

THE WALL STREET JOURNAL.

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DJIA 20949.89 ▲ 36.43 0.2% NASDAQ 6095.37 ▲ 0.1% STOXX 600 389.53 ▲ 0.75% 10-YR. TREAS. ▲ 9/32, yield 2.296% OIL \$47.66 ▼ \$1.18 GOLD \$1,255.10 ▲ \$1.80 EURO \$1.0932 YEN 111.99

What's News

Business & Finance

Apple extended its rebound with first-quarter increases in profit and revenue, but the firm reported tepid iPhone demand. **A1**

◆ Barclays's CEO is clashing with KKR, causing the private-equity firm to pull business from the bank. **B1**

◆ Lawmakers warned airlines that they faced more regulation if they didn't improve customer service. **B1**

◆ A report last year by a Facebook employee set off a debate at the firm over alleged bias against female engineers. **B1**

◆ U.S. auto sales showed signs of rapid cooling in April, with sluggish demand for trucks and SUVs. **B1**

◆ Puerto Rico was hit with creditor lawsuits after the expiration of a debt-re-negotiation deadline. **B14**

◆ Microsoft unveiled new laptops that it hopes will help unseat Google and Apple in the classroom. **B4**

◆ Mylan's chairman was paid nearly \$100 million last year, which was marked by a furor over EpiPen prices. **B3**

◆ Aetna said it plans to scale back its presence on ACA exchanges as it swung to a first-quarter loss. **B3**

◆ Perrigo said its offices were searched in a probe of price collusion in the generic-drug industry. **B3**

◆ Stocks edged higher as industrials' gains offset energy losses. The Dow added 36.43 points to 20949.89. **B15**

◆ Investors have pulled nearly \$7 billion from Och-Ziff so far this year. **B14**

World-Wide

◆ A Republican effort at a health-care overhaul teetered on the brink of collapse in the House, reflecting new assertiveness by GOP centrists. **A1**

◆ Kushner's partners in a tech startup include Goldman and Soros, one of many interests and loans Trump's son-in-law didn't disclose. **A1**

◆ Trump and Putin spoke by phone about resolving the Syria conflict, their first talks since U.S. strikes over an alleged chemical attack. **A6**

◆ North Korea complained about a flyover of the Korean Peninsula by two U.S. supersonic bombers. **A7**

◆ Yates is expected to testify that she warned the White House that Flynn wasn't truthful about his talks with a Russian diplomat. **A4**

◆ Clinton took the blame for her election defeat but also cited sexism, Russian interference and Comey's letter about her email practices. **A4**

◆ The Heritage Foundation ousted ex-South Carolina Sen. DeMint as president. **A4**

◆ A former police officer who shot an unarmed motorist pleaded guilty to violating the victim's civil rights. **A3**

◆ Greece has its sights on a debt restructuring after sealing a deal to keep the country's bailout on track. **A5**

◆ The EU won't impose visas on Americans in retaliation for the U.S. visa policy toward five bloc members. **A6**

◆ Le Pen's campaign admitted she lifted parts of a speech from ex-French presidential candidate Fillon. **A6**

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U.S. NEWS

Battling a Blaze at Pennsylvania Inn



ON THE SCENE: Firefighters on Tuesday contending with a blaze at Riverside: The Inn at Cambridge Springs, a 132-year-old Pennsylvania establishment popular as a wedding and banquet destination.

JUSTICE DEPARTMENT

Officers in Shooting Won't Be Charged

The Justice Department won't bring charges against two white Baton Rouge police officers involved in the shooting of an African-American man whose death last year sparked protests and unrest, a U.S. law-enforcement official said.

The shooting of 37-year-old Alton Sterling happened about 12:30 a.m. on July 5, 2016, when two white police officers responded to a report of a man waving a gun in the parking lot of a food mart in a poor section of Baton Rouge, La.

In the incident that was recorded on bystanders' cellphones,

the police officers confronted Mr. Sterling then used a Taser, forcing him to the ground. Amid a struggle, they shot him.

—Del Quentin Wilber

CRIME

Man Is Sentenced For Sex-Abuse Site

A 58-year-old Florida man was sentenced to 30 years in federal prison for operating what prosecutors described as a sophisticated website for distributing photos and videos depicting the sexual abuse of children.

Steven W. Chase was convicted in September in North Carolina on federal charges of creating and running the Playpen website on the Tor anonymity

network. After Mr. Chase's arrest in 2015, federal agents obtained court approval to deploy hacking tools that pierced the service's anonymity, federal officials said.

Agents have since arrested hundreds of the site's users, as well as more than two dozen producers of child pornography.

Mr. Chase's attorney, Peter Adolf, didn't respond to an email or phone message seeking comment.

—Del Quentin Wilber

COLORADO

Natural Gas Blamed In Deadly Explosion

An explosion that killed two people and injured a third at a Colorado home two weeks ago

was caused by natural gas leaking from an abandoned line that remained attached to a nearby well owned by **Anadarko Petroleum Corp.**, authorities said Tuesday.

Theodore Poszywak, chief of the Frederick-Firestone Fire Protection District, said gas appears to have leaked from well operated by Anadarko, via an abandoned gas line that bisected a corner of the home's foundation.

The April 17 explosion killed homeowner Mark Martinez and Joey Irwin, Mr. Martinez's brother-in-law. Mr. Martinez's wife, Erin, was seriously injured.

Anadarko's chief executive, Al Walker, offered his company's thoughts and prayers to the Martinez and Irwin families Tuesday.

—Erin Ailworth

High School Graduates Opting For College

By SARAH CHANEY

The share of recent high-school graduates who enrolled in college last year catapulted almost to 2009's record high, even though an improving job market has made working more attractive than the classroom for some young adults.

About 69.7% of the 3.1 million high-school graduates between the ages of 16 and 24 headed to colleges or universities, the Labor Department said, based on data from January through October 2016. The department started keeping track of college enrollment rates for high school graduates in 1959.

The labor market has improved gradually since the recession, with unemployment dropping from 10% in 2010 to less than 5% last year. Still, many students are opting to attend postsecondary schools. Economists, including Federal Reserve Chairwoman Janet Yellen, have defended the value of higher education as a protection against globalization and technological change.

In 2009, the college enrollment rate among high-school graduates rose to a record 70.1%, as a dire job market convinced many young Americans to pursue higher education. Enrollment hit a low in 2013 but has been on the rise since.

Students are recognizing the high returns of a college education and are responding to changes in the labor market, such as the proliferation of lower-paying service jobs, said Brian Jacob, a professor of education and economics at the University of Michigan.

After years of steady enrollment growth at two-year schools, most recent high-school graduates are choosing to attend four-year colleges.

STAKE

Continued from Page One

20 lenders, to properties and companies part-owned by Mr. Kushner, the Journal found. He has also provided personal guarantees on more than \$300 million of the debt, according to the analysis.

In his disclosure form filed earlier this year, Mr. Kushner didn't identify Cadre as among his hundreds of assets. The Journal identified his Cadre stake through a review of securities and other filings as well as interviews with people familiar with the company and Mr. Kushner's finances.

Jamie Gorelick, a lawyer representing Mr. Kushner, said in a statement that his stake in Cadre is housed in a company he owns, BFPS Ventures LLC. His ownership of BFPS is reported on his disclosure form, although it doesn't mention Cadre.

Ms. Gorelick said the Cadre stake is described in a revised form that will be made public after it has been certified by ethics officials. She said Mr. Kushner has previously discussed his Cadre ownership with the Office of Government Ethics and that Mr. Kushner has "resigned from Cadre's board, assigned his voting rights and reduced his ownership share."

A spokesman for the Office of Government Ethics didn't respond to a request to comment.

Ms. Gorelick said it is "very normal" for a financial-disclosure form to be revised and that the form was prepared by Mr. Kushner's lawyers.

Trevor Potter, a Republican former chairman of the Federal Election Commission, and other ethics experts said investments such as Mr. Kushner's ownership of Cadre typically need to be disclosed. They said Mr. Kushner didn't appear to violate disclosure rules by not publicly reporting his business-related debts and guarantees.

Mr. Kushner is retaining more than 200 other assets, worth a total of at least \$116 million, according to his disclosures. These are mostly apartments and office blocks around the U.S. Like his father-in-law,

A Tech Startup's Major Investors

Jared Kushner co-founded Cadre in 2014 with his brother, Joshua Kushner, and Ryan Williams, a 29-year-old former employee of Kushner Cos., the family-controlled business that Mr. Kushner ran until recently.

To get off the ground, Cadre turned to a Goldman Sachs fund and a number of high-profile investors. Among them were the venture-capital firms of Peter Thiel, Silicon Valley's most prominent Trump supporter, and Vinod Khosla, a co-founder of Sun Microsystems Inc., according to Cadre's website. Personal backers include Chinese entrepreneur David Yu, hedge-fund manager Daniel Och and real-estate magnate Barry Sternlicht, people close to Cadre said.

Cadre also secured a \$250 million line of credit from the family office of George Soros,

a top Democratic donor, the people close to the company said. Mr. Soros's family office is also an investor in Cadre.

The investors declined or didn't respond to requests to comment on their backing of Cadre, but a person familiar with the family office of Mr. Soros said it had invested in early 2015 before Mr. Trump declared his candidacy.

While Mr. Williams acts as the public face of Cadre, Mr. Kushner remains an owner with the power to "influence the management or policies," according to the latest public information on file with the Financial Industry Regulatory Authority. Mr. Kushner's JCK Cadre LLC is shown as owning 25% to 50% of Quadro Partners Inc., which owns at least 75% of RealCadre LLC, which does business as Cadre. He has reduced his ownership stake to less than 25%, his lawyer Jamie Gorelick said.

—Juliet Chung

sues involving the lenders.

"Anything that presents a potential for the conflict of interest should be disclosed so that the public and the press can monitor this," Mr. Potter said.

Ethics experts' concern is that Mr. Kushner's business connections could jeopardize his impartiality in certain areas and that, absent disclosures, the public is in the dark about potential conflicts.

As a senior federal official, he is bound by ethics laws to recuse himself from matters that would directly affect his financial interests.

Ms. Gorelick said Mr. Kushner will "recuse consistent with government ethics rules."

Mr. Kushner agreed with federal ethics officials to divest himself of more than 80 assets after he and his wife, Ivanka Trump, were hired by President Donald Trump as senior aides.

Mr. Kushner is retaining more than 200 other assets, worth a total of at least \$116 million, according to his disclosures. These are mostly apartments and office blocks around the U.S. Like his father-in-law,

he has declined to put these assets in a blind trust. Someone close to Mr. Kushner said there are practical problems that made a blind trust not a realistic option.

CORRECTIONS & AMPLIFICATIONS

Silver Lake Kraftwerk, which is based in Menlo Park, Calif., participated in a new funding round for **Didi Chuxing Technology Co.** A Business & Finance article on Saturday about the Chinese ride-sharing company failed to give the full name of the American firm.

The surname of Frank Lin, an associate professor at Johns Hopkins University, was misspelled as Link in a Life & Arts article Tuesday about hearing aids.

Maria Eugenia Vidal is the first non-Peronist governor of the Argentine province of Buenos Aires since 1987. A World

Fed Check: Looking for Latest Clues

By HARRIET TORRY

Few expect Federal Reserve officials to raise short-term interest rates at the conclusion of their two-day meeting Wednesday. The central bank, which is scheduled to release its policy statement at 2 p.m. EDT, will give an updated picture of recent economic developments, and officials could send signals about where borrowing costs are headed. Here is what to watch for:

Teeing up June

The statement could give hints about the likelihood of a rate increase at the Fed's next meeting, June 13 to 14. Fed officials expect to raise rates two more times this year, and investors see a 66% probability of a move by June. The officials, however, are unlikely to use language that explicitly commits to a timetable.

Federal officials will see two more monthly U.S. employment reports before their June meeting, as well as many other fresh economic data. They are more likely to repeat the approach they took earlier this year. In their Feb. 1 statement, they gave no clues they were considering a rate increase at their next meeting in March. But as that meeting neared, a chorus of senior policy makers signaled they were ready to move, and on March 15 they said they were raising rates.

Economic wobbles

Attention will be paid to Fed officials' assessment of economic data, which has softened lately. Gross domestic product grew at a feeble 0.7% annual rate in the first quarter as consumers reined in spending.

Inflation also ticked lower in March, a potential red flag for policy makers as they assess the economy's ability to withstand higher borrowing costs. The price index for personal-consumption expenditures, the Fed's preferred inflation gauge, declined 0.2% from a month earlier.

Still, the economy has continued to add jobs and consumers remain upbeat. Fed officials could signal whether they view the recent weakness as a blip or a more worrisome slowdown.

The balance sheet

Many market participants will be looking for clues about when the Fed will begin shrinking its roughly \$4.5 trillion portfolio of bonds and other assets. Fed officials agreed at their March policy meeting that they likely would begin shrinking the balance sheet later this year.

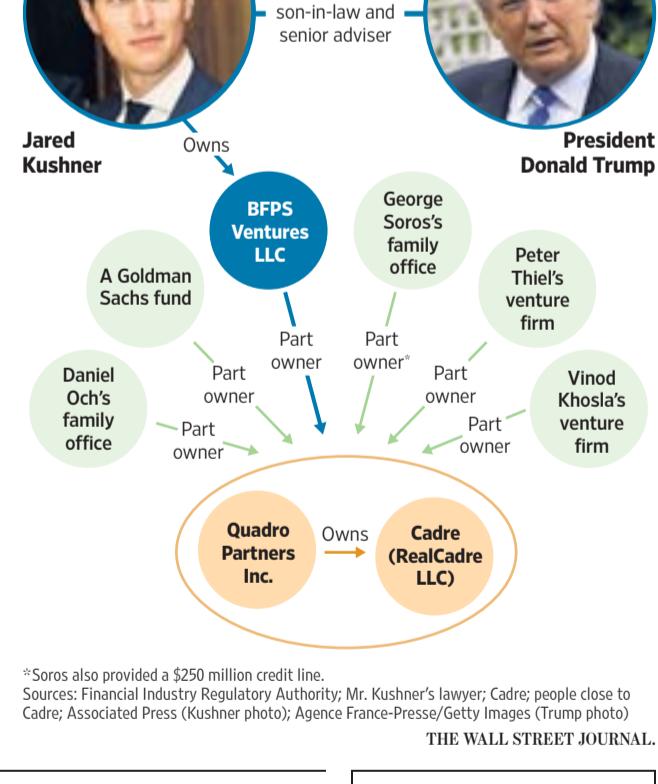
But the Fed may save details of balance-sheet discussions for the minutes of the May meeting.

Global growth

Despite signs economies outside the U.S. are looking stronger, central banks in Europe and Japan appear to be in no hurry to dial back their monetary policy support, given weak inflation. What's more, elections will be held in France and the U.K. in the weeks between the Fed's May and June meetings. The potential outcomes—particularly in the case of a populist victory in the French election—could rewrite the region's political and economic landscape and plunge the continent into an uncertain future.

Cadre's Connections

Jared Kushner, a senior White House official, has a stake in real-estate company Cadre, as do Goldman Sachs and billionaires such as George Soros.



*Soros also provided a \$250 million credit line.

Sources: Financial Industry Regulatory Authority; Mr. Kushner's lawyer; Cadre; people close to Cadre; Associated Press (Kushner photo); Agence France-Presse/Getty Images (Trump photo)

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U.S. NEWS

Public-Private Road Project on the Skids

North Carolina follows national trend with I-77 near Charlotte, but complaints pile up

BY VALERIE BAUERLEIN

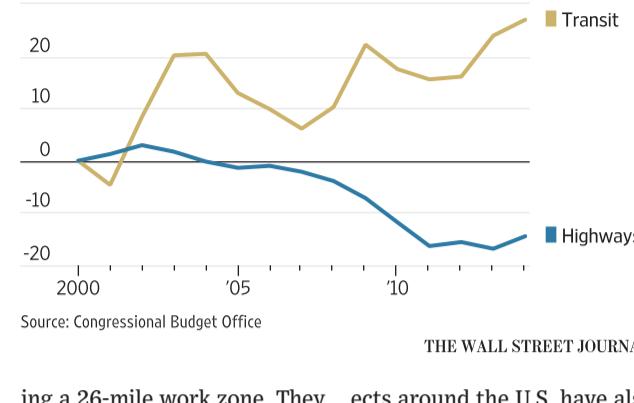
CORNELIUS, N.C.—When North Carolina brought in a private operator to add toll lanes to a 26-mile stretch of highway north of Charlotte, its goal was to reduce congestion and build a road the state couldn't otherwise afford.

The hope was that the state's first public-private partnership for roads would be a model of efficiency and the first of many such projects. But the expansion of Interstate 77 has hit speed bumps, with travel times lengthening and accidents increasing. Now the state is considering paying up to \$300 million to get out of the deal and retake control of the roadway.

Commuters and political observers are saying the state ceded too much control to Cintra, the unit of Spanish infrastructure firm Ferrovial SA that signed the \$650 million contract in 2014. They would have liked work to be done a mile or two at a time rather than nearly all at once, creat-

The Roads Untaken

Change in spending by state and local governments since 2000 for highways and transit



Source: Congressional Budget Office

THE WALL STREET JOURNAL.

ing a 26-mile work zone. They also say the state highway department would have responded better to complaints, like those on Easter weekend, when drivers said they were dodging roadway debris.

The controversy comes as the project's public-private funding model gains momentum, with more than 30 states allowing such partnerships for major road jobs. While the approach can work well, with advocates saying companies are able to complete projects faster than those carried out by local and state governments, several toll-road proj-

ects around the U.S. have also gone bankrupt.

"We've had a sea change, and across the board in every sector we're seeing more of a pivot to public-private partnerships," said Jill Jamieson, an infrastructure finance specialist with real-estate services firm JLL.

There is a multi-trillion dollar need to rebuild the nation's crumbling infrastructure, she said, and it would be impossible without significant help from the private sector.

In North Carolina, Cintra Vice President Patrick Rhode said the company is working

Approach Is Seen As Fast Way to Build

Public-private deals to pay for road projects are popular—and sometimes controversial.

Virginia recently selected Cintra and Meridiam, an independent infrastructure investment firm, to run a \$3 billion project to overhaul Interstate 66 in the Northern Virginia suburbs of Washington, D.C.

The Presidio Parkway in California, a six-lane toll road connecting the city of San Fran-

cisco to the Golden Gate Bridge, is a \$1.1 billion public-private partnership that has won engineering awards for its earthquake-resistant design and preservation of the landscape.

The privately run 495 Express toll lanes in Virginia allow drivers more predictable travel times in the congested suburbs of Washington.

Such partnerships "develop infrastructure more quickly than conventional funding models could provide," said Ned Curran, a toll-lane proponent and former chairman of the North Carolina Department of Transpor-

tation. "We simply don't have enough money to keep up" with population growth and the shift to urban areas.

But some of the public-private toll-road projects have had mixed results. Cintra-led projects in Texas and Indiana have landed in bankruptcy.

A Congressional Budget Office report in 2015 found that the privately run toll projects that failed had commonly overestimated toll revenue, and newer projects are seeking more public money through tax dollars and bonds.

—Valerie Bauerlein

ing a 26-mile work zone. They also say the state highway department would have responded better to complaints, like those on Easter weekend, when drivers said they were dodging roadway debris.

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In North Carolina, Cintra Vice President Patrick Rhode said the company is working

closely with state transportation officials to make sure the work zone is safe. Cintra recently agreed to a state request to make lane shifts more clear by the use of newer, more reflective lane-marking material than the one specified in the contract.

He said the project is getting built in three years, which is half the time that might be expected. He also said the project meets state specifications and safety guidelines.

The I-77 project is set to be done on time in 2018.

State officials say congestion and an increase in crashes

(which are up 45% in the first 15 months) are to be expected during a major road project.

Steve Kite, the state's head of work-zone safety, said he recently inspected the site, finding some areas that needed work but "as a whole, it looks like other work zones."

He noted the project's work zone is unusually long, and much of it is lined with concrete barriers that may contribute to driver apprehension.

Many Nascar stars live on Lake Norman north of Charlotte and haul trailers through the congested work zone. "I

couldn't hate highway 77 be-

tween exit 30-23 any more," Danica Patrick said in a Twitter message in December.

A state review of the project last year said the breakup cost could run from \$82 million to \$300 million. A bipartisan group of legislators came close to breaking the deal last summer, but balked because it risked taking money from other transportation projects.

Newly elected Democratic Gov. Roy Cooper has ordered an outside review of options to change or break the Cintra contract, under which the company has the right to toll revenues through 2058.

Hotel California Inspires a Lawsuit, But Not a Hit Song

Eagles say band never visited Mexico getaway, sue over trademark rights

BY JACOB GERSHMAN

The hotel has been described as a "lovely place" to stay the night. And there is plenty of room—provided you make a reservation weeks in advance.

For years, the Hotel California in the sleepy coastal getaway of Todos Santos, Mexico, has reminded people of the indelible Eagles song that shares its name. And for years, the Eagles have denied that the sunset-hued boutique property has any connection to their 1976 soft-rock hit.

But this week, the Eagles sued the operators of the hotel in Los Angeles federal court, accusing them and others of unlawfully cashing in on their song and infringing on the band's trademark rights.

The hotel leads "U.S. consumers to believe that [it] is associated with the Eagles

and, among other things, served as the inspiration for the lyrics in 'Hotel California,' which is false," states the complaint.

Representatives for Hotel California weren't available to comment on Tuesday.

The hotel's marketing materials are coy about its Eagles ties. "Many visitors are mesmerized by the 'coincidences' between the lyrics of the hit song and the physicality of the hotel and its surroundings," its website says.

But there is also a disclaimer saying its owners don't "have any affiliation with the Eagles, nor do they promote any association."

Hotel California opened in the Baja peninsula in 1950, more than a quarter-century before the Eagles song pervaded pop culture. The suit alleges it was later known as Todos Santos Hotel.

In 2001, a Canadian cou-

ple bought the hotel, remodeled it and resurrected the original Hotel California name.

The lawsuit filed Monday alleges that some hotel guests really believe they are sleeping in music history. "THE Hotel California of Eagles fame," reads one TripAdvisor review cited in an exhibit accompanying the complaint.

"No Eagle has ever set foot in that hotel," the band's manager told The Wall Street Journal in a 2001 interview.

The Todos Santos establishment isn't the only Hotel California in operation. There is a hotel by that name in Santa Monica, Calif., too. But the Eagles don't have trademark rights over hotel names. So they are

basing much of their lawsuit on merchandise sales, alleging the hotel is hawking memorabilia that trades on the song's familiarity.

The band claims rights over merchandise bearing the song title, including T-shirts, posters, bathrobes, key chains, playing cards, mugs, guitar picks and refrigerator magnets.

The lawsuit also alleges

the tune is played throughout the hotel.

The lawsuit comes more than a year after the Mexican hotel sought a "Hotel California" trademark covering jewelry, bedsheets and clothing. Last year, the Eagles objected to the registration in a filing with the U.S. Patent and Trademark Office. Those proceedings are currently on hold.

Ex-Cop Takes a Plea in S.C. Shooting

BY VALERIE BAUERLEIN
AND DEL QUENTIN WILBER

The former North Charleston, S.C., police officer who shot unarmed black motorist Walter Scott has pleaded guilty to violating Mr. Scott's civil rights, a federal crime that could result in a years-long prison sentence.

Michael Slager's plea deal Tuesday in District Court in Charleston, S.C., came a week before a federal trial was to begin. It resolves other charges that were pending in federal and state courts.

State prosecutors had planned to retry Mr. Slager on murder charges after a South Carolina Circuit Court judge declared a mistrial in a five-week state homicide trial in December.

Scarlett Wilson, the state prosecutor who led the homicide case, said the plea deal holds Mr. Slager accountable for Mr. Scott's death and "recognizes the egregious violation of Mr. Scott's civil rights."

U.S. Attorney General Jeff Sessions said in a statement that officers like Mr. Slager who violate civil rights laws "harm our country" by eroding trust in law enforcement.

Mr. Sessions said the Justice Department will work to "ensure that police officers who abuse their sacred trust are made to answer for their misconduct."



Judy Scott, mother of Walter Scott, reacts to former officer Michael Slager's guilty plea.



Michael Slager, the former police officer who shot Walter Scott, reacts to former officer Michael Slager's guilty plea.

Mr. Slager, a white 35-year-old, was charged with violating Mr. Scott's civil rights by fatally shooting him after an April 2015 traffic stop. The shooting was captured on cellphone video, which showed Mr. Slager repeatedly firing his gun at Mr. Scott as he ran away.

Mr. Slager has yet to be sentenced. The maximum penalty he could face is life in prison, and sentencing is typically handed down months after a plea is entered.

Judy Scott, Walter Scott's mother, said she was satisfied with the plea agreement. "Michael Slager admitted what he did, that was enough for me," she said. "Today is a good day for justice."

An attorney for Mr. Slager

couldn't be reached.

The case was an example of how video footage can undermine an officer's account of what happened.

Mr. Slager initially said he was in fear of his life, but the video showed Mr. Slager firing multiple times as Mr. Scott slowly ran away.

It is rare for an officer to be charged with a serious crime in an on-duty shooting, said Philip Stinson, an associate professor of criminal justice at Bowling Green State University in Ohio.

An estimated 1,000 people are killed annually in confrontations with police, according to Mr. Stinson, and 18 officers, including Mr. Slager, were charged with murder or manslaughter in fatal on-duty

shootings in 2015.

It is also rare for officers to be charged with federal civil-rights violations, though the conviction rate for such offenses is high, he said. Of 27 civil-rights cases involving law enforcement officers from 2005-2012, 25 resulted in convictions, he said.

The elements of that crime are much easier to prove than would be murder," he said.

Mr. Scott's family members have worked closely with prosecutors and are credited with helping ensure the protests of Mr. Scott's death were peaceful ones.

The city of North Charleston moved swiftly to fire Mr. Slager after the shootings and reached a \$6.5 million settlement with the Scott family.

MOTHER'S DAY



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U.S. NEWS

Trump Keeps His Allies Off Balance

BY ELI STOKOLS

WASHINGTON—When President Donald Trump tweeted Tuesday urging to shut down the government this fall rather than work with Democrats on the next budget bill, his Republican allies on Capitol Hill were once again caught off guard.

"We either elect more Republican Senators in 2018 or change the rules now to 51%," he tweeted, referring to the voting bloc needed to pass legislation. "Our country needs a good 'shutdown' in September to fix this mess!"

In the afternoon, Senate Majority Leader Mitch McConnell said flatly that Mr.

Trump's suggestion to eliminate the 60-vote threshold to pass bills "will not happen."

Mr. Trump's tweet was just the latest in a flurry of sometimes surprising messages coming from the president: He has given more than 40 interviews in his first 100 days, including a dozen in the Oval Office in the past 10 days. Several of the meetings with reporters were spontaneous, with phone calls from the president himself, or with a top aide whisking reporters into the Oval Office with little advance notice.

The uptick in media engagement stems from Mr. Trump's focus on the first 100 days marker of his young presi-

dency, a White House official acknowledged. But his decision to inject himself directly into the assessments also follows weeks of reports on the internal divide between the "nationalist" and "globalist" wings of his administration.

The president was eager to drown that narrative out with his own voice—to claim victory for early accomplishments, pressure Congress and explain recent position shifts to supporters, the aide said.

Whether it works in Washington, a town that runs on routines, remains to be seen, but it is heightening stress levels on Capitol Hill.

The president's Tuesday tweet urging a shutdown was a

response to Democrats' claiming victory over Planned Parenthood funding and complaints from some conservative media circles that the administration failed to extract funding for the president's proposed border wall in the \$1.1 trillion bipartisan budget agreement, aides said.

It also prompted Budget Director Mick Mulvaney to show up at the White House Press Briefing Room to tamp down the controversy, which he said overshadowed concessions won by GOP lawmakers in the omnibus spending bill.

Privately, GOP members and aides grumbled about the president's at times conflicting comments about the Affordable Care Act repeal bill.

In interviews, Mr. Trump and aides stated that a vote could take place this week, putting pressure on House Speaker Paul Ryan (R., Wis.), who wasn't ready for one.

Some of the meetings with reporters were part of an official "100 Days" media plan. Others took place without the knowledge of press secretary Sean Spicer and his staff.

Mr. Spicer was "livid for days" after learning that one reporter with whom he has a long-running feud had been in the Oval Office interviewing his boss, said one official.

—Byron Tau
and Louise Radnofsky
contributed to this article.

Clinton Faults Self And Others For Loss

BY PETER NICHOLAS

Hillary Clinton took the blame for her election defeat in comments Tuesday but also said sexism, Russian interference and Federal Bureau of Investigation Director James Comey's letter raising 11th-hour questions about her email practices combined to sink her candidacy.

The former first lady and secretary of state described herself to an interviewer at the Women for Women International conference in New York as a "citizen" who is now "part of the resistance" arrayed against President Donald Trump.

