't clear how long she was in the park, officials said, but she is shown there shortly before 12:30 a.m. on April 12.

"That's the last time she was seen," Chief Boyce said.

Among Judge Abdus-Salaam's achievements was establishing the right for a non-biological child to seek custody of a child. Previously, the state had recognized parents with biological or adoptive rights, which legally blocked some same-sex couples in custody disputes.



**Xian Famous Foods said it raised prices because of the higher minimum wage. Above, the chain's 34th Street location in Manhattan.**

A spate of high-profile New York City restaurants closing or increasing prices has raised concerns about the effects of higher minimum wages in one of the world's most renowned food-and-drink cities.

Running a restaurant in a competitive and fast-changing market has never been easy, but restaurateurs and chefs say they are being pinched by rising wages for their workers.

In New York City, the minimum hourly wage rose from \$9 to \$11 at the end of December 2016, and will increase to \$13 in December of this year.

"It's going up too fast," said Jeremy Merrin, proprietor of the Havana Central chain of Cuban restaurants, which has closed two of its New York City locations during the past several years, and raised prices at others. "We can't catch our breath."

Data provided by the city's health department show that the restaurant market is still robust with active establishments on the rise as of March. But the number of new permits for restaurants has fallen slightly in recent years, with a 16% decline from 2013 to 2016.

A spokesman for the New York City Department of Health and Mental Hygiene said the strength of the city's restaurant industry is best measured by the number of active permits. At the end of March, there were 24,865 permits, showing a steady uptick during the past several years.

In the five months since the \$11 hourly wage took effect, several well-known restaurants have closed or announced plans to do so.

Angelica Kitchen ended a 40-year run in the East Village in April. "I felt like I was being regulated in a way that took certain choices away from me that I felt belonged to me," said owner Leslie McEachern.

Upper East Side eatery

China Fun abruptly closed in January after nearly 25 years. A note on the door blames "punishing rules and regulations" for the closure.

Other spots, such as Xian Famous Foods, a group of Chinese restaurants in New York City, have pinned the wage increases as the reason for raising prices.

Gov. Andrew Cuomo and the Legislature last year passed a law raising the minimum wage to \$15 hourly in New York City and its suburbs by 2021, with the rest of the state following.

In an interview, Mr. Cuomo's counsel, Alfonso David, said the office studied decades worth of data that showed a rising minimum

wage didn't hurt businesses. "The data we have doesn't show the minimum wage having an impact on the success or failures of business," he said.

The \$15 wage increase is linked to inflation, he said. "To suggest that people need to be living in poverty in order for businesses to succeed is untenable and untrue," he said.

Even before the \$15 law passed, New York's wages were rising due to previous laws. In 2016, the state's minimum wage increased to \$9 hourly from \$8.75.

The role of rising wages in recent closures isn't clear-cut. The city's restaurants face some of the country's highest real-estate costs in a hyper-

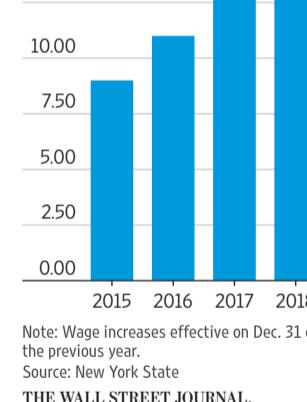
competitive setting.

And plenty of restaurants were going out of business every year even before the minimum wage rose. But business allies, conservatives, and some economists have pointed to the wage changes as key among a set of factors burdening businesses. "The bottom line is this is making people's business models stop working," said Adele Malpass, chairwoman of the Manhattan Republican Party.

James Parrott, an economist in New York City who supports the wage laws, said: "There isn't a dramatic falloff in the number of restaurants," indicating that recent closings could be caused by other factors.

### Payroll Pressure

New York state minimum wage:



Note: Wage increases effective on Dec. 31 of the previous year.  
Source: New York State

THE WALL STREET JOURNAL.

## Brooklyn Bridge Park Gives Artwork a Whirl



**MAKING WAVES:** 'Descension,' a new installation by Anish Kapoor, drew a crowd Wednesday. It will be on display through September.

DREW ANGERER/GETTY IMAGES

## Canadian Conductor Takes Baton at St. Luke's

By CHARLES PASSY

New York has another new maestro.

The Manhattan-based Orchestra of St. Luke's, an ensemble with a four-decade history, has named Bernard Labadie as its principal conductor, effective with the 2018-19 season. He succeeds Pablo Heras-Casado, who will assume the role of conductor laureate.

Mr. Labadie, who is 54 years old, comes to the or-

chestra after a long career in his native Canada, where he founded two groups: Les Violons du Roy and La Chapelle de Québec. He also has guest conducted throughout the U.S. and Europe, including appearances with the New York Philharmonic, Chicago Symphony and Cleveland Orchestra.

The Orchestra of St. Luke's isn't as prominent as the New York Philharmonic or the Metropolitan Opera, both of which also are welcoming new main

conductors in the seasons ahead.

But the Orchestra of St. Luke's, which has an annual budget of \$7 million and performs about 80 concerts a season, has carved a distinct role for itself in the city's musical life, playing a subscription series at Carnegie Hall and operating the DiMenna Center for Classical Music, a rehearsal, recording and concert space.

The orchestra also is launching a new chamber-music festival, which will take place at the

Morgan Library & Museum and the Brooklyn Museum in June.

Orchestra President and Executive James Roe said the group sought out Mr. Labadie because of his expertise in repertoire from the 17th through early 19th centuries, a key part of the organization's programming.

Mr. Labadie affirmed that the orchestra's musical focus dovetailed with his own. "It felt like something extremely appealing," he said of the opportunity.

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# LIFE & ARTS



Darnell 'D Blocks' Meyers, known for his daring bike tricks, has over 200,000 followers on Instagram and is inspiring a surge of interest in BMX biking.

## FITNESS

# The Bikes Getting Teens Back On Two Wheels—or One

Young BMX riders pop wheelies and try other daring moves in a style some call bikelife; a standout gets name-checked by Jay Z

BY RACHEL BACHMAN

**TEENAGERS ARE JUMPING** on bicycles again. But parents hoping their children would get more exercise probably didn't envision bike riding like this.

A specific kind of BMX riding is taking off among children and teens. It involves popping wheelies and riding in and sometimes against traffic, usually without helmets. The style, which some call bikelife, is growing despite decades of declines in bike riding among children.

BMX, which stands for bicycle motocross, includes everything from the hilly dirt-track races at the Olympics to trick-riding in parks or on the street. BMX bikes generally have a single gear and thick frames and tires.

Bikelife began in the streets of New York and Philadelphia and is spreading to other areas as riders post images of tricks and group rides on social media.

The Pied Piper is 25-year-old Harlem native Darnell Meyers, who has over 200,000 followers on his @RRDBlocks Instagram page and imitators as far away as Brazil and London. Mr. Meyers posts videos of himself and others doing tricks in New York traffic. His namesake move: riding with his front wheel up for block after block.

A bike messenger by day, Mr. Meyers knows that some of his riding is dangerous. He says a fall once knocked him unconscious while he rode in a park. He posts videos of wipeouts along with his feats to show young riders the risks.

"They all want to ride with me, do some of my stunts," Mr. Meyers says.

The nation's 3 million BMX riders are a fraction of the 50 million who rode any kind of bike last year, but their ranks surged 43% from 2013 to 2016. That's compared with a 1% rise in mountain biking and a 6% drop in traditional road cycling, according to the Sports & Fitness Industry Association.

Roughly half of BMX riders are younger than 18, according to the association.

Some ride used children's or mountain bikes to do wheelies. Specialty bikes can cost more than \$800.

The wheelie movement "is really uniting a whole generation of



Corey Murray, above, is a well-known wheelie rider in Philadelphia. He spurred controversy when a group ride, below, organized for his birthday rode onto a freeway. Jaidon Rodriguez, above right, says he rides his bike every day.

kids in inner-city areas," says Nigel Sylvester, a 29-year-old, pro BMX rider from New York.

Instead of entering competitions, Mr. Sylvester has earned sponsorships from Nike and Beats by Dre with first-person videos of him turning public stairways and railings into his own freestyle-riding course. Jay Z raps about "Nigel Sylvester with these bike flips" on the recently released Frank Ocean song "Biking."

On April 23 in Philadelphia, about 200 people riding with well-known wheelie rider Corey Murray in honor of his 17th birthday pedaled onto a freeway. State law prohibits riding bikes on freeways without permission.

Corey was later arrested on misdemeanor charges of disorderly conduct in connection with the ride. Corey's lawyer, Perry de Marco Jr., said Tuesday afternoon that Corey hadn't entered a plea and that Corey declined to comment.



In an interview before the ride, Corey said of the bike community, "Everybody's just a family. If I see a kid wheelie-ing down the street, I'm gonna talk to him."

No injuries were reported in the freeway incident. Capt. Sekou Kinebrew of the Philadelphia Police Department says he encourages children to be active, "but we strongly discourage any action, whether it's a bike or car or adult or juvenile, which places individuals in danger."

A few dozen young riders gathered at Firth & Wilson Transport Cycle before Corey's group ride, or rideout. The bike shop has become

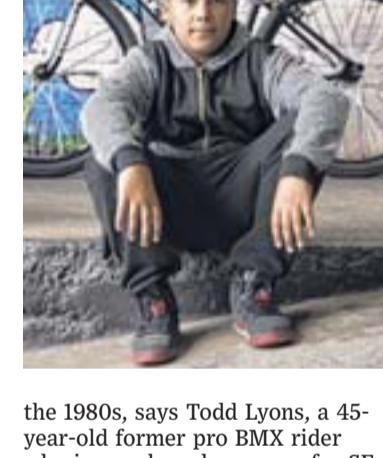
so popular among wheelie riders that its owners erected a public tool board so they could work on their bikes. Before the rideout, riders fed air into their tires and attached plastic sleeves to their spokes to make them spin with color.

"I used to be an inside boy," said 11-year-old Jaidon Rodriguez. He saw wheelie riders on YouTube and now says he rides so much

that he's given away his video-game console. He pedals to the bike shop to meet up with others and says he likes that "everybody gets together, has fun and just rides."

His mother, Rosa Sanchez, says she likes that her son is staying busy, but sometimes worries about his safety. She tells him to go slowly when trying new tricks. Jaidon has been doing yard work to earn money to buy an SE Bike, the hottest brand, riders say.

About a decade ago SE started making retro bike models for riders who came of age riding BMX in



the 1980s, says Todd Lyons, a 45-year-old former pro BMX rider who is now brand manager for SE Bikes. The bikes that became the most popular had 29-inch wheels—larger than BMX bikes' typical 20-inch wheels—to fit adults. But the bikes are hot with young riders doing wheelies, in part because Mr. Meyers endorses them.

Sales of SE's BMX bikes increased 31% in 2016 over 2015, says Patrick Cunnane, chief executive of Advanced Sports Enterprises, which owns SE Bikes.

"Do I condone breaking traffic laws? Absolutely not," Mr. Cunnane says. "Do I enjoy the tricks and watching them in parking lots and doing these phenomenal things? Absolutely."

The number of BMX bikes sold at U.S. bike shops rose 25% in 2016 from the previous year, the biggest jump of any category, according to the Bicycle Product Suppliers Association and NPD Group.

The boom in street-BMX biking comes amid a long decline in children's bicycling generally and slumping participation in youth team sports.

Chris Mangia, owner of The Bike Shop in Staten Island, N.Y., says BMX riding keeps teenagers out of trouble. It irks some adults in the area because they "haven't seen a pack of kids riding bicycles for years now," he says.

Trevor Joy, a 14-year-old rider in St. Cloud, Fla., south of Orlando, started doing wheelies last year and takes long rides with a dozen buddies who call themselves Cloud 9. Riding in the group has made Trevor braver and more outgoing, says his mother, Amber Joy. "The police are like, 'Oh we think it's cool that you guys can do tricks,'" she says. "But when there's traffic, keep your wheels down."

## LIFE & ARTS



Visitors walk by some of the massive works in the Museum of Modern Art's 'Louise Lawler: Why Pictures Now.'

### ART REVIEW

# An Audience of Insiders

BY RICHARD B. WOODWARD

New York  
**'WHY PICTURES NOW?'**  
the title of Louise Lawler's retrospective at the Museum of Modern Art, crops off the expected question mark, turning a timid inquiry into a brassy declarative statement.

For more than 40 years, Ms. Lawler has been making art in a wry interrogative mood. She is best known for taking pictures of pictures, observing with curious dispassion where they are

placed on walls and within rooms. Her ambit is the world of precious objects venerated, collected, bought, sold, and displayed as art in museums, galleries, offices, and homes of the well-to-do.

This airy exhibition, organized by senior curator of photography Roxana Marcoci and curatorial assistant Kelly Sidley, presents a fair sample of Ms. Lawler's work, with an emphasis on her unorthodox attitude toward photographs. They are used here to make limited-edition prints; as the template for stretchy "adjusted to fit" photo-murals;

to trace outlines of objects on adhesive vinyl panels; even as paperweight bases.

Retrospectives usually trace an artist's development. Not this one. There is no juvenilia. The catalog essays barely mention teachers or role models. Her birthdate, birthplace and schooling are missing from the exhibition checklist. (For the record, she is 70, was born in Bronxville, N.Y., and earned her B.F.A. at Cornell.)

Only one biographical fact about Ms. Lawler is stressed: Her work was included in "Pictures," the influential

1977 New York exhibition that launched post-Warhol artists infatuated with the variable nature of images, chiefly those available in profusion via the media.

Ms. Lawler belongs to the "passive-aggressive" wing of the Pictures Generation. She and Sherrie Levine and Richard Prince have happily leached off the labor of others, their photographs of photographs (or other pictures) highlighting the ubiquity and endless reproducibility of photography.

The glossy prints or grainy murals by Ms. Lawler

in "Why Pictures Now" don't pretend to have required the effort or skill that went into the art depicted: sculptures by Edgar Degas and Robert Gober; paintings by Ferdinand Hodler, Gerhard Richter, On Kawara, Jackson Pollock and Andy Warhol; photographs by Cindy Sherman and Laurie Simmons. Ms. Lawler's imaginative contribution—meager, some might say—is the framing of these works within the hot-house of the art world.

Omission—what isn't said or seen about art when it's presented, and what happens when expected elements are removed—is an enduring interest. She has numerous photographs here of art being installed or stored. Her 1979 work "A Movie Will Be Shown Without the Picture" does exactly what the title says: A film's audio plays while the audience sits in front of the blank screen. (MoMA will screen it on May 10; the surprise is that the audience never knows what the movie will be.)

Much of the fun in the show is found in the last room, where several vitrines, packed with ephemera, illustrate her method of deflection and recycling. The poster for the show—the words "Recognition Maybe, May Not Be Useful" emblazoned over a black-and-white photo of a 1970s-era Meryl Streep—was designed in 1990 for an art magazine cover. Reused here by MoMA's publicity department, it speaks to Ms. Lawler's persistent conflict about being an art celebrity.

A whimsical sociologist, whose images float between satire and self-mockery, she seems aware that the means of her art, an amateurish use of photography, is populist, while her content is pitched toward an audience

of insiders and academics, who enjoy teasing out the abstruse cultural references—to Virginia Woolf's novels and essays, or the rumor that Degas's "Little Dancer, Aged Fourteen" was a prostitute.

Ms. Marcoci argues in her catalog essay that Ms. Lawler has been engaged in a searching critique of art institutions and the market. I'm skeptical. While the wall labels for many of the pieces here list the names of their collectors, there are no purchase prices. Perhaps it would send the wrong message about Ms. Lawler's own role in enabling the destructive forces of "late capitalism"—an ominous theme in the catalog essays and Marxist art theory—if viewers knew that her prints sell for more than \$150,000.

This is the problem with the triumph of the Pictures Generation: They have become what they set out to undermine. For decades now, the sight of Ms. Lawler's work has been as routine in museums and art fairs as a Jeff Koons, whose kitschy sculptures are tweaked in her photo-murals.

Buying one of her prints is supposedly a sign of your superior sophistication—that you're not just another rich chump. You're aware that the art world is a bit of a con game, betokening false or tenuous status in a rigged system. Hanging Ms. Lawler's work on your walls—a photo of other canonized art on other walls—confers its own status: It proves you've invested in the folly.

**Louise Lawler: Why Pictures Now?**  
Museum of Modern Art, through July 30

Mr. Woodward is an arts critic in New York.

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Louise Lawler's 'Pollyanna (Adjusted to Fit)' (2007/2008/2012)

## LIFE & ARTS

### PERFORMANCES

# A Music Legend Dies Onstage

Bruce Hampton collapsed at his birthday bash with friends from Phish, REM, Allman Brothers

BY ALAN PAUL

**WHEN MUSICIAN** Bruce Hampton collapsed on stage Monday night, his band thought it was a theatrical end to a celebratory night and kept on playing for several minutes.

The guitarist/singer/bandleader was performing at Atlanta's Fox Theater for his 70th birthday surrounded by over 30 of his acolytes, including members of the Allman Brothers Band, Phish, REM, Blues Traveler and Widespread Panic. They were all there because they consider Mr. Hampton a primary musical inspiration.

The sold-out show concluded with the musicians on stage smiling broadly as Mr. Hampton led them through Bobby Bland's "Turn On Your Lovelight." He pointed to 14-year-old Brandon Niederauer to solo on guitar and then went to one knee, collapsed and died. It was several minutes before the band

stopped and EMTs rushed on stage to try and revive Mr. Hampton.

"It wasn't the first time any of us had seen him on the floor like James Brown," says Jeff Sipe, a drummer and longtime collaborator who was conducting the musicians. "It took a minute for concern to grow."

Mr. Hampton, who survived a heart attack in 2006, was rushed to Crawford Long hospital, just a few blocks from the venue. Mr. Sipe, Warren Haynes, Derek Trucks, Susan Tedeschi, Jimmy Herring and others were met there by a medical team who said that Mr. Hampton had suffered "a massive heart attack" and died at the venue, noting that nothing could have saved him.

"Everybody was devastated," says Mr. Haynes, himself a jam band kingpin as frontman for Gov't Mule and formerly the Allman Brothers Band. "It was one of the most epic nights of music any-



Bruce Hampton was surrounded by musician friends when he died Monday.

PAUL R. GIUNTA/GETTY IMAGES

one on stage or in the audience has ever experienced. To go from honoring Bruce in this amazing way to mourning him in the blink of an eye was emotionally jarring."

Fans and musicians who were present described a raucous crowd of 5,000 chanting "Bruuuuuuce" throughout the night. Mr. Hampton performed a 20-minute set at the start and then joined in occasionally, mostly watching from a chair on stage. Performers ranged across generations, from the 14-year-old Niederauer, a star of Broadway's "School of Rock," to 88-year-old pianist Johnny Knapp, who recorded with Billie Holiday.

"Right before he went down, he

looked me in the eye and smiled," says Mr. Sipe. "He did the same thing to a few others. In retrospect it feels like he was saying goodbye."

The man who called himself Col. Bruce Hampton (ret.) was also an actor, appearing in 1996's "Sling Blade" and the recent "Here Comes Rusty," with actor Fred Willard. He also was a voice in the cartoon show "Space Ghost Coast to Coast." He was a fixture of the Atlanta music scene since the late 1960s when his experimental Hampton Grease Band earned him the moniker "the Frank Zappa of the South."

Mr. Hampton's influence and revered place in the jam band uni-

verse stemmed from the Aquarium Rescue Unit, which performed from 1988-1993. The band was akin to the Velvet Underground, a group which never sold many records but had tremendous influence on others, notably Phish, Blues Traveler, Widespread Panic, and the Dave Matthews Band, inspiring them to take chances, "play music, not instruments" and never focus on showing off. ARU members Mr. Sipe, Oteil Burbridge and Jimmy Herring have gone on to play with the Allman Brothers, the Dead, Dead & Company and many others. Derek Trucks played gigs with Mr. Hampton often and attributes his success as a musician and a person to the inspiration and guidance he received.

Mr. Hampton was the subject of a documentary, "Basically Frightened," named after one of his best-loved songs. "Basically Frightened is a very ironic title, because Bruce was absolutely fearless," says pianist Chuck Leavell, of the Allman Brothers and Rolling Stones, who knew Mr. Hampton for over 40 years and performed Monday. "He taught the rest of us to be musically fearless."

"There was an incredible feeling in the building that it was a family reunion as much as concert," says Widespread Panic's John Bell. "Everyone rose to the occasion, including Bruce, who was playing and singing as well as I've ever seen him. He was in command until the last second and it was glorious to see."