Mrs. Clinton took a few swipes at Mr. Trump, who won the Electoral College and the presidency while losing the popular vote. Mrs. Clinton said she appealed to people's emotions during the race but has since struggled to make good on what she cast as unrealistic promises.

In a reference to Mr. Trump's failure to repeal President Barack Obama's Affordable Care Act, Mrs. Clinton said that she, by contrast, "wasn't going to appeal to people's emotions in the same way my opponent did, which I think is frankly what is getting him into all kinds of difficulties now in trying to fulfill those promises he made."

Late Tuesday night, Mr. Trump tweeted twice in an apparent response to Mrs. Clinton's interview. He said on Twitter that Mr. Comey was "the best thing that ever happened to Hillary Clinton in that he gave her a free pass for many bad deeds!"

Mr. Trump continued, "The phony Trump/Russia story was an excuse used by the Democrats as justification for losing the election. Perhaps Trump just ran a great campaign?"

Mr. Trump's tweets amount to a rebuke of the FBI director, who has said his agency is investigating whether the Trump 2016 campaign colluded with Russia to influence the election.

Since the campaign, Mrs. Clinton has been selective in her public appearances. She said she is writing a book that will discuss her ill-fated presidential bid. In a bit of introspection, she said the campaign repeated some of the same mistakes from her unsuccessful 2008 run.

"I take absolute personal responsibility," Mrs. Clinton said. "I was the candidate. I was the person who was on the ballot."

Still, Mrs. Clinton said her campaign was ultimately undone by outside forces. She said she was "on the way to winning" until the campaign was upended by Mr. Comey's actions and other developments she deemed unfair. The FBI declined to comment on Mrs. Clinton's assertion.

Referring to Russian President Vladimir Putin, Mrs. Clinton said he "certainly interfered in our election, and it was clear that he interfered to hurt me and help my opponent." Mr. Putin on Tuesday denied his government meddled in the race.

Heritage Foundation Removes President

BY NICK TIMIRAO AND REID J. EPSTEIN

WASHINGTON—The Heritage Foundation ousted Jim DeMint as its president Tuesday after its board voted unanimously to seek his resignation, ending days of speculation over the former South Carolina senator's fate.

A fight over the direction of Heritage had been building for months. The timing of Mr. DeMint's resignation was nevertheless surprising because Heritage has forged close ties with the White House since President Donald Trump's election last November.

The policy influence Heritage enjoyed during the 1980s, 1990s and early 2000s had been viewed as waning in recent years. The organization regained significant sway in the early weeks of the Trump administration by serving as a shadow personnel agency that vetted appointments, including a list of Supreme Court nominees from which Mr. Trump chose Neil Gorsuch. It also stocked the White House with its own staffers.

Mr. DeMint led Heritage since April 2013, replacing longtime president and Heritage co-founder Ed Feulner, who will serve as an interim leader of the organization while it searches for a permanent successor, said board Chairman Thomas Saunders III in a statement.

Mr. Saunders said Mr. DeMint "and a handful of his closest advisers failed to resolve" a breakdown in communications and other manage-



Heritage Foundation President, former South Carolina Sen. Jim DeMint spoke at the Conservative Political Action Conference in February.

ment problems.

Mr. DeMint said he was proud of what Heritage had accomplished under his leadership. Mr. Saunders's statement, he added, "is puzzling given that the board of trustees has praised our work for four years and approved performance bonuses for the entire management team each year for a job well done."

Heritage officials had leaned on Mr. DeMint to resign over the past week after

the leadership dispute, which pitted one faction loyal to Mr. DeMint against another loyal to Michael Needham, the director of Heritage's lobbying arm, Heritage Action for America, according to people familiar with the inner workings of the foundation.

Heritage's board "had been pleased with many of the things Jim had been doing ... in terms of building a relationship with the Trump administration," said Bill Walton, a

board member, in an interview Tuesday.

"What we came away with was we thought there was significant and worsening management issues, leading to breakdowns in cooperation and communication," Mr. Walton added. "We had too many layers of management."

Mr. Trump's political rise two years ago has been a shocking experience for many establishment conservative groups. Heritage, which long

espoused free trade and concern over deficits and entitlement spending, proved no exception.

Then, when Vice President Mike Pence, a conservative close to Heritage, took control of the Trump transition effort days after the November election, top Heritage officials, including Mr. Feulner, moved quickly to help bolster a thinly staffed transition operation to oversee the handoff between administrations.

Yates to Testify on Warnings Over Flynn

BY DEL QUENTIN WILBER AND ARUNA VISWANATHA

Former Acting Attorney General Sally Yates is expected to testify before Congress next week that she warned White House officials that former national security adviser Michael Flynn wasn't being truthful when he denied having discussed U.S. sanctions with a top Russian diplomat, according to people familiar with her version of events.

The testimony is likely to

contradict White House assertions that Ms. Yates had merely given White House counsel Donald McGahn a "heads up" in a Jan. 26 meeting that Mr. Flynn had misled Vice President Mike Pence about the nature of his conversations with a Russian diplomat.

The vice president had earlier said that Mr. Flynn hadn't discussed sanctions with Russia's ambassador to the U.S. The conversations between Mr. Flynn and Russian Ambassador Sergei Kislyak took place on Dec. 29,

the same day the Obama administration levied sanctions on Moscow for alleged meddling in the U.S. election. The timing of the conversation was coincidental, said Mr. Pence.

In fact, Mr. Flynn discussed sanctions with Mr. Kislyak and misled Mr. Pence about the nature of the conversations, according to U.S. intelligence intercepts of the diplomat's phone calls, former officials have said.

Ms. Yates is expected to testify that she expressed alarm to Mr. McGahn about the conflict

between what transpired in the phone calls and how the White House was describing the conversations, the people said.

The White House has said Mr. McGahn informed President Donald Trump about the issue, and Mr. Trump ultimately asked Mr. Flynn for his resignation.

Ms. Yates couldn't be reached for comment. Russia has denied any election interference, and Mr. Trump has rejected allegations that anyone connected to his campaign coordinated with Russian officials.



Sally Yates has been called to testify at a Monday hearing.

HEALTH

Continued from Page One

tax code.

"If this process is replicated for other bills, it sets a very bad precedent," said Rep. Charlie Dent, a centrist Republican from Pennsylvania opposed to the health-care bill.

GOP leaders have struggled for weeks to craft legislation that strips provisions of the 2010 health-care law aggressively enough to appease conservatives, while maintaining enough patient protections to keep support from centrist Republicans. Defections from both camps forced GOP leaders to pull the bill from the House floor in late March.

Conservatives inside and outside Congress were especially vocal, deriding the earlier GOP bill as "Obamacare-lite" and an abandonment of years of Republican promises, attracting the public ire of fellow Republican, President Donald Trump, when the bill collapsed.

Rep. Tom MacArthur (R., N.J.) then won over conservatives by introducing an amendment to let states opt out of

parts of the law. It would allow insurers in states that get waivers to charge higher premiums to people with pre-existing health conditions who let their coverage lapse.

The House Freedom Caucus, a group of about three dozen conservatives, endorsed the revised bill last week, saying it could help lower premium costs.

"The speaker said we moved the ball down the field, and it was good policy," said Rep. Dave Brat (R., Va.), a Freedom Caucus member.

The amendment sparked a debate beyond the Capitol. In an emotional speech Monday night, ABC talk-show host Jimmy Kimmel grew tearful speaking about his infant son, born days earlier with a congenital heart defect. Clips of his remarks in favor of protections for patients with pre-existing conditions went viral, retweeted by former President Barack Obama, a Democrat, among others.

Concern over the bill's effect on costs for sicker people weighs particularly heavily on centrist Republicans, many of whom represent districts won by Hillary Clinton in 2016.

Republican leaders' first effort to overturn the Affordable Care Act faced opposition from both wings of the party. A revised version won over most conservatives, but many centrists remain unmoved.

Where House GOP lawmakers opposed to the health-care bill align politically, by one measure of ideological position

Previous version of the bill

• • • • • • • • • • • • • • • • •

median

Latest version

• • • • • • • • • • • • • • •

median

Least conservative ← → Most conservative

Note: Based on Keith Poole and Howard Rosenthal's weekly Common Space DW-Nominate scores, a measure of ideology using roll call votes throughout each individual's congressional career, through 2016. Excludes two freshmen for whom scores haven't been calculated.

Sources: Voteview.com (ideology); staff reports (opposition)

Randy Yeip/THE WALL STREET JOURNAL

Democrats said Republicans would struggle to coalesce behind a health-care bill, no matter which faction they sought to please first.

"They don't have any guiding, unifying principle when it comes to health care," Rep. Luis Gutierrez (D., Ill.) said.

Mr. Trump and his aides

have been hoping for a speedy approval. "I think it's time now, right?" the president said Tuesday at a White House event.

In midterm congressional elections, the president's party often loses seats, and moderate Republicans are especially vulnerable. They face a tricky landscape, potentially risking a

GOP primary rival if they oppose the health bill and a Democratic opponent if they support it.

Those considering statewide races, like Mr. Upton, may face similar perils. Mr. Upton told Michigan radio station WHTC on Tuesday he couldn't support the Republican bill in its current form.

"I've supported the practice of not allowing pre-existing illnesses to be discriminated against from the very get-go," Mr. Upton said. "This amendment torpedoes that, and I told leadership that I cannot support this bill with this provision in it."

Mr. Upton's opposition is a significant blow to House Speaker Paul Ryan (R., Wis.) and other Republican leaders, because the Michigan lawmaker was one of the main authors of previous bills that would repeal the health law. He served on the task force that helped craft Mr. Ryan's health plan last year and has been a strong proponent of toppling the law.

House GOP leaders launched this week an effort to sway reluctant centrists by assuring them the Senate would signifi-

cantly change the bill, beefing up money for a program that helps people with high medical costs get insurance and restoring some of the bill's steep cuts to Medicaid.

But centrists said it didn't make sense for them to take a potentially career-ending vote on a bill that might not be passed by the Senate, which has 52 Republicans. If the Senate does pass the measure, it is likely to amend it significantly to address the concerns of centrists in that body—and that version, in turn, could be rejected by conservatives back in the House.

That prompted centrists to question the strategy of appeasing House conservatives who, they say, aren't likely to back the bill's final form. "Trying to placate the hard right and get these bills out of the House, knowing they have an uncertain fate in the Senate, just further exposes members in marginal districts politically because we know darn well the bill on the rebound from the Senate won't satisfy those on the hard right," Mr. Dent said.

—Michelle Hackman
and Louise Radnofsky
contributed to this article.

WORLD NEWS

Greek Deal Opens Path to Debt Talks

Agreement frees money for bond redemptions; Tsipras seeks restructuring

By NEKTARIA STAMOULI

ATHENS—Prime Minister Alexis Tsipras, fresh from sealing a deal to keep the country's bailout on track, now has his sights on a bigger prize: a restructuring of Greece's crushing €315 billion debt that will lure back international investors and revive its economy.

Since Greece's first bailout in May 2010, its economy has been in nearly constant decline, having shrunk more than 25% in seven years under the pressure of €70 billion of spending cuts and tax increases demanded by international creditors.

Tuesday's agreement, which followed months of brinkmanship over how much new austerity Greece is willing to accept to keep its €86 billion (\$93.74 billion) bailout on track, will release a payment of around €7 billion. Without it, Greece would be insolvent by July.

A restructuring and a return to the capital markets could mark a turning point. Years of thorny negotiations have exacted an enormous social and economic toll and threatened a crash out of the euro, a potential earthquake for the common currency.

But Greece must first win the support of a German government wary of conceding too much ahead of national elections in September.

"It is now for all partners to reach an understanding on the question of Greece's debt in the coming weeks," said Pierre Moscovici, the EU's economics commissioner. "With this agreement, we need now to write a new story of stability, jobs and growth for Greece and for the euro area as a whole."

Pressure has been rising on



Protesters chant slogans in front of Parliament in a May Day demonstration in Athens on Monday.

The Long-Running Greek Debt Saga

May 2, 2010 Eurozone and IMF agree to a €110 billion, three-year loan package.

Oct. 26, 2011 European leaders and international banks agree on a 53.5% Greek bond write-down, eventually applied to around €200 billion of bonds.

Feb. 21, 2012 Eurozone finance ministers approve Greece's second bailout program, comprising

€173 billion of European and IMF loans.

June 17 Greece elects a new government led by conservative Antonis Samaras.

Jan. 25, 2015 Syriza wins snap elections. New Prime Minister Alexis Tsipras challenges the austerity demanded by creditors.

July 5, 2015 More than 61% of Greeks reject a package of austerity measures demanded by the eurozone and IMF.

August Greek Parliament ap-

proves the pension overhauls and sales-tax increases voters rejected in July referendum.

Sept. 20 Mr. Tsipras wins snap elections that were a referendum on the bailout deal.

May 25, 2016 European creditors and IMF strike deal to release €10.3 billion in bailout cash.

May 2, 2017 Greece and creditors agree on the main points of a deal to release a payment the country needs to pay creditors in July.

—Staff reports

Athens as politicians in Europe try to avoid making unpopular concessions on Greece's debt. Tuesday's deal, which requires pension cuts and a broadening of the tax base, will go to the Greek Parliament in mid-May, government spokesman Dimitris Tzanakopoulos said.

It would require the support of the German government, which indicated the agreement is important but not yet sufficient for Berlin to agree on debt-relief measures.

"The agreement between Greece and the institutions on further reform measures is an important step forward," the

German Finance Ministry said. It stressed that the second review on the bailout program isn't yet complete.

The deal could ease another headache for the EU. It comes as confidence in the bloc is slowly returning, as nationalist movements threatening the prospects of the eurozone appear to be receding and as the region's economy recovers after a long and painful downturn.

The agreement sets the conditions for talks, possibly by the end of May, with creditors on a deal to lengthen the maturity and lower payments on Greece's debt.

If the debt becomes more sustainable, the European Central Bank could decide to include Greece in its bond-buying program, effectively clearing the way for Athens to return to capital markets for financing.

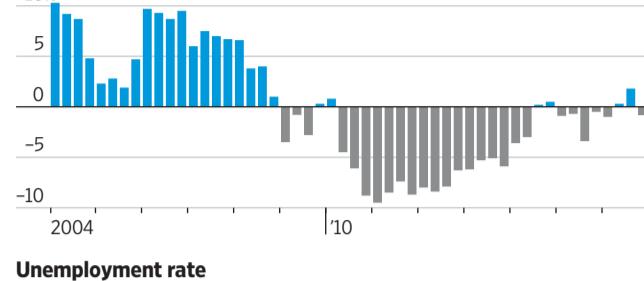
It has been shut out of international bond markets since 2010, except for a brief window in 2014. Other EU countries that needed bailouts, such as Ireland, Portugal and Cyprus, have long since returned to capital markets.

At least one local businessman was pleased with the deal. "Our clients abroad became nervous again" in recent

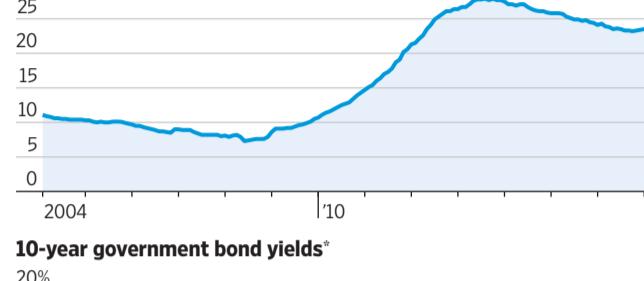
Healing Greece's Battered Economy

Tuesday's bailout deal could lure international investors back to Greece and support a gradual economic recovery.

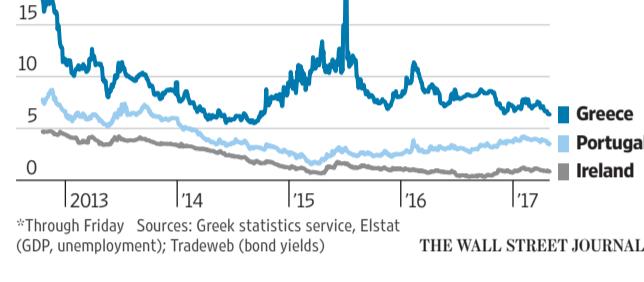
GDP, change from a year earlier



Unemployment rate



10-year government bond yields*



*Through Friday. Sources: Greek statistics service, Elstat (GDP, unemployment); Tradeweb (bond yields)

THE WALL STREET JOURNAL.

forming loans, which make up 45% of all lending.

Bankers say interest from foreign investors could return now. Distressed-debt investors are eyeing packages of bad loans, while there has been interest in real estate, whose prices are down by as much as half since the start of the crisis.

"The Greek economy is close to bottom, if not [at] bottom, and will turn around," says John Koudounis, a leading investor in Greek-American consortium EXIN, one of two front-runners to buy a majority stake in a large insurance fund.



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Ryan Phillippe,
Hidden Heroes Ambassador

WORLD NEWS

Putin, Trump Discuss Syria Crisis

BY CAROL E. LEE
AND NATHAN HODGE

President Donald Trump and Russian President Vladimir Putin spoke by phone on Tuesday about resolving the conflict in Syria, in their first conversation since American airstrikes targeted the Assad regime in retaliation for an alleged chemical-weapons attack.

The Kremlin described the conversation as "businesslike and constructive," while the White House issued a statement saying the two leaders agreed that "the suffering in Syria has gone on for far too long and that all parties must do all they can to end the violence."

Messrs. Trump and Putin discussed the creation of "interim stability zones" in Syria as a step toward peace and are to provide humanitarian relief for Syrians who have been in the crossfire of the conflict for some six years, the White House said. The U.S. also committed to sending a representative to talks this week in Kazakhstan about a cease-fire agreement.

"It was a very constructive call that the two presidents had," Secretary of State Rex Tillerson said as he went into a meeting with Saudi Arabia's Foreign Minister Adel al-Jubeir at the State Department.

Mr. Tillerson said, without elaborating, that it was "very fulsome" and included "a lot of detailed exchanges."

"So we'll see where we go from here," he said.

The phone conversation lasted about 30 minutes and was initiated by Mr. Putin, according to a U.S. official briefed on the call. The official said there was no breakthrough during the call, and the Trump administration is uncertain if Moscow is serious about resolving the Syrian conflict.

The call took place several



Syrian civil defense workers on April 4 helped a man in the town of Maarat al-Numan, after a suspected toxic gas strike in Khan Sheikhoun.

weeks after Mr. Trump described relations between Washington and Moscow as reaching an all-time low.

Messrs. Trump and Putin also discussed how to resolve the threat of North Korea's nuclear and ballistic-missile development programs, both governments said, describing tensions on the peninsula as "dangerous."

Mr. Trump took office amid high hopes in Moscow that a new U.S. administration would move swiftly to repair relations and lift sanctions imposed after Russia's annexation of the Black Sea peninsula of Crimea in 2014.

But tensions between the two leaders have been mounting since Mr. Trump took of-

fice—over Russia's continued intervention in Ukraine, allegations of Moscow's interference in the U.S. election last year and Mr. Trump's embrace of the North Atlantic Treaty Organization.

Mr. Putin, speaking earlier in the day after meeting with German Chancellor Angela Merkel in Sochi, repeated his position that Russia didn't meddle in the politics of other countries, dismissing allegations of interference in the U.S. election as "simply rumors."

U.S.-Russian tensions nearly boiled over last month after the U.S. accused the regime of Syrian President Bashar al-Assad of launching a chemical weapons attack on an opposition-held town.

Russia denied the Assad regime was behind the attack. U.S. officials suggested Russia may have known in advance of the regime carrying it out.

Mr. Trump responded by ordering missile strikes on a Syrian airfield.

Mr. Trump has been exploring the option of creating unofficial safe zones in Syria, dubbed "interim de-escalation areas" by some U.S. officials, along the Turkey and Jordan borders. The Pentagon has long opposed the idea of creating formal safe zones in Syria, arguing doing so is costly and requires significant military commitments.

The idea of unofficial safe zones, however, has gained some traction and is sup-

ported by U.S. allies such as Turkish President Recep Tayyip Erdogan. The U.S. and Turkey have differed over other aspects of strategy in Syria, notably how to launch an offensive to retake the Raqqah area from Islamic State.

Syria policy also has been a major sticking point in U.S.-Russia relations. The Kremlin said Monday that the U.S. and Russian presidents agreed to push forward on a Syria peace process and consolidate a cease-fire. The White House said the U.S. would send a representative to Russian-backed cease-fire talks in Astana, Kazakhstan this week; the Trump administration largely sat out the Astana talks when they began in January.

EU Won't Retaliate Over U.S. Visa Policy

BY VALENTINA POP

BRUSSELS—The European Union won't impose visas on American travelers in retaliation for the U.S. continuing to exclude five EU countries from its no-visa regime, the bloc's executive branch said Tuesday.

Imposing visas, as requested by the European Parliament in March, would be "counterproductive" and would scuttle diplomatic efforts with the Trump administration to expand the Visa Waiver Program, said European migration commissioner Dimitris Avramopoulos.

EU lawmakers in March made a nonbinding request for the European Commission to retaliate after a deadline expired last year for bringing Poland, Croatia, Romania, Bulgaria and Cyprus within the U.S. visa-free travel regime.

"The EU will always choose engagement, commitment and patient diplomacy over any form of unilateral retaliation—because this is in the mutual interest of both EU citizens, as well as the citizens of the U.S. in this case," Mr. Avramopoulos said.

He noted similar diplomatic efforts with Canada had yielded results. As of Monday,

Visas are required for visitors from Poland, Croatia, Romania, Bulgaria and Cyprus.

Canada lifted its visa requirements for Bulgarian and Romanian citizens who held a Canadian visa in the past 10 years and plans to lift all visa restrictions for these countries on Dec. 1.

"We have been working hard in the past months with the five affected member states and our U.S. counterparts to launch a more result-oriented process, which would bring those member states closer to meet all U.S. Visa Waiver Program requirements," Mr. Avramopoulos said. The commission will report back on where things stand in December, he added.

Under EU visa-reciprocity rules, countries allowed visa-free travel to the EU must reciprocate the no-visa regime to all EU countries.

However, the U.S. Visa Waiver program is based on a country-by-country analysis of several criteria ranging from security to visa overstays.

The five newest EU members didn't make the cut, mainly due to an above-average rate of people overstaying or being denied visas.

Canada had also refused to include Romania and Bulgaria in its visa-free travel program, but that changed as part of negotiations on an EU-Canada free-trade deal last year.

Australia and Japan, as well as Brunei, which also required visas from some EU countries, have also granted visa-free travel to all EU citizens over the past two years.

Le Pen Takes Up Rival's Words in Campaign

BY MAX COLCHESTER
AND STACY MEICHTRY

PARIS—Marine Le Pen's efforts to broaden her voter base took an unusual turn when the far-right candidate's campaign admitted she lifted sections of a speech mainstream conservative François Fillon delivered before getting knocked out of the race.

In kicking off the final week of her presidential campaign before a packed convention center Monday, Ms. Le Pen had used a "beautiful passage" from an address Mr. Fillon delivered in mid-April, her campaign manager David Rachline said Tuesday.

"I totally admit to this wink," Ms. Le Pen told French TV on Tuesday. "We and the voters of François Fillon, it's true, have the same vision of France."

An official of Mr. Fillon's party, Les Républicains, said the use of the former candidate's words without attribution was an "outrageous attempt to steal our voters."

The borrowed verbiage was a measure of how Ms. Le Pen is straining to broaden her appeal beyond the National Front's anti-immigrant base as she seeks to narrow the gap with Emmanuel Macron, the pro-Europe candidate who polls say is



Marine Le Pen, the National Front candidate for the 2017 presidential election, speaking during an interview in Paris on Tuesday.

ahead of her by 60% to 40%.

Mr. Fillon was narrowly beaten in the first round of voting after he was forced to apologize for a public expense scandal involving his wife and children.

Still, he managed to garner 20% of the first-round vote by running as a law-and-order candidate unafeared to publicly embrace his Roman Catholicism in a country where the separation of church and state is strictly enforced. That made Mr. Fillon popular with voters who view the country's Christian heritage as a bulwark of national identity, buffeted by waves of migrants from the Middle East and terror attacks that have killed more than 200

people in recent years.

At the same time, Mr. Fillon's pro-Europe stance made him a more moderate choice for voters nervous about Ms. Le Pen's proposals to resurrect France's borders with its European Union neighbors and ditch the bloc's common currency.

Mr. Fillon's following is particularly strong among practicing Catholics, who account for about 15% of France's voting base, said Jérôme Fourquet, director of polling firm IFOP. In last month's first round, Mr. Fillon was backed by 44% of the voters who attend Catholic Mass at least once a month, far surpassing Mr. Macron and Ms. Le Pen, who each garnered 16%

percent of those voters, according to a Harris Interactive poll.

Mr. Fillon's first-round loss has left many of his supporters in a bind. He has pledged to vote for Mr. Macron to block Ms. Le Pen's path to power. But some voters who rallied behind Mr. Fillon, in part for his opposition to France's legalization of gay marriage in 2012, are finding it hard to cast votes for the socially liberal Mr. Macron.

"They don't want to back the National Front, but they don't agree with Mr. Macron," says Mr. Fourquet.

The challenges of channeling Mr. Fillon were on full display this week. In the original speech, Mr. Fillon called on France to forge a national identity that rejects totalitarianism and materialism.

"France, I've said, is one history, one geography, but it's also a sum of values and principles transmitted from generation to generation like passwords," Mr. Fillon said. "In the end, it's a unique voice directed at all peoples of the universe."

On Monday, Ms. Le Pen struck a similar note. "France, it's also a sum of values and principles transmitted from generation to generation, like passwords," she said, adding: "It's also an extraordinary, unique voice that speaks to all peoples of the universe."

◆ **Macron and the future of French capitalism..... B1**

for Apple in the quarter as sales of the company's new MacBook propelled a 14% increase in revenue to \$5.84 billion.

The iPad, however, the company's third-largest product by sales, recorded another decline in unit shipments, extending its long downturn. Shipments declined 13% to 8.9 million units despite Apple spending an estimated \$28.7 million on a national TV advertising campaign during the quarter, according to advertising agency iSpot.tv.

Mr. Cook told analysts that iPad results exceeded expectations and said the product gained market share in several markets, including the U.S. and Japan.

Apple's services business—which includes the App Store and its music and payment services—delivered another strong quarter of double-digit growth, rising to \$7.04 billion

from nearly \$6 billion a year earlier.

The services business has accelerated as the total number of people with iPhones has soared to more than 600 million, according to analysts. Those users increasingly download apps, games and pay for subscriptions on those devices, and Apple retains as much as 30% of what they spend.

On a per-share basis, earnings in the latest quarter totaled \$2.10. Analysts surveyed by Thomson Reuters expected earnings of \$2.02 a share and \$52.97 billion in revenue for the quarter.

For the current quarter, Apple expects revenue of \$43.5 billion to \$45.5 billion. It also projected gross margin, a closely watched measure of profitability reflecting the percentage of revenue that remains after manufacturing costs, of 37.5% to 38.5%.

APPLE

Continued from Page One

March 2019. It had previously promised \$250 billion by 2018.

Apple's cash hoard has soared behind the iPhone, which has sold more than 1 billion units since its introduction a decade ago. The product accounts for 91% of smartphone profits world-wide and remains popular among users because of its proprietary mix of hardware and software.

The current flagship model, the iPhone 7, has helped Apple keep its position at the top of the smartphone market despite criticism from some reviewers saying it offered only incremental improvements over its predecessors. The average selling price of the iPhone overall rose to nearly \$655 from about \$641 a year ago.

In an interview, Chief Exec-

utive Tim Cook said sales of the larger iPhone 7 Plus increased significantly in the latest quarter and noted that its higher price of \$769, about \$100 more than the iPhone 7, helped boost average selling price.

However, Mr. Cook also said that anticipation of the next iPhone—which Apple hasn't publicly discussed—is hurting current sales.

"We're seeing what we believe to be a pause in purchases on iPhone, which we believe are due to the earlier and much more frequent reports about future iPhones," Mr. Cook told analysts. Apple also said unit shipments in the latest quarter fell because of a decrease in inventories.

Apple's shares fell 1.9% in after-hours trading after finishing up 0.6% on Tuesday. The stock has soared to record highs this year behind investors' expectations for increased capital returns and

optimism that the 10th-anniversary iPhone will build on Apple's renewed momentum.

The much-anticipated 10th-anniversary device is ex-

pected to feature an upgraded display, wireless charging and augmented reality, according

to analysts, who are projecting double-digit sales increases in the next fiscal year.

"Right now, it's really about the upcoming iPhone cycle and how that plays out towards the year's end," said Brian Fox, senior vice president at Boston-based Standard Life Investments, which counts Apple among its \$350

billion in assets.

Apple has been losing market share in recent years to a wave of less-expensive Chinese brands such as Huawei and Oppo. It also faces pressure from Samsung Electronics Co., which released a Galaxy S8 last month with a display and form some critics favored over the iPhone.

Apple's sales in Greater China fell 14% to \$10.73 billion in the quarter. Sales have declined from a year earlier for five straight quarters in the region, which includes Hong Kong and Taiwan. Many Chinese consumers are holding on to their iPhones longer, awaiting a new handset with different features and a new look.

"They're not abandoning" Apple, said Ben Bajarin, an analyst with the technology firm Creative Strategies. "They're just waiting for a product to splurge on."

The Mac was a bright spot

HOW AMAZON WEB SERVICES KEEPS THEIR CUSTOMERS FLYING HIGH.



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WORLD NEWS

Trump's Tax Plan Spurs Concern in China

Beijing worries big corporate cuts will prompt switching of investments to U.S.

BY TREFOR MOSS

SHANGHAI—President Donald Trump's plan to slash business taxes is having a domino effect on China, a major American economic competitor.

Like Mr. Trump, many Chinese executives say corporate taxes are too high, with some calling them the "death tax."

"We pay a lot to feed the civil servants," said Zhou Dewen, director of the Zhejiang Private Investment Enterprise Association, a business lobbying group.

China has tried for years to reduce business costs. Now, Chinese officials and executives worry that the tax proposal Mr. Trump announced last week will set back China's global competitiveness and spur companies to invest in America instead of China.

In anticipation of the U.S. tax move, the State Council, China's cabinet, said in April that the government would reduce corporate taxes by more than \$55 billion to "improve business conditions." The Communist Party's newspaper, People's

Rival Rates

U.S. companies face a heavy burden when it comes to corporate income tax...

| U.S. | 35.0% |
|---------------|-------|
| India | 34.6 |
| Japan | 30.9 |
| Germany | 29.7 |
| China | 25.0 |
| Indonesia | 25.0 |
| South Korea | 24.2 |
| Vietnam | 22.0 |
| Thailand | 20.0 |
| Hong Kong | 16.5 |
| World average | 23.6 |

...but companies in China pay more when all forms of business tax are factored in*.

| China | 68.0% |
|---------------|-------|
| India | 60.6 |
| Germany | 48.9 |
| Japan | 48.9 |
| U.S. | 44.0 |
| Vietnam | 39.4 |
| South Korea | 33.1 |
| Thailand | 32.6 |
| Indonesia | 30.6 |
| Hong Kong | 22.9 |
| World average | 40.6 |

*Before deductions

Note: As a proportion of company profits, based on data for 2016 or the most recent available

Sources: World Bank; KPMG

THE WALL STREET JOURNAL.

Daily, warned Friday that the new U.S. plan could trigger a "tax war" if countries start competing to offer the lowest rates.

Despite China's reputation as an export and manufacturing juggernaut, rising labor and land costs and slowing economic growth are eroding its edge. Officials and businesses see lowering taxes as key to countering that trend.

"China is losing its competitive advantage," said Liu Huan, a professor at the Central University of Finance and Econom-

ics and an adviser to the State Council. "There is no dispute now that Chinese companies' tax burdens are relatively large."

While U.S. companies pay a higher national income-tax rate—35%, compared with 25% in China—Chinese companies face a welter of other taxes and fees their U.S. counterparts don't. And while Chinese firms don't pay state taxes, as U.S. companies do, Chinese employers pay far higher payroll taxes. Welfare and social-insurance taxes cost between 40% and



JOSHUA A. BICKEL FOR THE WALL STREET JOURNAL

An assembly line operates at a Fuyao Glass plant in Moraine, Ohio.

100% of a paycheck in China.

World Bank figures for 2016 show that total tax burden on Chinese businesses are among the highest of major economies: 68% of profit, compared with 44% in the U.S. and 40.6% on average world-wide.

In practice, tax experts say, Chinese companies typically pay taxes on about 40% to 50% of their profit. Tax experts say the average U.S. rate after deductions is lower than that, and will fall even further if Mr. Trump fulfills his aim of more

than halving the income-tax rate to 15%.

Many Chinese companies also use government incentives to limit their outlays, tax experts say. Some, especially state-owned enterprises, further benefit from easy access to cheap capital, a subsidy that helps offset tax demands.

But Beijing is even squeezing state companies as economic growth and tax revenue slow. With costs rising and profit margins shrinking, companies complain that a high tax bur-

den is harder to bear.

Chinese auto-glass maker Fuyao Glass Industry Group recently crystallized the concerns of some businesses and officials. In an interview late last year with China Business News, its chairman, Cho Tak Wong, cited excessive taxation as a reason for investing \$1 billion to revive a former General Motors factory in Moraine, Ohio, rather than start a new plant in China. Mr. Cho and Fuyao didn't respond to requests to comment.

Beijing officials say Fuyao's American gambit could be just the beginning if U.S. tax rates drop drastically. Mr. Liu, the tax-policy expert, said Beijing is serious about lowering taxes, but changes take time—and it needs the revenue.

For China's legions of smaller manufacturers, Mr. Cho's blunt comments about excessive taxation were a welcome intervention.

The overall tax burden "is a crisis for enterprises," said Mr. Zhou of the Zhejiang private business association, which represents more than 100 private companies in eastern China. "I've heard a lot of complaints from small to medium-size enterprises. It's really very difficult for them to survive."

—Liyan Qi in Beijing contributed to this article.

Branstad Promises to Press Beijing

BY FELICIA SCHWARTZ

WASHINGTON—President Donald Trump's pick to be ambassador to China pledged to confront Beijing on trade issues, North Korea's nuclear program and human rights as he faced a mostly congenial Senate panel that sought assurances about the Trump administration's foreign policy.

The confirmation hearing for Republican Iowa Gov. Terry Branstad took place Tuesday amid the Trump administration's heightened focus on North Korea's nuclear and missile programs.

Mr. Branstad, who is expected to win confirmation, said he would urge China to do more "diplomatically and economically to send a clear signal that they, as well as the United States and other countries in the world, do not tolerate this expansion of nuclear technology and missiles by the North Korean leadership."

WORLD WATCH

SCOTLAND

Gas Leak Suspected At Ineos Refinery

Firefighters were called to the scene of a suspected gas leak at a refinery run by London-based petrochemical manufacturer Ineos Group.

The Scottish Fire and Rescue Service was investigating the suspected leak at the Grangemouth petrochemical plant, located in central Scotland about 30 minutes from the capital, Edinburgh.

Local news media reported the area around the plant was evacuated. According to officials, there were no reports of injured people and no fire at the plant.

The company confirmed via Twitter that "an incident has occurred" at its Grangemouth plant but released no further details.

—Neanda Salvaterra

EUROZONE

Joblessness Decline Slowed in March

The decline in the number of people without jobs across the eurozone was the smallest in almost a year during March, a development that is likely to inspire caution among policy makers at the European Central Bank.

The number of unemployed workers fell by just 5,000 during the month, the smallest decline since a 3,000 drop in April 2016, the European Union's statistics agency said on Tuesday.

The drop left the unemployment rate unchanged at 9.5%, down from 10.2% a year earlier, but more than twice the U.S. equivalent.

—Paul Hannon

North Korea Protests U.S. Bomber Flyover

BY JONATHAN CHENG

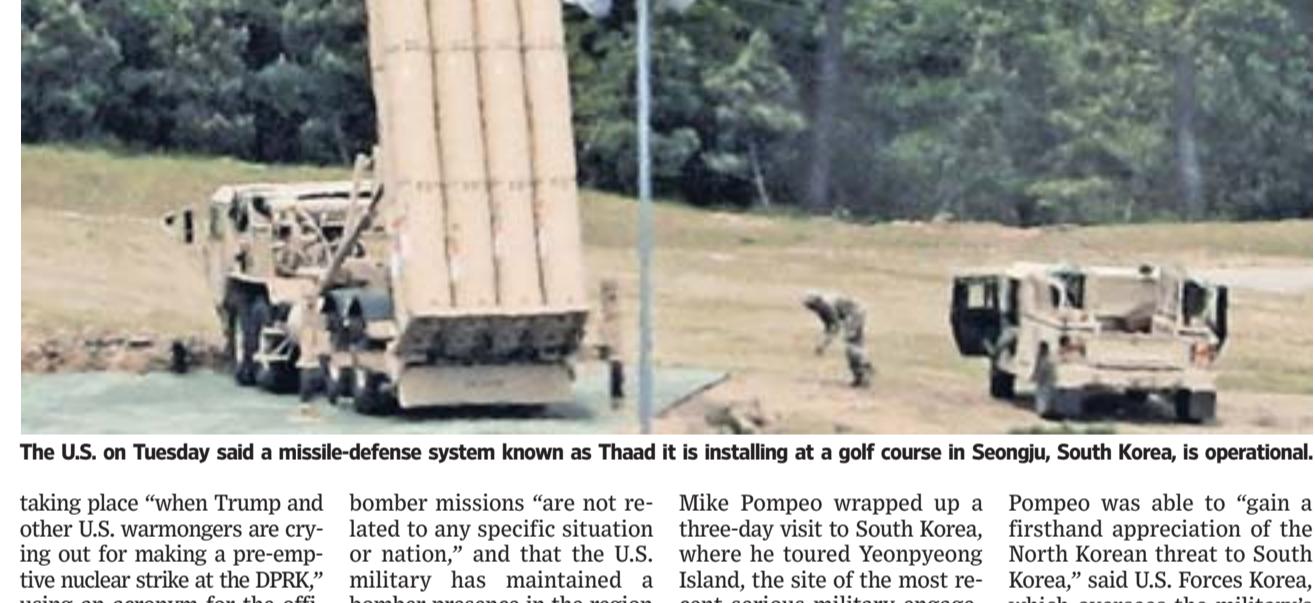
SEOUL—North Korea complained about a flyover of a pair of U.S. supersonic bombers, as the Central Intelligence Agency's director wrapped up a three-day visit to South Korea and the U.S. declared a missile-defense system that it is installing in South Korea operational.

The flurry of activity on the Korean Peninsula underscores President Donald Trump's continuing focus on North Korea as he seeks a way to contain the threat from Pyongyang's nuclear and missile programs.

Tuesday's developments came a day after Mr. Trump said he would be "honored" to meet with North Korean leader Kim Jong Un.

On Monday, the U.S. Air Force flew two B-1B Lancer supersonic bombers over the Korean Peninsula with the South Korean air force, said Lt. Col. Lori Hodge, a spokeswoman for the U.S. Pacific Air Force Command.

North Korea's state media lashed out on Tuesday at the flight, complaining that it was



The U.S. on Tuesday said a missile-defense system known as Thaad it is installing at a golf course in Seongju, South Korea, is operational.

taking place "when Trump and other U.S. warmongers are crying out for making a pre-emptive nuclear strike at the DPRK," using an acronym for the official name, the Democratic People's Republic of Korea.

Col. Hodge said that the

bomber missions "are not related to any specific situation or nation," and that the U.S. military has maintained a bomber presence in the region since 2004.

The exchange over the flyover came as CIA Director

Mike Pompeo wrapped up a three-day visit to South Korea, where he toured Yeonpyeong Island, the site of the most recent serious military engagement between the two Koreas, in November 2010.

During the visit, Mr.

Pompeo was able to "gain a firsthand appreciation of the North Korean threat to South Korea," said U.S. Forces Korea, which oversees the military's combat forces in South Korea.

—Gordon Lubold contributed to this article.

Saudi Prince Defends Renewal of State Perks

By Summer Said in Dubai and Margherita Stancati in Riyadh

Saudi Arabia's powerful deputy crown prince defended a decision to reverse a contentious government austerity program by reinstating perks for state employees, but cautioned more belt-tightening could follow if oil prices dropped.

By Summer Said in Dubai and Margherita Stancati in Riyadh

ing and to fundamentally rethink the country's economic model. The austerity measures have cut the kingdom's budget deficit to around \$79 billion last year from a record \$98 billion the previous year.

But in a country where citizens have long benefited from

generous government spending, the transition has been painful. In recent weeks, many Saudis turned to social media to air their discontent. Then, in a surprise U-turn, the government late last month restored bonus payments and allowances for public-sector employees.



Prince Mohammed in the interview ruled out that the benefits were reinstated because of popular pressure. "The decision to stop them was temporary," he said. "It was reviewed after the economic performance improved."

The International Monetary Fund said in a report that the sharing of oil wealth through government jobs and lavish subsidies is no longer sustainable for Saudi Arabia and its neighbors in the Middle East.

"There is a need to reduce the dependence on oil and generate private-sector jobs for the rapidly growing labor force," the IMF said in its latest outlook report for the Middle East, North Africa, Afghanistan and Pakistan.

The IMF expects Saudi Arabia's economy to grow 0.4% this year down from 1.4% last year. In Saudi Arabia, oil income still contributes to more than 60% of government revenue.

Central to the success of the kingdom's economic transformation is the initial public offering of as much as 5% of Aramco, the state-owned oil giant formally known as Saudi Arabian Oil Co. The proceeds of that share sale, planned for next year, will be transferred to the kingdom's sovereign-wealth fund so that it can build a war chest for investments in nonoil sectors at home and abroad.

Prince Mohammed said the fund will invest at least 50% of the money it receives from the Aramco IPO inside the kingdom, in sectors including mining, defense and car manufacturing. He estimated domestic investments will total around 500 billion riyals (\$133 billion) in the first three years after the Aramco IPO.

Currently, about 90% of Aramco's profit goes to the state, people familiar with the country's finances said. The rest gets reinvested in the company.

Palestinians Call for Unity After Hamas Revises Principles

BY RORY JONES

TEL AVIV—Palestinian officials in the West Bank urged Hamas to take concrete steps to reconcile with the Palestinian Authority, a day after the Islamist movement issued a revised set of principles in which it dropped its longstanding call for the destruction of Israel.

In a six-page document issued just days before Mahmoud Abbas, head of the Palestinian Authority, is to meet with President Donald Trump at the White House, Hamas also approved the establishment of a

Palestinian state based on pre-1967 borders, aligning it with the Palestinian Authority's longstanding position.

In bridging some differences with the Authority, the document "takes away this Israeli accusation that Palestinians are divided," a Palestinian official said in Ramallah, the Authority's governing seat.

"It's a good step. It's whether they will implement it or not."

The document, unveiled Monday in the Qatari capital Doha, allows Mr. Abbas to display a united Palestinian front when he meets the U.S. presi-

dent, Palestinian officials said.

Israel has highlighted the division between Hamas and the Palestinian Authority as proof that it doesn't have a Palestinian partner for peace. Hamas rules the Gaza Strip while the Palestinian Authority, which is dominated by Mr. Abbas's more-secular Fatah movement, governs the West Bank.

Israel rejected suggestions that the document, a supplement to the group's 1988 charter, was anything more than a rhetorical makeover that disguised the determination of Hamas to annihilate Israel.

"They dig terror tunnels and have launched thousands upon thousands of missiles at Israeli civilians," said David Keyes, a spokesman for Prime Minister Benjamin Netanyahu.

"This is the real Hamas."

Daniel Shapiro, who served as U.S. ambassador to Israel during the Obama administration, suggested that nothing essential about Hamas had changed.

Israel rejected suggestions that the document, a supplement to the group's 1988 charter, was anything more than a rhetorical makeover that disguised the determination of Hamas to annihilate Israel.

"It may serve some purpose on the Palestinian or Arab side,

but it isn't fooling anyone on the Israeli or American side," said Mr. Shapiro, now a senior fellow at Tel Aviv's Institute for National Security Studies.

Arab nations and Turkey were likely to withhold comment until after the White House meeting between Mr. Trump and Mr. Abbas, the Palestinian official said.

In recent weeks, Mr. Abbas has put financial pressure on Hamas in an apparent attempt to show Mr. Trump he understands the importance of bringing unity to Palestinian government and politics.

IN DEPTH

DRUGS

Continued from Page One
strikes young boys, a shame campaign from congressional lawmakers in both parties and then a surprise deal by Marathon to sell the treatment to another company.

Marathon has no other revenue-generating products and is looking to sell its other drug assets, two people familiar with the matter said.

Mr. Aronin declined to comment. Marathon spokeswoman Wanda D. Moebius said in an email that the Northbrook, Ill., company is "proud of our success in securing FDA approval for Emflaza," the drug's new brand name. "We will continue to manage the legacy matters of Marathon Pharmaceuticals."

Analysts expect new owner PTC Therapeutics Inc. to charge less than Marathon had planned but far more than deflazacort's price in foreign countries, where it is approved for other conditions but not muscular dystrophy.

PTC will announce its price and launch plans next week, said Jane Baj, a spokeswoman.

Similar strategy

It's too soon to tell if Marathon's fast retreat damaged the long-term viability of the business model of sharply raising the prices of drugs. Other companies that have used a similar strategy include Valeant Pharmaceuticals International Inc. and Horizon Pharma PLC.

Mr. Aronin, 49 years old, has defended Marathon's pricing for deflazacort, partly by noting that Marathon had to conduct more than a dozen small studies to test the drug's safety and absorption in the body. The company has declined to say how much it spent.

According to Marathon, getting the drug approved in the U.S. helped patients because otherwise insurers wouldn't pay for deflazacort. The drug isn't a cure but helps improve muscle strength, the FDA said.

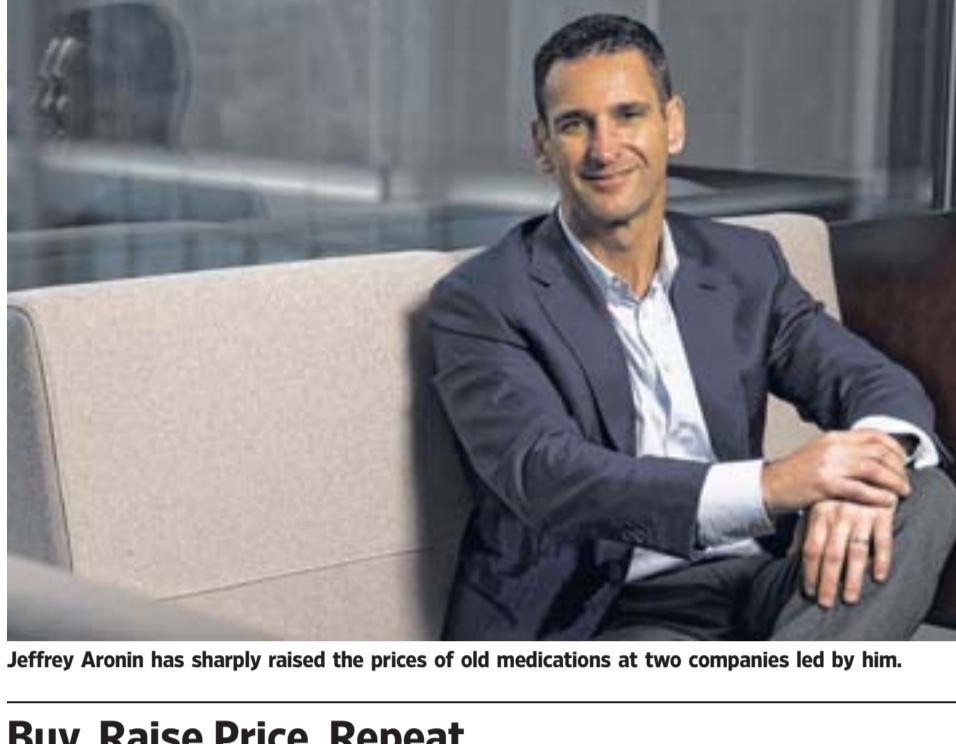
"Jeff truly sees himself as bringing innovative treatments to patients," said a person who has worked with Mr. Aronin. Mr. Aronin is chairman and chief executive and owns a large stake in the company.

For years, big price increases for niche drugs often got little attention, says Richard Evans, founder of SSR LLC, an investment research firm in Stamford, Conn. One reason is that the market for those drugs is small compared with those of blockbusters produced by pharmaceutical giants.

As companies got more aggressive, though, insurers grew resistant and sometimes refused to pay the sharply higher prices. The practice also prompted congressional investigations and hearings into companies such as Valeant and Turing Pharmaceuticals LLC.

"Once they started doing it routinely, it started getting attention, and the rest is history," says Mr. Evans, a former drug-industry executive.

Mr. Aronin, the owner of an \$11 million mansion in the Chicago suburb of Highland Park,



ANDREW A. NELLES/TNS/ZUMA PRESS

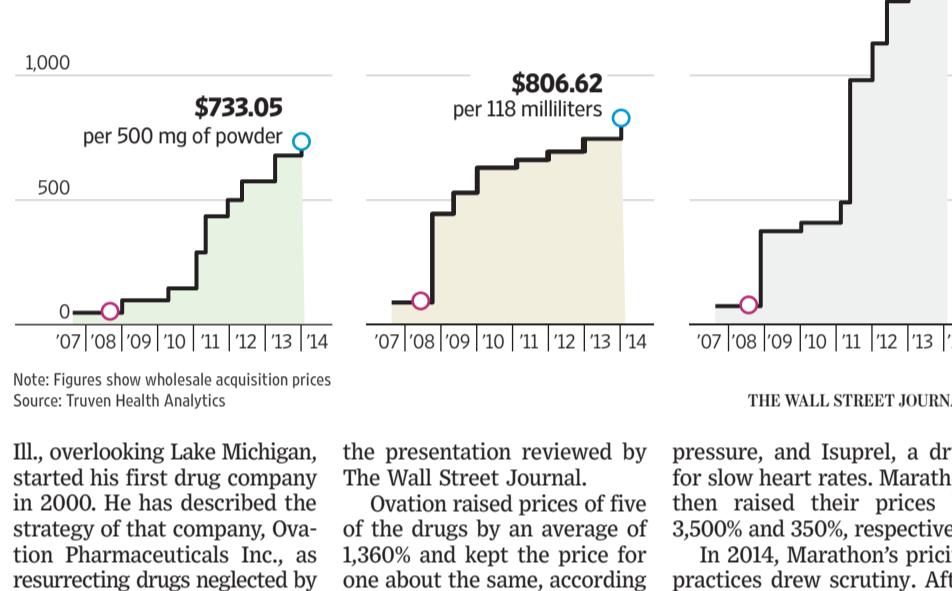
Jeffrey Aronin has sharply raised the prices of old medications at two companies led by him.

Buy, Raise Price, Repeat

Marathon Pharmaceuticals began acquiring older prescription drugs in 2008 and moved quickly to raise their prices before selling them to Valeant Pharmaceuticals.

○ Price when bought by Marathon Pharmaceuticals

○ Price when sold by Marathon Pharmaceuticals



THE WALL STREET JOURNAL.

III, overlooking Lake Michigan, started his first drug company in 2000. He has described the strategy of that company, Ovation Pharmaceuticals Inc., as resurrecting drugs neglected by bigger companies.

"If some of these products were with Big Pharma they would probably sit on a shelf," Mr. Aronin told the Chicago Tribune in 2002.

Ovation was open about boosting prices. As Ovation was in the process of buying six drugs from Merck & Co., Ovation looked for a partner to market outside the U.S.

In a presentation shown to potential partners, Ovation said it acquired a rare-disease drug from Abbott Laboratories in 2003 and then "immediately repriced the product from \$289/vial to \$1,950/vial" in the U.S. In about two years, Ovation upped the price of another Abbott drug, the barbiturate Nembutal, from about \$18 a vial to \$133 a vial.

The presentation showed that Ovation planned to increase U.S. prices on the drugs being acquired from Merck by an average of about 500%. Such drugs presented a "high margin business opportunity," partly because they were "under-priced," according to a copy of

Mr. Aronin began working at Marathon in 2012, according to his LinkedIn profile, which calls him the company's founder.

In 2013, Marathon bought two injectable drugs from Hospira Inc.: Nitropress, a treatment for extremely high blood

pressure, and Isuprel, a drug for slow heart rates. Marathon then raised their prices by 3,500% and 350%, respectively.

In 2014, Marathon's pricing practices drew scrutiny. After receiving complaints, staff members for Rep. Elijah Cummings (D, Md.) started looking into the price increases on Nitropress and Isuprel.

Marathon's drugs became part of a broader investigation

the presentation reviewed by The Wall Street Journal.

Ovation raised prices of five of the drugs by an average of 1,360% and kept the price for one about the same, according to data from Truven Health Analytics, part of International Business Machines Corp. Abbott declined to comment.

In 2009, Ovation sold itself for \$900 million to H. Lundbeck A/S. Mr. Aronin got about \$60 million, based on his stake of about 7%, according to a person familiar with the matter. A private-equity firm owned most of the rest of Ovation.

Marathon was established in 2008 and had offices in Deerfield, Ill., according to an archived version of the company's website. Marathon was led by Robert S. Altman, listed as the company's founder. He couldn't be reached.

That year, Marathon bought two barbiturates and a diarrhea medication and soon raised their prices twofold to fivefold, according to data from Truven.

Mr. Aronin began working at Marathon in 2012, according to his LinkedIn profile, which calls him the company's founder.

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pressure, and Isuprel, a drug for slow heart rates. Marathon then raised their prices by 3,500% and 350%, respectively.

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Marathon's drugs became part of a broader investigation

by Mr. Cummings and Sen. Bernie Sanders, a Vermont independent. Mr. Aronin refused to provide much of the information requested by congressional investigators, according to two people familiar with the matter.

Mr. Aronin declined to attend a hearing organized by Messrs. Cummings and Sanders, citing travel outside the U.S., said a spokeswoman for Sen. Dick Durbin (D, Ill.). Mr. Aronin's absence was noted with an empty chair and a placard.

Lawmakers from both parties questioned whether Marathon took advantage of a special FDA approval program for rare-disease drugs. The program grants seven years of market exclusivity before generics can be approved.

ard with his name on it.

According to a transcript of the hearing, Mr. Cummings criticized Mr. Aronin for significantly raising the price at Ovation for a heart drug that treats premature babies. "Today, Mr. Aronin is CEO of a new company called Marathon Pharmaceuticals, and they apparently use the same business model," Mr. Cummings said.

Marathon's chief executive was shaken by having his name called out at the hearing, according to a person familiar with the matter. He soon said privately that he planned to sell the heart drugs.

In February 2015, Valeant paid \$350 million to acquire the two heart drugs and five other drugs from Marathon. Valeant raised prices on the heart drugs threefold and six-fold the same day.

Valeant declined to comment. After criticism, Valeant said last year it wouldn't raise the prices further and would offer rebates to hospitals.

Marathon began pursuing deflazacort as a Duchenne treatment in 2013. Some people who worked with Mr. Aronin said the move made perfect sense given Mr. Aronin's previous success. Other people were surprised that Mr. Aronin decided to pursue the controversial strategy again, especially given how he reacted to criticism about the heart drugs.

The company didn't do the late-stage clinical trials needed to win FDA approval to market deflazacort. That step is often cited by companies as a justification for their prices.

Instead, Marathon paid universities, researchers and the Muscular Dystrophy Association to license data from studies in Duchenne patients in the 1990s, according to interviews with the researchers.

The day that the FDA approved deflazacort for sale in the U.S., Marathon announced it would charge 70 times more than what many families had been paying to buy the drug from the U.K. A similar generic drug sold by several companies in the U.S. typically costs less than \$10 a month, but some doctors think it has more side effects than deflazacort.

Some Duchenne families were pleased that Mr. Aronin had made it far easier to get deflazacort but were horrified at the steep cost.

"Jeff Aronin is a terrific guy, but it's hard to put yourself in the shoes of these families,"

said Pat Furlong, president of a Duchenne foundation. Her two sons died of the disease. "Maybe they came in using a model that they used sometime back and were successful with, and said: 'This will work again.'"

Messrs. Cummings and Sanders sent Mr. Aronin a letter requesting details on the price and urging him to lower it. Sen. Tom Cotton (R, Ark.) called Marathon's pricing "nothing short of outrageous."

Lawmakers from both parties questioned whether Marathon took advantage of a special FDA approval program for rare-disease drugs. The program grants seven years of market exclusivity before generics can be approved.

Rep. Robert Aderholt (R, Ala.), chairman of a House subcommittee that oversees funding of the FDA, said Marathon's price increase might be a sign that companies "have found a way to game the system."

An FDA spokeswoman declined to comment on Marathon but said the agency is reviewing its processes for identifying so-called orphan drugs to make sure the program "is functioning in the most efficient way possible."

Researchers who sold their data to Marathon also were shocked. "We did not know that the price would be sky-high," said Robert C. Griggs, a neurologist at the University of Rochester School of Medicine and Dentistry.

An open letter

Four days after Marathon announced the \$89,000-a-year price, the company posted on its website a 1,000-word "open letter" to the Duchenne community" from Mr. Aronin.

"We hear and understand your concerns around the price," Mr. Aronin wrote. He said Marathon was "pausing our commercialization efforts in order to meet with Duchenne community leaders and explain our commercialization plans, review their concerns, discuss all options, and move forward with commercialization based on the resulting plan of action."

Ms. Furlong read the letter aloud at a meeting of Duchenne parents, who had gathered to meet with lawmakers and advocate for research and new drugs. Catherine Collins, a parent, said Marathon's pricing was "predatory" and "gross."