### THE MIDDLE SEAT

## DELTA

*Continued from Page One*  
week. In Atlanta, flights were canceled well after midnight, after underground airport trains had shut down. That forced dazed vacationers to walk more than a mile through corridors littered with sleeping bodies like a zombie apocalypse. The airport says it kept trains and concessions operating late some nights and provided water, blankets and amenity kits.

"Our infrastructure was overwhelmed," Gil West, Delta's chief operating officer, said in an interview. "We know we can't control the weather, but we definitely own the recovery."

The Delta collapse, somewhat overlooked while attention was focused on the violent dragging of a United Airlines passenger off a plane in Chicago on April 9, has significant implications for travelers in the spring and summer thunderstorm season.

Delta's senior executives say the airline is ready to handle summer crowds and storms and is already making changes in its operation based on findings from last month's mess. But the episode is a reminder for travelers of the hazards of airline reliability when booking flights too close to big events like weddings or cruise-ship departures.

Thunderstorms are more difficult for airlines to handle than blizzards or hurricanes because their timing and location are hard to predict. The concern for travelers is whether bigger, consolidated airlines are now less nimble and more complex, and thus more prone to major disruption from routine storms.

What is more, back-office issues have proven to be big problems at Delta and other carriers. Last August, a power failure at its control center crippled Delta. A computer glitch in January led to canceled flights. Southwest Airlines also had a computer failure in 2016 that led to major disruption for travelers.

Delta says there was nothing routine about the triple whammy of storms it weathered the first week of April. The airline says its crew-tracking system had handled the load in the past, but this time found its limits.

Atlanta is the thick trunk on Delta's flight-schedule tree. About 60% of Delta's 1,250 airplanes go through Atlanta each day. It is the world's largest airport in both passengers and flights. Trouble in Atlanta cascades world-wide.

Delta says it, and Atlanta, aren't too big to handle storms. But the airline has learned where it needs to spend on more capacity. Delta created a task force of nine different work groups to autopsy the meltdown.

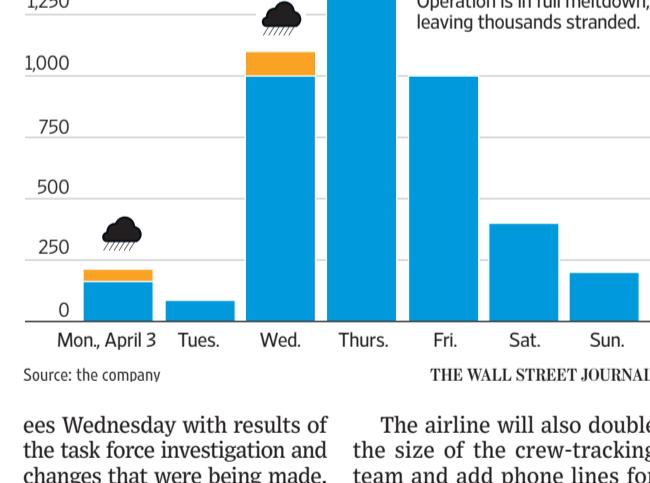
Mr. West and CEO Ed Bastian sent the memo to employ-



Frustrated Delta passengers were left wondering why flights weren't taking off days after storms passed. Its Atlanta hub, above, was hit especially hard.

### Broken Spring Break

Delta Air Lines fell apart in early April after storms hit its Atlanta megahub. The airline struggled for days to recover.



ees Wednesday with results of the task force investigation and changes that were being made. "Thanks for pulling Delta out of the ditch," the memo said.

The two executives noted that one problem was many positions were short-staffed for holiday crowds because so many Delta employees had themselves taken spring-break vacation. They promised to boost spring-break staffing levels in the future.

Changes are already happening, Mr. West said. The older crew-tracking communications system, which was previously expanded to allow for electronic communications in routine rescheduling situations, will be expanded.

Delta thinks it has found better ways to anticipate thunderstorms. In addition, it will make adjustments to add more buffer to crew schedules to absorb delays before the crews hit mandatory rest requirements. And Mr. West said Delta had already started to keep more crews together with the same plane all day, and will now do that more. This can minimize disruption.

If a plane, pilots and flight attendants are all scheduled to reshuffle to different flights, a single delay can impact three other flights.

The airline will also double the size of the crew-tracking team and add phone lines for them by June. By the end of August, executives hope to have a system to send crews information about their trips electronically.

"We found a limit to our operation and we've learned from it," Mr. West said.

The storm that hit Atlanta on Monday, April 3, ranked as the seventh-worst in Delta's history in terms of number of flights delayed. Delta called in pilots and flight attendants from reserves and recovered on Tuesday. That drained resources such as extra crews.

Wednesday brought seven different thunderstorms through Atlanta, spread out from 6 a.m. to 11:30 p.m. In all, 48% of Delta's schedule was affected. That is almost twice as big a punch as the previous worst thunderstorm in Atlanta, which delayed 29% of a day's flights.

"Those two thunderstorm days were unprecedented in our history," said Dave Holtz, senior vice president-operations and customer center.

The airline's crew-tracking group again set about reassigning pilots and flight attendants. Then the storm worked its way up the East Coast and hit the

New York area on Thursday, April 6, shutting down many Delta flights at Kennedy and LaGuardia airports. The third event proved to be the tipping point, throwing crew schedules into disarray.

"We couldn't keep up with the volume," Mr. West said.

Some pilots who commute to their base city couldn't hitch rides on Delta flights because the few that were flying were so full. Some were stuck in cities where they had overnighted but now had no plane to fly because so many flights were canceled. Delta decided it needed to give crew members priority over passengers. Passengers were enticed to give up seats with gift cards worth hundreds, even thousands, of dollars.

By Sunday, the operation was back to normal. But it took several more days to get stranded passengers where they needed to go.

Mr. West said Delta's crew-tracking system, which he said is old but has received a 50% capacity improvement over the past year, can send automated voice mails or emails to crews in typical storm recovery situations.

But this time there were too many questions that required phone calls, such as queries about particular assignments or lack of assignments. When crew members called in, they got busy signals. Part of the problem was too few people to answer calls. The Atlanta-based team rescheduling crews is kept to a few people normally, so there aren't too many people giving out conflicting instructions.

Now Delta has decided to add more full-time people to that job and train others who could be pulled in from other duty in a severe weather situation. In the future, communications will include mobile phones. Delta has also decided to install hotlines in crew lounges and hub-airport offices to link pilots and flight attendants with crew scheduling officials in the operations center.

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# SPORTS

## HEARD ON THE FIELD

### Race Scraps Descent Prize After Backlash

The organizers of the Giro d'Italia, one of the most famous bike races in the world, have always known that keeping fans interested for all three weeks can be tricky. So for more than 80 years, they have included secondary prizes to spice up the action. Like the Tour de France, the Giro crowns the best climber, the fiercest sprinter and the most "combative" rider.

But ahead of Friday's opening stage in Sardinia, one new Giro award caused such a storm in the professional peloton that the race scrapped it just 48 hours before the start. The Giro was offering a cash prize of up to €15,000 (\$16,381), in effect, for the craziest rider in the bunch: the fastest descender.

"Seriously? If this true you should be ashamed," Trek-Segafredo rider Jasper Stuyven tweeted at the Giro's official account after hearing about the Pirelli Prize for the Best Descender. "Aren't there already enough crashes? Clearly you only care about sensation."

On Wednesday morning, following a backlash from the cycling community, organizers announced that the fastest descenders' prize would be canceled.

"The spirit of the initiative was to highlight an important skill which is an integral part of a cycle race without putting the riders' safety in jeopardy," they said. "Rider safety is, and remains, the priority of the Giro and the race organizers."

The Giro's recent history is littered with dramatic crashes on downhill sections. In the 2009 race, Pedro Horrillo was left in a coma after he plummeted down a 200-foot ravine. Two years later, Wouter Weylandt was killed after he caught a guardrail on a descent while going more than 40 mph. And in 2015, Domenico Pozzovivo had to quit the race after a gruesome crash while aggressively rounding a corner.

Giro organizers knew from the start that the award would be a tricky sell, according to a person familiar with their thinking. That is why it was introduced without a major announcement or even a press release. —*Joshua Robinson*



JAMIE RHODES/REUTERS

## HORSE RACING

# Derby Trail Is Costly in the Long Run

BY JIM CHAIRUSMI

**ONE OF THE 20 HORSES** set to run Saturday's Kentucky Derby will get a garland of roses and the \$1.2 million winner's purse. The rest will be satisfied with the prestige of making it to the starting gate at Churchill Downs.

But the most valuable horses from this year's crop of 3-year-olds may be the ones that don't make it to the Derby or the other storied Triple Crown races, the Preakness and the Belmont Stakes.

The reason: The taxing grind to make the Derby field can sap horses of their long-term winning—and earning—potential.

Last year, for example, 20 horses entered the Derby with a combined win percentage of 46%, in 125 combined starts. The former Derby runners have since made 73 combined starts, winning at a clip of just 22%. Last year's Derby champion, Nyquist, ran in three races but never hit the winner's circle again before being retired.

Nyquist, after the Derby, did seem a little deflated even though it didn't seem like it to us" at the time, says Doug O'Neill, Nyquist's former trainer. "It was obviously a result of the campaign of getting him to the Derby but he never let on that he was dipping."

On the flip side, consider the recent performance of Arrogate, a 4-year-old son of Unbridled's Song. He missed his chance to run in the Triple Crown last year, after expen-

riencing soreness in his shins, and was brought along slowly by trainer Bob Baffert.

The decision has since paid off: Arrogate has earned over \$17 million in his eight-race career, including wins in the Pegasus World Cup, Dubai World Cup and Breeders' Cup, and remains in training.

A points qualification system for the Derby was implemented in

Arrogate missed his chance to run in the Triple Crown, but has since earned \$17 million.

2013 to "establish a clear, practical and understandable path," according to race organizers. It replaced a system in which graded-stakes earnings were the main criteria for setting the field. The new system puts greater emphasis on "in-the-money" or top-three finishes in the most recent pre-Derby prep races, so a horse like Classic Empire, last year's 2-year-old champion, still needed to win the Arkansas Derby three weeks ago to secure a spot in Kentucky.

Since the new qualification system was installed, Derby starters have had a combined win percentage of 43% entering the race, and an 18% win percentage in starts after the run for the roses. In the years preceding the change, Derby

horses both ran more often and won at a slightly higher clip.

To be sure, winning a place in the Kentucky Derby remains a prestigious resume entry for owners and trainers.

"Getting to the Derby has become a Holy Grail of sport," says Cot Campbell, the president of Dogwood Stable, which has saddled eight Derby runners. "Fifty years ago, an owner ran in the Kentucky Derby because he thought his horse could win it.

Now, it is more the experience of being there, without major regard for your chances."

And actually winning often leads to a financial windfall. American Pharaoh, the 2015 Triple Crown winner, began his stallion career at Ashford Stud last year with a reported fee of \$200,000 for each mare he covered.

Simon Bray, a former trainer who currently is an analyst for racing network TVG, said the Derby field is typically filled with as many contenders as pretenders, who might be better served running in a different race.

"Any given year, there's 20 horses in the Derby. For a long time, 10 or 12 shouldn't have been in the race," Bray said. "I ran in the Derby in 2001. I had a turf horse named Startec that was 100 to 1. He shouldn't have been in the race but the owners made me go," Bray said. Startec finished 10th.

Today, Bray said, horses can thrive—and profit—without chasing Triple Crown races before they

are ready. Arrogate has proven this lately. "He's a big lanky horse. He might have had...some baby issues. So we just let him come on his own," Baffert said in August after Arrogate won the Travers Stakes at Saratoga, a race that coincidentally is nicknamed the "Midsummer Derby."

Another enticing factor: The purses attached to post-Triple Crown races are becoming more attractive. Sheikh Mohammed bin Rashid al-Maktoum, organizer of the \$10 million Dubai World Cup, said in March that he would raise the purse of the race next year.

Even trainer Todd Pletcher, who has started 45 Derby horses since 2000, with only one winner (Super Saver in 2010), is taking a more conservative approach. Pletcher had five horses qualify for the Derby, but this week, opted not to run Battalion Runner and Malagacy. Both horses will be pointed to other races. Pletcher still has three runners—Always Dreaming, Patch and Tapwrit—in the Derby.

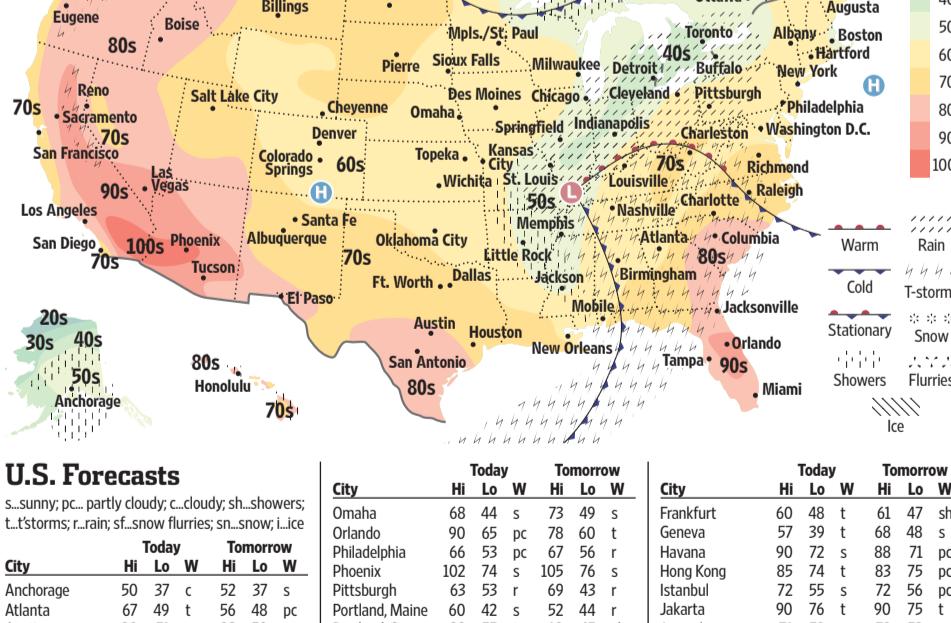
In a rule established by the Jockey Club, every racehorse turns a year older on Jan. 1, regardless of the horse's actual birthday. Irish War Cry, foaled on May 2, is the youngest horse in this year's Derby field. It's a fact that O'Neill, who will saddle Irap this year, emphasizes when explaining that all horses mature at their own pace.

"Just like human athletes, [horses] peak and valley in different places in their career," O'Neill says. "They are not machines."

IMAGO/ZUMA PRESS



## Weather



## U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Dallas Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

50 37 c 52 37 s 67 49 t 56 48 pc 80 51 s 83 50 s 65 56 pc 70 52 t 85 61 s 89 53 c 58 45 s 54 51 r 64 45 s 56 50 r 76 55 t 64 48 pc 52 41 r 57 40 pc 60 54 r 60 43 r 74 53 s 78 52 s 69 42 s 76 47 s 48 43 r 49 40 r 84 74 s 84 73 sh 75 54 s 80 53 s 55 46 r 53 39 sh 66 45 sh 69 48 s 96 72 s 98 72 s 58 50 pc 70 46 s 81 58 s 76 58 pc 87 76 pc 88 71 t 53 41 pc 55 41 pc 66 45 s 73 47 s 69 47 t 55 43 sh 69 54 c 74 55 s 63 50 pc 63 56 r 68 46 s 72 46 s

Today

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Frankfurt Geneva Havana Hong Kong Istanbul Jakarta Jerusalem Johannesburg London Madrid Manila Melbourne Mexico City Milan Moscow Paris Rio de Janeiro Riyadh Rome San Juan Seoul Shanghai Singapore Sydney Taipei Tokyo Vancouver Warsaw Zurich

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International

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Amsterdam Athens Baghdad Bangkok Beijing Berlin Brussels Buenos Aires Dubai Dublin Edinburgh

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AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



### COLOR SEPARATIONS | By Alice Long

Across		
1 Call from the nursery	5 Where the Helmand River flows	41 Crayon color
5 for photons and 2 for gravitons	27 Crayon color	42 It may be offered for off-peak travel
9 Flight part	30 Like many double entendres	44 Like the nerve we call the "funny bone"
13 Pizzazz	33 Sudan president al-Bashir	46 Gap buy
14 Color	34 Sequence of nucleotides	47 Put away
15 Fondue favorite	35 Amazon device that answers to "Alexa"	50 Bolted
16 Rack setting, perhaps	36 Active bunch	52 Mischievous sort
18 Crayon color	37 Targets of pulldowns	54 Crayon color
19 Tarzana neighbor	20 Light bulb units	55 Lord Protector during England's Interregnum
21 1927's Flying Cloud, e.g.	38 Winged archer	58 Elected
22 Politically powerful group	39 Sicily's highest point	59 Giver of Starbuck's orders
24 Spring spots	40 Brawler's weapons	60 Sunburn soother

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

61 Get rid of	25 Agitated states
62 Film editor's technique	26 Modify legally
63 "Death in Venice" author	28 Fee for hand delivery?
Down	29 Capone chaser
1 Ten billion angstroms	30 Ballpark buy
2 Exclusively	31 One of 640 in a square mile
3 Pool cry	32 Christie creations
4 Protester's position	34 Model maker's need
5 Like Turkish coffee	36 After-dinner request
6 Diner dessert	40 Fanciful aspiration
7 Ltd. kin	42 Hungry, perhaps
8 Utmost degree	43 Listeria bacterium, for one
9 French battle site of WWI	45 Is wild about
10 Frank	47 It reaches speeds of 150 miles per hour
11 Perfect place	48 Owl's grasper
12 Round numbers?	49 Big name in TV talk
15 Physicist for whom an induction unit is named	50 Tooth part
17 Bring together	51 Gravy Cravers brand
20 Refuges	53 Did laps
23 Violent video game	55 Cold and damp
24 Over toast, at the diner	56 X
	57 Criminal charge

### Previous Puzzle's Solution

CATNAP	IPAD	LAB
OREIDA	ZINE	SOAR
DRAIGONBOATS	TRI	ENDED
GABRIEL	PAGEONE	MILTON
EGOISM	SONNET	KATANA</td

# OPINION

## What Is a Republican For?

 Republicans may be close to turning their party into fake news.

"Fake news" is a phrase open to many meanings, but in my recent experience people watching the melodrama of the Trump presidency unspool aren't sure who or what they should trust or believe these days.

The mainstream media, no matter how many righteous speeches got delivered at the White House Correspondents' Dinner, is on a bigger credibility bubble with the American public than it imagines. Now a Republican Party fantastically unable to deliver on its promise to repeal and replace ObamaCare is close to creating its own credibility bubble.

If, after voters delivered control of Congress to them in 2016, these same Republicans can't—or will not—produce an ObamaCare reform, those voters may reasonably ask in 2018: Why do we need these people? What is a Republican for? Even by current bread-and-circuses standards, the GOP elephants are losing their entertainment value.

On Tuesday, Congressman Fred Upton of Michigan, which Donald Trump won, flamboyantly announced he could not support the Trump-Ryan American Health Care Act.

This desertion popped eyes open because Mr. Upton has worked for years with the

House leadership to fashion an ObamaCare alternative.

But by noon the next day, Mr. Upton was supporting the health bill, presumably because he'd gotten another \$8 billion into it for the fake-news issue known as pre-existing health conditions.

Why fake? It's fake because the AHCA already commits a staggering \$100 billion to help states pay for virtually every imaginable health nightmare that falls beyond the reach of normal insurance.

House Republicans should get the health-care vote behind them before it kills them—if it hasn't already.

A book could be written about how Republicans arrived at this stalemate, whose origins go back long before many Americans discovered Donald Trump.

Ideological tensions have existed between conservatives and moderates at least since the 1950s. Rockefeller, Goldwater, Reagan, Ford and Bush are all one-word signposts on this long odyssey. Then came Ted Cruz.

Elected to the Senate in 2012, Mr. Cruz brought with him a plan to divide Republicans along lines that would carry him to victories in the 2016 GOP presidential primaries.

He and his allies drove a wedge between "real conservatives" like himself and a vague lump dismissed as "the establishment," which included pretty much every other Senate member.

In the event, Donald Trump swallowed Mr. Cruz, his strategy and the Republican Party.

But they or any Republican president was heading inevitably toward the same problem when trying to repeal and replace ObamaCare. One notable difference is that the Republican moderates negotiating now with Mr. Trump would not have picked up the phone to talk to Mr. Cruz after years of being vilified as sellouts.

### If the GOP can't pass ObamaCare reform, voters may return Congress to the Dems.

There currently are some 200 million voters in the U.S. For the purposes of governance, the U.S. House of Representatives is divided into 435 congressional districts. Of these, 238 are now Republican districts.

Believe it or not, those 238 House Republicans are not all from Texas or Alabama. They are from everywhere else in America, and those districts—whether in Ohio, New Jersey, Pennsylvania, North Carolina or Arizona—are not alike in terms of their political self-identity, gerrymanders notwithstanding.

Modern media and much political writing blurs out these distinctions. Hillary Clinton didn't lose because of misogyny or James Comey. She lost because Democrats lulled themselves into thinking they could impose a homogenized, politically correct liberalism on a resisting Wisconsin,

Michigan and Pennsylvania.

The first significant Republican moderate to bolt from the health bill was Appropriations Chairman Rodney Frelinghuysen. Mr. Frelinghuysen's New Jersey district in Morris County is not close to being like Freedom Caucus Jim Jordan's district in Central Ohio. That's the maddening wonder of the U.S. system, a product of the country's complex history and for which inconsolable partisans can blame the Founders.

The original ObamaCare reform, assembled over months by the House leadership, was constructed explicitly to avoid opening this Pandora's box of political interests inside the GOP. It was written so that a North Carolina Republican and a Pennsylvania Republican could be on the same page for one big vote.

For some "real conservatives," the bill had the stench of compromise, an anathema in their world. One all-American reality that no amount of ranting will reverse is this: Unless you get more votes than the other guy, you lose. You will lose on health care, spending and taxes.

The cost of losing is high. If this Congress's Republican moderates and conservatives are seen as incapable of working their way through political realities evident to the average American voter or campaign donor, then a resurrected Speaker Nancy Pelosi will be smiling through her weekends at Mar-a-Lago after 2018. That will not be fake news.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

WONDER LAND  
By Daniel Henninger

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## Be Careful What You Wish For, Washington

By Karl Rove

**E**veryone in Washington seems to be getting what he wants.

Start with President Trump: On his 100th day in office, he brought a huge crowd in Harrisburg, Pa., to its feet by attacking CNN and MSNBC for "fake news" and charging that "the totally failing New York Times" was run by "incompetent, dishonest people."

That same night, members of the White House Correspondents' Association, in gowns and tuxedos, applauded at their annual dinner as the organization's president rebuked Mr. Trump. "We are not 'fake news,'" Jeff Mason of Reuters proclaimed. "We are not failing news organizations."

Then there's the Freedom Caucus, which negotiated a deal on the GOP bill to repeal and replace ObamaCare. The compromise, struck with one of the three chairmen of the Tuesday Group of moderate Republicans, allows states to opt out of some ObamaCare provisions if that lowers premiums, increases enrollment, stabilizes the insurance market or broadens consumers' choice of plans.

Then, when Congress considered the continuing resolution to fund the government through the end of this fiscal year, Democrats blocked money for Mr. Trump's border wall and denied half his defense-spending increase. Senate Minority Leader Chuck Schumer

crowded this was "a big win for Democrats" and House Minority Leader Nancy Pelosi hailed the success in "securing key victories for Democratic priorities."

Still, the lesson from all this is to be careful what you wish for, because you might get it.

### The press, Democrats and Republicans get what they want. They won't be happy.

How wise was it for Mr. Trump to open his Pennsylvania speech by assaulting the media? Axios reported that West Wing officials "conceived of a split-screen effect" for the event, with "Trump in full-blown nationalist populist mode, connecting viscerally with 'forgotten' Rust Belt Americans," while the other side of the picture showed elite Washington reporters dining in elegance.

But spending his first 11 minutes attacking the press prevented Mr. Trump from focusing on what he's doing to create jobs and fatten paychecks. Which do Mr. Trump's "forgotten Americans" care about more—his attacks on the press, or their own prosperity? Trashing the Times may keep his core supporters energized, but it does almost nothing to expand his appeal.

White House journalists reveled in their night as defenders of the First Amendment, but public trust in the media is at the lowest level in Gallup polling history. Saturday's garden brunches, preprandial cocktails, banquet and after-parties won't help restore that lost confidence.

In finding a face-saving way to get behind the GOP health-care measure, the members of the Freedom Caucus figured out how to shift blame if the bill stalls again in the House, but they also showed their hypocrisy. Every objection they had to the original bill—that it protects those with pre-existing conditions, that premiums on the exchanges will keep rising for two years, that it represents a tax to charge more when people don't keep themselves insured and then show up sick and demand coverage—is still in the draft.

For their part, Democrats might have shown their hostility to securing the borders and strengthening the military, but is that wise? And since President Obama was unable to win congressional approval for a full year's budget last fall, Mr. Trump is that rare new chief executive who can put his imprint on the budget three months into his term, spending more on his priorities and less on Democratic concerns.

In the process, Mr. Trump killed Mr. Obama's demand

that domestic spending be increased \$1 for each new \$1 in military spending. The deal boosts spending on homeland security and defense by 3.5% each, compared with 0.6% for labor, human services and education and 0.4% for interior and environment.

Rather than risk a government shutdown over the last five months of this fiscal year, Mr. Trump wisely kept his powder dry for this fall's budget battle over next year's spending. Democrats will find it difficult then to stall individual appropriations bills, and Republicans will have greater control over the outcome.

All this shows is that Washington, while not completely broken, is more dysfunctional than normal. Nobody—the president, Congress, either political party—is hitting on all cylinders. Quite the opposite. Governing rarely looks focused, disciplined and efficient, but it almost never looks this unfocused, undisciplined and inefficient. Americans are thirsting for signs of statesmanship, glimmers of leadership, evidence of proficiency. These days, even Washington's best weeks aren't that good.

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

federal court, alleging violations of the First and 14th amendments. After losing, the church appealed to the Supreme Court.

Law geeks have filled the internet with arguments about the case. People on the left fear that a victory for the

### Trinity Lutheran is a state issue—and one that's already moot.

church would allow taxpayer money to be used in explicitly religious institutions such as tuition for parochial schools. Those on the right, who favor faith-based programs, argue that Missouri must treat all nonprofits, religious or not, the same.

But why this is a federal case? Trinity Lutheran is a Missouri church challenging the state's application of the state constitution. The grant

program is funded by in-state tire sales. Missouri is neither establishing a church nor interfering with worship. Common sense tells us the First Amendment is not implicated.

Similarly, the 14th Amendment should be inapplicable. The Equal Protection Clause was meant to ensure that states treated whites and blacks the same regarding civil and legal rights.

In an 1823 letter, Thomas Jefferson wrote that "the capital and leading object of the Constitution was, to leave with the States all authorities which respected their own citizens only, and to transfer to the United States those, which respected citizens of foreign or other States." Jefferson further noted that when a dispute arises "between a citizen and his own State, and under the law of his State," it is "a domestic case" over which federal courts lack jurisdiction.

Trinity Lutheran went to

Today almost every issue is a national issue; the left and right fight to the death in the all-or-nothing game of politics and law. In a Jeffersonian federalist system, Missourians would be free to work this out themselves.

They may have done so already. On April 13 Gov. Eric Greitens's office said he had "instructed the Department of Natural Resources to allow religious organizations to apply for and be eligible to receive DNR grants. Now, religious organizations will have their applications judged on the merits like any other applicant."

If Trinity Lutheran had been handled in state court, it would now be moot. The Supreme Court should remove the case from its docket and let the matter stand resolved.

*Mr. Watkins is a research fellow at the Independent Institute and author of "Crossroads for Liberty" (Independent Institute, 2016).*

BOOKSHELF | By Martin Rubin

## As Battles Rage, Flight and Fight

### Last Hope Island

By Lynne Olson  
(Random House, 553 pages, \$30)

**O**ne might not think that fleeing one nation in the midst of war for another under aerial bombardment was much of an escape. Yet in 1940 a young Polish resistance fighter got himself to London, then enduring raids from the Luftwaffe, and was glad for it. He said later that arriving there "was like getting to heaven." A Dutch law student, fleeing his Nazi-occupied homeland for Britain, explained why: "To cross over to England you had to sacrifice all you loved . . . for this one privilege: to fight the Nazis as a free man."

In a brisk and compelling portrait of wartime Britain, Lynne Olson describes the experience of these figures and others to convey England's special role as a place of refuge and an emblem of possibility. No wonder, she writes, that "Polish pilots who flew with the RAF during the war referred to Britain as 'Last Hope Island.'"

One of Ms. Olson's strengths, evident in such earlier books as "Those Angry Days: Roosevelt, Lindbergh, and America's Fight Over World War II, 1939-1941" (2013), is the way she weaves the experience of little-known players with those of exalted rank or position. Thus in "Last Hope Island" we see, alongside resistance fighters and war-ravaged refugees, the indomitable Dutch Queen Wilhelmina, who escaped from Holland by the skin of her teeth and made her home in a London house rather than a palace, sallying forth during the Blitz to the bomb-proof shelter of Claridge's hotel. Or Norway's King Haakon VII,

another hasty evacuee, a tall, imposing figure who became a symbol of resistance in his Quisling-ruled homeland. "His extraordinary popularity," Ms. Olson writes, "was reflected in the fact that Norway was the only occupied nation whose resistance movement used the initials of its head of state—H7—as its symbol of defiance to the Germans."

Another exile fleeing to London in 1940 matched King Haakon's physical and symbolic stature, if lacking his rank: "Of the seven occupied countries that found refuge in London in the spring and summer of 1940," Ms. Olson notes, "six presented their British hosts with invaluable dowries of men, money, ships, natural resources, and intelligence information." The exception was France, whose representative "brought only himself." As she reminds us, Charles de Gaulle was "not a king, a president, or even a high government official."

Yet such was de Gaulle's sense of mission that by sheer force of personality—and unrivaled arrogance—he made France not just an ally but a would-be great power, destined for a major role after the war. And this despite the opposition

**The Dutch queen sallied forth during the Blitz to the shelter of Claridge's. Other exiles and refugees joined the British war effort.**

of Franklin Roosevelt, who insisted on recognizing the defeatist, collaborative Vichy regime as France's legitimate government. Caught between FDR and de Gaulle and forced into an intermediary role, Winston Churchill found himself in a position resembling that of his envoy to France, Gen. Edward Spears, who lamented that "the heaviest cross I have to bear is the Cross of Lorraine," the symbol of the Free French.

Fighting even harder than de Gaulle to gain recognition as the head of a government in exile was Czech President Edvard Benes, along with Jan Masaryk, his redoubtable foreign minister and the son of Czechoslovakia's founding father. Their struggle to ensure that the nation dismembered at Munich would be restored for them to return to makes for sad reading, given the fate of the Czechs under postwar communist domination. Masaryk's death in 1948 in Prague—he was found in a courtyard, having fallen from his apartment window—was called a suicide by some, a murder by others. Ms. Olson is exceptionally good at following up on what happened to her cast of characters beyond the book's stated purview, which makes her account all the more satisfying.

She shines a spotlight in particular on the contribution of Poland to the war effort, from its many pilots in the Battle of Britain (and over the Continent) to the aid that the Polish furnished to those working at Bletchley Park to decrypt the Germans' diabolically resistant Enigma machine. She describes the incredulity of the British—followed by hostility and then grateful acceptance—when confronted by an upstart nation whose code experts had begun the effort to decrypt Enigma, with some success, long before they did.

It is a pity that Ms. Olson omits mention of another Polish hero, Jan Karski, who brought evidence of Hitler's death camps to the Polish government in exile in London. He also brought this intelligence, so shocking that it was met with outright disbelief, to the attention of Anthony Eden, the British foreign secretary, and then President Roosevelt in Washington.

"Last Hope Island" might have benefited from a broader context for the dramatic episode that Ms. Olson presents. Greece and Yugoslavia, whose royal houses also fled to London, barely appear in her narrative. And the role of various dominion troops in Britain's multinational military forces—from South Africa, India and Australia—might have added another dimension to her story of non-English soldiers joining forces under conditions of war.

More important, she views Britain's close engagement with continental Europe during the war as somewhat anomalous. "For much of its long and fabled history," she writes, "Britain has done its best to stay clear of Europe and its entanglements." To which one might respond: Yes, except when Britain or its allies in Europe have been threatened by an enemy—from Philip II of Spain through Louis XIV and Napoleon to Kaiser Wilhelm II.

Down the centuries Britain has served as a haven for those in flight. To take but one example among many, Louis Philippe spent 15 years in England before returning to France and eventually assuming his kingship. And of course a multitude of persecuted Protestants from the Continent found refuge in British lands. It was their "last hope island" too.

*Mr. Rubin is a writer in Pasadena, Calif.*

## OPINION

### REVIEW & OUTLOOK

## Health Reform's House Breakout

**A**gainst the odds, House Republicans have regained momentum on health-care reform, and they're nearing a majority coalition. While there may be more swerves before a vote, they ought to appreciate the importance of demonstrating that a center-right Congress—working with President Trump—can govern.

There are still holdouts and others are undecided in the GOP's moderate and conservative wings, but their differences are narrowing. More members are also recognizing their political mistake in trashing the original ObamaCare repeal and replace bill. The House now has a rare second chance, and a generational opportunity to start to solve some U.S. problems.

On Wednesday Fred Upton of Michigan and Billy Long of Missouri worked out the latest compromise, meant to assuage concerns about insurance for pre-existing medical conditions. The amendment would add \$8 billion over five years to a 10-year, \$130 billion fund to create risk pools to protect people in the individual insurance market who need high-cost treatments.

Pre-existing conditions are an understandable concern, but the critics traffick in demagoguery, not substance. Their opposition has less to do with vulnerable patients than preserving ObamaCare. Senate Minority Leader Chuck Schumer claimed that risk pools are "like administering cough medicine to someone with stage 4 cancer," which exploits cancer victims and shows he knows nothing about risk pools.

By targeting funds at the sickest patients, states can make insurance markets more affordable and stable. These subsidies siphon off some of the costs that contribute to rising premiums in the overall market, and the idea is that the resulting cheaper plans for everyone else will encourage more people to enroll.

In Alaska, ObamaCare premiums rose 40% annually over multiple years, one of the two participating insurers exited the business, and the other was on the brink. So the state received a federal waiver last year to create a risk pool. Premiums rose 7.3% on average for 2017.

Opponents say risk pools are underfunded, but the Alaska rescue mission cost merely \$55 million (albeit in a low-population state). The results came despite ObamaCare's restraints, and the GOP's American Health Care Act promises more regulatory flexibility to experiment. Opponents also argue that risk pools are ghettos for the sick, but the Alaska payments are "invisible," meaning that all consumers use regular insurance.

We'll learn soon if risk pools are enough to win over GOP moderates, but they should know that Democrats will demagogue the pre-existing

**The GOP needs to show the country—and Trump—it can govern.**

conditions issue in the 2018 election whether the bill passes or not. Better to pass the bill, and explain to their voters why their reform is better for patients, than defend a failure. HillaryCare's crash didn't save vulnerable Democrats in 1994—though unlike Democrats, this time Republicans have a good product to sell.

The pre-existing conditions furor also shows that conservatives were wrong to oppose the original House bill. They achieved little beyond opening up a politically toxic debate. Risk pools require government spending but they're a proven tool that can mitigate some of ObamaCare's damage, and time and money are needed to repair insurance markets. Rejecting a replacement over this or that provision means preserving the ObamaCare status quo.

\* \* \*

This political reality applies to all corners of the GOP. Republicans—conservatives and moderates—have campaigned for more than seven years on repealing and replacing ObamaCare, and voters in 2016 gave them control of government. If Republicans can't follow through now, the public will conclude that they're either dishonest or feckless, and then wonder if they deserve their jobs.

Another failure would add to the dysfunction narrative of the Trump Administration, and there's no telling how the President would react. For now the White House is invested in a fairly conventional center-right economic agenda. One reason the health bill was raised from the dead has been the President's backstage leadership and his personal, member-by-member appeals.

But Mr. Trump wants above all to be a "winner" and he's likely to align himself with whatever majority he can find. If Speaker Paul Ryan and Mitch McConnell in the Senate can't deliver, this least ideological of Presidents may turn in 2018 or sooner to Nancy Pelosi and Mr. Schumer to make deals—on roads, bridges and airports, or trade tariffs, or who knows what else. You can bet the results won't please conservatives.

More important than the configurations of Beltway power is showing that center-right reforms can improve American lives. Republicans haven't been in charge for a decade and the failures of the progressive project—flat incomes, above all—explain much of the country's current political distemper.

Mr. Trump and the GOP need to follow through on their pledges of economic growth and government reform, and convince Americans that a better future awaits. Health-care progress will lift the rest of their program. It is only a minor exaggeration to think that health-care reform is a do-or-die moment for the GOP Congress.

## The Soda Tax Class Revolt

**T**he progressive mind is forever telling people how to run their lives, but every so often the people tell them to get lost. That's what the voters did Tuesday in Santa Fe, New Mexico as the hoi polloi revolted against an attempt to tax sugary drinks.

Mayor Javier Gonzales, enlightened progressive that he is, proposed the levy of two cents an ounce on sugar-sweetened beverages. That's roughly 25 cents for a 12 ounce Coke. The tax would have been one of the nation's highest, on par with the socialist nirvana of Boulder, Colorado.

Supporters said the tax would finance pre-kindergarten in public schools, but voters figured out this was a politician-knows-best tax posing as a public-health initiative. A remarkably high 37.6% of registered voters showed up at the polls, more than for a recent mayoral race. Though Santa Fe is known as a left-leaning place, 58% voted against the tax.

More interesting is how the vote broke down

**Santa Fe's poor reject a tax on sugary drinks peddled by the rich.**

by economic class. The Santa Fe New Mexican reports that in a lower income, largely Hispanic district, 73% voted against the tax, and 69% voted no in the mid-city. But the vote split almost evenly in the city's affluent north and east sides.

The rout was also a defeat for former New York City Mayor Mike Bloomberg, who tried to ban big gulp sodas until his plan was rejected by New York's high court. Now in private life, Mr. Bloomberg is promoting soda taxes around the country. As of late April a political committee backed by Mr. Bloomberg had spent some \$1.5 million in support of the Santa Fe sugar tax, outspending the beverage association that opposed it. Mr. Bloomberg is a generous man, but wouldn't Alzheimer's research be a better investment?

Progressives love soda taxes because they raise money for government while telling the commoners how to behave. Most commoners would rather decide for themselves.

## With Liberty and Pizza for All

**S**ome good news for readers who enjoy personal freedom and eating pizza: The Trump Administration this week delayed calorie rules that carried criminal penalties for errant pepperonis. Now Congress should rework the idea in legislation.

The Food and Drug Administration announced on Monday that the agency would delay a May 5 enforcement date for a rule that requires restaurants with more than 20 locations to post calorie counts on menu boards, ostensibly to encourage healthy choices and prevent a patchwork of state labeling schemes. The mandate was included in the Affordable Care Act in 2010.

But the resulting regulation has been thrice delayed because it required pizza chains to display per slice ranges for an estimated 34 million topping combinations. Imagine a sign that reads "200-800 calories per slice of one-topping medium pizza" with lists of individual accoutrements that span from 0-400 calories, with each one varying based on whether you add other toppings. Do you feel edified about your food choices?

The displays would be ripped up and replaced for every limited-time special. Franchi-

**HHS issues a pepperoni calorie count reprieve.**

sees—that is, local business owners, not Mr. Moneybags—would sign affidavits that "reasonable" efforts were made to ensure the accuracy of the placards. That's an invitation for trial lawyers to drag every last pizza to a lab for verification. The penalties for noncompliance include a year in jail, and who knew that a job at Papa John's could lead to a life of crime.

A bill in the House would eliminate the fines and hard time, as well as allow pizza places to display information online, where customers can already find it. Health and Human Services Secretary Tom Price, who deserves credit for the stroke of common sense, voted for an earlier version of the legislation. Congress should move on it before next year's new enforcement date arrives, though the FDA could also revise the rule.

The FDA's final guidance is riddled with amusing introspections on what constitutes a "combination meal" or how to label pumpkin lattes, but the less funny reality is that the pizza industry has spent years and millions of dollars fighting this insane rule-making. The Trump Administration is right to put those resources back in the productive economy.

## OPINION

## LETTERS TO THE EDITOR

### Hard to Shop Doctors When You're Desperate

Regarding "Can Consumers Be Smart Health-Care Shoppers?" (Journal Report, April 12): I am sure all would benefit from price transparency of hospital charges. Hospitals claim that they cannot predict what a patient's treatment will cost. This is arrant nonsense. Only when the diagnosis is unknown or the patient is a victim of severe trauma does this argument hold water. Hospitals know to the penny what the 50th, 75th, and 90th percentiles are for a given diagnosis and a given physician. Of course insurance companies know this too, which is why they won't want certain physicians whose care is more expensive on their panels, while actively recruiting those who are more efficient. Emergency care cannot be "shopped," and therefore should be price controlled. Incidentally, cosmetic surgery has never been covered by insurance; patients pay cash. The fee for a face lift has been stable for at least 10 years.