The backlash kept growing. The Pharmaceutical Research and Manufacturers Association, a trade group, said Marathon's actions were "not consistent with the mission of our organization." Marathon resigned from the group in April.

Mr. Aronin's brother, Greg Aronin, a former Johnson & Johnson lobbyist hired by Marathon, defended the company in meetings with congressional staff members. His trip to Mr. Aderholt's office "did not go well," said a person familiar with the matter.

Staffers for Sen. Charles Grassley (R, Iowa) asked Marathon for published studies comparing Emflaza to cheaper steroids, but "that hasn't come in," said a spokeswoman for Mr. Grassley.

Marathon soon began talks with PTC to sell Emflaza, according to Shane Kovacs, PTC's chief financial officer. When the sale was announced in March, Mr. Aronin said in another open letter that the deal was "the best path forward."

According to people familiar with the matter, Mr. Aronin seemed to have concluded that the negative publicity was insurmountable. He decided to sell despite reservations from a Marathon executive who favored trying to ride out the controversy.

The Emflaza sale was completed in April. Marathon got \$140 million in cash and stock, plus more than 20% of the drug's future sales and a potential \$50 million payment.

won't yet say from whom—about an alleged wannabe barber pole outside Cuts on Main. Ms. Lounder wasn't in the shop when the inspector, who drove a government car and carried a state-issued photo ID, arrived, but a hairstylist in Ms. Lounder's salon was.

The inspector noted a strip of the external bricks painted red, white and blue, likely left by the previous tenant who was a barber, and left a "shop inspection form" that accused Ms. Lounder of running afoul of an obligation to "advertise or solicit clients in the proper manner as required."

"Barber pole must be painted over or covered as there are no barbers here," the inspector wrote on the form, which also assessed Ms. Lounder a fine that totaled \$3.

At an April meeting, the board denied Ms. Lounder's request to drop the matter. "Although it is not a barber pole in the traditional sense, the Board voted it is misleading and violates Bar 302.05 (n)," Kathryn Wantuck, the board's executive director, wrote Ms. Lounder on April 11. The board plans to discuss Ms. Lounder's case again at its May 8 meeting.

Ms. Lounder is considering whether to face a fine of up to \$500 and the possible loss of her license, or repaint. "I don't want to do it," she said. "It's the principle."

SALONS

Continued from Page One
does not have a symbol so now they've now they've encroached on ours. They're trying to be something they're not."

State regulations often delineate hairdressers from barbers, and the two fields undergo different training.

Barbers generally have more leeway with razors—rules that can make it harder for hairstylists to "clean up the fuzzy little neck hairs," said Sandra Mullins, president of the Association of Cosmetology Salon Professionals, a national group for the hairdressing camp.

Barbers, meanwhile, can have less freedom to do perms, Ms. Patton said. (Hairdressers and cosmetologists outnumber the nation's 59,200 barbers 10 to 1, according to federal data.)

Barbers say the pole is rooted to a time when barbers also yanked teeth and did blood letting. The red stripe represents blood, the white symbolizes bandages, and the blue, according to some barber historians, is for veins.

Hairdressers see this as hair splitting. "It's silly," Ms. Mullins said.

The snippy back-and-forth comes as old-school short haircuts, popularized in shows like



Sarah Lounder (left) poses next to the offending paint outside her salon, Cuts on Main, in Winchester, N.H. Ms. Lounder was fined \$3 for appropriating a barber pole. At right, poles line the wall at the William Marvy Co. in St. Paul, Minn., a leading pole manufacturer.

ROBERT PATTON/SPURRIUL



JOHN ANTE/THE PIONEER PRESS/ASSOCIATED PRESS

"Nobody is going to jump up and say I'll have a cream soda and a haircut," he said.

The main tipsters to this regulatory violation of unsanctioned barber poles are barbers, said Ed Highley, executive director of the Ohio State Barber Board. "The general public is not going to call and say, 'Hey, this salon is flying a barber pole,'" he said.

In New Hampshire, Ms. Lounder, a licensed cosmetologist, said things got hairy on Feb. 3 when an inspector from the state Board of Barbering, Cosmetology & Esthetics arrived unannounced. The board had dispatched the inspector after receiving a complaint—it

worked there, but the owner still had a depiction of a barber pole painted in her window.

That, according to Mr. Barcelona, violated Arizona Administrative Code R4-5-305 (c), or the unlawful display of a barber pole, or its "likeness," without a licensed barber on duty.

The proprietor, who said she wasn't aware of the rules, is being given a chance to comply, he said. If she doesn't, she could be cited under the statute.

Fines can range from \$50 to \$500 per incident.

The pole politics don't apply to say, a restaurant that might want to throw up a barber pole for decoration, because that use isn't confusing anyone.

GREATER NEW YORK

School Officials Propose New Standards

Changes to New York's guidelines refine parts of Common Core that were vague, confusing

BY LESLIE BRODY

New York education officials proposed changes Tuesday to the standards for what public-school children should learn in math and English, pitching them as substantive revisions to the Common Core.

State Education Commissioner MaryEllen Elia said the new standards would maintain rigor while adding clarity and cutting redundancy. Some changes are minor, while oth-

ers move units of study to different grade levels.

The draft emphasizes reading a balance of nonfiction and literature, after some teachers argued the Common Core put too much focus on informational texts, such as manuals.

The Common Core, adopted by New York in 2010, spells out what skills children should learn in each grade. Several teachers said their work in classrooms wouldn't change dramatically, but the new guidelines refined standards that often were vague or confusing.

The commissioner said a state task force would continue to discuss ways to ensure that schools meet the social and emotional needs of

students in prekindergarten through second grade, and recognize the value of play.

Some critics of the Common Core have said its academic expectations aren't appropriate for young children. The proposal adds standards tied to learning how to tell time and understand money in early grades as well.

The revisions aim to address the controversy about the Common Core. More than 40 states adopted the standards in an effort to have more consistent and internationally competitive expectations for U.S. students, but some critics called those standards too prescriptive. Many educators embraced them but called their rollout flawed.

In New York, many teachers complained that students faced tougher tests tied to the Common Core in 2013 before schools had enough time and resources to adjust. In 2015, after about one in five students boycotted state exams in grades three through eight, New York became one of many states that announced it would draft revisions.

Ms. Elia said teachers played key roles in a lengthy effort to get public input. "Teachers are professionals, they didn't want to have something done to them," she said. "More people are feeling like they are part of what's happening."

New York State United Teachers praised the reliance

on educators in an "open, transparent process" and the extended period for public comments, through June 2. The commissioner said she expects the state Board of Regents to approve the proposed standards at its meeting next month.

High Achievement New York, a coalition of parents and community groups backing the Common Core, said the draft kept rigorous standards alive.

"This revision appears to rightly put more emphasis on the importance of grade-level reading, a critical component of success for every student, that was removed in the initial draft," the coalition said in a news release,

Kathleen Scholand, a math

teacher at Mattituck-Cutchogue Union Free School District on Long Island, said in one of the significant changes, some elements of statistics were moved from sixth grade to seventh, and others from seventh to sixth.

A member of the state committee reviewing math standards, Ms. Scholand said that in general, teachers will see the new expectations as similar to the current ones, "but they definitely get to know that every single standard was picked apart and discussed, sometimes for hours."

The state commissioner said teachers would get training to understand the new standards, and state tests will be revised to reflect them.

Port Makes Way For Huge Ships as Project Nears End

BY PAUL BERGER

Supersize container ships could begin calling at the port of New York and New Jersey by July, six months earlier than expected following the completion of a delayed \$1.6 billion project to raise the roadway of the Bayonne Bridge.

New Jersey Gov. Chris Christie, who made the bridge-raising project a priority of his administration, announced the sped up timetable Tuesday morning standing on the docks of Maher Terminals in Elizabeth.

Calling the project "truly an engineering marvel," Mr. Christie, a Republican, said raising the bridge span to 215 feet from 151 feet—while keeping the roadway open to traffic—would be a boon to the region's economy and consumers.

The Bayonne Bridge spans the Kill Van Kull, a winding tidal strait between Staten Island and New Jersey that ships must navigate to reach the region's largest container terminals at Newark and Elizabeth.

The Port Authority of New York and New Jersey was supposed to complete the project in time for an influx of supersize container ships following the opening of the newly widened Panama Canal last summer.

But in 2015, the agency pushed its estimated completion date to late 2017, citing

harsh weather conditions and engineering difficulties.

The agency opened the new elevated roadway in February and is in the process of dismantling the original span. Mr. Christie said the port will be accessible to the larger class of ships by June 30.

Raising the roadway is the final element of a massive program to prepare the port for changes in shipping following the widening of the Panama Canal.

The bridge project's delay increased the cost by more than 20%, to \$1.6 billion from \$1.3 billion. Moreover, the Port Authority and the federal government have spent \$2.1 billion dredging the harbor to create a 50-foot navigational channel for the larger vessels.

Terminal operators have spent billions of dollars more outfitting docks with larger cranes and other specialized equipment.

In the short term, it may mean fewer ships calling at the port carrying more than twice as many containers as the largest ships that docked in the past.

Molly Campbell, director of port commerce at the Port Authority, said she would have a better sense of the impact of the improvements by the third or fourth quarter of this year. Even so, she called the project "a game changer."

Ms. Campbell said bigger

JULIO CORTEZ/ASSOCIATED PRESS



Gov. Chris Christie, right, and others at Maher Terminals in Elizabeth on Tuesday. A ship passed under the Bayonne Bridge in 2010.

ships carrying a larger volume of goods would allow shippers to lower their costs and deliver goods to consumers faster.

John Nardi, president of the New York Shipping Association, said: "While we do not expect an initial windfall of additional cargo, we do believe that the lower costs and other benefits of the larger vessels will result in an incremental increase in cargo and will also keep the port and [our] members competitive for the future."

The Port Authority will continue building out the Bayonne Bridge's upper roadway through 2019. When it is complete it will have four 12-foot-wide lanes and a shared-use bike and pedestrian walkway.



Le Coucou Takes Top Beard Award

BY CHARLES PASSY

Le Coucou, a French dining spot that opened last year in Manhattan, was crowned the best new restaurant in the U.S. by the James Beard Foundation Awards.

The awards, held Monday in Chicago, are widely considered the food world's equivalent of the Oscars. Le Coucou, owned and founded by Philadelphia-based restaurateur Stephen Starr, bested four other nominated establishments, including two in San Francisco, one in Washington, D.C., and closer to home, one in Brooklyn.

Almost immediately after it opened in SoHo, Le Coucou, run by chef Daniel Rose, received critical acclaim for its traditional approach. The dining

website Eater praised it as "the beating, albeit transplanted, heart of grand old French cuisine in New York right now."

Restaurant-industry insiders say the Beard recognition is proof that Mr. Starr is fully enmeshed in New York City's dining scene. "It gives him enormous credibility," said Stephen Zagor, a dean at New York's Institute of Culinary Education.

Mr. Starr, who is 59 years old, also was recognized by the Beard Awards as the U.S.'s top restaurateur. He said the honors would inspire him to do better. "The bar has been raised."

The Beard Awards, which take the name of the American culinary pioneer, also recognized Marco Canora of the East Village's Hearth restaurant as the city's top chef.



ANDREW LAMBERTSON FOR THE WALL STREET JOURNAL

Chef Daniel Rose, left, and Beverage Director Aaron Thorp at Le Coucou, which took a top restaurant honor at the Beard Awards.

Man Accused of Sex Abuse At Foster Home Acquitted

BY JOSEPH DE AVILA

A jury in New York on Tuesday acquitted a Long Island man who was accused of sexually abusing foster children for nearly two decades.

The Suffolk County jury cleared Cesar Gonzales-Mugaburu, 60 years old, on all 17 charges, which included predatory sexual assault of a minor and criminal sexual acts.

His attorney, Donald Mates, said his client was relieved by the verdict.

"We knew this was coming because you can't prove something that didn't happen," Mr. Mates said. "The case was never there."

During a five-week trial, Suf-

folk County prosecutors alleged Mr. Gonzales-Mugaburu sexually abused six boys from 1996 to 2015 in a therapeutic foster home he operated for children who had intellectual disabilities or psychiatric issues. All six testified against him.

During the trial, prosecutors described Mr. Gonzales-Mugaburu as a predator who would punish his victims. The six who took the stand corroborated each other's testimony, according to prosecutors.

The jury deliberated for seven days before returning the not-guilty verdict.

"We are extremely disappointed," said Suffolk County District Attorney Thomas Spota.

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GREATER NEW YORK



A concession on a NYC Ferry boat that started transporting commuters this week. The stands offer beer and wine, among other things.

METRO MONEY | By Anne Kadet

Ride and Imbibe on the Ferry

Good news about the new commuter ferries launching this week in New York City: Drinking on the boats—be it caffeine or booze—isn’t just allowed, but encouraged. Finally, New Yorkers can catch a buzz on their way to work without stopping at a bodega.

Most commuters likely will welcome the onboard concessions offering drinks such as cold-brew coffee and Brooklyn Brewery Pilsner on tap, in addition to snacks, gifts and convenience items.

But for NYC Ferry, the company running the 20-boat operation for the city, the concessions will be an important piece of the financial puzzle.

Paul Lambson, who bears the hopeful title “Head of Customer Success” for NYC Ferry, says the concessions should boost rider frequency.

The concessions themselves will be under pressure to turn a nice profit.

NYC Ferry will charge passengers \$2.75 a trip—the same as a subway fare. This doesn’t even begin to cover expenses, so the city is contributing another \$30 million a year in operating subsidies. But even this arrangement assumes NYC Ferry will earn additional revenue—it won’t say how much—from concessions to be profitable.

NYC Ferry paired up with its concession partner New Stand, a New York City-based mini chain of newsstands so newfangled they don’t even carry newspapers. “They’re the cool guys,” Mr. Lambson says.

Whether they can turn a ferry concession into a big moneymaker is another question.

Aboard the Staten Island Ferry, meanwhile, “BIG AZ”



cheeseburgers and “Hot ‘n’ Ready” breakfast sandwiches bake under a heat lamp. There’s a \$3 nacho platter with orange cheese. The most expensive menu items are the \$7, 24-ounce cans of Heineken.

Eat-A-Bagel Ferry LLC, which runs the Staten Island Ferry concessions, says it’s a good business: The company says it sells about 300,000

coffees and 200,000 beers annually, which sounds like a lot until you compare it with the system’s 23 million annual passenger trips.

The Staten Island Ferry concessions are meant to serve more as a passenger amenity than a big revenue generator, says a Transportation Department spokesman.

Last week I got a sneak peek at two of the new ferries in the Brooklyn Navy Yard, where crews were busy assembling the stands. Unlike the Staten Island Ferry concessions, these kiosks are huge relative to the size of the boats. Given the short duration of some routes the design is maximized for speed. Coffee is self-serve; cold items wait in an open case for easy grabbing.

The profit margin on packaged snacks and drinks is small for the retail world, says New Stand co-founder and chief executive Andrew Deitchman—between 30% and 40%. The real money it seems could come from sales of “discoverables.” Mr. Deitchman hopes well-heeled commuters will happily drop \$5.50 on greeting cards or an \$189 Polaroid camera.

And while the execs say their merchandise reflects street pricing rather than airport pricing, the assortment itself tends toward the high end. A 12-ounce cup of coffee, for instance, costs \$3. The lip balm is a \$4 tube.

There’s no nacho platter. But if that’s what it takes to stay afloat, bring it on, I say. God forbid we go five minutes without a cup of coffee!

anne.kadet@wsj.com

OUT TODAY
alex

**NYC'S
HIGH-FLYING
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**THE
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3NYP101

Unlocking Minds Of the Mentally Ill

By CORINNE RAMEY

Elizabeth Ford has spent her career working with some of the most complicated patients in New York City: People in jail with serious mental illnesses.

The 44-year-old began working at New York City’s Bellevue Hospital as a psychiatry intern in 2000, and in 2009 became director of its Division of Forensic Psychiatry. Today, Dr. Ford is chief of psychiatry at NYC Health + Hospitals’ Correctional Health Services.

Her memoir, “Sometimes Amazing Things Happen: Heartbreak and Hope on the Bellevue Hospital Psychiatric Prison Ward,” was published last month. Here are edited excerpts from an interview with Dr. Ford.

Q: Why write this book?

A: I was really struggling with the disconnect between my experience and what seemed to be the public perception. I’m hoping that talking about people with mental illnesses in the criminal-justice system in a way that humanizes them can lead to creative ideas that will help guide the treatment of these patients.

Q: Who were your patients?

A: The patients who come to Bellevue are men who have either been arrested by the police and not yet booked into custody or are incarcerated in the New York City jail system. They’re either at risk of hurting themselves or have tried to kill themselves, or they are dangerous to others.

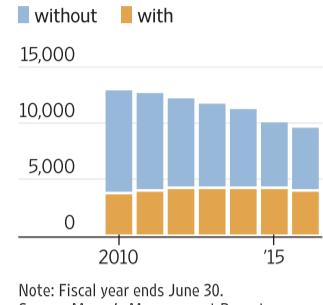
The vast majority had diagnoses like schizophrenia and bipolar disorder.

Q: Any patients that have stuck with you?

A: There was a man with schizophrenia who kept getting arrested. He would get better on medication but only when the judge forced him to take it. It took a couple of years for him to even agree to take the medicine

Troubled Behind Bars

Average number of inmates in New York City jails with and without a mental-health diagnosis



Note: Fiscal year ends June 30.
Source: Mayor’s Management Report
THE WALL STREET JOURNAL

that I recommended for him.

He left, and I ran into him on the street years later. He had just had a baby girl and had a place to live. I thought, ‘This is why I do this work.’

Q: Did you ever feel like you had failed them?

A: There was a patient who had been cutting himself with pieces of tile. He was bullying and victimizing some of the other patients, and the staff were frustrated. I tried to be the person who was going to listen to him.

He would scream at me. He wouldn’t get out of his bed and would call me all sorts of names. I thought in my head, ‘I’m just going to send you back. Whatever happens, I cannot deal with you any more.’ That is the patient interaction I regret more than any other in my entire career.

Q: What does success look like when you’re treating these patients? In the book, when they leave Bellevue and board the bus to Rikers Island it doesn’t always feel like they are headed to a place that’s good for them.

A: It’s important to be broad in your definition of what success is in this work. For me, success is having a patient sit down with me and speak honestly. Sometimes it’s treating the illness quite well.



Elizabeth Ford, chief of psychiatry at NYC Health + Hospitals’ Correctional Health Services. Her memoir was just published.

GREATER NEW YORK WATCH

BROOKLYN

MTA Conductor Shot Dead After Her Shift

An off-duty Metropolitan Transportation Authority conductor was fatally shot in the head Monday night, a New York Police Department official said.

Jacqueline Dicks, 41 years old, had just completed her shift and was walking home in uniform with a man in East New York after 11 p.m. but they separated at some point, the official said.

Ms. Dicks was steps away from her home on Elton Street when three men in dark-colored clothing ran up to her, fired a single shot to her head and ran off, the official said. There were no arrests as of Tuesday evening.

—Zolan Kanno-Youngs

NEW YORK CITY SCHOOLS

New Policy Mandates Single-Stall Restroom

Every New York City public school must install at least one single-stall restroom under a new policy announced Tuesday by Chancellor Carmen Farina.

The restrooms will be available in all city schools by January 2018, she said. The single-stall bathrooms would support the privacy needs of transgender students and students with medical conditions and disabilities, school officials said.

—Associated Press

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LIFE & ARTS

BROADWAY

An Open Field for the Tony Awards



Bette Midler was nominated for 'Hello Dolly.'

BY CHARLES PASSY

IT'S A WIDE-OPEN field for this year's Tony Awards.

"Natasha, Pierre & The Great Comet of 1812," a Russian-inspired pop opera, received a leading 12 nominations, including ones for Best Musical and for Josh Groban as best lead actor in a musical. But the 2017 slate of contenders, announced Tuesday, offers no clear frontrunner.

"Dear Evan Hansen," a musical about a troubled teen who finds unexpected fame via social media, nabbed nine nominations, including ones for Best Musical and for Ben Platt as best lead actor in a musical. Others up for Best Musical, largely considered Tony's most prominent category, are "Come From Away" and "Groundhog Day: The Musical."

For the "Natasha" team, the Tony recognition speaks to the fact that Broadway is becoming a more adventurous place. The operatic-style musical, which started life in an 87-seat Off Broadway venue, is a cutting-edge, interactive affair in which cast members mill about the theater. "We never compromised our experimental roots. It's incredible to have that embraced by the Broadway world," said Dave Malloy, who wrote the show's book and music and lyrics.

The Bette Midler-led revival of the musical "Hello, Dolly!" proved another 2017 Tony success story. The production, which has become one of Broadway's hottest tickets since it started previews in March, earned 10 nominations, including ones for Best Revival of a Musical and for Ms. Midler as best leading actress in a musical.

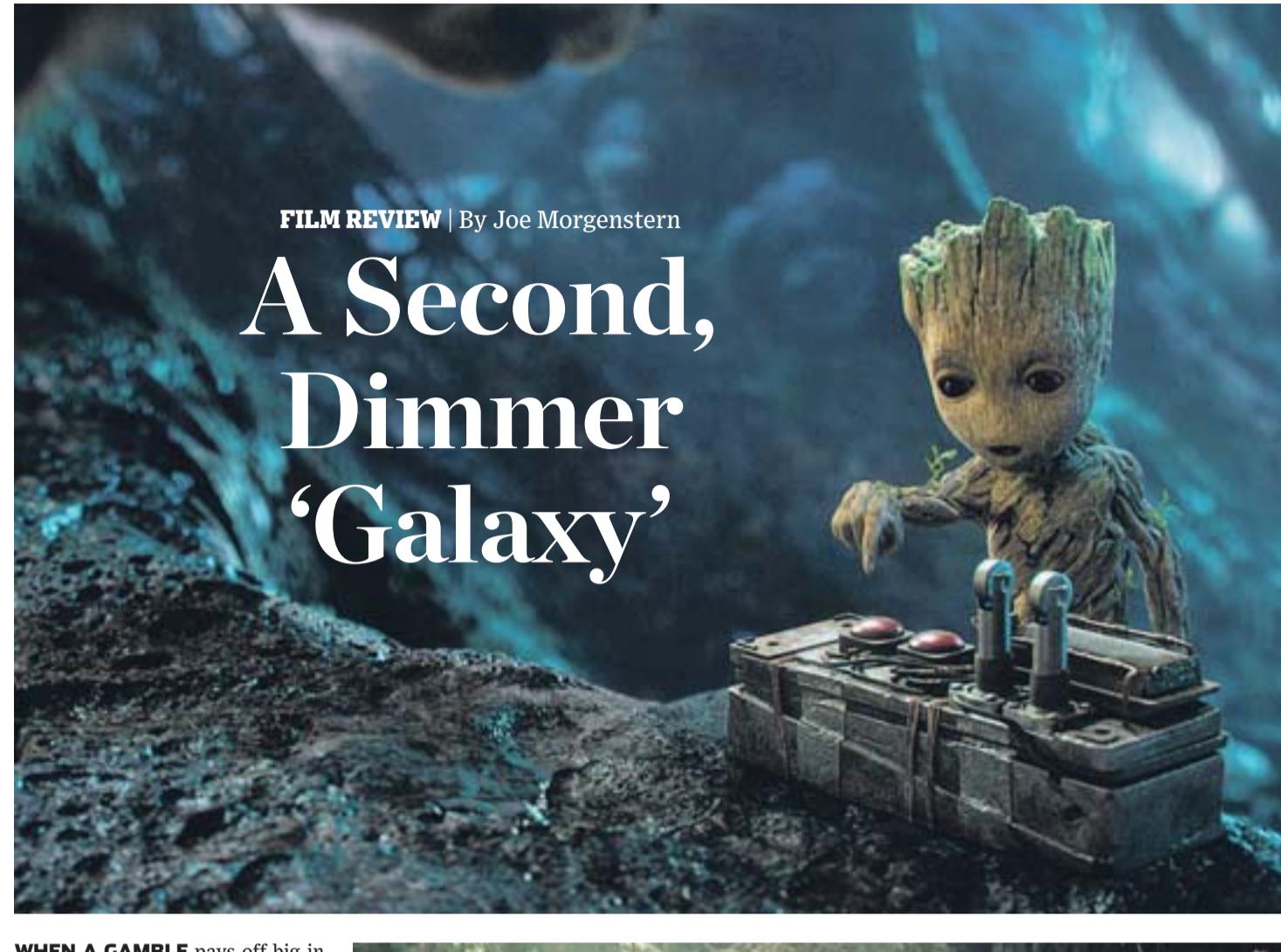
Lucas Hnath's "A Doll's House, Part 2," a work that picks up where Henrik Ibsen's classic drama left off, earned the most nominations of any play—a total of eight. The work was honored with a Best Play nod, plus acting nominations for all four of its cast members, including Chris Cooper and Laurie Metcalf. Other Best Play contenders include "Indecent," "Oslo" and "Sweat."

Elaborately staged musicals such as "Amélie" and "Charlie and the Chocolate Factory" received no nominations, while "Anastasia," another visually ambitious musical, earned only two. In a joint statement, "Anastasia" producers Bill Taylor and Tom Kirdahy said they were "thrilled" for their two nominees, Mary Beth Peil for best featured actress in a musical and Linda Cho for best costume design of a musical. They didn't address the broader Tony recognition issue. Representatives for "Amélie" and "Charlie" didn't respond to requests for comment.

JULIETA CERVANTES

FILM REVIEW | By Joe Morgenstern

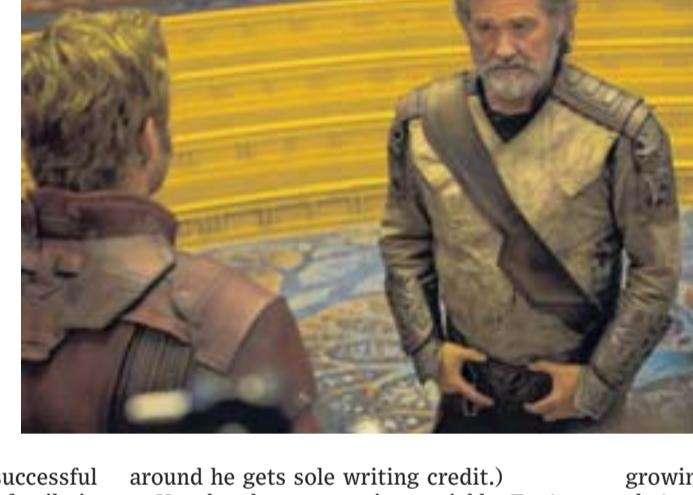
A Second, Dimmer 'Galaxy'



WHEN A GAMBLE pays off big in the movie business, it's followed not by another gamble but by a calculation.

"Guardians of the Galaxy Vol. 2" probably couldn't, and definitely doesn't, recapture the sweet and singular silliness of the original, though the new edition from Marvel Studios and Disney has its rewards. The opening credits are delightful, with Baby Groot—a twiggily downsized version of the sentient tree voiced by Vin Diesel—dancing blissfully to the strains of Electric Light Orchestra's "Mr. Blue Sky" while, behind him, desperate Guardians fight for their lives against enormous tentacled monsters. Subsequent combat sequences paint extravagant action in pastel hues. Cartoonish characters reveal touching inner lives. Still, the galaxy isn't big enough to contain the meandering plot, which sends the hero, Chris Pratt's Peter Quill, on a quest to discover his identity. (Half human, Peter likes to call himself Star-Lord.) That's the corporate calculus at work—turning a lighthearted goofball into a seeker of weighty truths, and, in the process, making him a spectator to much of the action.

The hero's quest is surely part of the draw. (The film already earned more than \$100 million last weekend in its international debut.) A sense of belonging is what audiences crave in these fractured times, and Peter's team of rebellious misfits serves as a surrogate family, just as Dominic's team does in the immensely successful "The Fate of the Furious." And the family is expanded after a crash landing on a planet where a cosmic being named Ego—not Anton Ego the carnivorous food critic from "Ratatouille" but just plain Ego, played by Kurt Russell—announces himself to be Peter's father, and not just his father but the father that Peter's human mother would have wanted him to be. This leads quickly to a charming scene, both lyrical and lightly parodic, in which father and son toss a football that isn't a football but a glowing blue orb. (The director, once again, was James Gunn. In the first "Guardians" he had a script collaborator. This time



Baby Groot (voiced by Vin Diesel), top; Gamora (Zoe Saldana), Nebula (Karen Gillan), Peter Quill (Chris Pratt), Drax (Dave Bautista) and Rocket (voiced by Bradley Cooper), above; Ego (Kurt Russell), left

around he gets sole writing credit.)

Yet the charm vaporizes quickly. Ego's planet, where most of the action plays out, isn't a particularly interesting place, even though it's more than a planet in the conventional sense, and Ego, whose paternal concerns conceal darker designs, proves to be an awfully ordinary villain. The father-son drama can't compete with the physical action. The action, in turn, can't find a focus, though there's no lack of events (stolen batteries, if you please, set the plot in motion); or threats (the Guardians are under attack from a race called the Sovereign, whose leader, Elizabeth Debicki's Ayesha, has bright gold skin); or perilous

flights (one of them through a quantum asteroid field); or, for that matter, embedded commercials for future developments in the Marvel Cinematic Universe. The most affecting performance is given by Michael Rooker as Yondu, the blue-skinned buccaneer who's been more fatherly to Peter than Ego could ever be, biology notwithstanding. A new character, an unworldly empath named Mantis (Pom Klementieff), has antennae growing out of her forehead; otherwise she's a caricature of a shy, self-effacing Asian woman. Rocket, the weapons-savvy raccoon voiced by Bradley Cooper, seems to have undergone a humorectomy; he's nowhere near as funny as before. Drax (Dave Bautista), the muscle man who can't grasp metaphors, has a pithy dictum to offer: "There are two kinds of beings in the universe, those who dance and those who do not." Zoe Saldana's Gamora is back, and so is her estranged sister, the darkly dangerous Nebula (Karen Gillan), parts of whom have been manufactured and all of whom it's impossible to ignore. The movie doesn't dance, but she does.

FASHION

THE MET GALA, WRINKLES AND ALL

BY RAY A. SMITH

Priyanka Chopra's Ralph Lauren Collection custom trench coat gown was so big, with its 8-foot-long train, that a mere limousine just wouldn't do. The star of TV's "Quantico" instead had to take a Mercedes van, and stand up on the half-mile ride from the Carlyle Hotel to Monday night's Met Gala so as not to rumple it. Later on inside, she removed the train.

She and others among the more than 550 A-list celebrities went to creative lengths to

make sure they and their avant-garde finery arrived on the red carpet wrinkle-free for the annual star-studded extravaganza to benefit the Metropolitan Museum of Art's Costume Institute. The ball, overseen by Vogue's Anna Wintour and held every first Monday of May, is widely viewed as the party of the year. Tickets are highly coveted, and each year's guest list is a barometer of who's in vogue.

This year's event celebrated the Institute's exhibi-

Please see GALA page A11



FROM LEFT: GETTY IMAGES; REUTERS
For the event's avant-garde theme, Priyanka Chopra wore a Ralph Lauren Collection custom trench coat gown with an 8-foot-long train that hugged the Metropolitan Museum of Art's stairs. Helen Lasichanh, right, in red Comme des Garçons.

LIFE & ARTS

MY RIDE

The Sneaky Horsepower of a 'Derelict'

Tim Vest, 52, a JetBlue pilot and co-owner of a Ford dealership from Livermore, Calif., on his 1948 Buick "Derelict," as told to A.J. Baime.

The coolest thing about the Derelict is the way it makes people smile. Old people love it because they remember cars from 1948. Young people love it because it reminds them of the movie "Cars." Hot rodders love it because they quickly figure out what it is—something completely different from what it appears.

Derelicts are the dream children of a custom-car builder from Los Angeles named Jonathan Ward, whose company is called Icon. From the outside, the Derelict looks like an old machine with tons of character. Underneath, it is fully modern—a stealth high-performance vehicle. Ward has made fewer than a dozen, and each is unique.

I met Ward when I hired him to work on a different project. He had built a Derelict station wagon for himself, and I loved the idea. He found a 1948 Buick Super 8 on Craigslist, and in 2013, I bought it and had it shipped to his shop. The Buick had not been driven since 1959, and you could see all the patina, the dents and rust, even a stain on the fender where someone had left a rag sitting for decades.

The build took two years. Ward took the body off and scanned it, then had a custom frame made by Art Morrison, a chassis builder. The brakes are Wilwood, the steering is state-of-the-art, and we got high-performance tires. The motor was an important decision. I chose an LS9 Corvette engine, tuned so it puts out over 650 horsepower. We also had a new stereo tucked into the dash under the old one. Back-up camera, navigation, air-conditioning, power seats and windows—everything you'd find in a new car.

The wheels are the only modern



pieces visible to the eye, so we downplayed them—custom wheels and hubcaps painted so the color blends in with the vehicle's rust.

While the Derelict is not cheap (mine cost well into the six figures), it drives like a new BMW 7 Series. I can motor down Highway 17 into Santa Cruz with two fingers on the wheel. When I shoot past a car on those windy curves, I love to see the expression on the driver's face. He's thinking: What the hell is that?

It's a Buick Derelict—one of a kind.

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

Tim Vest with his Derelict in Livermore, Calif. Outside, it's a beat-up 1948 Buick Super 8. Underneath the body lies powerful modern machinery, including a V-8 Corvette engine, bottom right.



ANGELA DECENZO FOR THE WALL STREET JOURNAL

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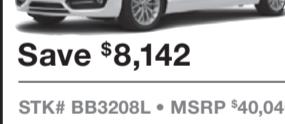
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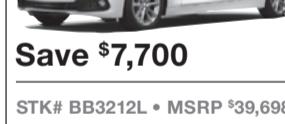
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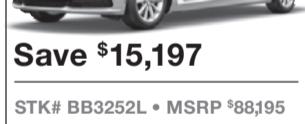
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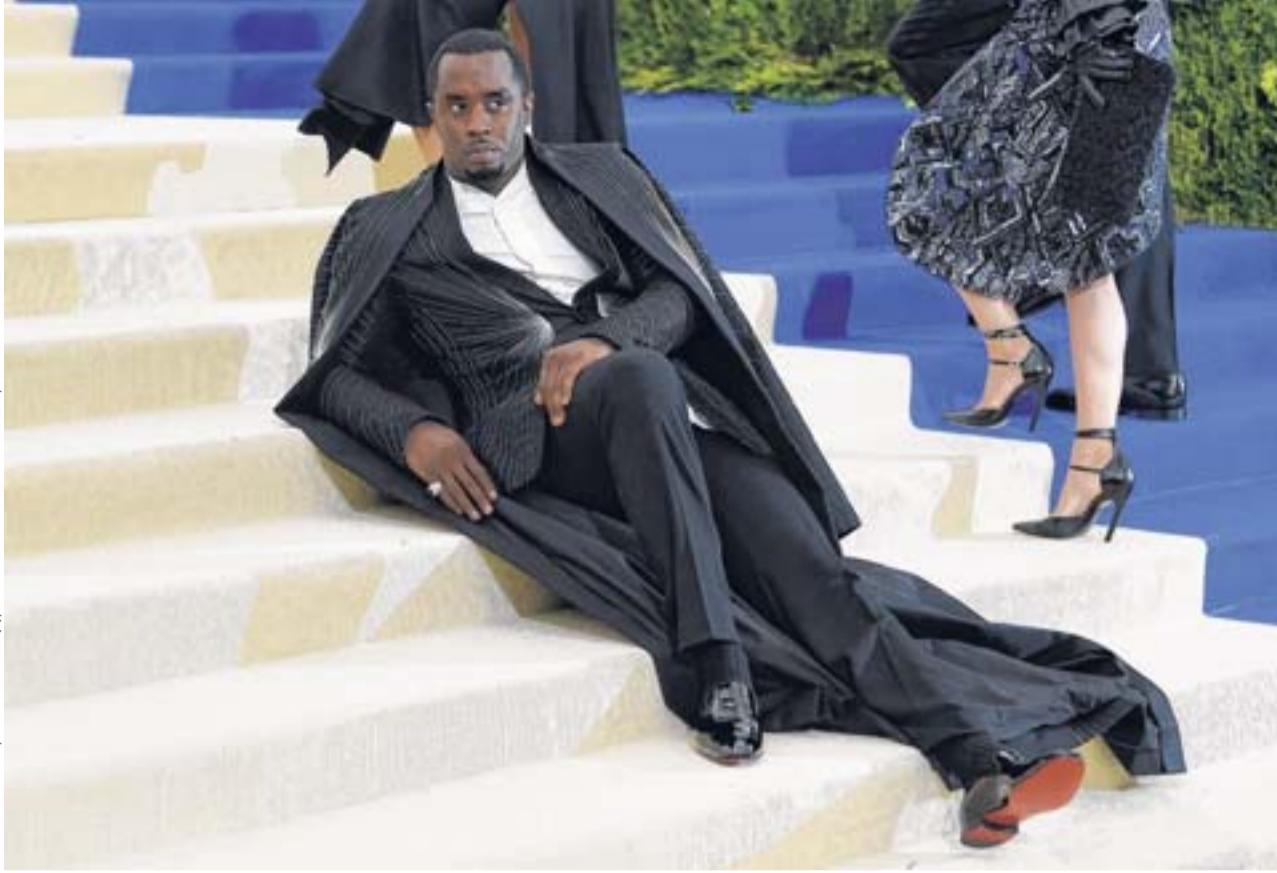
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DOW JONES

LIFE & ARTS



Left, Sean 'Diddy' Combs wore Rick Owens and stopped for a break on the steps. Zoe Kravitz in an Oscar de la Renta ensemble.

GALA

Continued from page A9
bition honoring Japanese designer Rei Kawakubo of Comme des Garçons, "Rei Kawakubo/Comme des Garçons: Art of the In-Between," which opens to the public May 4. Many of the label's creations are oversized or intimidatingly complex. Coats and dresses have flat paper doll-like silhouettes. Other designs are cocoon-like shapes without armholes, or with protruding bumps and lumps and architectural pleated tiers.

Every year, guests are encouraged to dress in accordance with the exhibition's theme. This year's dress code was avant-garde, making the annual challenge of what to wear even more difficult. Designers who invite celebrity guests and dress them for the event were encouraged to create an avant-garde look in homage to Comme des Garçons.

The night was split. Some stars played it high-glamour safe: "This is as avant-garde as I'll get at my age," said Ms. Wintour, of her gleaming Chanel outfit.

Others adhered to the theme with gusto, such as Rihanna and Ambassador Caroline Kennedy, an honorary chair for the benefit. Both wore colorful, voluminous, complicated Comme des Garçons ensembles.

And then there was Lena Dunham, in a cascading, custom, one-shoulder floor-length Elizabeth Kennedy ball gown that paid homage to Comme des Garçons.

through its use of gingham, in silk taffeta. The garment included 100 yards of tulle.

Ms. Dunham and her creative partner and friend Jenni Konner said the two "stuffed it all in" referring to the gown into their vehicle, as Ms. Konner quickly mimicked how they did it. "Jenni's been a great support system," said Ms. Dunham.

Sean "Diddy" Combs and his girlfriend, Cassie, took an SUV to the ball to accommodate his floor-length Rick Owens coat and her oversized black silk and neoprene On Aura Tout Vu skirt. The skirt was made of 10,000



Left to right, Lena Dunham, Julianne Moore, Rihanna and Caroline Kennedy all took the avant-garde theme to heart.

Tracee Ellis Ross, right, wore a blue dress by Comme des Garçons, the label celebrated at the Met Gala this year.



black straws and was beaded with jet and crystal stones. It took up two rows of the SUV. Meanwhile, Julie Ragolia, who styled Mr. Combs, said she purposefully picked looks from Mr. Owens because he "creates pieces that defy the everyday conventions of wear" to ensure his look would survive the car ride intact. "Material is everything." Mr. Combs sat in a seat in front of Cassie.

Celebrity stylist Jason Bolden recommends stars "get the largest SUV available. Having all that room and space lets your dress still live before you make it to the carpet." When it is a sedan, he makes his client sit on the passenger side and "have the seat go back as far as it can go. You lounge back and your body is pretty much still."

A star's red carpet walk on any big night is his or her key photographic moment. Being camera-ready is essential. The Met Gala's hand-painted sisal carpet with blue trim is unique. It is not red. And the 28 stairs that lead up to the museum's entrance mean people have more time to ogle stars as they navigate the walk in giant, elaborate or heavy dresses.

Celebrity stylist Christina Pacelli swears by a number of wrinkle-prevention precautions, including bringing a hand-held steamer. Celebrity stylist Brad Goreski sometimes puts a little loophole in the train with thread so the wearer can "bustle" and lift it up to make entering and exiting a vehicle or walking the carpet easier.

Designer Gabriela Hearst sat beside her guest, Laura Dern, who wore a custom gown with a polka-dot silk train on the ride from the Pierre hotel to the Met. "Laura sat on the side during the ride and made sure she didn't sit on the train to avoid creasing," she said.

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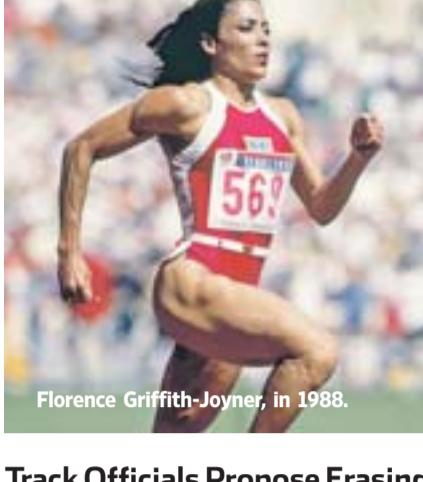
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SPORTS

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Florence Griffith-Joyner, in 1988.

Track Officials Propose Erasing Portion of the World Records

Track and field officials have proposed reforms that would wipe more than half of Olympic-discipline world records from the books, a drastic step to clean up the image of a sport dogged by a long history of doping.

The European Athletics Council on Monday called for stricter antidoping standards and for removing performances that failed to meet those rules from world record lists. The proposal seeks to ensure "today's generation of athletes are not chasing records set in completely different circumstances" and "to regain public trust," according to the council's report.

The new standards mandate that athletes' test samples be kept for a period of up to 10 years, among other guidelines. The International Association of Athletics Federations, track and field's global governing body, began storing samples in 2005, according to its website. Current world records that don't meet the new guidelines would no longer be recognized as such but would remain on an "all-time" list.

The proposed guidelines don't single out specific, standing world records that would be subject to elimination. Of the 47 track and field events currently contested by men and women at the Olympic Games, at least 25 would lose their standing as world records under the European plan, according to analysis by The Wall Street Journal. That list would include several women's sprints, the women's marathon and the men's 1500 and 5000 meter races, as well as the majority of field events like shot put and long jump.

The proposal comes amid continued hand-wringing within track and field over a series of scandals in recent years. The Russian team is still barred from international competition in the wake of a state-run doping regime.

European Athletics President Svein Arne Hansen said he would urge the IAAF to adopt his committee's plan at the global body's meeting in August. Questions that will have to be resolved include determining who will be responsible for sample storage and keeping major track meets in antidoping compliance.

Each of the current women's sprint records was set in the 1980s, during a time that is perceived to have been rampant with performance-enhancing drug use. Two of those records, the women's 100 and 200 meters, are held by the late Florence Griffith-Joyner of the U.S. The 400 and 800 meter marks were set by Marita Koch of the former German Democratic Republic, and Jarmila Kratochvílová of the former Czechoslovakia.

Al Joyner, who was married to Griffith-Joyner, said he considers the proposal unfair. Joyner said Griffith-Joyner was clean when she set her world records and said "it's really frustrating to see how someone with a stroke of a pen, can go change history."

—Sara Gerneman



Anthony Rizzo of the Chicago Cubs hits a bunt single against the Brewers on April 17.

DAVID BANKS/GETTY IMAGES

MLB

Sluggers Fight Back Against the Shift

In an effort to keep defenses honest, hitters are increasingly turning to the bunt to get on base

BY JARED DIAMOND

KYLE SCHWARBER is accustomed to the view he saw leading off the first inning of a game last month against Milwaukee: three defenders shifted to the right side of the infield, betting the burly left-handed slugger would pull any pitch he hit.

On this day, however, it seemed like a dare. So Schwarber dropped a bunt into the swath of vacant real estate down the third-base line for the easiest hit of his life.

"If it's wide open in that spot, I'm going to take it," Schwarber said. "With everyone shifting, it might open up something later on down the road."

The shift, a once-radical tactic originally designed to fluster Ted Williams, has exploded into one of baseball's most common strategies. Teams used a shift on 28,132 balls in play last year—up from 2,350 in 2011 and a 57.8% increase from 2015.

But early indications are that, while the number will likely climb again in 2017, a course correction may be underway. At the current rate, use of the shift will rise only about 10% this season, according to data provided by Baseball Info Solutions.

The reason: Top hitters like Schwarber appear willing to fight back, tired of grounding out to short right field. And their primary weapon is the mighty bunt.

The Red Sox vowed in spring training to bunt against the shift more and won a game this season in part because catcher Sandy Leon made good on that promise. Four innings after Schwarber's bunt against the Brewers, Cubs first baseman Anthony Rizzo executed a perfect bunt single of his own.

Cody Bellinger, the Los Angeles Dodgers'

heralded rookie, has already bunted for two hits against the shift since making his major-league debut last week, evidence that the next generation has started to adapt.

"The players that are being constantly shifted against are going to adjust," Brewers manager Craig Counsell said. "You definitely take note of it."

Cubs manager Joe Maddon didn't invent the shift, but he certainly popularized it, bringing it to prominence while at the helm of the Tampa Bay Rays. The technique worked so well that, naturally, the rest of the league copied it. Now some believe that the game moved too far in that direction, with teams shifting too often and without regard to other factors, like the score of the game.

Consider the case of New York Mets outfielder Jay Bruce, who on April 13 successfully bunted for a single in the second inning of a contest against the Miami Marlins. With the Mets facing a 4-0 deficit, Bruce couldn't understand why the Marlins went to an exaggerated shift against him. The Mets desperately needed base-runners. Bruce dropped a bunt single that sparked a four-run rally. New York ultimately won, 9-8.

"If you just say, 'OK, we're shifting,' or, 'OK, we're not shifting,' that's lazy," Bruce said. "The scoreboard tells you a lot."

Bruce laid the groundwork for this during spring training with the Cincinnati Reds in 2016, when he decided to add the bunt to his arsenal as a potential shift-buster. He forced himself to bunt 50 balls every morning before starting his hitting drills, and then bunt 50 more before returning to the clubhouse. He set a goal of attempting one bunt in every Cactus League game.

Since 2010, 62% of bunts against the shift with no runners on base or two men out

have resulted in hits. All told, players are on pace to bunt against the shift this season more than ever before, according to BIS.

In a strange twist, Maddon's Cubs sit at the forefront of this movement toward refining the shift. Last season, Maddon turned to it less than anybody in the major leagues, defying his mad-scientist reputation. Chicago went on to win the World Series while boasting a historically elite defense, converting 74.5% of batted balls into outs.

This doesn't mean that Maddon no longer believes in the effectiveness of the shift, but rather recognizes the next frontier: the optimization of the shift.

"Not every situation's the same," Maddon said. "People have a tendency to put every item into the same group of baskets."

Without a doubt, baseball won't abandon the shift any time soon. It continues to confound many of the game's top hitters, and all of the available data proves its efficacy.

Meanwhile, bunting won't solve everything. Bruce pointed out that in many instances, "opposing teams would consider it a small victory" if he bunted, because it meant he didn't hit a double or home run.

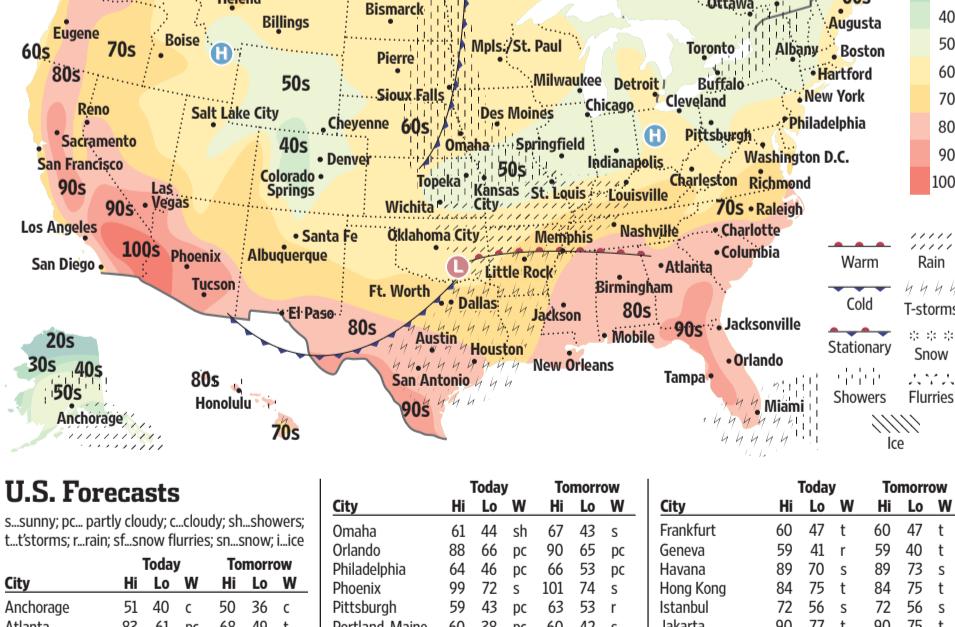
While trying to draw sweeping conclusions this early can backfire, evidence exists that baseball has approached the peak of shifting, as hitters learn to combat it and defenses become more sophisticated.

The first-place Houston Astros, for instance, are on pace to shift 12% less than last season, when they led baseball.

If teams continue to shift indiscriminately, Schwarber says he wouldn't mind.

"It doesn't get in my head," he said. "That's why I bunted—because I knew what the situation was, and I've got some guys who could hit some home runs behind me."

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t.t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City Today Hi Lo W Tomorrow Hi Lo W

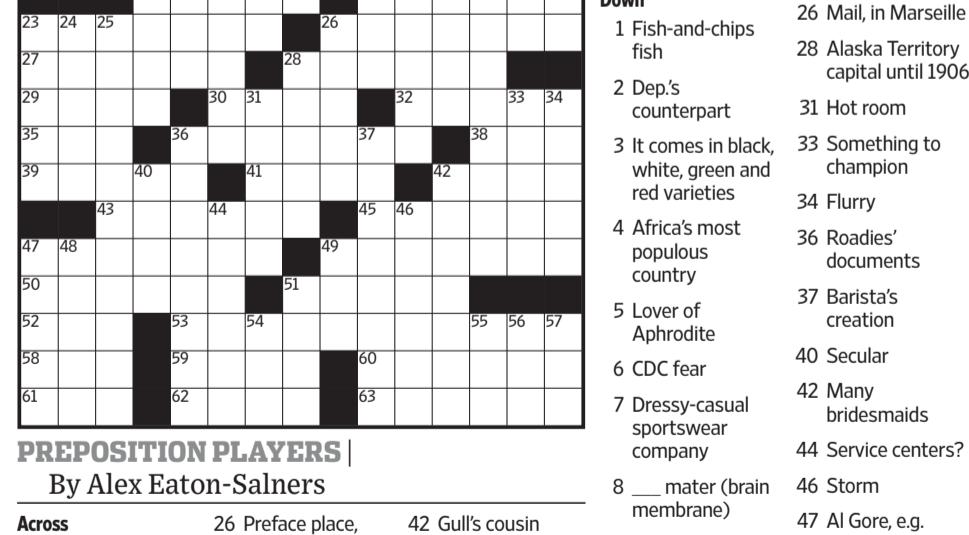
| City | Today | Hi | Lo | W | Tomorrow | Hi | Lo | W |
|---------------|-------|----|----|----|----------|----|----|---|
| Anchorage | 51 | 40 | c | 50 | 36 | c | | |
| Atlanta | 83 | 61 | pc | 68 | 49 | t | | |
| Austin | 88 | 57 | t | 81 | 51 | s | | |
| Baltimore | 65 | 46 | s | 65 | 55 | r | | |
| Boise | 74 | 52 | pc | 84 | 60 | s | | |
| Boston | 62 | 43 | pc | 59 | 46 | s | | |
| Burlington | 54 | 38 | sh | 63 | 47 | s | | |
| Charlotte | 80 | 58 | s | 74 | 54 | t | | |
| Chicago | 58 | 42 | pc | 50 | 41 | r | | |
| Cleveland | 57 | 46 | c | 60 | 54 | r | | |
| Dallas | 75 | 53 | r | 74 | 53 | s | | |
| Denver | 57 | 34 | c | 68 | 40 | pc | | |
| Detroit | 61 | 44 | pc | 48 | 43 | r | | |
| Honolulu | 85 | 72 | pc | 84 | 73 | s | | |
| Houston | 83 | 57 | t | 76 | 54 | s | | |
| Indianapolis | 56 | 47 | r | 58 | 45 | r | | |
| Kansas City | 53 | 43 | sh | 65 | 46 | pc | | |
| Las Vegas | 92 | 71 | s | 96 | 72 | s | | |
| Little Rock | 71 | 49 | r | 62 | 50 | r | | |
| Los Angeles | 86 | 60 | s | 84 | 57 | s | | |
| Miami | 86 | 77 | t | 87 | 77 | s | | |
| Milwaukee | 55 | 40 | pc | 53 | 40 | pc | | |
| Minneapolis | 64 | 47 | sh | 66 | 42 | s | | |
| Nashville | 78 | 60 | c | 66 | 46 | t | | |
| New Orleans | 80 | 60 | t | 76 | 56 | c | | |
| New York City | 61 | 46 | pc | 61 | 50 | pc | | |
| Oklahoma City | 61 | 47 | c | 68 | 45 | s | | |

International

Today Tomorrow

| City | Today | Hi | Lo | W | Tomorrow | Hi | Lo | W |
|--------------|-------|----|----|-----|----------|----|----|---|
| Amsterdam | 59 | 47 | t | 56 | 45 | sh | | |
| Athens | 80 | 61 | s | 80 | 62 | s | | |
| Baghdad | 95 | 67 | p | 96 | 69 | pc | | |
| Beijing | 98 | 81 | t | 98 | 81 | c | | |
| Berlin | 60 | 46 | c | 52 | 47 | sh | | |
| Brussels | 59 | 48 | t | 57 | 45 | sh | | |
| Buenos Aires | 77 | 55 | t | 78 | 59 | pc | | |
| Dubai | 100 | 85 | s | 102 | 86 | s | | |
| Dublin | 56 | 45 | p | 56 | 43 | pc | | |
| Edinburgh | 57 | 43 | pc | 55 | 41 | pc | | |

The WSJ Daily Crossword | Edited by Mike Shenk



PREPOSITION PLAYERS | By Alex Eaton-Salners

- Across**
- 1 Brief siesta
 - 4 Gull's cousin
 - 7 FaceTime device
 - 27 Selfishness
 - 11 Technicians' place
 - 28 Fourteen-line work
 - 14 Frozen food brand
 - 45 Mass producer?
 - 15 Enthusiast's pub
 - 30 Set sibling
 - 16 It has a blade
 - 32 Rockers Burdon and Clapton
 - 17 Water resistance?
 - 35 Yank's foe
 - 19 Hex-halved
 - 36 Move off in different directions
 - 20 Over
 - 21 "Better to reign in Hell, than serve in Heaven" writer
 - 38 Salary ceiling
 - 23 God's messenger
- Down**
- 26 Preface place, perhaps
 - 43 Leonardo's weapon of choice
 - 20 Fourteen-line work
 - 47 Shake option
 - 29 Jessica of "Sin City"
 - 49 Foundation figure
 - 30 Set sibling
 - 50 Bring out
 - 32 Rockers Burdon and Clapton
 - 51 Brolin's "Life in Pieces" co-star
 - 35 Yank's foe
 - 53 Emulated a Roman senator?
 - 58 Rhine Valley whine
 - 39 Manner
 - 59 Leisurely run
 - 41 Maui music makers
 - 60 Arthur's foster brother

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

Previous Puzzle's Solution



OPINION

Climate Editors Have a Meltdown



BUSINESS WORLD
By Holman W. Jenkins, Jr.

I'll admit it: I would have found it fascinating to be party to the discussions earlier this year that led to oscillating headlines on the New York

Times home page referring to the new EPA chief Scott Pruitt alternately as a "denier" or "skeptic." At least it would have been fascinating for 20 minutes.

Ditto the hysterical discussions undoubtedly now arising from an anodyne piece of climate heterodoxy by the paper's newest columnist, a former Journal colleague who shall remain nameless, in which he advises, somewhat obscurely, less "certainty" about "data."

Whether or not this represents progress in how the U.S. media cover the climate debate, a trip down memory lane seems called for. In the 1980s, when climate alarms were first being widely sounded, reporters understood the speculative basis of computer models. We all said to ourselves: Well, in 30 years we'll certainly have the data to know for sure which model forecasts are valid.

Thirty years later, the data haven't answered the question. The 2014 report of the Intergovernmental Panel on Climate Change, voice of climate orthodoxy, is cited for its claim, with 95% confidence,

that humans are responsible for at least half the warming between 1951 and 2010.

Look closely. This is an estimate of the reliability of an estimate. It lacks the most important conjunction in science: "because"—as in "We believe X because of Y."