DANIEL ALLAN, M.D., FACS

Las Cruces, N.M.

but when you are the one in the bed, it's a whole other world. One has virtually no control over anything, including what you're fed and why you need an EKG at 4:30 a.m.

Health-care consumers usually cannot be smart shoppers because, unlike shopping for a car or a suit, we often don't have the luxury of time.

ALAN BLUM

Mt. Vernon, N.Y.

One area in which the consumer can compare costs and save money is when buying drugs. There are internet sites that list the prices for drugs from numerous sources, both local and online. It takes some research and initiative, but I save several thousand dollars annually.

KERRY SMITH

Woodbury, Minn.

To say that the health-care system is too complex for the average person to understand is condescending. In the private sector, industry representatives know their product or service and then explain it to their clients. Otherwise their organizations wouldn't stay in business.

GARY DEVINE

West Bloomfield, Mich.

The system is too complex, even for the savvy. My surprising \$900 bill for an emergency-room ice pack was because the emergency-room physician was an independent contractor and not an employee of my "preferred provider" hospital. It is fantasy that the sick, those in pain and most of the elderly can effectively shop around for the best and most affordable health care.

LAURA JAOUI

Claremont, Calif.

### Adenauer, Erhard Saved and Rebuilt Germany

In a moving tribute to Chancellor Konrad Adenauer ("The Man Who Saved Europe the Last Time," op-ed, April 29), Henry Kissinger credits Germany's "astonishing [postwar] renewal" to Adenauer's dual goals of "a security partnership with America and political integration with Europe." Noticeably absent is any discussion of his Economics Minister Ludwig Erhard, who was responsible for Germany's "economic miracle."

A year before Adenauer became chancellor, Erhard drew on free-market economists in his role as administrator of the U.K.-U.S. occupation zone and bravely defied Allied military occupation forces to issue a sweeping decree that abolished Nazi-era wage and price controls. John

Kenneth Galbraith, then head of economic policy for occupied Germany, dismissed the idea. When the American commander, Gen. Lucius Clay, phoned Erhard about the decree and said, "my advisers tell me you are making a big mistake," Erhard ostensibly replied, "so my advisers tell me." It wasn't a big mistake. Along with his issuance of the new

deutsche mark, the impact of decontrol was dramatic. Shortages ended, black markets disappeared and Germany's recovery was launched. Between June and December 1948, industrial production in the three

Western zones increased 50%. In May 1949 the three zones merged to form West Germany, and Adenauer became chancellor.

JAMES LOVELY

Lakeland, Fla.

### Showers Aren't Clothes Irons

The shower trick shared in "The Middle Seat: A Guide to Wrinkle-Free Travel" (Life & Arts, April 20) is an old concept that has no place in a world trying to conserve water. Can you imagine how much clean water would be wasted if only a small percentage of travelers were to run the shower while having breakfast to remove clothes wrinkles?

JUDITH HOYT

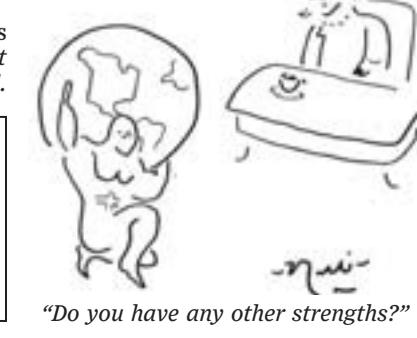
Camp Hill, Pa.

## CORRECTION

The recently opened Times Square pedestrian plazas have crosswalks designed to slow down vehicles at every crossing from 42nd to 47th Streets. A May 1 architecture review, "Calculated, Unpretty Design," named an incorrect street.

### Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

# The Troops Train to Reassure Europe

By Thomas Donnelly  
And James Cunningham

**T**he Pentagon has confirmed it will send the Army's Dagger Brigade—the Second Armored Brigade of the First Infantry Division—to Europe this September in support of Operation Atlantic Resolve, the American military's response to Russian meddling in Ukraine.

The announcement signals that President Trump has embraced President Obama's expansion of the U.S. commitment to the North Atlantic Treaty Organization. That's good, but unless Mr. Trump delivers on his promise to restore America's military readiness, the brigade will have a hard time carrying out its mission.

Dagger Brigade has long known the assignment was coming and has trained nonstop to prepare for it. The brigade's commander, Col. David Gardner, is a lifetime infantryman

**The U.S. Army's Dagger Brigade is preparing for a September deployment. But it's stretched thin.**

with a shaved head and an office packed with dumbbells and protein powder. With six tours in the Middle East and another in Kosovo, he does not excite easily. Dagger, he says, is stretched thin.

Col. Gardner first opened Fort Riley's gates to us late last year. He faces many challenges, which we outline in a just-published study. The biggest of them is people—having enough and having the right kind. In particular, he needs leaders, from the



1ST INFANTRY DIVISION PUBLIC AFFAIRS

Dagger Brigade members completed the Danger Focus II training Feb. 16.

squad and platoon level up through his principal staff.

Turnover is the main problem. With 4% of the brigade's personnel changing every month, Col. Gardner and his subordinates work tirelessly to keep troops trained and personnel slots filled. He may have enough crews to drive the tanks, but he has given up hope of having a full complement of dismounted infantry.

At full strength, Dagger has a little more than 4,000 troops. On the day before the brigade loads onto buses for a 1,400-mile drive to the Army's National Training Center in California's Mojave Desert, Col. Gardner has almost as many people as he needs. In reality, when one subtracts the soldiers who are sick, hurt, lame, pregnant, criminally charged, or about to transfer or leave the Army, Dagger is only at 80%. And Col. Gardner knows he'll be lucky to have that when he takes the brigade to Europe.

Dagger's equipment is on the thin edge of readiness, too. More than 90% of the brigade's tanks and infantry vehicles will be taken to the training

center, but Col. Gardner expects to deal with a steady stream of major repairs. The M1 tank, in particular, is an old system. It's been repeatedly upgraded, but in relatively small numbers, making maintenance a constant headache. When parts break, spares are hard to come by and regularly take up to six months to be delivered. To prepare for the training center, Dagger conducted a three-week-plus field exercise at Fort Riley, but the time needed to repair tanks and other equipment cut a week out of the exercise. Of course, there are no timeouts in combat.

How did we get to this point? During the Cold War, the massive U.S. forces that patrolled the West German border—nearly a quarter-million soldiers strong—were the best-equipped and readiest in the Army. Today the "frontier of freedom" in Europe has moved 1,000 miles east and runs from the Baltic to the Black Sea, but U.S. forces have neither moved with it nor retained their size. Lt. Gen. Ben Hodges, who commands U.S. Army Europe, says his job is to

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make 30,000 troops "look like 300,000" to the Russians.

President Obama announced the European Reassurance Initiative (ERI) in 2014 to "reassure allies of the U.S. commitment to their security and territorial integrity as members of the NATO alliance." The initiative promised increasingly large summer exercises with allied militaries and new "heel to toe" rotations of Army heavy brigade combat teams.

As usual, however, the Obama administration sent mixed messages. Even while trumpeting the ERI, it continued drawing down the permanent U.S. garrison in Europe and funding it through the Defense Department's Overseas Contingency Operations account. Even more telling, the administration reduced the overall size of the Army from its Iraq-surge strength of about 560,000 to today's approximately 470,000, without measurably reducing U.S. military commitments worldwide.

Today, the Trump administration is keeping Mr. Obama's pledges but without seriously reversing course on defense spending. Mr. Trump promised the "biggest defense buildup in history," but his Pentagon budget proposal does not provide the funding required to address the personnel and equipment shortfalls that plague units like Dagger Brigade.

When defense experts talk of "strategic insolvency" or generals chart "an ends-means mismatch," they're describing day-to-day life for Col. Gardner and the soldiers of the Dagger Brigade. They're tough people. They know their trade and are too busy to whine. But our country is not giving them the support they need to do their job.

*Messrs. Donnelly and Cunningham are, respectively, a co-director and senior research associate at the American Enterprise Institute's Marilyn Ware Center for Security Studies.*

## U.S., Canada Both Practice Protectionism

By Michael Taube

In February, President Trump appeared to put the brakes on a possible trade war with Canada. During a meeting with Prime Minister Justin Trudeau, Mr. Trump praised the "outstanding trade relationship" and said any changes to the North American Free Trade Agreement—which he once called "the single worst trade deal ever approved in this country"—would involve only minor tweaks.

But things have dramatically shifted. Mr. Trump recently criticized "supply management"—governmentally imposed quotas and price controls—in Canada's dairy sector. He called it "another typical one-sided deal against the United States" and said it has harmed Wisconsin and New York farmers.

**Trump is right about dairy supply management, but he's wrong about the softwood-lumber dispute.**

(The president was also reportedly considering an executive order last week to start pulling out of Nafta, but the administration disavowed that threat less than 24 hours later.)

Mr. Trump's is correct: Canada's policy of placing strict controls on the availability and prices of dairy—and also poultry—products is flatly protectionist. Mr. Trudeau, a left-leaning Liberal, is wrong to back this anti-free-market policy, which should be eliminated posthaste.

Yet it's a bit rich for Mr. Trump to criticize Canadian-style protectionism when he's regularly pitching and imposing American-style protectionism. He uses economic nationalist rhetoric, insisting on "fairness" in trade, proposing restrictive tariffs and subsidies, threatening to tear up trade deals and favoring U.S. companies in government purchasing. He also seems content to keep fighting the decades-old dispute over softwood lumber, in which the American position is as protectionist as Canada's dairy policy.

So we're currently experiencing an economic standoff between protectionist Canada and protectionist America. The important commercial relationship—U.S. merchandise trade with Canada in 2015 amounted to \$295.2 billion in imports and \$280.3 billion in exports—stands in the balance. A collapse would hurt businesses and jobs on both sides of the border.

It's important for Messrs. Trump and Trudeau not only to get along in front of the cameras, but to get past this hurdle and keep the North American economy strong and vibrant. Here are three ways to kick-start the process.

First, the U.S. and Canada should eliminate regulations in sectors like dairy, softwood lumber, automobiles and electronics, while reducing tariffs by 25% or more this year. Although it's important to protect economic interests, creating artificially high prices and limiting consumer choice in the marketplace aren't the ways to do it. Cutting back on nationalist fervor would allow a more prosperous trade environment to blossom.

Second, Canada should eliminate its archaic system of foreign-ownership restrictions. While there are American companies in Canada, from Wal-Mart to McDonald's, it's nearly impossible for an international investor to become the majority owner of a Canadian bank, life-insurance company, telecom or airline. This protectionist policy ought to be tossed aside, once and for all.

Third, Mr. Trump should commit to building a real free-trade arrangement with Canada (and Mexico) that will rev the economic engine of North America. It should include lower taxes and reduced regulations for all three countries, trade liberalization for existing and budding industries alike, and more-efficient routes of travel to ensure quicker delivery of products, among other things. That's the best way to build a strong trade deal for the U.S. that puts (North) America first.

Protectionism in Canada-U.S. relations has gained far too much momentum as of late. What's needed is a resurgence in free trade and competition to heal these wounds and rebuild trust. The trick will be convincing Mr. Trump that the latter strategy is, and has always been, the right route toward economic growth and financial prosperity.

*Mr. Taube, a syndicated columnist, was a speechwriter for former Canadian Prime Minister Stephen Harper.*

## Nasdaq's Blueprint for a New Era of Trading

By Adena Friedman

**W**ith the Nasdaq index above 6,000 and the bull market in its ninth year, many investors are looking to tax reform as the next economic driver. That's a good bet. Last year the managing director of S&P Global Market Intelligence estimated that every percentage-point reduction in the corporate tax rate could boost S&P 500 profits by 1%.

But tax reform isn't the only change needed to open a new era of growth in equities. Reforming financial markets is crucial too. Make no mistake: America's capital markets are the envy of the world. Investors can buy and sell thousands of companies safely and at low cost. Businesses can tap the deepest pool of public capital anywhere in the world. This catalyzes innovation, creates jobs and keeps the economy humming.

There is reason to worry, however, that years of tranquility have masked growing structural problems. Businesses that would traditionally have gone public increasingly choose private financing instead. This newspaper, citing figures from Dealogic, reported that 2016 was the slowest year for initial public offerings in more than a decade. It isn't difficult to envision the ramifications if this continues. Investors who cannot put money into attractive businesses will see lower returns. Innovative companies that shun capital markets will expand more slowly. About 92% of job creation in young firms comes after they go public, according to estimates from IHS Global Insight.

These disturbing prospects are entirely avoidable. On Thursday, Nasdaq is introducing a blueprint for the reforms needed to maintain America's global leadership. We believe the path forward hinges on three core principles:

• *Modernize the market structure.* New technological tools, such as real-time access to stock prices via the internet, have helped make trading more efficient. But markets have also become fragmented. Trading that used to be aggregated in a handful of

core markets is now spread across dozens of markets and venues. This can widen spreads and make trading more volatile. Smaller companies that are most affected by the lack of central liquidity should have the choice to trade on a single exchange.

**We're going public with a plan to modernize markets and streamline regulations.**

That would consolidate liquidity and allow supply and demand to find a healthy balance—resulting in better price discovery and higher efficiency for both investors and companies raising capital.

• *Reconstruct the regulatory framework.* There is broad agreement that the regulatory patchwork governing financial markets is outdated and, in some cases, arbitrary. SEC rules allow any investor who has held \$2,000 of stock for a year to offer a shareholder proposal, even if it is not material to the company's business. This enables a small group of agitators to flood public companies with agenda-driven proposals. A study sponsored by the Manhattan Institute reported that one-third of shareholder-led proxy proposals in 2016 were driven by six small investors and their families. The ownership threshold should be raised to 1% of voting stock held for three years. That would reduce the burden and ensure that proposals represent a meaningful share of the company's long-term owners.

The complex Form 10-Q that the SEC requires should be eliminated in favor of quarterly earnings releases, coupled with semiannual or annual government filings. The Form 10-Qs are often duplicative and bureaucratic, with very little value to shareholders. Politically motivated disclosure requirements—such as to provide data on conflict minerals—should be eliminated if not tied to companies' bottom lines.

• *Promote long-term thinking.* The rising pressure to satisfy short-term

investors to the detriment of long-term benefits is one of the greatest threats to modern markets and the broader economy. This is a complex problem that requires a range of solutions. One is to provide companies and investors with better visibility into investor strategies that could create short-term pressure points. For instance, investors who short a company, and thus would profit from a decline in its value, should be required to report publicly their positions in a filing to the SEC.

Additionally, some have called for eliminating dual-class stock in favor of "one share, one vote." But the flexibility that dual-class stock offers is critical to attracting innovative companies to participate in public markets. It should continue to be permitted so long as investors are fully informed of any limitations or differences between share classes.

Given the complexity of modern markets, deep reform will take time, cooperation and debate. Nasdaq is a neutral market provider, principally interested in bringing buyers and sellers together on equal footing. But this does not mean we are neutral in our view of markets.

American equities markets are built on timeless principles, but they must be driven by modern, evolving practices. Their continued strength hinges on the willingness of lawmakers, public companies, investors, exchanges and other stakeholders to find common ground.

Let's be as innovative and forward-thinking in reforming markets as America's great entrepreneurs are in building the companies that drive the economy.

*Ms. Friedman is president and chief executive officer of Nasdaq.*

## Macron's Pyrrhic Win?

By Francesco Ronchi

**W**ith Emmanuel Macron's likely victory in France's Sunday presidential run-off, observers may imagine the French still support free flows of people and goods across borders. *Au contraire.* His victory will not represent the triumph of liberalism. Instead, it may be remembered as the moment the country's traditional left-right political divide began its death throes.

According to a March YouGov poll, an overwhelming majority of French voters see globalization as a threat to France. Support for the European Union has plummeted in recent years. The sum of first-round votes for the far-right Marine Le Pen, the radical left's Jean-Luc Mélenchon, the nationalist Nicolas Dupont-Aignan and other anticapitalist candidates was barely short of 50%, the most impressive showing for political extremists in the history of the Fifth Republic.

These candidates represent the working class. Almost 65% of blue-collar voters supported Ms. Le Pen or Mr. Mélenchon. They represent what political scientist Jan Zielonka calls the "counterrevolutionary insurgency"—the rejection of the post-Cold-War, liberal revolution. Their supporters are hostile to free markets, free trade, European integration, globalization and liberal immigration policies.

Mr. Mélenchon's evolving stance on migration is telling. While his 2012 presidential campaign focused on a traditional leftist multiculturalism, this year he developed a more nuanced approach. In July, he accused foreign workers posted to France of stealing local workers' "bread." In his latest book, roughly translated as "The Rebel's Choice," he states "if we don't want people coming in, it is better if they don't leave" their native lands.

Thus the French may be about elect a liberal, pro-European, pro-globalization president to govern a

country shifting against globalism and European integration.

Mr. Macron's victory would by no means be an accident of history. A large majority of French voters support democratic renewal and the rejuvenation of French politics, which the young, former economy minister touts. But he also benefits from revulsion against Ms. Le Pen's National Front, even among voters who agree with many of her views.

**An inward-looking France looks set to elect a new pro-globalist president.**

Mr. Macron can at least rely on France's political institutions for support. Unlike other European parliamentary systems with fragile majorities, the French presidential system is relatively stable. The president is virtually assured of serving his entire five-year term. Mr. Macron could use that time at the Elysée to push for big reforms.

But what kind of reforms, exactly? Mr. Macron should make the economy more competitive by reforming France's generous welfare state, while also showing that he's ready to fight to protect French workers. That means putting an end to unregulated movement of workers from Central and Eastern European countries and advocating in Brussels to deny China "market economy" status, which would open France's domestic economy further to Chinese competition and disrupt the country's industrial base.

France's growing dislike for globalization can't be discounted. Mr. Macron should pay heed, otherwise he'll find himself the wrong man to lead the country during turbulent times.

*Mr. Ronchi is a lecturer in political science at the Institut d'Etudes Politiques de Paris.*

**THE WALL STREET JOURNAL.**

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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# BUSINESS & FINANCE

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## Advertisers Stream Into Facebook

Profit surges 76% despite questions on video-ad performance and graphic content

BY DEEPA SEETHARAMAN

Facebook Inc. continues to sweep digital advertising, alongside rival Google despite unrest among marketers about how their advertising is handled.

Facebook on Wednesday

said first quarter profit surged 76% to \$3.06 billion, allaying concerns that questions over video-ad performance and the spread of violent and graphic content would mar growth.

The social network's soaring results echoed strength at Google parent Alphabet Inc., which last week reported 29% growth in net profit despite a backlash that began late in the quarter from companies upset about their brands being advertised against objectionable videos on its YouTube video

platform. Facebook and its photo-sharing app Instagram are the "two most important mobile ad platforms," Chief Financial Officer David Wehner said in an interview.

Facebook and Google dominate the online advertising market. The two tech giants snatched 99% of the online ad industry's revenue growth last year, estimated Pivotal Research analyst Brian Wieser analyzing data published by the Interactive Advertising Bu-

reau. Facebook holds 16% of the global digital ad market, behind Google with a 33% share, says the forecasting firm eMarketer.

Marketing executives "acknowledge they're concerned about fake news and the problems Facebook has had with live video," said eMarketer's principal analyst, Debra Aho Williamson. "They're concerned that at some point this will affect users—but they haven't seen that yet. So that's why spending keeps going up."

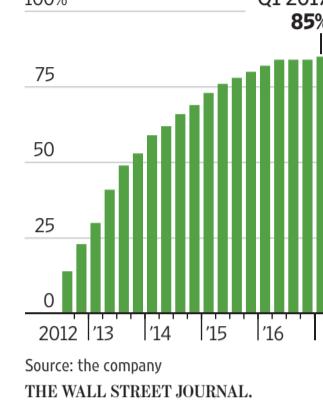
Facebook's growing market share in digital advertising has helped drive its stock up 29% over the past year. Other metrics were also strong: The number of users who check into Facebook at least once a month rose to 1.94 billion, for example. However, its share price slipped in after-hours

Please see ADS page B2

- ◆ Facebook hires 3,000 new content monitors..... B2
- ◆ Heard: Facebook's social climbing has its price..... B12

### Mobile Surge

Facebook's mobile ad revenue as a share of total ad revenue



Source: the company

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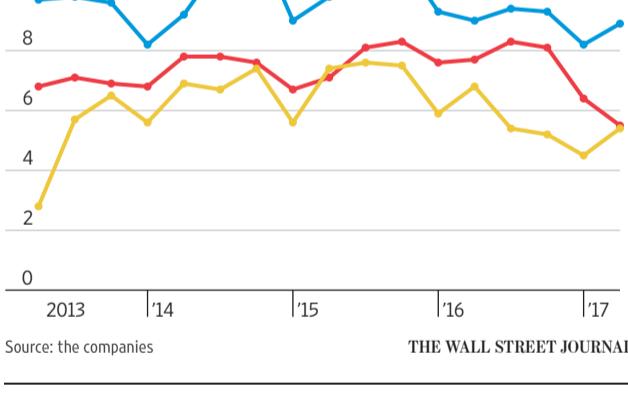


An auto dealership in Queens, N.Y. Bankers' caution on making loans is increasingly showing up in car sales, which Tuesday proved worse than expected for April.