Not that the IPCC fails to offer a "because" in footnotes. It turns out this estimate is largely an estimate of how much man-made warming *should have taken place* if the models used to forecast future warming are broadly correct.

The IPCC has a bad reputation among conservatives for some of its press-release activities, but the reports themselves are basically numbing testimonies to how seriously scientists take their work. "If our models are reliable, then X is true" is a perfectly valid scientific statement. Only leaving out the prefix, as the media routinely does, makes it deceptive.

We don't know what the IPCC's next assessment report, due in 2021, will say on this vital point, known as climate sensitivity. But in 2013 it widened the range of uncertainty, and in the direction of less warming. Its current estimate is now identical to that of the 1979 Charney Report. On the key question, then, there has been no progress in 38 years.

For journalists, the climate beat has been singularly unrewarding. It has consisted of waiting for an answer that doesn't come. By now, thanks to retirements and the mortality tables, the beat's originators

are mostly gone. The job has passed into hands of reporters who don't even bother to feign interest in science—who think the magic word "consensus" is all the support they need for any climate claim they care to make.

How did science reporting get so detached from the underlying science?

Take Inside Climate News, an online publication, lately accruing degraded journalism prizes, whose title echoes a successful series of specialist newsletters like Inside EPA and Inside the Pentagon that charge fancy prices for detailed, crunchy, reliable information about the U.S. government.

Inside Climate News might sound like it's doing the same but it isn't. Search its website and the term "climate sensitivity," the central preoccupation of climate science, appears zero times. Any reporter who is truly curious about what scientists know and how they know it would not be working there. Asking such questions would only get him or her suspected of denialism.

But not even the EPA's Mr. Pruitt or the New York Times's newest recruit exhibits the ill grace to phrase the "so what" question.

"So what" is the most important question of all. So what

if human activity is causing some measure of climate change if voters and politicians are unwilling to assume the costs (possibly hugely disproportionate to any benefit) of altering the outcome of the normal evolution of energy markets and energy technology.

Even liberals have noticed that climate advocacy has morphed into a religion, unwilling to deal honestly with uncertainty or questions of cost and benefit. Climate apoplexy, like many single-issue obsessions, is now a form of entertainment for exercised minorities, allowing them to vent personal qualities that in most contexts they would be required to suppress.

Whether apocryphal or even a joke, who did not delight in the story of "Zach," the young Democratic staffer who supposedly stormed out of a postelection meeting after cursing the party's incompetent elders because, thanks to Hillary Clinton's defeat, "I'm going to die from climate change."

For the record, Zach, an estimate recently touted by the Washington Post precisely because it was five or 10 times worse than previous estimates had this to say about the consequences of climate change. If unaddressed, they would reduce economic growth by one-fifth over the next 85 years.

In other words, under the worst scenario, Zach's grandchildren's world would be only nine times richer than ours today.

BOOKSHELF | By Michael Moritz

Modern Medicis

The Givers

By David Callahan
(Knopf, 343 pages, \$28.95)

You have only to recall the shellacking taken by Facebook founder Mark Zuckerberg and his wife, Priscilla Chan, after they announced their plan to give away 99% of their Facebook shares to see yet again that no good—let alone great—deed goes unpunished. Though writ on a far larger scale than most charitable gifts, the so-called Chan Zuckerberg Initiative is one example of the sort of modern philanthropy that causes David Callahan to fret.

Mr. Callahan, in "The Givers: Wealth, Power, and Philanthropy in a New Gilded Age," seems to pine for the romance of a past that never existed, a time when government-financed institutions such as the National Science Foundation, the National Institutes of Health and the National Endowment for the Arts dispensed and distributed funds in a manner that anticipated the needs and concerns of citizens.

The vision of America in the 1950s and '60s, he writes, was of publicly funded progress in the arts and sciences, a world in which "we wouldn't depend on the munificence and preferences of millionaires to chart scientific and artistic progress, or to fund our universities."

Forget the fact that the foundations of other gilded eras—Ford, Carnegie, Mellon, Rockefeller—had long been backing causes identified by the diktats of their creators or, in some cases, had been diverted by boards toward purposes for which they were never intended.

It is today's equivalents of yesterday's benefactors—billions like Bill Gates, Warren Buffett, Michael Bloomberg and Eli Broad—who are in Mr. Callahan's crosshairs. The foundations established by these figures and others are, in Mr. Callahan's mind, another pernicious byproduct of income inequality. "The distorting effects of inequality on civil society remain only dimly understood," he writes, "even as the ranks of nonprofits sustained almost exclusively by rich donors keeps growing and speaking ever more loudly." Who, he argues, gave these people the right to interfere with education, the environment, criminal-justice reform or LGBT rights?

Why, he asks, should a collection of philanthropists possess the influence to determine the diseases and medical conditions studied by scientists or choose the art or music the public views or hears? "Lately, alarm about the growing influence of private donors in K-12 has spread beyond critics on the left to include some on the right," he notes, "who share the view that Gates orchestrated the backdoor nationalization of education standards through the Common Core," the government-led education initiative that received funding from the Bill and Melinda Gates Foundation.

Philanthropists like Bill Gates now have an unprecedented ability to shape public policy through their well-funded foundations.

Even though Mr. Callahan admits that he has uncovered no sinister plot by philanthropists to engage in a conspiracy to reduce the taxes they pay, weaken the grip of government and subsequently seize control of the future by funneling their ill-gotten gains to their pet causes, he nonetheless implies that, somehow, this improbable scenario is now reality. He says that he is "whiplashed between hope and fear." Even if you agree with a particular donor's cause, he suggests, you should be wary about the collective result of leaving policy shaping in private hands. "Even when wealthy donors are expanding debates . . . , the author writes, "we can't forget that it's they who are choosing which voices and ideas get extra juice." Mr. Callahan is too decent to tar-and-feather all philanthropists, but he seems to yearn for the day when the state exercises more control over their freedom to roam and the flow of dark philanthropic money subsides.

To his credit, Mr. Callahan recognizes that government cuts in discretionary spending and ballooning government-employee pension obligations will only increase the need for help from other quarters. Federal entitlement programs, the defense budget and, increasingly, the interest on the national debt will only cause more reliance on philanthropic dollars to, among other things, prop up the great public universities, improve the deplorable condition of inner-city schools and help with public welfare programs.

Mr. Callahan suggests several reforms. He believes, for instance, that donor-advised funds—popular charitable structures that amount to mini-foundations—should be required to pay out, each year, a certain percentage of their assets, just as large charitable foundations must. The author also calls for greater diversity on the boards of foundations and external evaluation of charities' performances, though he does not define the mechanism for this. Society at large, he writes, should demand to know what it is "getting in return for billions of dollars of tax breaks."

Much of the author's ire is directed toward the way think tanks benefit from the supply of charitable dollars. He questions why entities such as the Heritage Foundation, the American Enterprise Institute and the Cato Institute—devoted to insinuating their ideas into American political life—should benefit from the special tax treatment for charitable donations when there is no tax deduction for money given to the political campaigns of, say, Ted Cruz or Elizabeth Warren.

For all the author's concerns with imagined corruption, Mr. Callahan does not discuss in any detail the philanthropy of another famous billionaire who by all accounts was less generous, or scrupulous, in his charitable donations than Bill Gates, Warren Buffett or Mark Zuckerberg and instead chose a more direct approach to influencing voters: He ran for office. Yet it seems unlikely that Mr. Callahan would wish for any of the wealthy targets of his criticism to follow President Trump into retail politics. That suggests his real problem may be with their wealth, rather than with the way they dispense it.

Mr. Moritz is a partner of Sequoia Capital, a venture-capital firm, and a co-founder of the Crankstart Foundation.

The Clinton Economy, the Left's Ingenuity

POLITICS & IDEAS
By William A. Galston

The Democratic Party is in the early stage of a much-needed debate about its economic agenda. But reshaping the future is no reason to rewrite the past.

That's what many self-styled progressives are now doing with their no-holds-barred rejection of Bill Clinton's economic legacy.

The latest participant in this self-defeating historical amnesia is AFL-CIO President Richard Trumka, who said in a recent interview that the Clinton administration was "the beginning of the schizophrenic days, when they needed workers' votes but wanted Wall Street money, so they tried to serve two masters but were successful at neither."

This gets it exactly backward. In fact, both "masters"—indeed, all segments of the economy—prospered during Mr. Clinton's eight years in office. Economic growth during his presidency averaged about 3.5% and exceeded 4% in each year of his second term. Overall employment rose vigorously, from 109.8 million jobs in January 1993 to 132.7 million in January 2001, an average gain of 2.9 million per year. Unemployment fell from 7.4% in December 1992 to 3.9% in December 2000. Unemployment among African-Americans fell from 14.3% to 7.4%.

During this period, despite the "giant sucking sound" H. Ross Perot predicted would follow the implementation of the North American Free Trade Agreement, manufacturing jobs increased slightly, from 16.8 million to 17.1 million.

Whether they know it or not, Democrats who believe that the Clinton years witnessed the collapse of U.S. manufacturing are reading back the first decade of the 21st century into the last decade of the 20th. Between January 2001 and December 2007, the last month before the onset of the Great Recession, we lost 3.4 million manufacturing jobs.

From then until the employment trough in March 2010, we lost an additional 2.3 million. In the seven years since, we've regained about 1 million.

For those keeping score by administration, here's the tally: Mr. Clinton added 300,000 manufacturing jobs;

George W. Bush lost 4.5 million; and Barack Obama lost 200,000.

Despite the job gains of the Clinton era, Mr. Trumka maintains, "people still weren't getting wage increases. The economy was still moving away from us." Data from the Bureau of Labor Statistics contradict this claim as well. Hourly wages of nonsupervisory workers rose from \$10.93 in January 1993 to \$14.29 in January 2001, a substantial gain even after taking inflation into account. During this period, real median annual household income (expressed in 2015 dollars) rose 14%, from \$50,725 to \$57,790.

These gains were broadly shared across income, racial and ethnic lines. Real median household income for the lowest fifth of earners rose by 18%. Latino households improved their incomes by 18%; African-Americans by 31%. The poverty rate fell from 14.8% in 1992 to 11.3% in 2000.

What's not to like about sustained growth, plentiful jobs, and low inflation?

During the eight Clinton years, Wall Street—the other "master" Mr. Trumka cites—did pretty well too. The Dow Jones Industrial Average rose from 3242 to 10588, even faster than during the Reagan/Bush 41 years, while the Standard & Poor's 500 increased from 435 to 1336. These gains reflected underlying trends.

Corrected for inflation, aggregate profits on the S&P more than doubled.

Despite this vigorous and sustained growth, inflation remained in check, and long-term interest rates fell substantially. One reason: a sound fiscal policy that steadily reduced the budget deficit Mr. Clinton inherited and enabled him to finish his presidency with three consecutive years of budget surpluses, reducing the national debt significantly as a share of GDP.

stop it. Consequently, six other states followed South Carolina in leaving the Union before Lincoln's inauguration on March 4, 1861.

Some believed this could have been nipped in the bud if Old Hickory still had been in charge. As the crisis broke, the pro-Union Louisville (Ky.) Journal asked: "Will James Buchanan, who occupies the chair of Andrew Jackson, emulate the energy of the great Tennessean, or will he like a craven, cower before . . . the mad antics of those over excited fanatics?" Unfortunately, we know the answer.

Buchanan's secretary of state, Lewis Cass, had a front-row seat for both crises. A former Army general, Cass was Jackson's secretary of war during the Nullification Crisis and oversaw military preparations in case things went south in South Carolina. In 1860 he advised Buchanan to do exactly what Jackson had

This policy combined spending restraint with redistributive revenue increases. As a share of gross domestic product, federal spending fell from 21.1% in the final year of George H.W. Bush's presidency to 17.4% in Mr. Clinton's last year. Meanwhile, revenues increased from 16.7% of GDP to 19.7%. The gains reflected rapid economic growth, but also an increase in the top rate for high-income taxpayers.

Mr. Clinton coupled the increase at the top with the largest expansion of the earned-income tax credit in history. The EITC, which supplements incomes for low-wage workers, redeemed the president's promise to "make work pay" and contributed to an increase in the labor-force participation rate to 67%, the highest in our nation's history. (It now stands at 63%).

I do not mean to suggest Mr. Clinton's economic policies were without flaw—or that the U.S. could regain its economic dynamism by reinstating them. We face new challenges. Globalization and technological change, economic tailwinds in the 1990s, are headwinds today. The same goes for demographic change, which rapidly expanded the U.S. workforce in the 1990s but slows it now, and will for the foreseeable future.

Still, a strong agenda for the future rests on an accurate understanding of the past. False indictments of the Clinton era contribute nothing to the broad-based economic renewal we seek.

readied to do: beef up the presence of federal troops, move customs collection to the offshore forts, and send in warships to make the point. After Buchanan rejected his counsel, Cass resigned rather than see the Union dissolve on his watch. He probably wished he had his old boss back.

When Lincoln took office, he tried to reverse Buchanan's disastrous course. He consulted Jackson's proclamation against nullification when writing his inaugural address, which pleaded for patience and invoked the "mystic chords of memory" in hopes of swelling affection for the Union and avoiding civil war. But at that point conflict was inevitable. The crisis might not have gotten so far had James Buchanan been a tough leader like Andrew Jackson.

Mr. Robbins is author of *"The Real Custer: From Boy General to Tragic Hero."*

By James S. Robbins

President Trump delved into speculative history this week when he asserted that "had Andrew Jackson been a little bit later you wouldn't have had the Civil War." Mr. Trump's critics pounced, calling his conjecture puzzling, ignorant and bizarre. But the president has a point.

President Jackson's able handling of the Nullification Crisis in 1832-33 was a common topic of discussion when South Carolina seceded from the U.S. in December 1860. Jackson, through a combination of threats and persuasion, had convinced South Carolina to retract a law that purportedly allowed the state to nullify federal laws—in particular protective tariffs. The New York Times noted in 1860 that those who had been alive then "cannot fail to be impressed with the various points in common,

Trump has a point about Old Hickory and the Civil War.

and points of contrast, between the events of that period and those of the present day."

The critical contrast was the man in the White House. Jackson was a daring military hero and frontiersman, brave

ready to do: beef up the presence of federal troops, move customs collection to the offshore forts, and send in warships to make the point. After Buchanan rejected his counsel, Cass resigned rather than see the Union dissolve on his watch. He probably wished he had his old boss back.

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OPINION

REVIEW & OUTLOOK

Not Draining the Swamp

Republicans and Democrats are jousting over who won the battle over this week's omnibus spending bill, and we'll give the call to Democrats because they fought to a draw while in the minority. Republicans will be hard pressed to use the power of the purse to set priorities until they return to regular budget order.

The \$1 trillion agreement to fund the government through the end of this fiscal year on Sept. 30 is essentially a modest trade: Republicans got a boost in defense spending and a few policy riders, while Democrats got money for some domestic priorities. The agreement provides \$15 billion in supplemental defense spending, which is overdue, even if that is only half of President Trump's military request. The deal does not include Mr. Trump's proposed cuts to the federal bureaucracy.

Republicans are right that the bill finally breaks the Obama-era rule that every defense dollar be matched by a domestic-spending dollar. Mr. Obama held the military hostage to his domestic agenda, and some Democrats wanted this damaging parity to continue as a price of their votes in the Senate. The GOP made clear this was a nonstarter, which is at least a down payment against military decline.

Democrats are crowing that they killed scores of Republican policy and spending "poison pills" and also won money for their priorities. They blocked funding for Mr. Trump's border wall, though Republicans included some \$12 billion for border and customs security. Democrats got an increase in National Institutes of Health spending, though many Republicans also supported that. Despite their claims, Democrats did not "preserve" funding for Planned Parenthood. The bill contains no direct dollars for that group, but rather funds grants that will be issued by Health and Human Services, which is unlikely to approve any for the controversial abortion provider.

Most of the domestic funding increases and

The latest budget deal is mostly a win for government as usual.

decreases are GOP priorities. The bill contains \$45 million to fund three more years of Washington, D.C.'s popular school voucher program, as well as money for western wildfire fighting and disaster-related repairs at NASA.

Conversely, the bill zeroes out dollars to the international Green Climate Fund (set up as part of the Paris climate accord), and it rescinds, consolidates or terminates more than 150 federal programs or initiatives, including such high priorities as the Christopher Columbus Fellowship Foundation or the National Foreclosure Mitigation Counseling Program. The bill cuts \$81 million from the Environmental Protection Agency, returning it to 2009 levels.

The bill also continues the GOP deregulation drive. In particular, the bill forbids the IRS from spending to issue regulations that would change political standards for nonprofit social-welfare organizations, and it bars the Securities and Exchange Commission from issuing rules that require corporations to disclose political contributions. It also ends the federal attempt to regulate lead in ammunition or fishing tackle—a particular sore point with hunters and rural Americans.

Republicans could accomplish more if they were united, but too many conservative members refuse to vote for any spending bills. This means the GOP must rely on Democrats for passage, which means accepting some of their priorities. The Senate filibuster rule also gives the minority the whip hand unless Republicans want to risk a government shutdown.

Republicans need to get back to the business of passing the 12 separate appropriations bills, so Congress can debate programs and set priorities with more deliberation than a giant catch-all bill that no one has time to read. If Democrats balk, Majority Leader Mitch McConnell should consider ditching the filibuster for appropriations. These giant spending bills are a favor to those who want giant government.

Florida's Insurance Test

Does Florida's legislature exist to enrich plaintiffs attorneys or to serve the Sunshine State's voters? We're about to find out, courtesy of a renewed political effort to stop a trial-bar scheme that scores insurance paydays at the expense of Sunshine State homeowners.

We're talking about "assignment of benefits" (AOB) abuse, in which contractors convince homeowners to sign away their property insurance rights to a third party, such as a friendly plaintiffs attorney. When a pipe bursts and the kitchen floods, the attorney sues the insurer, which usually settles to avoid protracted and expensive litigation.

Thanks to court interpretations of a decades-old Florida statute, the insurer is liable to pay attorneys fees if the final payout is even \$1 more than the original damage assessment. This "one-way attorney fee" loophole has attracted plaintiffs attorneys like goldrush miners to AOB lawsuits. Florida's Chief Financial Officer Jeff Atwater counts 28,200 AOB cases in 2016, up from 405 a decade ago.

The Florida Office of Insurance Regulation, led by Commissioner David Altmaier, has launched a webpage on how AOB abuse

has raised homeowner insurance costs, as insurers factor litigation costs into their rate filings. Buyers of a new \$150,000 home in Miami-Dade County can expect to cough up \$2,732.95 in annual premiums on average this year and \$3,011.71 next year.

The regulator calls these projections "sobering," though homeowners may have a more colorful description.

Last week the Florida House passed an AOB reform sponsored by Republicans James Grant and Rene Plasencia 91-26. The bill would force insurers to pay attorneys fees only if a final judgment or settlement is worth 50% or more of the original settlement offer. If it's between 25% and 50%, the parties pay their own fees. If the final payout is less than 25% than the original offer, the plaintiffs pay the insurers' attorney fees.

The bill isn't perfect, but the sliding scale of who-pays-what-fee would deter plaintiffs attorneys from filing the worst frivolous lawsuits and increase the incentive for reasonable settlements. The reform now moves to the Florida Senate, where President Joe Negron, a Republican, has been a reliable ally of the trial bar. The fate of the AOB reform effort will be a good test of whose side he is on.

How Heritage Went Wrong

The Heritage Foundation has played a storied role in the spread of conservative ideas going back to its founding in 1973. But in recent years the think tank has lost its way, and on Tuesday the Heritage board removed President and CEO Jim DeMint, the former South Carolina Republican Senator.

We don't know the details of what happened inside the organization, which had a budget of more than \$80 million in 2015. Competing story lines, many no doubt self-serving, have made it into the press. But who did what to whom is less important than understanding how Heritage went wrong. The essential problem is that Heritage abandoned its mission to promote ideas in order to become a political muscle shop.

This isn't entirely Mr. DeMint's doing. Chairman Thomas Saunders, who led the board in sacking Mr. DeMint, was responsible for hiring the Senator in 2013. If you don't want a think tank to become too political, it's probably not a good idea to hire a politician to lead it.

Mr. DeMint immediately began to focus on applying political pressure on Republicans as he did when he had run the Senate Conservatives Fund. He conspired with Senator Ted Cruz to shut down the government in 2013 unless ObamaCare was repealed—a kamikaze mission that accomplished nothing. As Mr. DeMint's political direction became clear, many of Heritage's best scholars chose to leave.

But Heritage's political turn began even before Mr. DeMint took over from co-founder and longtime president Ed Feulner. In 2010 Mr. Feulner, already contemplating his retirement, created an active political arm and 501(c)(4) called Heritage Action. We ran an op-ed by Mr. Feulner at the time that an-

nounced Heritage Action as a way to promote conservative principles.

It hasn't turned out that way, as Heritage Action has mugged the think tank. Led by political operative Michael Needham, Heritage Action has become a Beltway enforcer of whatever political strategy Mr. Needham and his band of internet allies think Republicans should pursue. Long-time Heritage principles like free trade were thrown over for political expediency. The think tank's morning newsletter, *The Daily Signal*, has become a vehicle to promote the Freedom Caucus rather than conservative reform.

Members of Congress no longer pay attention to Heritage's policy proposals, to the extent there are any, because those became less important than Mr. Needham's congressional vote scorecard. Raising money by promoting a never-ending narrative of GOP "betrayal" has become more important than advancing conservative ideas.

This power play has taken an especially destructive turn this year as Heritage Action led the opposition to the House health-care reform. Mr. Needham wanted Congress to pass a repeal-only bill, but the votes weren't there to do so. Rather than accept incremental progress, he led a campaign to defeat repeal and replace. Heritage Action recently endorsed a compromise version, but its initial onslaught needlessly divided Republicans and may have done too much damage to salvage any reform.

Mr. Feulner is returning to run Heritage on an interim basis while the board looks for its next president, and we wish him well. But if the board wants to return Heritage to its previous influence it will have to return to its original mission. Heritage Action has become an obstacle to conservative progress.

The think tank abandoned ideas for political muscle.

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

OPINION

LETTERS TO THE EDITOR

Trump's Bold Tax Proposal Stirs the Swamp

Regarding your editorial "Trump's Tax Principles" (April 27): The idea of eliminating state tax deductions to fund a reduction in federal tax rates opens the door for the Democrats' cry of "tax cuts for the rich"? To counter this problem Congress should consider a maximum deductible amount on both state taxes and mortgage interest. A cap of \$10,000 or \$15,000 would offer relief to the middle-class taxpayer and make room to lower federal rates. At the same time, it would be more of a tax hike on the rich.

GEORGE D. HAWES
Rowayton, Conn.

Let me get this straight: New York and California already pay more in federal taxes than they receive back in benefits from the federal government.

And now President Trump proposes their residents pay taxes on real-estate taxes and state income taxes, increasing the amount they work for the benefit of the other states while having fewer electoral votes per capita than North Dakota?

At least these salt mines have beaches and bright lights.

PROF. STEVE DERNE
SUNY Geneseo
Rochester, N.Y.

Nothing so well illustrates the Orwellian nightmare into which this country is sinking than the left's characterization of President Trump's tax proposal as a massive "giveaway" to the wealthy. Giveaway? Really? Only in leftist looney-land has the notion of permitting taxpayers to retain their earnings become synonymous with "giveaway."

KEN BECKERT
Abingdon, Md.

It is an interesting coincidence that the high-tax states whose residents would be hurt most by Mr. Trump's proposed elimination of deductions

for state and local income taxes (New York, New Jersey, Massachusetts, Illinois and California) all happen to be Democrat-leaning states.

BRUCE BOWERS
Los Altos, Calif.

If the White House plan to remove state tax deductions is enacted, then high-tax blue states, such as California and New York, will finally have to justify their monstrous budgets and high income tax rates to their residents. Perhaps these states may even be forced to cut their outsize taxation levels. This alone is an excellent reason for both red and blue state voters to hope for removal of this deduction.

GABRIEL BERGMAN
Irvine, Calif.

Many small businesses like my own are pass-through entities for tax purposes. Although a lower rate for the pass-through income would be helpful, lower rates are much more difficult to build consensus on. A better means to drive investment and more aggressive growth for businesses like mine would be a deferral of all tax from the pass-through entity until such time that cash is actually distributed, whether that is a salary, bonus or a cash distribution.

As an owner over the last two years I would have been nearly debt-free and paid cash for new capital investments. Instead, I had to distribute our cash (that should have stayed in the business) to pay the federal government. Now our cash is tight, our debt has increased and we are having to be much more cautious.

The pass-through businesses would still ultimately pay the taxes. This would truly be revenue neutral and a rather simple change that would drive small business in an unprecedented way. Forget the fight of over tax rates and do something that could actually get done and help us.

KEITH RICHMOND
Superior, Wis.

Analyze and Fix Low Student Achievement

I take issue with your characterization of "objective" measures of academic performance ("The Anti-School Choice Coalition," Review & Outlook, April 12). As a specialist in measurement for almost 40 years in the U.S. high-tech industry and a part-time university professor teaching this subject for many years, I emphasize to my colleagues and students the importance of separating measurements from goals. The problem with many measurements is that they induce behavior modifications that achieve the metrics but often don't achieve the goals. I'm particularly uncomfortable with use of "graduation rates" as a measure of academic performance. Over and above the many troublesome aspects of how to measure this, the effect of such a measure is to put pressure on faculty to give higher grades and, in particular, to pass students who don't deserve to pass. We end up with higher graduation rates, resulting in a large number of individuals who have the degree but not the knowledge and skills the degree is supposed to imply.

There are better ways to measure academic performance, but they need to be developed by experienced educators and measurement experts. The more important issue we should be discussing is how our education system is supposed to make up for poor student attitude, behavior and motivation, usually resulting from cultural influences and, at times, poor parenting.

Until society discusses the underlying causes of poor student achievement instead of debating red herrings like vouchers, we will not achieve our goals.

DENNIS J. FRAILEY
Fairview, Texas

Rangers Were Doing Special Ops Before There Was a U.S.

Regarding Ian F.W. Beckett's April 25 review of Mark Moyar's "Oppose Any Foe": American Special Operations go a bit further back than the First Ranger Battalion of 1942. Indeed, they predate the U.S., having been inspired by the "ranging companies" of the New England frontier. Arguably the colonials too were counterinsurgency specialists, as militiamen organized to strike Native American forces in their own territory. Inevitably, they became militarized during the Seven Years' War, fighting on behalf of the British colonial government against the French and Indians, 1754-63.

The most famous such unit was Rogers' Rangers, commanded by Major Robert Rogers, whose campaigns were immortalized in the Kenneth Roberts novel "Northwest Passage." Spencer Tracy played Rogers in the 1940 film, which may well have inspired the creation of the U.S. Army Rangers.

DANIEL FORD
Durham, N.H.

Raising the Social Security Age Unduly Burdens Many

It took them less than a day. To pay for the upper-income tax cuts, Harvard supply-side economist Martin Feldstein ("Balancing Lost Tax Revenue the Reagan Way," op-ed, April 27) announces that President Trump and Congress will simply raise the Social Security eligibility age.

Donald Trump and his cabinet get millions in tax cuts. The barber in Toledo, the waitress in Youngstown, the construction worker in Cincinnati get to work until they are 70.

SEN. SHERROD BROWN (D., Ohio)
Cleveland

Pepper ... And Salt

THE WALL STREET JOURNAL



"Can I dress business casual even though I lost our business?"

OPINION

Give Trade Paranoia the Heave-Ho

By George Melloan

Donald Trump's frequent cries of "America First!" raised fears that he was launching a war against global trade in a misguided effort to "save" American jobs. Those fears are subsiding, as recent Journal articles have noted.

The Trump threat to tear up the North American Free Trade Agreement awakened the farm lobby: *Hey, wait a minute, we sell a lot of food to Mexico!* Nafta will now be treated more carefully. Congress is in no hurry to finance the Great Wall of the Rio Grande, and certainly Mexico won't. Mr. Trump's nativist in chief,

Advice for Trump: Tell Bannon to hit the showers, revive TPP, and undo Obama's economic legacy.

Steve Bannon, is being trumped by wiser heads, at least sometimes. The president ended his announcement of the strike on Syria with a globalist touch: "God bless the world."

But Mr. Trump turns a friendly ear to the everlasting protectionist demands of the softwood-lumber and steel industries. So it's not a bad time for Washington to get a refresher course in market economics and what does and doesn't create jobs. Politicians are constantly tempted to go to war with markets in a bid to win votes. When they do, they and their constituencies always lose. Markets are a force of nature, and attempts to use the state's police powers to crush them invariably end in misery. Ask the Russians—or, for that matter, the survivors of 1970s price controls in the U.S.

American nativists last year adopted "globalization" as a newly discovered menace. Yet there's nothing new about globalization. It got going five centuries ago when Europeans invented large, square-rigged ships that could travel long distances on the open ocean without reprovisioning. To what purpose? A bright fourth-grader will most likely give the right answer: to expand trade.