## Squeeze on Car Loans Deepens Sales Drop

### Braking

Auto loan originations, quarterly



Source: the companies

THE WALL STREET JOURNAL.

BY ANNAMARIA ANDRIOTIS AND CHRISTINA REXRODE

Big banks are pulling back sharply from auto loans, helping drive a drop in car sales and raising fears the slump might deepen.

Wells Fargo & Co., one of the largest U.S. auto lenders, last month reported a 29% fall in its auto-loan originations for the first quarter compared with a year earlier. The decline, the biggest for the San Francisco-based bank in at least five years, was part of a common refrain in quarterly announcements from lenders including J.P. Morgan Chase & Co., Ally Financial Inc. and Santander Consumer USA Holdings Inc.

Bankers' caution is increasingly showing up in car sales, which Tuesday came in worse than expected for April. The declines are mostly occurring in lending to riskier borrowers, in particular those with low credit scores, where lending had ramped up for years.

"A very accommodating finance environment had been in place for some time," said Bruce Clark, lead auto analyst and senior vice president at Moody's Investors Service. "What you're seeing right now is a pull-back and the resulting pressure on unit vehicle sales."

Some banks, including regionals Fifth Third Bancorp and Citizens Financial Group

Inc., are beginning to retreat from higher-quality "prime" auto loans as new risks emerge. "It's been an overheated sector," said Fifth Third Chief Executive Greg Carmichael. "The auto business just isn't as attractive right now."

Some anticipated the market would cool off after record new car sales in 2015 and 2016. But banks are also posting higher losses on defaulted auto loans, hit by a mix of more borrowers falling behind on payments and the declining value of used cars.

When lenders repossess cars, they resell the vehicles and use the proceeds from the sale to recover as much of the

Please see CARS page B2

## Deal to Aid Malaysian State Fund Falls Apart

BY BRADLEY HOPE AND TOM WRIGHT

A deal for a Chinese state-owned company to help bail Malaysia out of a multibillion-dollar financial scandal fell apart after the Chinese government refused to authorize the investment.

China Railway Engineering Corp. and a Malaysian partner had agreed in December 2015 to take a 60% stake

ria under the December 2015 agreement to complete the sale, according to a statement Wednesday by TRX City Bhd., a company owned by Malaysia's Finance Ministry, which in turn owns the 1MDB fund. It didn't give details.

The consortium, which also included Malaysia-based Iskandar Waterfront Holdings Sdn Bhd., confirmed in a statement that it had received a notice of termination from TRX City.

TRX City's press release "does not fully and accurately reflect the circumstances and conduct of the parties in this matter," the statement said.

The failure of the deal is a blow to Malaysian Prime Minister Najib Razak, who set up 1MDB in 2009 with the goal of developing Malaysia's economy.

The prime minister's office and 1MDB didn't respond to requests for comment.

An internal Malaysian Finance Ministry document on problems with the sale, viewed by The Wall Street Journal, said a major reason for its failure was that China's government declined to give the green light for China Railway to make the investment. A person familiar with the matter confirmed this. The Chinese government's information office didn't respond to a request for comment.

The China Railway consortium was unable to meet cri-

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for the Russian hackers!

So what if I told you there is now technology to "see" through walls, around corners and through your house—without cameras? It's possible because researchers figured out how to measure disruptions in the invisible radio waves all around us. They put eyes on your Wi-Fi.

This sounds like a hallucination, but it's real and it works. I've been testing the first consumer radio-wave

sensing device, the \$500 Aura, in a few different locations. It's pricey and can't cover all homes or security situations, yet it holds a lot of promise as a simpler, less-invasive way to buy a little peace of mind.

It also shows us a glimpse of a new technology that, in the wrong hands, could be terrifying.

Aura isn't a home security system like ADT, installed and monitored by professionals for

Please see FOWLER page B4

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

## Wi-Fi Spy for Your Security

 It used to be that security systems could protect only what was right in front of them.

Some require sensors on every door and window, or motion detectors in every room.

Lots of DIY security systems rely on streaming cameras, which can have the creepy side effect of turning your family life into a reality show. Smile

for the Russian hackers! So what if I told you there is now technology to "see" through walls, around corners and through your house—without cameras? It's possible because researchers figured out how to measure disruptions in the invisible radio waves all around us. They put eyes on your Wi-Fi.

This sounds like a hallucination, but it's real and it works. I've been testing the first consumer radio-wave

sensing device, the \$500 Aura, in a few different locations. It's pricey and can't cover all homes or security situations, yet it holds a lot of promise as a simpler, less-invasive way to buy a little peace of mind.

It also shows us a glimpse of a new technology that, in the wrong hands, could be terrifying.

Aura isn't a home security system like ADT, installed and monitored by professionals for

Please see FOWLER page B4

Burglar Beware

Aura, a new kind of security system from Cognitive Systems Corp., doesn't need cameras or motion sensors.



1. A hub and sensor are placed on opposite sides of the house.

2. The system watches the home's radio waves (like Wi-Fi) passing through the space between the two nodes.

3. If someone creeps in, the waves' regular behavior gets disrupted, triggering an alert.

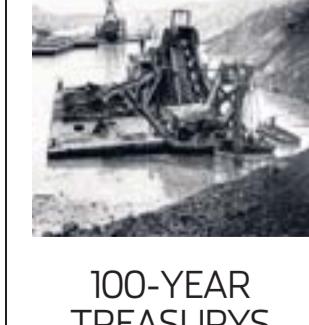
Source: the company

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## BUSINESS NEWS

# Avis Deal Staves Off Agitation From SRS

By BOWDEYA TWEH

**Avis Budget Group** Inc. said Wednesday it has reached a deal with its largest shareholder to forestall the hedge fund from pushing for bigger changes at the car-rental company.

The Parsippany, N.J., rental-car company said **SRS Investment Management** has agreed to vote for its slate of board candidates and company-supported proposals this year.

With that promise in place, Avis will drop the so-called poison pill it adopted earlier this year that aimed to block SRS from increasing its influence on company plans. The plan blocked the New York-based hedge fund from acquiring more than 10% of Avis shares.

## 9.9%

Amount of voting power that SRS Investment holds in Avis.

Paired with news of the pact, Avis Budget reported a wider loss in its latest quarter as the deterioration in used-car prices dented sales, and warned that its full-year fleet costs will rise and revenue in the U.S. would be lower than expected.

Shares fell nearly 6% to \$29 in after-hours trading.

**SRS Investment**, which first disclosed a stake in Avis in late 2010, owns shares representing 9.9% of voting power in the company, according to FactSet. In addition to that stake, Avis said in January the hedge fund has an interest in 18.8% of shares outstanding through derivatives and options.



Tesla has a July goal for starting production of the Model 3 sedan. Above, a Model X demonstration.

# Tesla Presses Ahead With Model 3

By TIM HIGGINS

With just weeks left for **Tesla** Inc. to meet his tight production deadline for its first mass-market vehicle, Chief Executive Elon Musk sounded confident the goal will be met.

Mr. Musk said Wednesday in a quarterly letter to shareholders that Tesla is on track to begin production of the Model 3 sedan in July in what will be a critical test for the company to shift from a niche luxury brand to a mainstream auto maker.

Buyer enthusiasm for the \$35,000 electric car is mounting, and investors are pouring into Tesla as Wall Street sours on traditional auto makers, fearing their swelling invento-

ries are a prelude to a cyclical downturn after seven consecutive years of robust U.S. sales. Tuesday was just another reminder, as **General Motors** Co. joined **Ford Motor** Co. and other car companies in reporting disappointing U.S. sales results for April, the fourth consecutive month of year-over-year declines.

Tesla, which is coming off its best quarterly sales period, is helping fuel the belief that Silicon Valley can revive lagging interest in car buying, igniting visions of a future where vehicles drive themselves. At stake is a U.S. auto industry that generates some \$2 trillion in annual revenue.

"Model 3 vehicle development is nearly complete as we

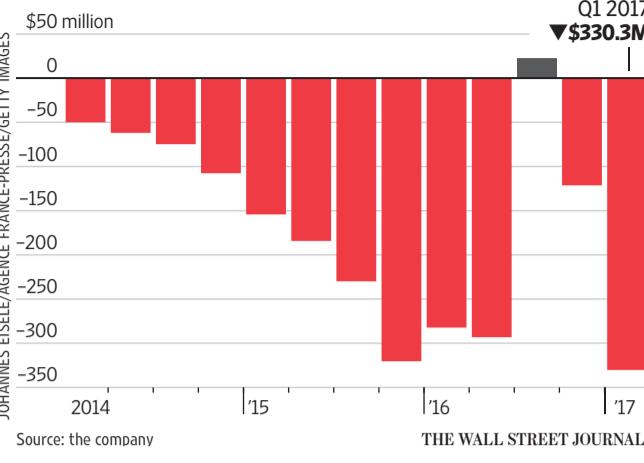
approach the start of production," Mr. Musk wrote in the letter. "Preparations at our production facilities are on track to support the ramp of Model 3 production to 5,000 vehicles per week at some point in 2017, and to 10,000 vehicles per week at some point in 2018."

Shares of Tesla have risen this year by 50%, pushing its market value to greater heights than both GM and Ford, the two largest U.S. auto makers by sales. Tesla currently owns the market-value crown despite the fact the company sells a fraction of the 10 million vehicles GM sold last year, is deeply in debt and has never turned an annual profit.

Shares fell 2.6% to \$303 in

## Widening Losses

Tesla's quarterly net income/loss



Source: the company

THE WALL STREET JOURNAL.

after-hours trading Wednesday.

"We don't think earnings matters," Brian Johnson, an analyst with Barclays, advised clients in a note Wednesday ahead of Tesla reporting. "...The stock seems so disconnected from any form of fundamentals, and right now is purely driven by momentum-making earnings less relevant."

Tesla continued its unprofitable ways during the first three months of the year despite more than doubling revenue to \$2.7 billion. The company said Wednesday its loss attributable to common shareholders widened to \$330 million from \$283 million a year earlier as it moves toward Model 3 production.

On an adjusted basis, the company's per-share loss of \$1.33 missed the 81-cent-a-share loss predicted by a consensus estimate of analysts surveyed by Thomson Reuters.

Tesla's automotive business was helped by a 69% increase in the sale of Model S sedans and Model X sport utility vehicles during the quarter compared with a year earlier. The company delivered about 25,000 vehicles in the January-March period, its best ever and a remarkable change of fortune from a year earlier when Mr. Musk was struggling to work out the kinks in the new Model X SUV, which had been plagued with production and quality issues.

# Volkswagen Recovers From Scandal as Profit Soars

By WILLIAM BOSTON

BERLIN—**Volkswagen** AG on Wednesday affirmed its outlook for the full year and reported a sharp rise in first-quarter profit despite the continuing fallout from its emissions-cheating scandal.

The German car company said net profit rose 45% from the year-earlier quarter to €3.35 billion (\$3.66 billion), boosted by

cost-cutting and higher margins at its VW brand. Adjusted operating profit, which strips out one-time items, increased 27% to €4.4 billion. Revenue rose 10% to €56.2 billion. The numbers are in line with preliminary figures released last month.

The company's robust earnings come as it continues to grapple with the emissions scandal—where it admitted to installing software in millions

of cars over a decade that allowed vehicles to cheat on emissions testing. The revelation plunged the company into crisis in 2015 and led to penalties, fines and compensation payments of nearly \$25 billion.

The scandal still lingers, with the company last month being ordered by a U.S. federal judge to pay a \$2.8 billion criminal fine.

Nevertheless, Volkswagen

held to its forecast of a 4% rise in full-year revenue and said it expects to achieve an operating profit on sales of between 6% and 7% this year. In 2016, the company reported revenue of €217 billion.

However, the fallout from the diesel scandal is beginning to hit Volkswagen's cash resources. In the first three months of the year, Volkswagen reported net cash outflows of

€2.6 billion in the automotive division. As a result, the division's cash flow declined by about €3.9 billion from the previous year. Net cash on the company's balance sheet remained strong at roughly €23.6 billion at the end of March.

Chief Finance Officer Frank Witter said the diesel crisis would result in a cash outflow in the "double-digit billion euro range" in 2017.

# New Mountain Capital Nears Deal for Lab Supplier VWR

Private-equity firm **New Mountain Capital** LLC is in advanced talks to buy labora-

By Matt Jarzemsky,  
Dana Mattioli  
and Dana Cimilluca

tory-supply distributor **VWR** Corp., a transaction that could potentially be worth close to \$5 billion.

The talks may yield a deal as soon as this week, according to people familiar with the matter—assuming they don't fall apart. The terms being discussed couldn't be learned.

VWR, which traces its roots back more than 150 years, had a market value of roughly \$3.75 billion Wednesday afternoon. That means that at a typical takeover premium, a deal could value the company at close to \$5 billion.

VWR, based in Radnor, Pa., supplies everything from fur-

niture to beakers and microscopes to drug-company, education and other customers.

New Mountain is a New York firm that manages about \$15 billion in committed capital. Last year, it merged two industry players it owns, Avantor Performance Materials and NuSil Technology LLC.

The combined company, named Avantor, is a leader in medical and space-grade silicone development. Its life-sciences products are used in drug development and laboratory research and testing.

VWR started around 1850 as a company serving the mining and laboratory markets. With more than two million products and a significant presence in North America and Europe, it had sales of about \$4.5 billion last year.

VWR, which has about \$2 billion in debt, has grown steadily in recent years, ac-

quiring smaller peers and benefiting from an expanding market. The company has sought to take advantage of its scale relative to that of the many small and regional players in the industry—even as it competes with larger players like a unit of lab-equipment giant **Thermo Fisher Scientific** Inc., VWR Chief Financial Officer Gregory Cowan said at a conference in March.

VWR is part-owned by private-equity firm **Madison Dearborn Partners** LLC, which bought it from rival Clayton Dubilier & Rice LLC for about \$2 billion in 2007.

VWR went public in 2014 at \$21 a share, and the stock has since risen more than 35%.

It had already jumped 14% year to date and rose further after The Wall Street Journal reported on the possible sale Wednesday, closing at \$33.62, up 18% on the day.

## TECHNOLOGY

WSJ.com/Tech

# China Grows Tougher for Apple

Local competition contributes to another drop in quarterly sales for the iPhone maker

By EVA DOU

BEIJING—China continues to be a weak spot for **Apple Inc.**, with the iPhone maker's quarterly revenue in the country falling again despite growth in all other regions.

Apple said late Tuesday that revenue in China, Hong Kong and Taiwan fell 14% to \$10.7 billion for the period ended April 1, the fifth consecutive quarter of decline in the region. That compared with 5% growth globally for the company.

After years of driving Apple's growth, the world's largest smartphone market has turned tough for the company. **Huawei Technologies Co., Oppo Electronics Corp.** and other local rivals offer cheaper phones with many of the same functions as the iPhone.

China, Hong Kong and Taiwan accounted for 20% of Apple's global revenue in the most recent quarter, down from 25% a year earlier.

Analysts expect a rebound in China in the second half of



The Chinese market, which drove Apple's growth for years, could pick up, with Apple launching a refreshed 10th anniversary iPhone.

the year, with Apple expected to launch a significantly refreshed iPhone for the device's 10th anniversary. Some consumers have delayed purchases in anticipation of the next model.

Apple faces some fresh headwinds in China, as Beijing turns its censorship apparatus toward apps and other newer forms of content.

As the only foreign operator of a major app store in China, Apple was given a public warning by Beijing regulators last month to more closely watch its apps.

## A \$1 Billion Fund For Manufacturing

**Apple Inc.** plans to create a \$1 billion fund to invest in U.S. companies that do advanced manufacturing, Chief Executive Tim Cook said Wednesday.

Mr. Cook, during an appearance on CNBC, said the new fund will support U.S. manufacturing and its first investment will be announced in May. He didn't provide any details.

Apple faced criticism during the presidential campaign from Donald Trump for outsourcing the production of its iPhones and other devices to factories in China. Right after he won the election, Mr. Trump said in Time magazine that he told Mr. Cook that he wants "to get Apple to build a great plant, your biggest and your best."

Apple has said it supports 2 million jobs in the U.S., including its own employees and those of suppliers, app developers and entrepreneurs who of-

fer products across its devices. The company directly employs 80,000 people in the U.S.

A number of U.S. manufacturers including **3M Co.** and **Corning Inc.** make products in the U.S. that Apple uses in its devices, and two of its contract manufacturers have small production lines to make certain Mac computer products in Texas and California. But the overwhelming majority of Apple products, including the iPhone, are assembled in China.

—Tripp Mickle

# Beijing Tightens Rules Facing Technology Suppliers

By EVA DOU

BEIJING—China will launch new security reviews on foreign and domestic technology suppliers starting June 1, implementing an element of its new cybersecurity law aimed at tightening state control over technology and information.

The review will apply to companies that provide network products and services. It will likely include companies such as **International Business Machines Corp.** and **Mi-**

crosoft Corp. that sell hardware and software in China.

Although the standards are more restrictive than current practices, the measures announced this week are less restrictive than draft measures circulated for industry comment in February.

The measures will apply to foreign companies providing hardware or services to Chinese companies in sectors including energy, transportation and finance, as well as those selling to government agencies, public services and

other "critical infrastructure." Those suppliers will have to submit their products and services for review to a new committee administered by China's internet regulator, the Cyberspace Administration of China.

Product security will be evaluated by factors including vulnerability to tampering, supply-chain risks and customer-information protection. The committee can also turn down a product for unspecified risks to national security.

The checks are being imple-

mented to ensure technology is "secure and controllable," the Cyberspace Administration wrote in the announcement dated Tuesday.

The term "secure and controllable" has been controversial, with foreign companies saying that they have come under pressure in Beijing to disclose proprietary information such as source code to prove their products are secure.

The U.S. government also requires strict security checks for technology prod-

ucts used by the military and other sensitive government departments. But such mandatory checks don't extend into a broad range of industries like in China.

Chinese regulators toned down some of the language in response to industry comment. The scope of the rules was narrowed from national security and public welfare to just national security. A line specifying that government departments can't purchase technology products that didn't pass review was dropped.

# Documents Bolster Alphabet's Uber Case

By JACK NICAS

SAN FRANCISCO—**Uber Technologies Inc.** aimed to buy a startup from an engineer while he was still working on self-driving technology at **Google** parent **Alphabet Inc.**, court documents revealed Wednesday.

The disclosure appears to bolster Alphabet's argument of collusion between Uber and the engineer, Anthony Levandowski.

Alphabet hopes the documents it presented will help persuade a federal judge to temporarily block parts of Uber's driverless-car program. Alphabet filed suit in February, accusing Uber of using information Mr. Levandowski allegedly stole while a key manager at **Waymo**—Alphabet's self-driving car project—to develop a laser sensor for Uber's own self-driving navigation. Alphabet has alleged Mr. Levandowski secretly downloaded 14,000 files in December 2015 before departing last year to create Ottomotto LLC.

On Jan. 13, 2016, two weeks before Mr. Levandowski left Alphabet, an Uber employee sent to colleagues proposed milestones for Mr. Levandowski's yet-to-be-launched startup, which Uber was looking to acquire, according to an email Alphabet presented in court Wednesday.

"I think that it is good enough to pass along to Anthony tonight," the Uber employee said in the email. "Please tell Anthony that it is full of numbers, all of which can and should be adjusted and negotiated by both of us over the next week." The Uber employee added, "This list of deliverables is a high bar for sure. But then again so is what he is asking for in \$\$."

## ADVERTISEMENT

## Legal Notices

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## NOTICE OF SALE

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
In re:  
ANGELICA CORPORATION, et al., ) Chapter 11  
Case No. 17-10015 (JLG)  
Debtors.<sup>1</sup> ) (Jointly Administered)

## NOTICE OF SALE OF SUBSTANTIALLY ALL ASSETS

Angelica Corporation and its affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), are seeking to sell or assign substantially all of their assets (the "Purchased Assets") pursuant to a motion, dated April 3, 2017 (Docket No. 17-10015) ("Sale Motion").

A party has already submitted a binding bid (the "Buyout Bid") for the Purchased Assets, as set forth in a certain asset purchase agreement (the "Asset Purchase Agreement"), and the remains subject to higher and/or better offers.

By order, April 28, 2017 (Docket No. 137), the "Buyout Procedures Order," the Bankruptcy Court approved certain "Bidding Procedures" that govern the sale of the Purchased Assets to the highest or best bidder.

The Debtors have requested the Bankruptcy Court enter an order (the "Sale Order"), which provides, among other things, for the sale of the Purchased Assets free and clear of liens, claims, encumbrances, and other interests, to the extent permissible by law and the assumption by the successful bidder of certain liabilities. A separate notice will be provided to counterparties to execute contracts and unexpired leases with the Debtors that may be assumed and assigned.

The review will apply to companies that provide network products and services. It will likely include companies such as **International Business Machines Corp.** and **Mi-**

## BANKRUPTCIES

## IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:  
BONANZA CREEK ENERGY, INC., et al.  
Debtors.<sup>2</sup> ) Chapter 11  
Case No. 17-10015 (JLG)  
Jointly Administered

## NOTICE OF OCCURRENCE OF EFFECTIVE DATE OF THE DEBTORS' THIRD AMENDED JOINT PREPACKAGED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE AND BAR DATES FOR FILING CERTAIN CLAIMS

1. Confirmation of the Plan. On April 7, 2017, the United States Bankruptcy Court for the District of Delaware entered an order (the "Confirmation Order") in the Chapter 11 Cases of the above-captioned Debtors and Debtors in Possession (collectively, the "Debtors"), confirming the "Debtors' Third Amended Joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code" (as confirmed, the "Plan"). Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed to such terms in the Plan or the Confirmation Order, as applicable. The Plan and the Confirmation Order are available on the Debtors' case information website (located at [https://cases.primeclerk.com/bcel/](http://cases.primeclerk.com/bcel/)) or written request to the Debtors' Solicitor and Claims Processing Center, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, NY 10022, and served on the Debtors' administrative expense claimant Bar Date. The Administrative Expense Claimant Bar Date is the date that is 30 calendar days after the Effective Date. Accordingly, any requests for payment of Administrative Expense Claims pursuant to Section 7.2 of the Plan, all requests for payment of Administrative Expense Claims that accrued on or before the Effective Date (other than Professional Fee Claims, which are subject to the provisions of Section 7.1 of the Plan) must be filed with the Solicitation and Claims Agent and served on counsel for the Debtors and Reorganized Debtors by the Administrative Expense Claimant Bar Date. The Administrative Expense Claimant Bar Date is the date that is 30 calendar days after the Effective Date. 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## BUSINESS NEWS

# Verizon Scores With Deal To Stream an NFL Game

Telecom aims to build up user base and ad dollars, while league expands revenue

By JOE FLINT

The National Football League has struck a deal with Verizon Communications Inc. to stream one regular-season game in the coming season, in a bet that distributing the matchup free for consumers over the internet will lure more users and advertising dollars to its platforms.

The game, a week-three contest between the Baltimore Ravens and Jacksonville Jaguars to be played in London on Sept. 24, will be distributed

on Verizon's AOL platform, its mobile video service go90, and Complex, a young male-focused site it co-owns with Hearst Corp.

Terms of the deal weren't disclosed, but a person familiar with the transaction said the price for the game was \$21 million. Verizon will have exclusive global rights except in the Baltimore and Jacksonville, Fla., markets, where the game will be available on local television. In the U.K., the game will be on Sky Sports.

The pact is similar to one the NFL struck with Yahoo Inc. in 2015 for a single game from London at a cost of \$15 million, the league's first experiment making a game available primarily on the internet.

For the NFL, the Verizon

deal continues its aggressive strategy of embracing new platforms and revenue streams.

Last month, the league reached an agreement with Amazon.com Inc. to stream 10 Thursday night games next season on its Amazon Prime service. That deal, which is nonexclusive, is valued at about \$50 million. Thursday games will also continue to be available on television on CBS or NBC through a split agreement, as well as on the NFL Network.

Vishal Shah, the NFL's senior vice president of digital media business development, said Verizon's scale and large digital platforms will allow the league to learn more about which distribution partners at-



Verizon will stream a game between the Baltimore Ravens and Jacksonville Jaguars in London.

MADDIE MEYER/GETTY IMAGES

tract which viewers.

"Are we reaching incremental audiences? Are we reaching the millennial demo? What we want to continue to learn is who is consuming the live

games," Mr. Shah said.

For Verizon, which already has an exclusive mobile package with the NFL, the game gives it an opportunity to showcase its platforms and

"bring super premium content to customers," said Erin McPherson, vice president of content. As part of the accord, Verizon will sell all the national advertising in the game.

## ITV Chief to Depart After a Strong Run

By STU WOO

LONDON—ITV PLC said Adam Crozier would step down as chief executive on June 30, after seven years overseeing major growth at the "Downton Abbey" broadcaster.

With the amicable parting, Britain's largest commercial TV network loses a leader who has shown it is possible for traditional broadcasters to combat the viewership shift to online competitors such as Netflix Inc. and Amazon.com Inc.

ITV, with its production companies, remains a potential target for telecommunications giants such as John Malone's Liberty Global PLC, ITV's biggest shareholder and the world's largest international cable operator by subscribers.

ITV was navigating an advertising-market slump when Mr. Crozier took over in 2010. That year the company reported £2.1 billion (\$2.7 billion) in revenue and £408 million in earnings before interest, taxes and amortization. The ad market improved

during Mr. Crozier's tenure, boosting revenue to £3.1 billion and Ebita to £885 million in 2016.

Citigroup analysts said Wednesday that Mr. Crozier's team implemented a clear strategy, reducing reliance on ad revenue while boosting the size and quality of its content-production business, which has made shows including soap opera "Coronation Street."

The telecommunications and media industries have been exploring mergers as wireless carriers and cable operators covet content they can offer subscribers. U.S. regulators are reviewing AT&T Inc.'s blockbuster \$85 billion bid to buy Time Warner Inc.

A spokesman for Liberty Global, which owns 9.9% of ITV, declined to comment on its plans for its stake.

ITV said it has a succession plan and that finance chief Ian Griffiths will lead the company in the interim. Mr. Crozier, 53 years old and the former head of England's soccer governing body, said he would explore a role in the private sector.

## BUSINESS WATCH



Grain storage at a Bunge-operated facility in Ukraine last year.

VINCENT MUNDY/BLOOMBERG NEWS

### GENERAL MILLS Operating Chief Ascends to CEO

General Mills Inc. said Wednesday that Chief Operating Officer Jeff Harmening will become its next chief executive, completing a transition plan set in motion last year.

Mr. Harmening succeeds Ken Powell, who will step down next month after a decade at the helm. Mr. Powell will remain chairman until he retires in 2018.

Mr. Harmening, who has spent 23 years at General Mills, has gained acclaim for spearheading the company's successful turn toward natural foods. The announcement comes as the packaged-food industry struggles to keep pace with changing consumer tastes.

For its third quarter ended Feb. 26, General Mills reported a 5.2% drop in sales.

—Imani Moise

BUNGE

### Grain Trader Cuts Projection

The world's largest grain traders are struggling to boost profits from record-breaking harvests, rattling investors who see more big crops ahead.

Bunge Ltd., one of the biggest traders and processors of soybeans and corn, cut its profit projection for the year on Wednesday. Executives blamed a standoff between farmers reluctant to sell crops at low prices, and food processors with little

incentive to purchase commodities in advance while prices are expected to stay low.

The White Plains, N.Y., company's warning on Wednesday came after rival Archer Daniels Midland Co. on Tuesday flagged challenges ahead for its own grain-trading business.

Bunge now expects its grain-trading unit to earn \$800 million to \$925 million this year, down from \$895 million to \$1.05 billion projected in February.

—Jacob Bunge

KRAFT HEINZ

### Quarter Is Weaker Than Expected

Kraft Heinz Co. stumbled out of the gate this year, posting weaker-than-expected first-quarter results as cost cutting couldn't offset slumping sales in North America and Europe.

Domestic sales, which make up some roughly 70% of the top line, slipped 3.5% to \$4.55 billion. Sales in Canada fell 12% to \$443 million, while currency impacts in Europe stoked a 6.8% slide to \$543 million.

For the latest quarter, the packaged food maker earned profit of \$893 million, or 73 cents a share, down from \$896 million and 73 cents, respectively, a year ago. Stripping out certain items, adjusted earnings were 84 cents up from 73 cents a year earlier.

Analysts surveyed by Thomson Reuters had expected adjusted earnings of 86 cents on \$6.45 billion in revenue.

—Annie Gasparro

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## BUSINESS NEWS

# Delphi Moves to Hone Its Self-Drive Focus

By CHESTER DAWSON

DETROIT—Automotive supplier **Delphi Automotive PLC** will spin off its engine-components unit into a separate company, a move designed to allow the remaining company to focus on an advanced electronics business that could be a big player in the race to develop self-driving cars.

The move, announced Wednesday and expected to be completed by next March, comes as Delphi is trying to keep pace with Silicon Valley companies and other tech firms.

"More technology is coming into cars," Kevin Clark, Delphi's CEO, said in an interview. "If we don't make decisions, [if] we don't do things, in pretty short order given the

pace of change in this industry, we won't be relevant."

The engine business will become its own publicly traded entity, potentially making Delphi's separate electronics business more attractive at a time when other automotive companies have been acquired by tech giants willing to pay big premiums.

Mr. Clark estimates Delphi's advanced electronics business accounts for about 75% of Delphi's current market capitalization and is worth around \$17 billion based solely on current revenue.

Delphi also reported Wednesday that first-quarter net income from continuing operations rose 4.5%, to \$335 million, or \$1.24 a share, from the year-ago period. Revenue increased 6%, to \$4.3 billion.

# M.B.A. Loses Global Allure

Business schools in the U.S., citing Trump, report a decline in overseas applications

By KELSEY GEE

The American M.B.A. degree, already losing luster at home, is facing a new challenge from abroad. For the first time in **BUSINESS EDUCATION** more than a decade, most graduate business schools are reporting a decline in applications from international students.

Applications from foreign students for the academic year beginning in August were down at nearly two-thirds of all two-year M.B.A. programs in the U.S. through the end of February, according to a survey by the Graduate Management Admission Council. Interest from international students has weakened in recent years as programs overseas have become more competitive, according to GMAC. The trend has accelerated since the fall.

The latest declines come as many foreign students express uncertainty about the Trump administration's immigration and work visa policies, according to deans, admissions officers, recruiters and GMAC, which administers the entrance exam most applicants take.

"We've been inundated with questions from prospective and current students asking what's going to happen," said Jon Kaplan, assistant dean of the M.B.A. program at the Paul Merage School of Business at the University of California in Irvine, where about half of all students come from outside the country. "The simple answer is we're not sure."

After issuing multiple versions of a travel ban earlier this year, President Donald Trump last month called for a review of a program that allows foreign workers to stay in the U.S. to perform high-



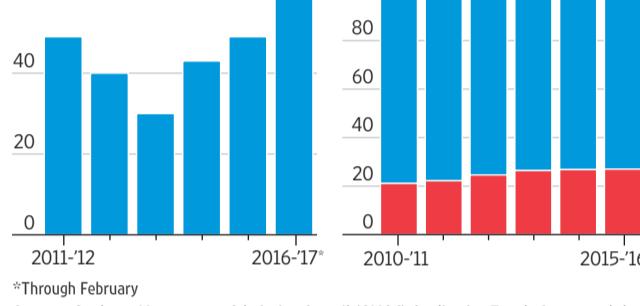
DENNIS GALLETTA

Applications are down this year at the University of Pittsburgh's Katz Graduate School of Business.

## A World of Difference

More U.S. business schools are reporting a drop in international applications to full-time, two-year M.B.A. programs.

Share of programs with falling applications from abroad



\*Through February

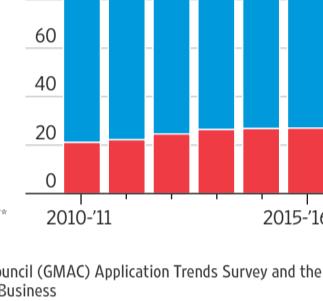
Sources: Graduate Management Admission Council (GMAC) Application Trends Survey and the Association to Advance Collegiate Schools of Business

THE WALL STREET JOURNAL.

The trend is causing concern as business schools have increasingly drawn on international students to fill their programs.

## M.B.A. enrollment at U.S. schools

U.S. students International students



we can no longer educate or hire the best and brightest talent from all over the globe, that could be catastrophic for American economic growth," he said.

This year, applications at the University of Pittsburgh's Katz Graduate School of Business have fallen 16%, a drop that director of admissions Tom Keller attributes largely to cooling foreign interest.

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**Kyunghee Choi**  
Vice President  
Asian Health Services  
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## MARKETS DIGEST

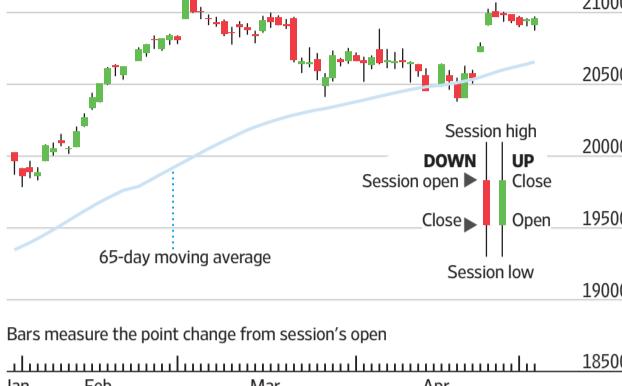
### EQUITIES

#### Dow Jones Industrial Average

**20957.90** ▲ 8.01, or 0.04%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 20.46 18.96  
P/E estimate \* 17.83 16.93  
Dividend yield 2.33 2.58  
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775



Bars measure the point change from session's open

18500

Jan. Feb. Mar. Apr.

\* P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index

**2388.13** ▼ 3.04, or 0.13%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 24.17 24.12  
P/E estimate \* 18.42 17.65  
Dividend yield 1.97 2.19  
All-time high 2395.96, 03/01/17



21500

Jan. Feb. Mar. Apr.

#### Nasdaq Composite Index

**6072.55** ▼ 22.82, or 0.37%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 26.04 21.86  
P/E estimate \* 20.75 17.95  
Dividend yield 1.09 1.29  
All-time high: 6091.60, 05/01/17



6070

Jan. Feb. Mar. Apr.

#### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.		
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	Standard & Poor's	500 Index	MidCap 400	SmallCap 600
<b>Dow Jones</b>	20972.74	20874.18	<b>20957.90</b>	8.01	<span style="color: green;">0.04</span>	21115.55	17140.24	<b>18.7</b>	6.0	<b>8.3</b>		
Industrial Average	9149.40	9081.11	<b>9133.14</b>	-20.83	<span style="color: red;">-0.23</span>	9593.95	7093.40	<b>17.8</b>	1.0	<b>5.9</b>		
Transportation Avg	701.41	697.14	<b>697.54</b>	-4.14	<span style="color: red;">-0.59</span>	720.45	625.44	<b>4.5</b>	5.8	<b>8.7</b>		
Utility Average	24762.98	24665.30	<b>24745.99</b>	-54.08	<span style="color: red;">-0.22</span>	24868.78	20583.16	<b>17.2</b>	6.3	<b>7.9</b>		
Total Stock Market	638.67	634.50	<b>637.02</b>	-3.23	<span style="color: red;">-0.50</span>	643.82	491.89	<b>24.6</b>	5.9	<b>7.5</b>		
Barron's 400												

#### Nasdaq Stock Market

Nasdaq Composite	6076.96	6053.28	<b>6072.55</b>	-22.82	<span style="color: red;">-0.37</span>	6095.37	4594.44	<b>28.5</b>	12.8	<b>13.8</b>
Nasdaq 100	5629.78	5608.16	<b>5625.16</b>	-18.91	<span style="color: red;">-0.34</span>	5644.07	4201.05	<b>30.5</b>	15.7	<b>16.2</b>

#### Standard & Poor's

500 Index	2389.82	2379.75	<b>2388.13</b>	-3.04	<span style="color: red;">-0.13</span>	2395.96	2000.54	<b>16.4</b>	6.7	<b>8.3</b>
MidCap 400	1732.57	1721.08	<b>1727.41</b>	-7.31	<span style="color: red;">-0.42</span>	1758.27	1416.66	<b>19.3</b>	4.0	<b>8.3</b>
SmallCap 600	849.42	842.80	<b>846.43</b>	-5.53	<span style="color: red;">-0.65</span>	863.08	670.90	<b>23.3</b>	1.0	<b>9.1</b>

#### Other Indexes

Russell 2000	1399.13	1386.32	<b>1390.92</b>	-8.44	<span style="color: red;">-0.60</span>	1419.43	1089.65	<b>25.0</b>	2.5	<b>7.2</b>
NYSE Composite	11537.06	11493.32	<b>11529.66</b>	-21.64	<span style="color: red;">-0.19</span>	11661.22	9973.54	<b>12.1</b>	4.3	<b>2.7</b>
Value Line	524.07	519.83	<b>521.14</b>	-2.93	<span style="color: red;">-0.56</span>	529.13	435.06	<b>15.2</b>	3.0	<b>2.4</b>
NYSE Arca Biotech	3647.23	3604.64	<b>3640.25</b>	9.20	<span style="color: green;">0.25</span>	3667.35	2818.70	<b>24.2</b>	18.4	<b>13.4</b>
NYSE Arca Pharma	515.13	512.29	<b>514.07</b>	-1.20	<span style="color: red;">-0.23</span>	554.66	463.78	<b>1.7</b>	6.8	<b>0.1</b>
KBW Bank	92.75	91.15	<b>92.69</b>	0.93	<span style="color: green;">1.01</span>	99.33	60.27	<b>38.5</b>	1.0	<b>10.6</b>
PHLX® Gold/Silver	82.53	80.19	<b>80.57</b>	-0.69	<span style="color: red;">-0.85</span>	112.86	73.03	<b>-3.2</b>	2.2	<b>-4.7</b>
PHLX® Oil Service	150.42	147.91	<b>149.83</b>	0.86	<span style="color: green;">0.58</span>	192.66	148.37	<b>-11.0</b>	-18.5	<b>-20.1</b>
PHLX® Semiconductor	1009.23	998.87	<b>1008.05</b>	3.43	<span style="color: green;">0.34</span>	1023.29	630.77	<b>58.8</b>	11.2	<b>20.5</b>
CBOE Volatility	11.15	10.40	<b>10.68</b>	0.09	<span style="color: green;">0.85</span>	25.76	10.11	<b>-33.5</b>	-23.9	<b>-6.1</b>

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	11,075.8	238.38	-0.10	<span style="color: red;">-0.04</span>	238.88	238.30
Facebook Cl A	FB	7,748.4	148.12	-3.68	<span style="color: red;">-2.42</span>	154.85	145.45
Ford Motor	F	5,697.8	11.07	...	<span style="color: red;">unch.</span>	11.09	11.03
iShares MSCI Emg Markets	EEM	4,760.4	40.28	-0.03	<span style="color: red;">-0.07</span>	40.35	40.25
Finl Select Sector SPDR	XLF	4,288.4	23.82	-0.02	<span style="color: red;">-0.08</span>	23.85	23.68
Van Eck Vectors Gold Miner	GDX	3,697.8	21.48	-0.03	<span style="color: red;">-0.14</span>	21.85	21.46
Square Cl A	SQ	3,060.0	19.26	0.98	<span style="color: green;">5.36</span>	20.35	18.15
PwrShrs QQQ Tr Series 1	QQQ	2,241.3	136.77	-0.22	<span style="color: red;">-0.16</span>	137.48	136.63