The Dutch, English, Portuguese and Spanish sailed with goods from Europe to trade for the silks of China, the spices of Java or the gold of the Andes, though the last they mostly stole. Trade gained momentum with new goods yielded by the Industrial Revolution. A merchant class grew and began to match the power of the landed aristocracy. A middle class was born and has expanded enormously, world-wide, ever since.

Today's world is "globalized" like never before. In the space of 38 years, China has become a great trading nation again, lifting millions out of poverty. India is shedding the post-1947 socialist torpor inflicted on its people by English academics. Trade barriers have vanished in Europe along with its history of bloody warfare. With the steady evolution of an educated middle class and more-enlightened leadership—and despite the atavistic forces always in play—more people than ever enjoy new social and economic opportunities.

Economist Robert Mundell, who helped create the euro, has long argued that there is only one economy, the one created by the peoples of this planet. Multinational corporations like IBM, Toyota and BASF may have national identities, but their factories, supply chains, sales offices and investors are networks that blanket the globe. Private bankers and government central banks exchange currencies at the rate of \$5 trillion a day to provide the global economy with money. Growth of that



DAVID KLEIN

\$80 trillion economy exceeds 3% annually, outpacing U.S. growth thanks to the burgeoning of places like China and India. A rising tide lifts all boats.

In the post-World War II era, Republicans and Democrats alike knew that the road to economic recovery was paved with trade. The Kennedy Round lowering of trade barriers in the 1960s was an enormous success. The U.S. promoted a borderless European economic union and created NATO to protect its members from stifling Soviet imperialism. Americans were enthused by Deng Xiaoping's 1979 decision to open up China to trade and were soon investing in this massive and highly successful enterprise.

Americans lose jobs to global

competition, but also to domestic competition and, most important, to automation and technological advancement as old industries disappear and new ones form. There's dislocation, but today, despite everything, unemployment is 4.5% of the workforce, close to the 4% statistical definition of full employment.

The slow economic growth in the U.S. over the past decade has resulted not from what the world has done to America but what America has done to itself, according to a Council on Foreign Relations study "How America Stacks Up." It says that the U.S. "depends far more on the global economy than it did two decades ago, and international trade and foreign investment are increasingly vital to U.S."

Why Kansans Asked What's the Matter With Republicans

By Ron Estes

Last week I had the honor of being sworn in at the House of Representatives, where I'll represent Kansas' Fourth Congressional District. I'm brand new and eager to learn. But I do have a perspective none of my colleagues share. I know firsthand what it's like to campaign in an environment that many found unimaginable only a few months ago—a country in which Donald Trump occupies the White House and Republicans have majorities in both chambers of Congress. The message from Kansas voters during last month's special election was crystal clear: Produce results or go home.

The campaign to fill the House seat vacated by Mike Pompeo, now director of the CIA, was closer than many had anticipated. In November, Mr. Pompeo won re-election by 31 points. Mr. Trump carried the district by 27 points. I won by seven. The power of incumbency may have played a role, but the last time the seat was open, in 2010, Mr. Pompeo won by 22 points.

The day after the election, this newspaper ran an editorial called "A Warning in Wichita." Here was the Journal's conclusion: "The real lesson is that Republicans need to unite to demonstrate a record of accomplishment going into 2018. If they can't bridge their differences, they're in trouble."

That's exactly right. When Republicans pulled the American Health Care Act, or AHCA, on March 24, the frustration among Kansas voters, particularly Republicans and independents, was palpable. Enthusiasm for the campaign waned and anxiety soared. A district that is typically very favorable for Republicans suddenly became much less favorable. Voters expected results and it looked like we weren't delivering.

No other explanation adds up. It is true that special elections are unique and turnout is traditionally low. But that doesn't explain the 15-point swing in the Republican candidate's margin of victory from 2010 to 2017. The race tightened in large part because voters became worried that Republicans were going to renege on

their promise to repeal and replace ObamaCare. My campaign's internal polling showed that health care was a turning point.

In the spirit of heeding this warning—and, far more important, doing the right thing for the country—I'm announcing my support for the AHCA. I urge my colleagues to do the same.

When the health-care bill was pulled, my House campaign's polling found voters demoralized.

Put simply, failing to act would be unconscionable. Republicans can improve the status quo—and we must. This isn't about politics or process. It's about people. ObamaCare is unquestionably hurting more people than it is helping. It is forcing Americans to buy insurance they don't like, don't need, and can't afford. The benchmark premium on the federal

ObamaCare exchanges increased an average of 25% this year.

During the 2008 presidential campaign, Barack Obama promised to lower annual health-care premiums by \$2,500 per family. Instead the cost of employer-sponsored family coverage increased by \$4,372 between 2010 and 2016, according to the Kaiser Family Foundation. That means the cost of ObamaCare's broken promise is now \$6,872 per family—enough to cover the mortgage for months, buy a second car, or purchase any number of things more valuable than paying exorbitant premiums and deductibles for inaccessible health coverage.

The ObamaCare debacle has also proved yet again that access to government health-care programs does not guarantee access to health care.

As costs skyrocket, choices are disappearing. Nearly one-third of U.S. counties have only one insurer offering plans on ObamaCare's exchanges. Kansas is lucky. We have two. But Blue Cross Blue Shield, the company that covers the most people, has suffered significant losses

and may pull out of the exchange next year. I can't—and won't—be idle in Congress while people in my district suffer.

The AHCA isn't perfect, but the bill has been improved over the past month. Besides, it's only the first step in what will be multistage process of reform. Health care is a complex topic, but the AHCA's principles are simple. The bill focuses on lowering costs and emphasizes the ABCs—access, benefits and choices. Most important, it's based on a belief that the best way to provide care for all is to create a health system focused on patients instead of centered around the government.

As a fiscal hawk and former state treasurer, I plan on spending a lot of my time in Washington blocking wasteful spending and working toward a balanced budget. But finding the courage to get to "yes" on the AHCA is far better for the country—and more threatening to Democrats—than being stuck on "no."

Mr. Estes, a Republican, represents Kansas' Fourth Congressional District.

The Military Needs Modern Ways to Attract and Manage Talent

By Leon Panetta
And Jim Talent

Aboard the Navy's newest aircraft carrier in early March, President Trump vowed that the United States "will have the finest equipment in the world—planes, ships and everything else." But what good will this equipment do if the military lacks the personnel to use it?

People are the vital ingredient to America's military edge, but increasingly they are in short supply. "The Air Force has a shortfall of almost 1,500 pilots," Joint Chiefs Chairman Gen. Joseph Dunford testified before a House committee in March. Similarly, the Army is offering bonuses to convince soldiers to extend their enlistments, the Marines cannot

produce enough snipers, the Navy is straining to keep officers who operate its ships' nuclear reactors, and all branches have struggled to build new cyber units.

These examples portend larger difficulties ahead. Even with the U.S. being threatened by enemies near and far who are evolving strategically and technologically, our military still operates with a personnel system designed in 1947 to fight the Soviet Union. Unchanged since then, this one-size-fits-all system for recruiting, retaining and promoting troops, treats nearly every service member as an interchangeable cog.

That is why we led a Bipartisan Policy Center task force focused on modernizing how the military manages its personnel. We recommend

replacing the current system with a more flexible model that expands the military's access to talent. This model would reward experience and performance without unduly burdening military families.

Since the draft ended in 1973, all new enlistees must be recruited. But the recruiting process—primarily geared toward young adults—is trapped in the past. The future force will also require experienced professionals with highly valuable skills such as engineering, cybersecurity and foreign languages. We recommend discarding policies that prohibit experienced individuals from entering the military at higher ranks so that the military can entice talented recruits.

Once troops are recruited, the

Defense Department invests heavily in training them. A new fighter pilot, for example, costs \$11 million. To ensure the military does not lose access to trained people who have

A rigid, bureaucratic personnel system made sense in 1947. Now it's dangerously out of date.

already volunteered to serve, it must make it easier to make the transition from active duty to the reserve or National Guard.

The military could encourage troops to continue serving by allowing them to compete for promotion. Military promotions today are largely a seniority-based system governed by predetermined timelines. Those not promoted on schedule are kicked out. We recommend placing increased emphasis on merit and allowing individuals to seek promotion when ready. This will allow troops in critical specialties, like cyber, to master their skill sets without racing to meet arbitrary promotion cutoffs. Conversely, high-performing service members, ready for greater responsibility, could be promoted more quickly.

Some people would prefer to keep flying than have a desk job or become chairman of the Joint Chiefs of Staff. The military must recognize this. We recommend creating new career paths for those who want to devote their military service to a particular specialty instead of pursuing senior ranking command. Allowing service members more say in their

career aspirations would create a more skilled military while improving satisfaction and retention.

Serving in the military will always require sacrifice. On the battlefield and back home, service members place what's best for the military ahead of their personal desires. Career service members typically will move nearly a dozen times—usually with a family in tow. This can help produce well-rounded troops. But it also results in stress and instability for military families. We recommend giving service members more influence over when and where they move. They should not have to make the untenable choice between serving their nation or their family's best interests.

Uniformed service is not a calling for every American, nor does it need to be. But to build a strong force capable of succeeding against future threats, the military must be attractive to Americans with the skills and talents that are necessary to keep America safe. As an all-volunteer force, the U.S. military competes for talent with the world's top companies, best universities and highest-performing organizations. The military must work to make its offer more competitive.

As Congress considers a military buildup, it should include in its agenda bipartisan defense personnel reform to create a 21st century force. To strengthen our military, we must focus not only on new ships, planes and tanks, but also on those who sail, fly and drive them.

Mr. Panetta, a Democrat, served as defense secretary, 2011-13. Mr. Talent, a Republican, was a U.S. senator from Missouri, 2002-07.

THE WALL STREET JOURNAL.

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Notable & Quotable

Sahar Omer reporting in the Harvard Crimson, May 1:

Harvard libraries will no longer charge 50 cent per day fees on overdue books.

The change, one of several detailed in a post on the Harvard Library system's website, went into effect on April 1. . . .

"The goals of these changes are to improve the student experience and embrace a 'One Harvard' approach for borrowing material across Harvard Library," wrote Steven Beardsley, Harvard's associate director for access services administrative operations and special projects, in an email.

"We have witnessed firsthand the stress that overdue fines can cause for students," Beardsley continued.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, May 3, 2017 | B1

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House members tell United and rivals to treat fliers better or face new regulation

By DOUG CAMERON
AND SUSAN CAREY

Lawmakers on Tuesday warned U.S. airlines they faced more regulation if they didn't follow through with pledges to improve customer service following the widespread outcry over the treatment of a **United Continental Holdings** Inc. passenger last month.

Members of the House

Transportation and Infrastructure Committee took broad swipes at airlines' treatment of passengers and the impact of industry consolidation during a marathon hearing lasting more than four hours.

Lawmakers didn't offer specific objectives airlines should reach to avoid Congress stepping in, beyond ending any forced removal of passengers because of overbooking, but called on carriers to put their houses in order.

"I don't believe in deregulation, but Congress will not hesitate to act," committee chairman Rep. Bill Shuster (R., Pa.) told the four airline repre-

sentatives at the hearing. "If we don't see meaningful improvements, I can assure you that you won't like the outcome," he said.

The hearing comes several days after United said it would change a number of its policies affecting customers, and after reaching a settlement for an undisclosed amount with passenger Dr. David Dao, who was injured when he was dragged off a United Express flight by Chicago aviation law-enforcement officers in April.

United Chief Executive Oscar Munoz, speaking in his first public appearance since the incident, told lawmakers

that the event was "a turning point" for the airline. "Ultimately, our actions will speak louder than words," he said.

He added that customers can expect "a constant stream" of changes, building on recently announced efforts to avoid overbooking and give staff more freedom to handle difficult situations.

Since the April 9 incident, which was captured on social media and sparked global outrage, airlines across the industry have come under scrutiny, forcing carriers to take steps to address customer dissatisfaction with policies such as involuntary bumping.

Domestic airline industry service was largely deregulated in 1978, allowing carriers to operate any route and set their own fares. But industry changes such as baggage fees and incidents such as lengthy airport tarmac delays have triggered some small moves to add back rules, as well as calls for more oversight.

Lawmakers' questions on Tuesday ranged from airlines' overbooking policies and fees to change flights to the size of aircraft seats, with some taking aim at the perceived lack of competition created by industry consolidation. More Please see UNITED page B2

Facebook's Female Engineers Claim Bias

By DEEPA SEETHARAMAN

Last year, a longtime engineer at **Facebook** Inc. gathered data that revealed a controversial finding: Code written by women was rejected much more frequently than code written by their male colleagues, according to people familiar with the matter and screenshots of internal discussions viewed by The Wall Street Journal.

For many female engineers at Facebook, the finding confirmed long-held suspicions that their coding faced more scrutiny than men's.

The results touched off a debate within Facebook over alleged gender bias among some of its most-valued employees: the engineers who build the features used by nearly two billion people every month. Chief Executive Mark Zuckerberg was asked about the findings during a weekly town hall meeting.

The outcry prompted senior Facebook officials to conduct their own review of the engineer's study. In an internal post published a month later, Jay Parikh, Facebook's head of infrastructure, attributed any gap in rejection rates to an engineer's rank, not gender. Many employees interpreted this new analysis as a sign that female engineers weren't rising at the same rate as men who joined the company around the same time.

In a statement to the Journal, a Facebook spokeswoman described the initial analysis as "incomplete and inaccurate—performed by a former Facebook engineer with an incomplete data set." The spokeswoman confirmed Mr. Parikh's analysis, which was based on confidential data unavailable to most employees. The spokeswoman added that there aren't enough women at senior engineering levels at Facebook and across the technology industry.

The Journal wasn't able to independently verify the results of either analysis or assess their methodology.

Like other major tech companies, including **Google** parent **Alphabet** Inc. and **Apple** Inc., Facebook has struggled to increase the share of women and underrepresented minorities in its ranks.

The absence of women is particularly felt in engineering, which from college classrooms to the workplace has been seen as a man's field. Women account for 17% of technical roles at Facebook, according to its latest diversity report.

Engineers write the code Please see CODE page B2

INSIDE



FOR MYLAN CHAIRMAN,
A BIG PAY DAY

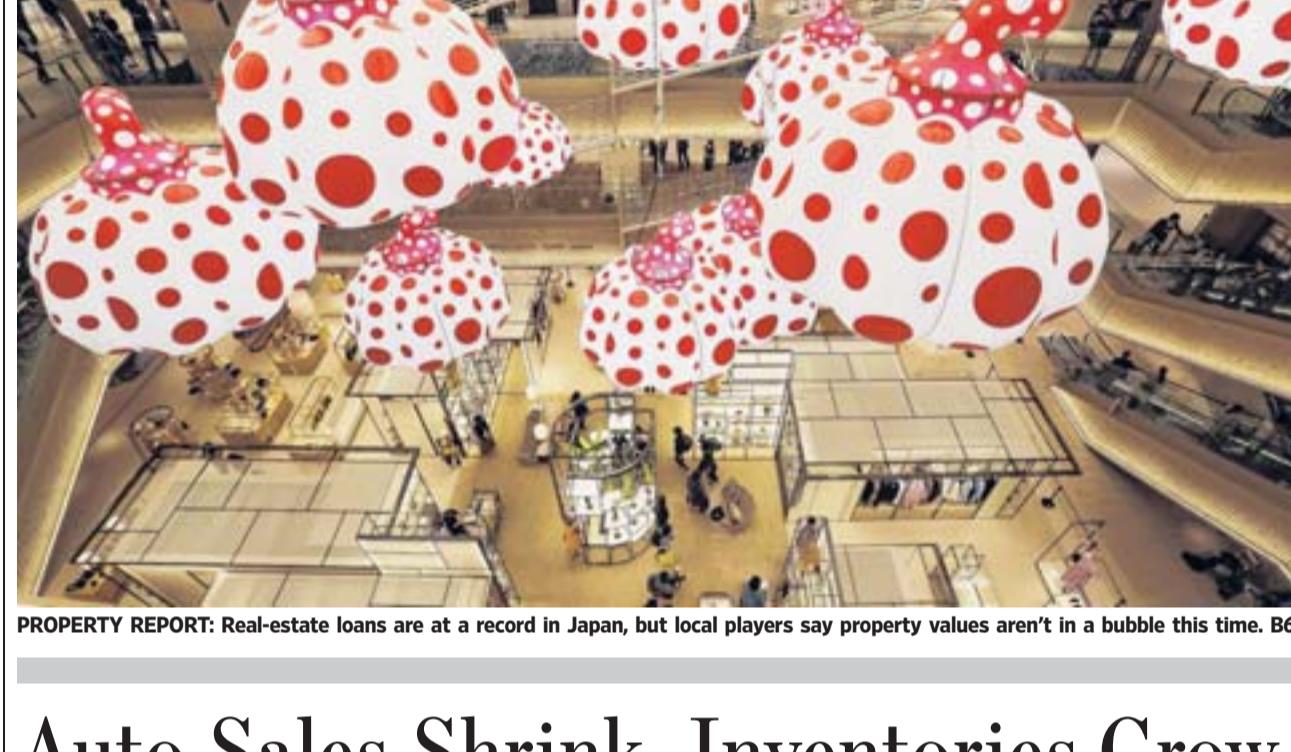
COMPENSATION, B3



U.S. THREATENS DUTIES ON MEXICAN SUGAR

COMMODITIES, B15

Land of the Rising Sun Becomes Land of the Rising Property Values



YOSHIO TSUNDA/AFLO/ZUMA PRESS

PROPERTY REPORT: Real-estate loans are at a record in Japan, but local players say property values aren't in a bubble this time. B6

Auto Sales Shrink, Inventories Grow

By ADRIENNE ROBERTS
AND MIKE COLIAS

Auto makers signaled their hot streak in the U.S. is rapidly cooling, as demand last month turned surprisingly sluggish for the trucks and SUVs that have fueled record profits for domestic players.

General Motors Co. and **Ford Motor** Co. on Tuesday reported declines in April of 5.8% and 7.1%, respectively, compared with the same month last year. **Fiat Chrysler Automobiles** NV reported a 7% decline, as sales at its Jeep

brand continued to tumble.

Another troubling sign: It is taking dealers far longer to sell off inventory, resulting in a glut of unsold cars and trucks. GM, the No. 1 U.S. auto maker, has nearly 1 million vehicles sitting on dealer lots.

Overall, auto makers sold 1.43 million vehicles in the U.S. in April, down 4.7% from a year earlier, according to Autodata Corp.

Detroit is hoping its traditionally strong summer sales season will get it out of the rut. Car makers plan to offer plenty of discounts, and rely

on low gasoline prices and broad economic strength.

The U.S. auto industry has been on a winning streak since bailouts rescued GM and Chrysler in 2009. After seven straight years of sales gains, including two consecutive record performances, demand has cooled in 2017's first four months despite soaring discounts.

Discounts are nearing an average of \$4,000 per car or truck sold, according to J.D. Power, denting the favorable impact that selling a richer mix of pricier Ford F-150s or

Cadillac Escalades can deliver.

GM will be shutting down some factories later this year to ready assembly lines for new models. Executives say a lack of new supply in the second half, along with the prospect of job growth, wage increases and cheap gasoline will help ease GM's bloated inventory. GM, which has 17% market share, is carrying more than one-fifth of the industry's inventory.

Working down high inventories can take a deep financial toll. Ford., the No.2 seller

Please see CARS page B2

Downshift

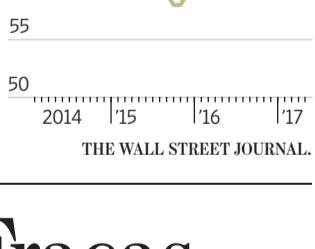
U.S. new-car sales were down for major auto makers last month as demand continues to cool and dealer inventories climb.

Vehicle sales by company in April 2017

| GM | Ford | TOYOTA | FCA | HONDA | NISSAN |
|----------------------------|---------|---------|---------|---------|---------|
| 244,406 | 213,436 | 201,926 | 177,441 | 138,386 | 121,998 |
| CHANGE FROM A YEAR EARLIER | | | | | |
| 5.8% | 7.1% | 4.4% | 7.0% | 7.0% | 1.5% |

Sources: the companies; J.D. Power (supply)

Days supply of inventory



THE WALL STREET JOURNAL.

Embattled Banker in New Fracas

For **Jes Staley**, the embattled **Barclays** PLC chief, there is a new cause for worry: his brother-in-law and an angry client.

Mr. Staley, facing a cut in pay and under investigation for trying to uncover the identity

of a whistleblower, now is clashing with one of the bank's most powerful customers, **KKR** & Co. According to people familiar with the matter, he waded into a messy dispute between the private-equity giant and his wife's brother, causing KKR to pull business from the bank.

At the center of the dispute is a Brazilian data-center com-

pany, **Aceco TI**, founded in 1972 by the family of Mr. Staley's wife, Debora Nitzan Staley. She and her brother, Jorge Nitzan, Aceco's then-chief executive, sold the bulk of their interest in the company to KKR in 2014 in a deal valued at around \$700 million.

Entities controlled by Ms. Staley and her brother received some \$160 million and \$80 million respectively as a result of the sale, according to people familiar with the sale. A year later, Aceco was unraveling amid Brazil's tumbling economy, and KKR is fighting a pitched legal battle in São Paulo against Mr. Nitzan and the other sellers, including Ms. Staley. KKR, with close to \$475 million in Aceco equity at stake, is trying to get its money back.

Entities controlled by Ms. Staley and her brother received some \$160 million and \$80 million respectively as a result of the sale, according to people familiar with the sale. A year later, Aceco was unraveling amid Brazil's tumbling economy, and KKR is fighting a pitched legal battle in São Paulo against Mr. Nitzan and the other sellers, including Ms. Staley. KKR, with close to \$475 million in Aceco equity at stake, is trying to get its money back.

KKR's beef with Mr. Staley is that he interceded on behalf of his brother-in-law, by trying to help find an investor late last year, after the 2014 acquisition went sour, and by vouching for him with KKR's two big co-investors in the deal. KKR's view, according to people familiar with it, is that Mr. Staley's actions could have hurt KKR's legal and financial options.

Mr. Staley's view, according to people familiar with it, is that KKR improperly pressured him and is trying to turn a personal situation for him into a business matter for the bank.

Mr. Staley has told multiple people that he wasn't acting in his capacity as Barclays' CEO when he interceded for his brother-in-law, and that his actions in the dispute were what anyone would do to defend a

family member. Barclays itself had no role in the Aceco deal. A spokesman for Barclays said, "Appropriate senior personnel within Barclays have been kept informed about this matter, and in particular regarding any management interactions with the parties concerned."

Recently, KKR executives have cut Barclays off from some of their business, people familiar with the matter said. A KKR spokeswoman said it has a responsibility to protect the interests of its investors, "who we believe were defrauded in the sale of Aceco." She continued, "We would also note that we have been a longtime client of Barclays, which comes with its own responsibilities for Barclays." Since 2010, KKR has paid Barclays \$190 million in

Please see STALEY page B2

At the center of the dispute is a Brazilian data-center com-

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UNITED

Continued from the prior page than 80% of domestic capacity is now in the hands of just four airlines, following megamergers since 2008.

Rep. Albio Sires (D., N.J.) asked Mr. Munoz: "Are you too big to manage your industry?"

The CEO responded that the large scale of his carrier's network "allows freedom of choice" for consumers. Airline executives also pointed out that overbooking helped boost capacity and lower fares, responses that drew short shrift from one lawmaker.

"No low ticket price makes up for a miserable experience," said Rep. Carolyn Maloney (D., N.Y.).

Massachusetts Democrat Michael Capuano, after a spirited discussion about personal frustrations with the travel experience, said he thinks United and the industry have addressed the immediate situation. "But we have a problem," he said.

Lawmakers have lined up with calls for measures such

dent for a decision to move faster to get rid of the policy. **Alaska Air Group** Inc. said Tuesday it may follow suit. Southwest denied boarding to more passengers on an involuntary basis last year than American, **Delta Air Lines** Inc. and United combined. William McGee, representing the Consumers Union, said at the hearing that it shouldn't take a social-media event like the United incident to drive airlines to improve their customer service.

The hearing gave some airline executives a chance to defend policies such as overbooking. Scott Kirby, United's president, said it allows the company "to take care of thousands of passengers we otherwise couldn't accommodate."

He cited a recent example of a United plane in India that had an engine problem, leading to a flight cancellation. United put a couple hundred passengers on other airlines, and then overbooked the flight the following day by 48 customers. Twenty-three of them took compensation to voluntarily fly the next day, he said.

Joseph Sprague, Alaska's senior vice president of external relations, agreed, saying his carrier was able to make available 675,000 seats last year that wouldn't have otherwise been available by overbooking.

Those seats were used by last-minute business travelers and for extra customers caught up in weather or operational problems. He also said this practice helps keeps fares low.

Meanwhile, Kerry Philipovitch, American's senior vice president of customer experience, said the airline's overbooking rates have fallen since it introduced new measures including more staff with additional powers to avoid such situations. She said 50% of its denied boarding reflect operational factors such as aircraft changes or accommodating air marshals, rather than overbooking.

Lawmakers will return to the subject Thursday when the Senate Subcommittee on Aviation Operations, Safety and Security plans a separate hearing on consumer protections and the state of airline travel.

Airline shares all rose Tuesday, lifted by an upbeat April traffic report from **Delta Air Lines** Inc., and analysts have largely discounted any potential financial impact from the United incident.

Women also waited 3.9% longer to have their code accepted, and got 8.2% more comments and questions, according to the analysis.

Questioned about the engineer's report at a weekly Q&A

STALEY

Continued from the prior page investment-banking fees, according to Dealogic data. Mr. Nitzan, through a São Paulo-based spokesman, called accusations of fraud "baseless." "Mr. Nitzan is confident that the truth will prevail and that the accusations will be fully clarified in arbitration," the spokesman added.

In a separate matter, U.K. regulators have been investigating the CEO after he tried to unmask a whistleblower.

KKR's acquisition of a controlling stake in Aceco was its first direct investment in Brazil. Aceco has built more than 800 data storage and processing centers in Brazil and Latin America; Mr. Nitzan and Ms. Staley each owned 26%, according to Aceco documents, and private-equity firm **General Atlantic LLC** held the remaining 48%. General Atlantic received some \$290 million for its stake, according to people familiar with the 2014 sale. KKR got 87% of the company and Mr. Nitzan, who remained CEO, kept 12.5%. In May 2015, KKR's head of Latin America in São Paulo got an anonymous email alleging Aceco's books had been manipulated since 2012, according to people familiar with the matter.

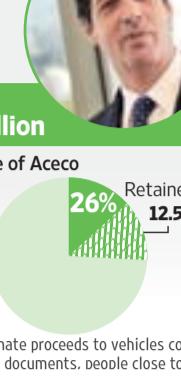
A KKR-commissioned accounting and legal investigation determined many of the anonymous emailer's allegations had merit, according to a report re-

BUSINESS & FINANCE

KKR's Targets

Who got what from the 2014 sale of Brazilian data-center company Aceco TI.

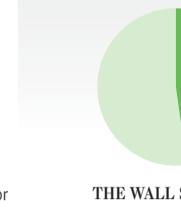
Jorge Nitzan
Son of Aceco founders.
CEO at time of sale.



Debra Nitzan Staley
Daughter of Aceco founders.
Wife of Barclays CEO Jes Staley.



General Atlantic LLC
New York-based private-equity firm.



Note: Approximate proceeds to vehicles controlled by the parties.
Sources: Aceco documents, people close to the deal Photos: Bloomberg News; Regis Filho/Valor

viewed by The Wall Street Journal. It found Aceco made payments to some entities now embroiled in the sprawling bribery and corruption scandal in Brazil known as Car Wash.

KKR fired Mr. Nitzan in late 2015. And last year it marked its equity investment in Aceco down to zero, according to people familiar with the decision. Aceco officials didn't return calls. Mr. Nitzan's spokesman, on behalf of Ms. Staley, noted she inherited her Aceco stake and had no management role. A General Atlantic spokeswoman declined to comment. Jockeying for control of Aceco and its assets intensified, after the company fell behind on payments affecting \$85 million in debt.

An entity now fully owned by Mr. Nitzan bought a slug of debt in the Aceco holding company that was created as part of the 2014 deal—which could have allowed him, as a creditor, to regain control of Aceco. KKR was taken by surprise, people familiar with the events said, and the company and Mr. Nitzan are waging battle over ownership in Brazilian courts.

Meanwhile, in September, KKR's private-equity chief for the Americas, Alexander Navab, placed a call to Mr. Staley to lay out KKR's side in the conflict and see if Mr. Staley could influence Mr. Nitzan, according to people familiar with the call.

The call was brief, and Mr. Staley didn't agree to intercede, people familiar with the matter

said. KKR executives hoped Mr. Staley would get back to them.

A person close to Mr. Staley said he viewed the call as confrontational. Soon afterward, Mr. Staley suggested to a longtime friend, Timothy Collins of New York-based **Ripplewood Advisors LLC**, that he consider investing in Aceco.