#### Percentage gainers...

Karyopharm Therapeutics	KPTI	5.8	12.30	2.81	29.61	12.30	9.49
<

# COMMODITIES

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## Futures Contracts

### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
May	2,617.5	2,617.5	2,506.0	<b>2,533.0</b>	-0.920	4,363	
July	2,639.0	2,639.5	2,513.5	<b>2,543.5</b>	-0.920	130,892	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
May	125.50	125.50	123.70	<b>124.40</b>	-8.70	335	
June	125.70	125.70	123.60	<b>124.50</b>	-8.50	317,268	
Aug	126.00	126.00	124.00	<b>125.00</b>	-8.50	57,250	
Oct	126.30	126.30	124.50	<b>125.30</b>	-8.50	7,564	
Dec	126.70	126.70	124.70	<b>125.80</b>	-8.50	53,729	
Feb'18	126.70	126.70	125.10	<b>126.10</b>	-8.50	7,870	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
May	812.80	812.80	812.80	<b>799.15</b>	-14.30	1	
June	816.50	823.70	794.00	<b>799.30</b>	-14.30	31,949	
Sept	817.30	819.30	794.65	<b>799.05</b>	-14.40	4,582	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
May	949.80	949.80	947.50	<b>902.00</b>	-21.60	36	
July	927.30	928.90	896.20	<b>904.40</b>	-21.60	64,802	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
May	16.800	16.835	16.420	<b>16.487</b>	-0.282	1,107	
July	16.855	16.895	16.415	<b>16.546</b>	-0.285	147,098	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
June	48.12	48.23	47.30	<b>48.18</b>	0.16	573,547	
July	48.52	48.57	47.65	<b>48.18</b>	0.19	282,883	
Aug	48.73	48.81	47.91	<b>48.45</b>	0.21	116,620	
Sept	48.94	49.04	48.16	<b>48.69</b>	0.21	195,084	
Dec	49.57	49.63	48.75	<b>49.32</b>	0.22	277,429	
Dec'18	49.39	49.47	48.73	<b>49.26</b>	0.26	134,265	
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.							
June	1,4883	1,4889	1,4857	<b>1,4736</b>	-0.056	129,313	
July	1,4932	1,4950	1,4660	<b>1,4805</b>	-0.054	81,526	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.							
June	1,5387	1,5460	1,5086	<b>1,5338</b>	-0.020	137,838	
July	1,5425	1,5478	1,5122	<b>1,5369</b>	-0.016	77,334	
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.							
June	3.185	3.233	3.175	<b>3.228</b>	.033	270,456	
July	3.263	3.314	3.256	<b>3.309</b>	.035	218,655	
Aug	3.289	3.340	3.285	<b>3.337</b>	.035	99,082	
Sept	3.273	3.325	3.270	<b>3.321</b>	.035	128,229	
Oct	3.291	3.342	3.285	<b>3.338</b>	.035	167,355	
Jan'18	3.550	3.593	3.541	<b>3.589</b>	.034	101,307	

### Agriculture Futures

	Currency Futures						Source: SIX Financial Information	
	Current	Expected	Change	Previous	Year	4-week	5-year	
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.								
May	363.50	367.50	362.25	<b>366.25</b>	2.25	4,634		
July	372.00	375.75	370.00	<b>374.75</b>	2.50	732,658		
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.								
May	248.25	248.25	248.25	<b>246.25</b>	1.00	19		
July	240.00	242.00	232.50	<b>238.25</b>	-3.25	4,672		
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.								
May	959.50	966.00	959.00	<b>965.50</b>	7.50	4,063		
July	969.00	976.50	966.50	<b>975.25</b>	6.50	374,273		
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.								
May	310.50	316.00	310.50	<b>314.60</b>	3.80	2,950		
July	314.90	319.70	314.00	<b>318.80</b>	3.80	208,452		
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.								
May	32.26	32.45	32.07	<b>32.32</b>	-.03	1,370		
July	32.67	32.75	32.29	<b>32.56</b>	-.06	228,788		
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.								
May	913.00	918.50	913.00	<b>913.50</b>	30.50	150		
July	956.00	995.00	951.50	<b>991.00</b>	31.00	10,249		
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.								
May	442.00	442.00	440.00	<b>443.00</b>	1.50	929		
July	453.00	456.00	445.75	<b>454.00</b>	.28	280,543		
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.								
May	452.55	454.50	447.25	<b>450.50</b>	-4.25	271		
July	465.50	468.75	456.50	<b>463.25</b>	-4.50	158,093		
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.								
May	547.25	547.25	543.00	<b>548.25</b>	4.75	149		
July	555.75	562.00	550.25	<b>561.25</b>	3.75	31,524		
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.								
May	150.175	154.100	148.750	<b>153.300</b>	3.675	8,633		
Aug	155.950	160.100	154.650	<b>160.100</b>	4.50	31,984		
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.								
June	127.050	130.050	127.00	<b>130.050</b>	3.00	172,008		
Aug	120.725	128.800	120.275	<b>128.800</b>	3.00	300,189		
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.								
May	67.500	68.200	67.500	<b>67.950</b>	1.00	2,110		
June	74,400	75,825	74,375	<b>75,550</b>	1.40	1,700		
<b>Lumber (CME)</b> -11,000 bd. ft., \$ per 1,000 bd. ft.								
May	386.60	391.80	383.00	<b>383.60</b>	-1.60	937		
July	391.10	396.20	386.10	<b>390.10</b>	-7.70	3,771		
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.								
May	15.34	15.38	15.26	<b>15.32</b>	-.01	4,916		
June	15.50	15.54	15.38	<b>15.41</b>	-.14	5,274		
<b>Cocoa (ICE-US)</b> -10 metric tons; \$ per ton.								
May	1,836	1,866	1,836	<b>1,780</b>	-25			

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

<b>How to Read the Stock Tables</b>		<b>Footnotes:</b>	
The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization.		d=Indicates loss in the most recent four quarters.	
FD=First day of trading.		h=Does not meet continued listing standards.	
I=Late filing		q=Temporary exemption from Nasdaq requirements.	
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.		t=NSE bankruptcy.	
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.		v=Trading halted on primary market or being reorganized under the Bankruptcy Code, or securities assumed by such companies.	

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. of the previous day.

Wednesday, May 3, 2017

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## BANKING & FINANCE



Phyllis Borzi, ex-assistant labor secretary, says about the review process: 'We knew from day one that we were going to be sued.'

# Savings Rule Proves Hardy

By LISA BEILFUSS

Opponents of a landmark retirement-savings regulation cheered President Donald Trump's election as their chance to kill the rule, or at the very least defang it. But three months into the new administration, it is proving tough to quash.

It's not for lack of trying. Shortly after his inauguration, Mr. Trump ordered the Labor Department to review the economic impact of the "fiduciary rule" on retirement savers and the financial-services industry, with an eye toward revising or rescinding it. The department is in the midst of that process, a spokeswoman said.

Yet people on both sides of

the debate say the rule, which requires stewards of tax-advantaged retirement savings to act in clients' best interests rather than their own, may survive both a 60-day delay in the compliance deadline and the regulatory review process relatively unscathed.

"It's unlikely to get dramatically changed," said a person familiar with the Labor Department's process. More likely, the person said, is a relaxation of certain elements, such as client disclosure requirements, while preserving the heart of the rule. "This is a pretty damn good compromise," the person said.

The fiduciary rule, which was approved last spring, was the centerpiece of President Barack Obama's efforts to help

middle-class families build retirement savings. The former administration said conflicted financial advice costs American families \$17 billion a year.

Critics dispute those figures and have argued for years that smaller investors would be cut off from advisory services. Part of the annuities industry said it faced extinction without looser exemptions.

The rule has been bulwarked in large part by the Obama administration's design. The original economic review and rule-making process were meticulous, people familiar with the matter say, meant to withstand legal scrutiny.

"We knew from day one that we were going to be sued, that there would be incredible resis-

tance to it," said Phyllis Borzi, former assistant labor secretary.

And the rule's staying power has been bolstered as some of the biggest financial firms have spent heavily on compliance and marketing.

Technically approved last June, the rule falls outside the 60-legislative-day limit of the Congressional Review Act, a law Congress has invoked frequently in recent months to kill other Obama-era regulations.

Other channels to killing or watering down the rule remain open, however. Labor Secretary Alexander Acosta could choose not to meaningfully enforce it. Congress could overturn the regulation, but other efforts to do so have proved unsuccessful.

# China's HNA Is Now Deutsche Bank's Biggest Shareholder

By WILLIAM WILKES  
AND JENNY STRASBURG

FRANKFURT—Chinese conglomerate **HNA Group** has become **Deutsche Bank** AG's largest shareholder after increasing its stake in the German lender to almost 10%.

U.S. public filings show HNA raised its stake to 9.92% through C-Quadrat Asset Management (UK) LLP, the U.K. subsidiary of Austrian asset manager **C-Quadrat Investment AG**. HNA previously held a 4.76% stake in the lender, filings showed.

HNA's increased stake in Deutsche Bank moves it ahead of members of Qatar's royal family and U.S. money manager **BlackRock Inc.**, according to public filings.

HNA holds the shares through a special-purpose company managed by C-Quadrat, which also holds the voting rights for HNA's Deutsche Bank stake.

Deutsche Bank, HNA and C-Quadrat declined to comment.

In February, the German bank said, in response to news HNA had become a major shareholder, that it "welcomed in principle any investor with a long-term view."

HNA, through C-Quadrat, had signaled it was looking to increase its stake but not above 10%. Intentions to exceed that threshold trigger additional reporting requirements and crossing it requires German regulatory approval, lawyers and analysts

say.

Analysts say U.S. regulators also would scrutinize any potential move by a single shareholder, including HNA, to amass a 10% or greater stake in a financial firm like Deutsche Bank that has big trading and investment-banking businesses in the U.S.

In March, Deutsche Bank said C-Quadrat's founder and chief executive, Alexander Schütz, was nominated to join the lender's supervisory board, ahead of the annual meeting scheduled for May 18. His appointment would give the managers of HNA's stake sway over high-level decision making and oversight of Deutsche Bank management.

The German lender's shares have rebounded after hitting multiyear lows last fall because of fears about its capital position. Deutsche's recent earnings statements show its main businesses are stabilizing after a tumultuous 2016, when fears of big regulatory fines unnerved clients and investors. Investors still harbor uncertainties about its ability to meet profit and cost-cutting targets.

Based in China's Hainan province, HNA Group began as an airline operator before expanding into hotels, tourism, logistics, real estate and finance. HNA's most high-profile acquisitions have been U.S.-based companies.

—Kane Wu contributed to this article.

# White House Clears Path for Next Comptroller

By RYAN TRACY

WASHINGTON—The Trump administration announced its intention to replace Comptroller Thomas Curry as the top U.S. national banking regulator later this week.

The Treasury Department said Wednesday that he would be succeeded on Friday by Keith Noreika, who will serve as the acting comptroller. Mr. Noreika is a banking lawyer who worked for years at **Covington & Burling** LLP and

more recently headed the financial regulatory practice at **Simpson Thacher & Bartlett** LLP.

The Trump administration is said to be considering Joseph Otting, a former chief executive of OneWest Bank, as its eventual nominee for full-time comptroller, which requires Senate confirmation.

The move to replace Mr. Curry, reported by The Wall Street Journal on Monday, will give the administration its first major imprint on a U.S.

bank regulatory agency.

Mr. Curry's five-year term ended in early April, but he continued to serve in the job.

Mr. Otting would be the first former banker to serve as controller since the 1990s and would be expected to carry out the Trump administration's promise to encourage more bank lending. That could represent a shift in tone from Mr. Curry's tenure, during which the OCC has at times criticized bankers for making loans the agency viewed as

overly risky.

Mr. Trump has ordered a review of financial regulations, but appointees of former President Barack Obama still run all the major bank regulators, including the Federal Reserve, Consumer Financial Protection Bureau and Federal Deposit Insurance Corp.

The comptroller's office appointment gives the administration its own ally in charge of the chief regulator of large, federally chartered banks.

Treasury Secretary Steven Mnuchin said Wednesday that the administration will shortly name someone to the vacant post of Federal Reserve vice chairman in charge of bank oversight, and that nominee wouldn't necessarily be paired with choices for two other vacancies on the Fed's governing board.

One candidate under consideration for the Fed vice chairman job is former Treasury official and private-equity executive Randal Quarles.



Joseph Otting

## Dividend Changes

Dividend announcements from May 3.

Company	Symbol	Yld %	Amount	New/Old	Payable / Record	Freq
<b>Increased</b>						
Apple	AAPL	17	.63/.57	Q	May18/May15	
Baxter International	BAX	11	.16/.13	Q	Jul03/Jun02	
KKR	KKR	3.7	.17/.16	Q	May23/May08	
ManpowerGroup	MAN	18	.93/.86	SA	Jun15/Jun01	
Och-Ziff Capital Mgmt	OZM	3.3	.02/.01	Q	May19/May12	
PepsiCo	PEP	2.9	.805/.7525	Q	Jun30/Jun02	
Principal Financial Group	PFG	2.8	.46/.45	Q	Jun30/Jun05	
<b>Reduced</b>						
Frontier Communications	FTR	9.9	.04/.105	Q	Jun30/Jun15	
<b>Initial</b>						
Arch Coal	ARCH		.35		Jun15/May31	
Kimbell Royalty Partners	KRP		.23		May15/May08	
<b>Funds and investment companies</b>						
DE Enhncd Gbl Div Inco	DEX	5.6	.0525	M	May26/May12	
Delaware Grp Div & Income	DDF	4.6	.04	M	May26/May12	

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

### Inflation

March index level Chg From (%) Feb: 17 March '16

### U.S. consumer price index

All items 243.801 0.08 2.4

Core 251.290 0.06 2.0

### International rates

Week Latest —52-Week Ago High Low

### Prime rates

U.S. 4.00 4.00 4.00 3.50

Canada 2.70 2.70 2.70 2.70

Japan 1.475 1.475 1.475 1.475

### Policy Rates

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.25 0.25 0.25 0.25

Australia 1.50 1.50 1.75 1.50

### Overnight repurchase

U.S. 0.85 0.87 1.30 0.15

### U.S. government rates

Discount 1.50 1.50 1.50 1.00

### Federal funds

Effective rate 0.9300 0.9400 0.9400 0.3200

High 1.0625 1.0625 1.0625 0.5000

Low 0.8200 0.9000 0.9100 0.2000

Bid 0.9000 0.9000 0.9300 0.2000

Offer 1.0000 0.9100 1.0000 0.2600

### Treasury bill auction

4 weeks 0.725 0.735 0.770 0.160

13 weeks 0.845 0.820 0.845 0.220

26 weeks 0.975 0.955 0.975 0.340

### Secondary market

#### Fannie Mae

30-year mortgage yields

30 days 3.540 3.613 3.865 2.806

60 days 3.574 3.643 3.899 2.832

#### Other short-term rates

Week Latest —52-Week Ago High Low

#### Call money

2.75 2.75 2.75 2.25

#### Commercial paper (AA financial)

90 days 1.03 1.05 1.13 0.47

#### Libor

One month 0.99167 0.99278 0.99500 0.43395

Three month 1.17122 1.17178 1.17372 0.62360

Six month 1.42739 1.43111 1.43822 0.88685

One year 1.77011 1.78289 1.82761 1.19570

#### DTCC GCF Repo Index

Treasury 0.844 39.800 1.266 0.244

MBS 0.852 92.100 1.328 0.257

#### Open Implied Settle Change Interest Rate

#### DTCC GCF Repo Index Futures

Treasury May 99.145 unch. 5363 0.855

Treasury Jun 99.045 -0.005 1267 0.955

## MARKETS

# Blue Chips, Dollar Rise As the Fed Stands Pat

BY AARON KURILOFF  
AND RIVA GOLD

The Dow Jones Industrial Average, the U.S. dollar and government-bond yields edged higher Wednesday after the Federal Reserve held interest rates unchanged.

Major indexes pared early losses after the Fed's announcement, which some investors and analysts said signaled the central bank is looking past recent signs of tepid economic growth and holding course toward raising interest rates in June.

"This is showing the Fed is dismissing the weak data; it hasn't altered any of their plans," said Brian Jacobsen, chief portfolio strategist at Wells Fargo Funds Management. "And if the Fed is confident about the economic outlook, why shouldn't we be?"

## 0.5%

Wednesday's increase in the WSJ Dollar Index

The Dow industrials rose 8.01 points, or less than 0.1%, to 20957.90. The S&P 500 slipped 3.04 points, or 0.1%, to 2388.13, and the Nasdaq Composite lost 22.82 points, or 0.4%, to 6072.55.

The yield on the 10-year Treasury note rose to 2.309%, from 2.296% Tuesday. Yields rise as bond prices fall.

The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, rose 0.5% to 90.11.

Materials shares in the S&P 500 fell 1%, weighed down by a decline in copper prices that came as growing inventories combined with fears about slowing demand from China. Copper for May delivery fell 3.5% to \$2.5330 a pound in the biggest one-day percentage decline since September 2015.

**Freeport-McMoRan** lost 70 cents, or 5.5%, to \$12.02. **DuPont** fell 94 cents, or 1.2%, to 79, among the biggest percentage declines in the Dow industrials.

A decline in **Apple** shares also dragged on major indexes after the iPhone maker late Tuesday reported an increase in profit but tepid demand for its flagship product.

Apple trimmed early declines Wednesday and closed down 45 cents, or 0.3%, at 147.06. Shares of the index heavyweight had soared to records in recent sessions and the tech sector has been the best performer in the S&P 500 in 2017, rising 16%.

"There's quite a lot of optimism built into tech; it was slightly less positive than people were hoping for," said John Stopford, head of multi-asset income at Investec Asset Management.

**Akamai Technologies** fell 9.70, or 16%, to 52.80, after the cloud-services company Tuesday gave a negative outlook for the second quarter.

**Mondelez International** rose 1.29, or 2.9%, to 45.03, after the company said it continued to improve profitability through cost-cutting, while **Delphi Automotive** added 8.56, or 11%, to 87.01, after the company unveiled a plan to spin off its powertrain-systems segment.

The Fed's signals came as the Institute for Supply Management on Wednesday said economic activity across the U.S. service sector increased in April. A gauge of private-sector hiring came in slightly above expectations, according to payroll processor Automatic Data Processing and Moody's Analytics, two days ahead of the monthly jobs report.

The Stoxx Europe 600 fell less than 0.1%, pulled down by a 2.5% drop in the basic-resources sector. The index's auto sector dropped 1% following downbeat U.S. auto-sales figures on Tuesday.

Early Thursday, Australia's S&P/ASX 200 and Shanghai Composite were down 0.6%, but South Korea's Kospi was up 0.6%. The Tokyo stock market was closed for a holiday.

# 100-Year Treasurys? No Thanks

Advisers to agency say the ultralong debt wouldn't find much favor among investors

BY JOSH ZUMBRUN

A committee of Wall Street advisers is pouring cold water on a proposal by Treasury Secretary Steven Mnuchin to issue 50-year and 100-year U.S. government bonds, arguing that the big pension funds and insurers expected to buy the securities won't have much interest.

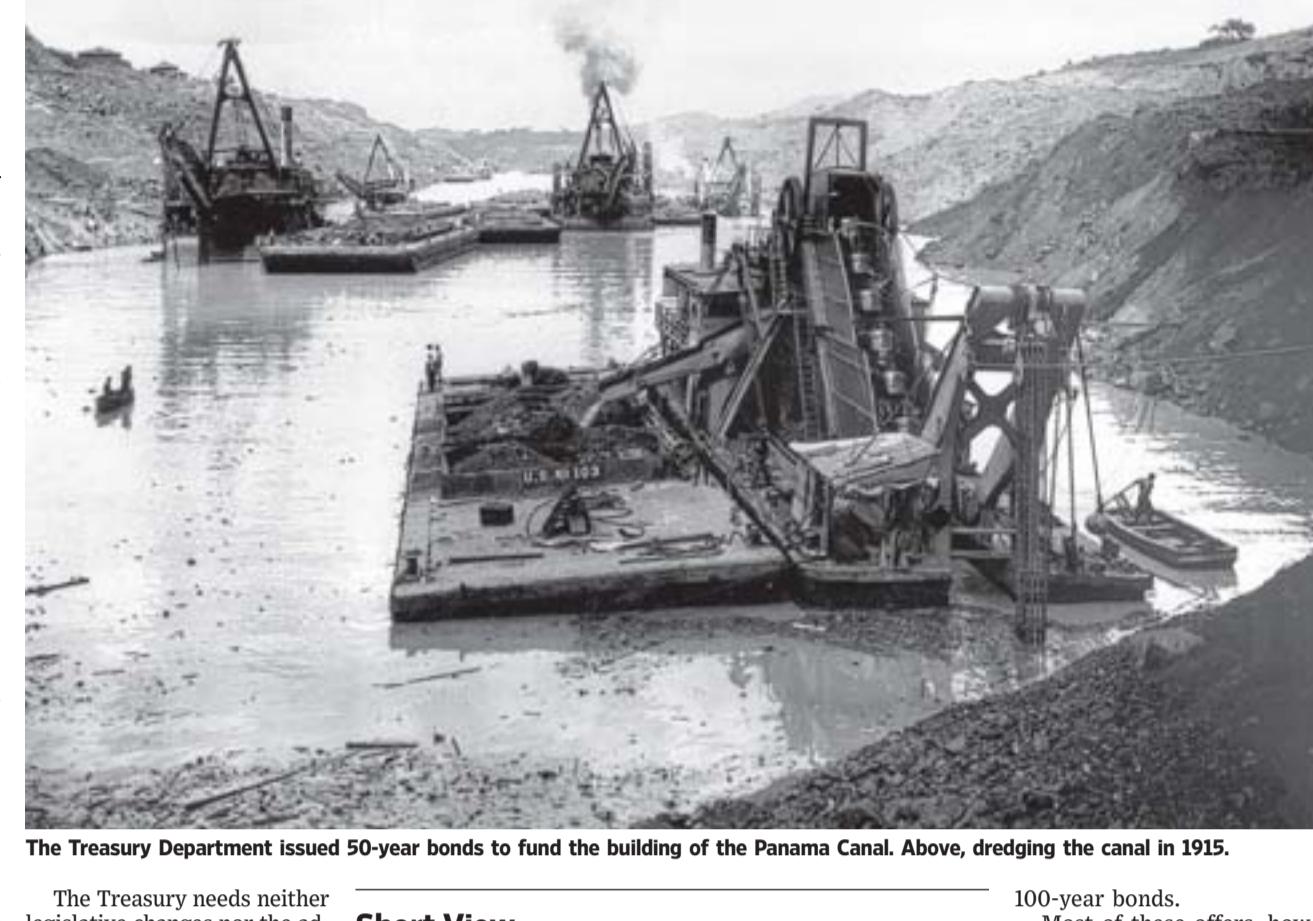
The Treasury's Borrowing Advisory Committee, composed of representatives from some of the largest financial institutions that participate heavily in the bond market, told the Treasury that "the committee does not see evidence of strong or sustainable demand for maturities beyond 30 years."

The committee meets quarterly, in advance of a regular release by the Treasury on its plans for financing the U.S. debt. Currently, the U.S. Treasury issues no debt longer than 30 years. Mr. Mnuchin has argued that ultralong bonds could be a useful tool for locking in today's low borrowing costs for a long time.

Last month, the Treasury requested that the advisory committee analyze the viability of bonds longer than 30 years. Monique Rollins, the acting assistant secretary for financial markets, said that despite the advisory committee's cool response, the Treasury would continue to study longer-term bonds and seek input from a broad community beyond just those on the committee. An update will be provided at a future quarterly announcement, the Treasury said.

The idea of ultralong bonds has riveted Wall Street. When Mr. Mnuchin first floated the idea in a November interview on CNBC, it sent long-term interest rates climbing higher as investors anticipated that rates would need to rise to accommodate a greater volume of longer-term debt.

The 30-year bond strengthened Wednesday after the advisory committee cast doubt on the idea of 50- and 100-year bonds. The yield on the 30-year Treasury sank to 2.955%, from 2.982% on Tuesday. Yields fall as bond prices rise.



The Treasury Department issued 50-year bonds to fund the building of the Panama Canal. Above, dredging the canal in 1915.

The Treasury needs neither legislative changes nor the advisory committee's approval to move forward with ultralong bonds. Still, the committee's opinion is likely to weigh heavily on the Treasury's decision. The members of the advisory committee include several primary dealers—the institutions authorized to participate directly in Treasury auctions—and some of the world's largest hedge funds and asset managers, such as **Vanguard Group** and **BlackRock Inc.**

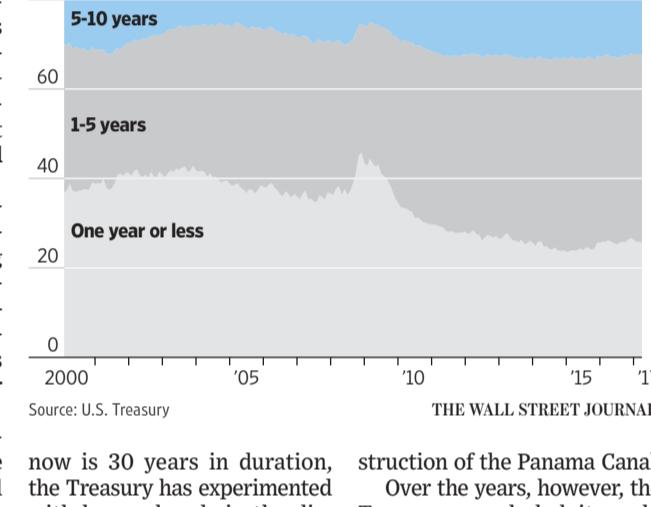
One question for the Treasury is what types of investors would buy ultralong bonds, especially if the members of its advisory committee aren't interested. Relatively few individual investors have 100-year or even 50-year investing horizons.

Due to pension funds, insurers and index funds, "there will be underlying structural demand for 50 years, but it could be at the expense of other longer-date Treasury issuance," said Gemma Wright-Casparyus, a principal senior portfolio manager at Vanguard Fixed Income. In other words, the success of a 50-year bond could come at the expense of a 30-year bond.

While the longest U.S. bond

## Short View

Share of total U.S. government debt outstanding, by maturity



Source: U.S. Treasury

100-year bonds.

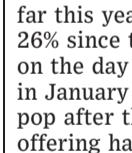
Most of these offers, however, have been sporadic or one-time issuances that would have little impact on those nations' long-run borrowing costs. The U.K. relies most heavily on ultralong-term debt, but the nation also has regulations that require its pension funds to buy the debt, so there is no question in the U.K. that there is demand for such bonds. Due to the demand forced by these regulations, the yield on 50-year bonds is generally lower than the yield on 30-year bonds.

The U.S. advisory committee said pension plans, life insurers and annuity companies are a potential source of demand, because such firms have liabilities that may be due long into the future. But the committee said pension plans would "not be a large or reliable source of demand for ultralong issuance" and that most insurers would prefer to have more 20-year bonds.

Given the likelihood of limited demand for 50-year bonds, the committee said their yield would likely be higher than that on 30-year bonds. This would make the long bonds less attractive as a way to reduce U.S. borrowing costs.

AHEAD OF THE TAPE | By Steven Russolillo

## Shake Shack Has a Fat Valuation

 Shake Shack Inc. just can't whet investors' appetites.

Its shares are down 5% so far this year and have fallen 26% since the closing price on the day it began trading in January 2015. The initial pop after the initial public offering has long faded.

The reasons for the stock's struggles are well-documented: Slowing growth and a rich valuation haven't been a good recipe. Couple that with rising labor costs and weak traffic trends hindering the restaurant industry overall and Shake Shack's prospects still aren't great heading into its first-quarter earnings report on Thursday.

Analysts polled by FactSet estimate Shake Shack earned 8 cents a share, matching the year-earlier figure. Revenue is expected to be up 38% to \$74.7 million. While impressive for a restaurant chain, it would be the sixth deceleration in the past seven quarters.

Same-store sales, which measure growth at locations open longer than 24 months, are expected to increase just 0.5% from a year earlier. That is in part due to a tough comparison; a year ago, the newly launched chicken sandwiches were in high demand and prompted a flurry of activity.

But the problems probably run deeper than quarterly fluctuations. That is because Shake Shack, which at one point was the hottest burger in New York City, has struggled to sustain that



A Shake Shack restaurant in Scottsdale, Ariz. The 'fast-casual dining' chain reports results Thursday.

level of excitement as it expands. The company had 64 domestic company-operated locations as of the end of the year and has plans to

*It is little wonder that Shake Shack remains a favorite among short sellers.*

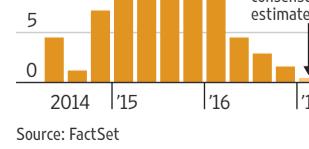
open at least 22 more (not including licensed locations) this year. This is all part of longer-term ambitions to open as many as 450 locations in the U.S. and continue its international expansion.

But research published last month by Goldman Sachs suggests the excitement for these new locations isn't what it used to be. Analyst Karen Holthouse examined the opening of a new location in Washington, D.C., in March as a case study for other openings. She found that reviews on Yelp Inc., mentions on Twitter Inc. and search results all fell short compared with prior openings in the region. The declining novelty is "a risk to new-store productivity," she said.

It is little wonder that Shake Shack remains a favorite among short sellers. And the stock's rich valuation offers little room for error. Shares trade at north

## Cooked

Shake Shack's same-store sales, change from a year earlier



Source: FactSet

THE WALL STREET JOURNAL.

of 60 times projected earnings over the next 12 months, still far more expensive than most rivals.

Investors would be better off filling up elsewhere.

## Struggling Lender Seeks a Lifeline

BY JACQUIE McNISH

TORONTO—**Home Capital Group** Inc., which is trying to stem an exodus of deposits, has entered talks with potential buyers, people familiar with the matter said.

Some buyers contacted Home Capital last week after it announced it had struck a credit line of as much as 2 billion Canadian dollars (US\$1.5 billion), one person familiar with the matter said.

Other buyers initiated talks after being approached by the company's advisers, RBC Capital Markets and BMO Capital Markets, according to people familiar with the matter.

Interested buyers include U.S. and Canadian investors interested in acquiring Home Capital's mortgage assets, which stood at about C\$25 billion at the end of 2016. The lender is pursuing other options, including efforts to negotiate a longer-term line of credit, according to one person familiar with the matter.

A spokesman for Home Capital declined to comment.

Home Capital on Monday said its balance of high-rate savings deposits fell to C\$391 million from C\$2 billion at the end of 2016. Most of the deposits were withdrawn last week, after allegations by Canada's leading securities regulator that Home Capital, its founder, former chief executive and chief financial officer failed to properly disclose the full extent of a mortgage-fraud problem the company discovered in 2014. The company denies the allegations.

# MARKETS

## A Rare Bright Light in Retailing

Home-improvement stocks ride rising house prices, booming construction activity

By RYAN DEZEMBER  
AND CORRIE DRIEBUSCH

Home-improvement stocks are rising alongside booming U.S. house prices and construction, making the shares a rare success story in the depressed world of retailing.

Among the biggest gainers are big-box retailers Lowe's Cos. and Home Depot Inc., which are up 20% and 16% this year, respectively. Paint maker Sherwin-Williams Co. is up 24%, and tile and hardwood retailer Floor & Decor Holdings Inc. last week rose 53% from its initial public offering price on its first day of trading, the largest IPO gain in 2017.

The S&P 500 is up 6.7% this year and the SPDR S&P Retail exchange-traded fund, which doesn't include the home-improvement chains, has lost 2.4%.

Behind the rally: rising home prices and booming construction, as the housing market recovery from the 2008 crisis advances. Rising home prices can give homeowners equity they tap to splurge on cabinets, floors and appliances. Accelerating construction and transactions can tempt sellers to spend on sprucing up properties, while a shortage of new homes often prompts shoppers to renovate instead of moving.

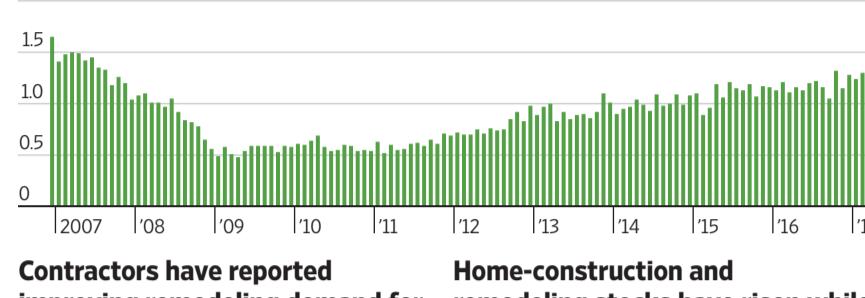
"We're finally at the stage of the housing recovery where homeowners are taking on larger projects," said Brad Hunter, chief economist with IAC's HomeAdvisor unit, which matches homeowners with contractors and handymen. "Home improvement is the shining star within retail."

Some on Wall Street be-

### No Place Like Home

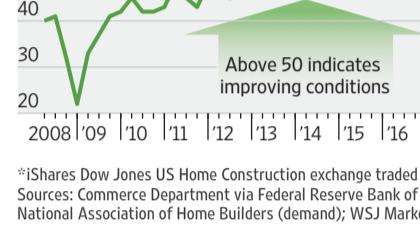
#### Housing starts have reached levels last seen before the recession

Housing starts, monthly, seasonally adjusted annual rate



#### Contractors have reported improving remodeling demand for 16 straight quarters.

NAHB Remodeling Market Index



\*iShares Dow Jones US Home Construction exchange traded fund †SPDR S&P Retail exchange traded fund  
Sources: Commerce Department via Federal Reserve Bank of St. Louis (starts); S&P CoreLogic Case-Shiller Indices (prices); National Association of Home Builders (demand); WSJ Market Data Group (stocks); Dealogic (IPO prices)

lieve the stocks will rise fur-

ther. Credit Suisse Group AG

on Tuesday raised its price target for Lowe's shares roughly 13% and those of Home Depot about 6%.

Both companies still have valuations below the S&P 500, based on their price compared with their past 12 months of earnings, according to FactSet.

Further gains are no sure thing. The shares could fall if home buying and building fizzle, if, for instance, interest rates rise faster than expected.

Home-improvement firms also run the risk of opening too many stores, something that has plagued

other segments.

Other U.S. retailers are closing stores at a record pace as shoppers spend more of their money online.

Home-improvement retailers have proved resilient to the migration to online shopping. For big-ticket items and major renovations, like a revamped kitchen or new tile floors, customers often prefer to see goods in person and may need help installing.

"These are things that don't lend themselves to the internet," said Stifel analyst John Baugh, who estimates that home-improvement retail sales rose 7% through March.

The good news for these

retailers is that the national housing-market recovery continues to advance. In many markets home prices have surpassed their 2006 peaks. Even those that haven't, such as Cleveland and Chicago, have climbed more than 20% since their 2012 lows, according to the S&P CoreLogic Case-Shiller home price indexes.

Home equity, or a property's value minus mortgage debt, has more than doubled since 2011, to roughly \$13 trillion, according to a CoreLogic analysis of federal data.

"If we see home price ap-

preciation you can say that

it's creating wealth," said

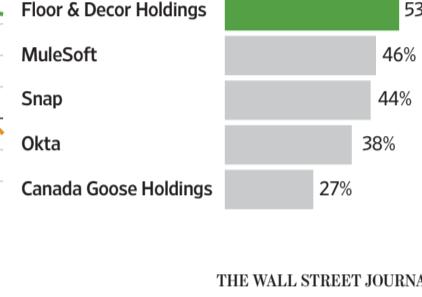
#### Home prices have risen beyond their previous peak

S&P CoreLogic Case-Shiller U.S. National Home Price Index



#### Retailer Floor & Decor had the best stock market debut of the year.

Price change from IPO to first day close



THE WALL STREET JOURNAL.

## Treasurys Decline as Fed Signals June Move

By MIN ZENG

A bout of selling hit U.S. government bonds on Wednesday, driving yields on some very short-term debt to the highest since the financial crisis, as the Federal Reserve signaled that the door remains open for an interest-rate increase as soon as June.

The yield on the three-month Treasury bill closed at 0.869%, the highest since October 2008. The yields on the Treasury bills due in six months and one year both closed at their highest levels since November 2008.

Also, the yield on the two-year Treasury note settled at 1.296%, the highest level since March 28. Yields rise as bond prices fall.

The Fed held short-term interest rates steady as widely expected by investors, following a rate increase in March. But in the rate statement, officials said slow growth earlier this year was "likely to be transitory." Yields on short-dated Treasurys are highly sensitive to the Fed's rate-policy outlook.

"June is still alive," said Mary Ann Hurley, vice president of trading at D.A. Davidson & Co. in Seattle.

The yield on the benchmark 10-year Treasury note settled at 2.309%, up from 2.296% on Tuesday.

Federal-funds futures, used by investors to place bets on the Fed's interest-rate policy, showed a 75% chance that the Fed would tighten policy by its June meeting, according to CME Group. The likelihood was at 66% before the Fed statement and 70% Tuesday.

## HEARD ON THE STREET

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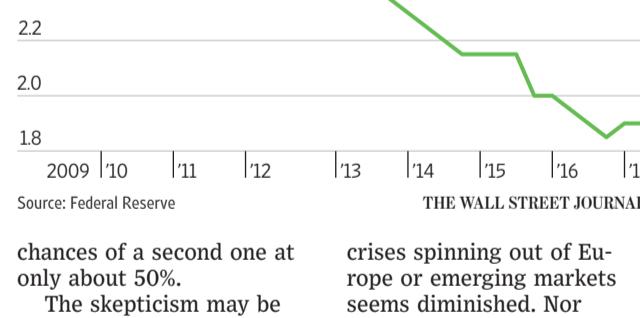
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## Fed Will Fight Even Slow Economy

### Lowered Expectations

Midpoint of Federal Reserve policy makers' long-term forecasts for economic growth



Source: Federal Reserve

for long-term GDP growth—the economy's just-right speed for employment and inflation—are now centered on just 1.9% versus 2.65% six years ago. Many economists put the pace even lower. Morgan Stanley, for example, has it at 1.5%.

Crucial to the Fed's view is the economy's strong record of adding jobs even though economic growth has been tepid. What matters now is that unemployment has fallen to the point that there appears to be little slack left in the labor market, and employers have to pay up for the workers they need.

The Labor Department reported last week that its employment cost index—a broad range of wages and benefits—rose 0.8% in the first quarter, marking its biggest gain in nearly a decade.

For investors, this has the makings of an unfamiliar world where even an uninspiring economy inspires the Fed to raise rates.

—Justin Lahart

### OVERHEARD

There have been fears the Bank of England might have to defend the pound in international markets as its value plunged following the U.K.'s Brexit vote. Now, cracks are appearing in the currency, literally.

A new one-pound coin has

encountered production prob-

lems. Thousands of the new

coins are warping.

The coin, designed to be harder to fake, has 12 sides on a gold-colored outer ring surrounding a silver-colored inner disc. Some have missing middles. A metaphor for the lack of political centrists?

This isn't the first post-Brexit problem with the pound. Some people had a beef with a new five-pound note made of a tear-resistant polymer that was found to contain traces of animal fat mainly from cows. Vegetarians and some Hindus, for whom cows are sacred, protested.

Here is hoping problems with the pound don't keep gaining currency.

## Facebook Has Higher Bar to Clear

Five years ago, Facebook had some trouble convincing investors it was worth \$100 billion. The social network is worth more than four times that value now, and hence has an even higher bar to clear.

Consider the reaction to another strong set of results Wednesday. Facebook's first-quarter revenue jumped 49% to \$8 billion—beating Wall Street's already high projections for 46% growth. Operating income surged 66% to \$3.3 billion. User growth—no small matter for a company that already serves a quarter of the Earth's population—continued unabated. In just the past three months, Facebook has netted about 57 million new users who check the site at least once a day.

Still, Facebook's stock fell roughly 3% following the report, as its earnings per share appeared to fall short of Wall Street's consensus target. But that forecast didn't count the effect of stock-based compensation, which Facebook rightfully no longer excludes. Investors have also bid Facebook's

stock up 32% since the first of the year, putting the stock around 33 times forward earnings ahead of the report.

That sets a big target for the company to hit. Investors also seem to have conveniently ignored company warnings about slowing growth ahead. Facebook's recent efforts to address the broadcast of heinous material on its network highlight another challenge that comes along with its enormous size.

Facebook has been clear about its growth challenges and now seems to finally be understanding the cost of its broader responsibilities. Investors look like they may be finally catching on.

—Dan Gallagher

## Drug Pricing Gets Worse, and a Recent Raid Doesn't Help

### Generic Deflation

Perrigo's daily share price



Source: WSJ Market Data Group

Those facts could give hope to investors when the largest generics companies report earnings next week.

While the investigation could weigh on long-term price increases for generics, there is a more immediate concern: Generic drug prices are falling at an accelerating rate. Two small drugmakers joined the parade that has included big pharma companies and drug distributors that are seeing bigger declines in prices.

Lannett cited generic pricing pressure to explain subpar results on Tuesday. Shares fell 19% on Wednesday. Australian generics company Mayne Pharma Group, which has a large U.S.

business, said during its investor day this week that increased pressure from buyers is driving down prices and predicted that declines in the second half of the year could reach as high as 15%.

The latest warnings come after bigger players gave pessimistic forecasts. Novartis said last month that its generic unit experienced price deflation of about 8% in the first quarter. Drug distributor Cardinal Health said last month that it expects prices of generics to fall by a low double-digit percentage for the fiscal year ending in June.

Generic drug prices have risen and fallen together in

the past. They could rebound again, though the price-fixing investigation could complicate matters.

Being able to raise prices is particularly important for many drugmakers right now. A slew of deal making in the sector during the now-distant good times of 2014 and 2015 means companies levered up their balance sheets at the worst possible moment.

Heavily indebted Perrigo, to name one example, is down more than 60% over the past two years.

There is no reason to believe that gloomy backdrop will show signs of improvement by next week.

—Charley Grant