Meanwhile, KKR learned that Mr. Staley, while traveling on Barclays business, had discussed Aceco in private conversations with two KKR co-investors, the Teacher Retirement System of Texas and GIC, Singapore's sovereign-wealth fund, and defended his brother-in-law, according to people familiar with the matter. GIC and the Texas fund declined to comment.

dans or Ford's Focus compacts.

"You may start to see truck production cut and even more on the car side," Mr. Wakefield said. Industrywide inventory is "climbing and it needs to be managed," he said.

The largest Japanese auto maker, **Toyota Motor Corp.**, reported a 4.4% drop in April sales. **Honda Motor Co.**'s U.S. sales decreased 7% for the month. **Nissan Motor Co.**—among the only mass-market players posting growth for 2017—reported its first sales decline of the year, with April sales dropping 1.5%.

CARS

Continued from the prior page in the U.S., faced a glut last spring and took tough actions to work it down. The company, however, has reported four consecutive quarterly earnings declines, and its share price has suffered.

GM already has relatively low utilization of its North American factories, according to WardsAuto.com. It has laid off thousands of hourly employees due to a collapse of demand for fuel-sipping pas-

senger cars. Now, its core truck business is also showing fatigue.

Fred Rentschler, a dealer in Slatington, Pa., said his family's Chevrolet store has 120 models on the lot and another 50 being delivered, nearly 20% more than the same time last year. "They're coming through with inventory," he said. "We're just not selling them as quickly."

Ford officials echo GM's optimism, with the company's sales chief, Mark Laneve, saying "our big seasonal selling months are still in front of us."



Mark Zuckerberg was asked about the findings in a staff meeting.

CODE

Continued from the prior page that is the bedrock of every feature launched by Facebook, from nearly imperceptible tweaks like the color of a button to new features like Facebook Stories. Each of these changes is subject to a code review by colleagues. The code shapes the user's experience, and experts say the absence of diverse viewpoints on a coding team can lead to a product ignoring the needs of certain categories of users.

The initial analysis found that female engineers received 35% more rejections of their code than men, according to screenshots of the engineer's report posted last September.

The engineer, who was described as having been at Facebook several years, said she conducted her analysis "so that we can have an insight into how the review process impacts people in various groups," according to screenshots of her internal post.

She said she analyzed five years of data to come to her finding about the higher rejection rate of code written by women. The engineer, whose identity couldn't be learned, pulled from Facebook's open repository of code-review data, which included details such as an engineer's tenure at the company as well as his or her team, city and gender.

Experts and former employees say both studies had flaws. The first may not have taken into account an engineer's previous experience before joining Facebook, while the official analysis failed to offer enough data to conclusively rule out gender bias.

Employees responded to Mr. Parikh's post by asking Facebook to share more detailed data, such as the percentage of female engineers at every level.

The new analysis, they said, suggested that women were being held at levels where their code is rejected more often.

Facebook declined, saying it couldn't share private employee information.

In his post, Mr. Parikh acknowledged that the small discrepancy was "still observable and felt by many of you." He urged employees to take a voluntary training course to help employees identify and offset inherent prejudices.

with employees, Mr. Zuckerberg responded that gender bias was "an issue," said one person who observed the exchange.

The follow-up Facebook analysis, shared internally by Mr. Parikh in October, played down the gender gap, attributing the higher rejection rates to an engineer's level. Facebook used confidential human-resources data such as an engineer's rank; the first study used the length of time an engineer worked at Facebook.

Engineering roles at Facebook are broken into eight levels, starting at E3 and going up to E10. When factoring in level, the difference in rejection rates based on gender "shows no statistically significant difference," wrote Mr. Parikh in the post.

Experts and former employees say both studies had flaws. The first may not have taken into account an engineer's previous experience before joining Facebook, while the official analysis failed to offer enough data to conclusively rule out gender bias.

Employees responded to Mr. Parikh's post by asking Facebook to share more detailed data, such as the percentage of female engineers at every level.

The new analysis, they said, suggested that women were being held at levels where their code is rejected more often.

Facebook declined, saying it couldn't share private employee information.

In his post, Mr. Parikh acknowledged that the small discrepancy was "still observable and felt by many of you." He urged employees to take a voluntary training course to help employees identify and offset inherent prejudices.

The follow-up Facebook analysis, shared internally by Mr. Parikh in October, played down the gender gap, attributing the higher rejection rates to an engineer's level. Facebook used confidential human-resources data such as an engineer's rank; the first study used the length of time an engineer worked at Facebook.

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BUSINESS NEWS

Aetna Is Losing Interest in Exchanges

BY ANNA WILDE MATHEWS AND IMANI MOISE

Aetna Inc. plans to scale back its presence again in the Affordable Care Act exchanges in 2018, saying it expects losses on the business this year despite sharply reduced enrollment in its individual plans.

The health insurer's disclosure came as it swung to a loss in the most recent quarter in the aftermath of its failed merger with Humana Inc. A federal judge blocked the deal on antitrust grounds.

Individual plans are a small share of Aetna's overall business, and the insurer has already reduced its exchange presence to four ACA marketplaces from 15 last year.

Aetna said Tuesday that it expects 2017 losses on its individual business will amount to roughly half its loss last year, which was \$450 million. Its individual enrollment stands at 255,000, down from about 964,000 at the end of 2016. But the first-quarter total was larger than it had expected.

Aetna's comments represent the latest alarm coming from an insurer about continued struggles with the exchanges as the industry is in the process of filing 2018 plans with state regulators.

Insurers are facing questions surrounding the future of the ACA itself, which House Republicans are trying to overhaul with a bill that hasn't won enough votes to move forward. Industry officials have said they need certainty about federal payments that currently help reduce health costs for low-income ACA enrollees.

For the first quarter, Aetna had a loss of \$381 million, or \$1.11 a share, compared with a profit of \$737 million, or \$2.08 a share, a year earlier. Revenue fell 3.4% to \$15.17 billion.

Perrigo Searched In Generic Drug Probe

BY JONATHAN D. ROCKOFF

Perrigo Co. said Tuesday its offices were searched by investigators conducting a federal probe of price collusion in the generic-drug industry.

The investigators executed search warrants at Perrigo's offices, according to the company, which didn't say when the offices were searched, which ones or what, if anything, was seized.

"The company is taking this investigation seriously and is cooperating with the appropriate authorities," Perrigo said in a statement.

The price-fixing investigation by the Justice Department has hung over the generic-drug industry for months.

Several companies have received subpoenas seeking information about drug pricing and communications with competitors, including Endo International PLC and Mylan NV. Also receiving subpoenas were Teva Pharmaceutical Industries Ltd. and Actavis, which Allergan PLC sold to Teva last year.

The execution of search warrants may suggest investigators are stepping up the probe, searching for evidence to support allegations of collusion.

Courts have set a high bar for price-collusion cases, requiring a written document or other evidence of an agreement among companies to follow each other on prices.

Which particular generic drugs investigators are examining, along with many other details of the investigation, are unclear.

Generic drugs, low-price copies of brand-name medicines that have lost patent protection, are supposed to help cut health-care spending.

But doctors, patients and hospitals have complained about the prices of certain generic drugs rising sharply in recent years.

Big Pay Day for Mylan Chairman

Compensation totals are among the highest at company marked for EpiPen controversy

BY MARK MAREMONT AND THEO FRANCIS

Mylan NV disclosed that its chairman received nearly \$100 million last year, among the largest pay packages disclosed this year for any public company, even as the drugmaker was buffeted in 2016 by a public furor over hefty price increases on its EpiPen.

The disclosed pay for Robert J. Coury doesn't include an additional \$59 million in retirement benefits and other payments that Mr. Coury received last year in connection with what Mylan called his transition from executive chairman to a nonemployee chairman role.

Although no longer an employee, Mr. Coury will continue to receive \$1.8 million a year as a "cash retainer" as part of an agreement struck last year. He also received one million restricted stock units, valued at about \$37 million at current share prices, most of which vest in mid-2019.

"During Mr. Coury's long



\$100 Million

The rough amount of Robert J. Coury's compensation in 2016

tenure, Mylan has delivered strong financial performance and shareholder growth, and his new compensation structure continues to be aligned with the company's stock performance while providing shareholders with the benefit of his continued leadership and guidance," the company said. A Mylan spokeswoman said the added \$59 million in

Mr. Coury's pay had been included in some form in prior years' pay disclosures, but became payable to him last year. The bulk of that was a \$50.4 million pension accumulated by Mr. Coury, 56 years old, who joined Mylan in 2002.

Even though Mr. Coury remains chairman, the company paid him a termination benefit of \$22.3 million, which in-

cluded \$4.6 million related to three years of continued personal use of company aircraft. This sum was part of the nearly \$100 million in disclosed pay.

It isn't unheard of for high-profile chiefs or senior executives to have separation agreements that guarantee them big payouts and then also negotiate agreements

that pay handsomely for being on hand after they step down, said Mark Borges, a compensation consultant at Compensia Inc. and a former Securities and Exchange Commission lawyer.

"It takes what I think is a customary arrangement you see in a lot of companies, and it magnifies it when you have this kind of money at stake," Mr. Borges said.

Mylan Chief Executive Officer Heather Bresch, who testified before Congress last year over the EpiPen pricing controversy, received a 2016 pay package of \$13.8 million, down from \$18.9 million in 2015.

Mylan came under fire last year over repeated price increases for the EpiPen, which delivers an emergency shot of epinephrine to counter severe allergic reactions.

The EpiPen at the time carried a list price of \$608 for a two-pen pack, double its price in early 2014 and up nearly 550% since 2007, according to Truven Health Analytics.

Mylan has since launched a cheaper, generic version of EpiPen, and Ms. Bresch has said part of the blame for the price increases should fall on middlemen and opaque pricing in the pharmacy-supply chain.

Molina Healthcare Replaces Top 2 Executives

BY ANNA WILDE MATHEWS AND AUSTEN HUFFORD

Molina Healthcare Inc. on Tuesday replaced its two leading executives, who are also sons of the founder and have run the company for two decades, citing disappointing financial performance.

The health-insurance company said Chief Executive Dr. J. Mario Molina and Chief Financial Officer John C. Molina were leaving their executive positions. Both will remain on the company's board.

Chief Accounting Officer Jo-

seph White is becoming finance chief and interim CEO. The company has begun a search for a permanent CEO. Shares closed up 18% to \$59.75, a move analysts said may partly reflect investors speculating that the company is more likely to be acquired.

Director Dale Wolf, a managed-care veteran who is a former chief executive of Coventry Health Care Inc., was named chairman, replacing J. Mario Molina, who has been CEO since succeeding his father and company founder, Dr. C. David Molina, in 1996. John Molina has

served as finance chief since 1995.

The Molina family owns roughly 20% to 25% of Molina, according to an estimate from Sarah James, an analyst at Piper Jaffray.

Mr. Wolf said in a call with analysts that "in light of the company's disappointing financial performance, and after careful consideration and analysis, the board determined that a change in leadership was necessary in order to drive profitability through operational improvements and other initiatives."

He said that despite the abrupt announcement, there was no new or hidden trigger for the decision, which was part of an ongoing process and represented the view that the company was "not keeping up with our competitors," he said. Mr. Wolf said he isn't a candidate for the CEO job, and that he hopes the search for a replacement for Dr. Molina will take less than six months.

Molina primarily focuses on the Medicaid business but also has a significant presence in the Affordable Care Act exchanges, which have recently been a drag on its results.

J. Mario Molina has been a high-profile voice in the debate over the future of the ACA and most recently said the company will leave the marketplaces completely if the federal government cuts off payments that help reduce health-care costs for ACA enrollees.

On the call with analysts, Mr. White said the ACA exchange business has been performing better so far this year compared with last year, and the company's leaders "continue to consider our options" regarding 2018 participation.

BUSINESS WATCH



AFP/GETTY IMAGES

Pon's Gazelle factory in Dieren, the Netherlands. Rival Accell rejected a bid it said was low and wouldn't win over shareholders.

MONDELEZ INTERNATIONAL Sales Decline In North America

North America was the only region where Mondelez International Inc.'s comparable sales fell in the first quarter, as food makers struggle with a turn by U.S. consumers toward fresher foods.

The maker of Oreos and Trident, which generates most of its sales internationally, said its cookies and gum sales faltered in the U.S. amid broader weakness for the industry.

While comparable sales fell 1.9% in North America in the first quarter, Mondelez logged 0.6% growth globally.

Overall for the quarter, excluding certain one-time factors, Mondelez reported a profit of 53 cents a share, up 6% from a year earlier excluding foreign currency fluctuations. Revenue fell 0.6% to \$6.41 billion.

—Annie Gasparro

ACCELL GROUP

Dutch Bicycle Maker Ends Takeover Talks

Dutch bicycle maker Accell Group NV said Tuesday that it had ended takeover talks for a proposed \$872 million (\$950.5 million) bid from closely held rival Pon Holdings, arguing that it was

too low and wouldn't win enough shareholder support.

Pon, one of the Netherlands' biggest family businesses, initially offered €847.4 million, or €32.72 in cash—which included a dividend of 72 European cents—for each Accell share. It then raised the offer by 3% to €872 million, or €33.72, including the dividend.

—Ben Dummett

PFIZER

Workhorse Drugs Lose Exclusivity

Pfizer Inc. said Tuesday that revenue fell 2% in its latest quarter to \$12.78 billion as some of its legacy drugs lost patent protection in key markets, though executives also blamed one-time factors and voiced optimism about prospects for the year.

Pfizer's revenue got a bump from newer products. But such gains weren't enough to make up for declining revenue from workhorses such as the antidepressant Pristiq, which lost marketing exclusivity.

In all for its first quarter, Pfizer reported a profit of \$3.12 billion, or 51 cents a share, up 2.6% from \$3.04 billion, or 49 cents a share, a year earlier. On an adjusted basis, earnings were 69 cents a share, up from 67 cents a share.

—Jonathan D. Rockoff and Austen Hufford

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TECHNOLOGY

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Microsoft CEO Satya Nadella at Tuesday's launch event in New York for new high- and low-end laptops from the company.

Microsoft Rethinks Laptops

New low-end device targets school market; higher-price model takes on MacBook Air

By JAY GREENE

Microsoft Corp. on Tuesday unveiled new laptops running a streamlined version of Windows that it hopes will help unseat Alphabet Inc.'s Google and Apple Inc. in the classroom.

The most ambitious new product: a sleek, lightweight laptop that Microsoft sees competing with Apple's MacBook Air. The new Surface Laptop, which starts at \$999 and comes in four colors, is a bit lighter and thinner than the Air, and has a slightly longer battery life at 14.5 hours, according to Microsoft.

The 2.76-pound Surface Laptop comes with 4 gigabytes of memory, while the comparably priced MacBook Air has 8 gigabytes.

Microsoft's partners, including Acer Inc., **Lenovo Group** Ltd. and HP Inc., rolled out laptops for students and teachers starting at \$189. Microsoft is play catch up in the budget-conscious education market, which Google has seized with its Chrome operating system designed for low-cost laptops.

All of the new devices run Windows 10 S, a new variant of Microsoft's flagship operating system. The new OS only permits users to run apps obtained through Microsoft's online Windows Store, which the company says makes the devices more secure and easier



DREW ANGERER/GETTY IMAGES

Microsoft hadn't refreshed its laptop lineup in more than a year.

to manage. That restriction, though, could frustrate a customer who, for example, tries to sync an iPhone but can't because Apple's iTunes isn't in the Windows Store.

If customers want to use apps that aren't available, such as iTunes or Google's Chrome browser, they can pay \$49 to upgrade to the Windows 10 Pro version of the OS sold to businesses. Other than limiting apps to those from the Windows Store, there is little difference between the two, according to the company.

Microsoft announced the new products at an event in New York focused on education. The move comes as Google has captured a market that Microsoft and Apple once led.

Customers who use Chromebooks, which cost as little as \$150, spend much of their time in browser-based apps such as Gmail and Google Docs. The laptops and apps are updated automatically, making them particularly appealing to schools, which might not have technical staff to manage devices.

Chrome OS accounted for 58% of mobile-computing devices—laptops and tablets—shipped to the kindergarten-through-12th grade market in

the U.S. last year, according to Futuresource Consulting Ltd.

Windows registered a 22% share, while Apple held 19%.

That market, which hit \$10.1 billion globally in 2015, according to Futuresource, is prize enough. But Microsoft and its rivals are eager to develop loyalties early, getting students

hooked on apps such as email programs and browsers that they will want as they move to new devices.

Tuesday's unveiling comes after Microsoft revealed that revenue from its Surface computers fell 26% in the three months ended March 31. It hadn't refreshed the line in more than a year, and rivals pushed competition on prices.

Microsoft is also introducing updates to the education version of its Office 365 productivity application that will run in Windows 10 S and be available free to students, faculty and school staff. The company added Teams, a workplace-collaboration service introduced in November that competes with Slack Technologies Inc. The service includes features to let teachers run quizzes and help students join forces on school projects.

Schools will get a free year's subscription to an education version of Microsoft's Minecraft game to teach coding.

While the \$189 starting price for Windows 10 S devices is higher than the entry-level prices for Chromebooks, Microsoft said the laptops will support pen-based computing and apps that make use of augmented reality. "We think we're entirely competitive in terms of price," Microsoft corporate vice president Joe Belfiore said in an interview.

The new products should "stem the bleeding" for Microsoft in the school market, Forrester Research Inc. analyst J.P. Gownder said. "The cost of Windows was way too high for schools."

With Chromebooks, Google has captured a market once led by Apple and Microsoft.

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Samsung to Test Self-Driving Cars

By TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. received regulatory approval to test a self-driving car in its home market, a reflection of the South Korean technology company's ambitions in the auto industry.

South Korea's Ministry of Land, Infrastructure and Transport gave Samsung approval to test its self-driving technology on roads in a statement dated Monday, noting the world's largest smartphone maker's advancements in artificial intelligence.

Samsung's technology will be used on a **Hyundai Motor** Co.-made vehicle, the ministry said.

It is unclear where the self-driving car will be tested, but the South Korean government has allowed autonomous vehicles access to most public roads since November, in addition to a government-run facility.

Samsung confirmed it received approval to test drive an autonomous vehicle using software made by Samsung Advanced Institute of Technology, the conglomerate's research-and-development arm.

Tech companies are circling the auto industry, hoping to provide the software or algorithms needed to propel driverless cars.

Their interest hasn't generally extended to making the vehicles, but rather supplying the technology or components.

The road tests will help Samsung develop its deep-learning algorithms for self-driving operations, but the company has no plans to enter the car-manufac-

turing business, a spokesman said.

Samsung has identified the automotive sector as a critical area for growth, as cars are increasingly outfitted with multi-media platforms and high-tech

software, a potential windfall for Samsung's displays and semiconductor businesses. The firm based in Suwon, South Korea, made a splashy entry into the field when it struck an \$8 billion deal to buy automotive supplier Harman International Industries Inc. Harman became a Samsung subsidiary in March.

Samsung and Harman executives had said in January that the two companies would use each other's strengths to try to build an autonomous-car platform that could be sold to auto makers, either as a total system or in smaller parts.

Samsung rival Apple Inc. is in the early phase of testing auton-

omous-vehicle technology on roads. Both legacy auto makers and newer entrants, such as Alphabet Inc.'s Waymo and Tesla Inc., are heavily investing in similar technology.

Global sales growth has slowed for smartphones in recent years, pushing technology companies such as Samsung into new fields. This has sparked a race to create digital ecosystems linking people's cars, kitchens and living rooms, with much of it controlled using a smartphone.

The Hyundai car using Samsung's algorithms is equipped with sensors that recognize road conditions and obstacles, according to the ministry.

Samsung plans to develop a self-driving algorithm that can be trusted in bad weather, according to the release.

—Min Sun Lee contributed to this article.

Peugeot, Startup Join for Road Test

NuTonomy Inc., the startup that beat **Uber Technologies** Inc. to the streets with a robot taxi, will work with **Peugeot** to integrate autonomous vehicle software into the French auto maker's 3008 sport-utility vehicle for on-road trials.

The two companies plan to have a small number of Peugeot 3008 SUVs ready for testing in September in Singapore.

"The ambition, if all goes well, we'll have our software on hundreds if not thousands of [Peugeot] vehicles," said Karl Iagnemma, nuTonomy co-founder, in an interview.

"You can't just put your software onto a memory stick and plug it into a USB port in the car and expect the car to drive itself. It requires a substantial amount of vehicle engineering."

The strategic partnership announced Wednesday puts nuTonomy on a similar path as **Waymo LLC**, the self-driving tech unit of **Google-parent Alphabet Inc.**, which began integrating its autonomous technology with **Fiat Chrysler Automobiles NV** last year. The tech company announced last week that it was increasing its test fleet of Chrysler minivans by 500 units.

—Tim Higgins



Samsung's David Das at the Consumer Electronics Show in Las Vegas this year. The company considers autos critical to its growth.

DAVID PAUL MORRIS/BLOOMBERG NEWS

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MANAGEMENT

IRAs Fail To Fulfill Mission, Study Says

BY LAUREN WEBER

More than 40 years after Congress created individual retirement accounts, a new analysis finds the savings plans aren't fulfilling their mission.

IRAs were intended to give workers without employer-sponsored programs—typically those who work in small businesses or are self-employed—access to tax-advantaged retirement savings plans. But most of the \$7.8 trillion parked in IRAs as of 2016's third quarter came from rollovers of employer-sponsored 401(k) accounts, according to an analysis of Internal Revenue Service data by the Center for Retirement Research at Boston College.

Moreover, most IRA contributors also participate in a 401(k) plan at the same time, the center says.

IRAs do little to encourage active saving by the workers for whom they were designed, said Anqi Chen, a research associate at the center and co-author, with Alicia Munnell, of the paper analyzing IRAs.

"People are using IRAs mainly as a receptacle for transfers from employer plans or to supplement employer plans," Ms. Chen said.

Because many workers don't want to leave money in an account administered by a former employer, and it is time-consuming to move the savings into a new employer's 401(k) program, workers often roll those funds into an IRA.

The authors recommend that federal or state governments return IRAs to their original mission by automatically enrolling workers in the accounts if they don't have access to employer savings programs. Workers currently must select a broker and open an account on their own if they want an IRA.

How Millennial Bosses Can Gain Trust

For young executives, the challenge is admitting what they don't know and seeking advice from elders

By JOANN S. LUBLIN

Sometimes, youth is wasted on young executives. Companies such as **Ford Motor Co.** are recruiting young bosses to jump-start or reinvent businesses. But those leaders often struggle to gain acceptance and trust from skeptical older colleagues.

Caterpillar Inc., American International Group Inc. and SAP SE have tapped executives in their 30s for senior spots since 2016. And in late January, Ford hired 34-year-old Musa Tariq as its first chief brand officer.

Mr. Tariq, who was most recently global marketing and communications director for **Apple Inc.**'s retail division, is helping the No. 2 U.S. auto maker shake up its 113-year-old business model and shift into new transportation services. Ford chose Mr. Tariq based on his reputation "for challenging convention," says Chief Executive Mark Fields. Being young "was OK, too."

Mr. Tariq is the youngest of his 44 fellow corporate officers. Ford's top ranks previously had been largely populated with lifers who worked their way up, Mr. Fields says. The CEO adds that he has tried to stem possible resentment of the young newcomer by ensuring members of top management interviewed and helped integrate Mr. Tariq.

Demand for young executives is growing, especially in areas like digital commerce and artificial intelligence, executive coaches and recruiters say. As a result, more workers find themselves reporting to younger bosses. Nearly four in 10 U.S. employees worked for someone younger in 2014, up



from 31% in 2010, concluded surveys conducted for CareerBuilder, a job site.

A young star's appointment to upper management can be unsettling for older managers whose career trajectories have been less meteoric. Individuals with younger supervisors must demonstrate their relevance in the workplace.

For youthful bosses, leadership specialists say the challenge is admitting what they don't know and humbly seeking advice from their elders.

Young executives struggle to win acceptance from older associates, who expect them to be arrogant and make mistakes, says Peter Cappelli, a management professor at the University of Pennsylvania's Wharton School. He co-wrote the book, "Managing the Older Worker."

Anyone with a younger boss should say, "I know a lot of stuff and I'd like to be your partner in execution," Mr. Cappelli recommends.

Jessica Bigazzi Foster,

head of the executive development global practice for RHR International LLP, a leadership advisory firm, says her employer is getting more assignments to coach young executives, especially those hired from outside a firm.

"We see a lot of organ refection," she says, and the executives who don't work out typically are less experienced in large corporate settings.

At Ford, Mr. Fields encouraged senior executives to

teach Mr. Tariq how to navigate the bureaucracy. Mr. Fields says he meets with Mr. Tariq regularly for informal coaching about issues such as finding key internal allies.

Among his early tips for the new branding chief: Travel the world and "get to know [Ford] people on a personal level."

Ford said Mr. Tariq was unavailable for interviews.

Matt Anderson was 35 when he joined Arrow Electronics Inc. as its first chief digital officer in 2014, charged with accelerating the electronics distributor's transformation into digital products and services.

Mr. Anderson says he worked hard to forge a strong bond with Andy King, a then 51-year-old Arrow executive whom the company's CEO respected for his successful command of its biggest unit's operations in Europe, the Middle East and Africa. Mr. Anderson proposed that he and Mr. King "work together and help each other succeed."

When Mr. Anderson became the youngest-ever partner of management consultancy Booz & Co. at age 30, older colleagues were resentful, he says. One co-worker privately griped that the new partner "impressed one or two people, but he won't be able to achieve the revenue needed," Mr. Anderson says.

Mr. King, now president of Arrow's global components business, says he has advocated on behalf of Mr. Anderson and his team because the younger man offered a fresh perspective and went out of his way to collaborate.

"Working together, we've found new ways to invest in and grow Arrow's online design and sales capabilities," Mr. King says. At Arrow, he adds, results count more than age.

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INTERNATIONAL PROPERTY REPORT: JAPAN

Osaka Bets on a Big Dream



Local officials want to develop a casino resort on Yumeshima, or 'dream island,' in Osaka Bay.

BUDHINKA WEERASINGHE/GETTY IMAGES

City's plan to develop casino island faces opposition, heightened global competition

BY MEGUMI FUJIKAWA

OSAKA, Japan—This commercial city has long been second to Tokyo. Now, with Japan weighing whether to approve casino projects that could cost some \$10 billion to build, Osaka is wagering it can be No. 1 in gambling and entertainment.

The city's hopes center on Yumeshima, or "dream island," a man-made patch in Osaka Bay where it says about 170 acres lie waiting for a casino-centered resort.

"Osaka is geographically advantageous because it's only one hour away from popular tourism destinations like Nara and Kyoto," said Osaka Gov.

Ichiro Matsui in an interview. "We also have a lot of unused land. We plan to make Yumeshima into Osaka's base for entertainment."

Japan's turn to casinos, many years in the making, has become less of a sure bet in an era when gambling meccas have multiplied around the world. In the U.S., states once saw casinos as a path to riches, but with the market getting more crowded, some traditional casino states such as New Jersey have taken a big hit.

East Asia, while not nearly as crowded, already has two major gambling destinations—the Chinese territory of Macau and Singapore—putting pressure on new entrants like Japan to differentiate themselves.

The casino business raises heated opposition in Japan, stoked in part by concerns about gambling addiction. About 60% of Osaka's citizens

don't want a casino, according to a recent survey by the Asahi newspaper and Asahi Broadcasting Corp.

Still, the government of Prime Minister Shinzo Abe is pushing ahead. Parliament last December passed a law opening a path to the legalization of casinos, and further legislation, expected by this year or early 2018, will give the final go-ahead if passed.

Global casino chiefs say they are ready to spend \$10 billion or more to set up shop in Japan. Some operators, including Melco Crown Entertainment Ltd. and **MGM Resorts International**, have released conceptual drawings of the resorts they want to build on Osaka's "dream island."

Advocates of legalization avoid the term casino in favor of "integrated resort." While Japanese may envision a "smoky" place "from the 1950s

with a lot of crime," in the words of Wynn Resorts Ltd. executive Ian Coughlan, he and others say the integrated resorts would also feature hotels, restaurants and shopping.

Analysts expect Japan to start with two to three casinos, perhaps modeled after Singapore, which has one casino-centered resort focusing on business conventions and a second one aimed at family vacations.

Mr. Matsui says he thinks the first casino in Osaka can open by 2023.

Osaka is the only big city in Japan with real estate set aside for a casino. The island created by landfill eventually could hold multiple resorts, said Global Market Advisors, a Las Vegas-based gambling industry consultant, in a report.

It added that Osaka could generate more than \$10 billion a year in gambling revenue,

compared with \$5 billion from Singapore's two casinos.

If so, visitors from South Korea, Taiwan, Southeast Asia and, above all, mainland China will be the ones to make it happen. Already, Osaka is teeming with Asian visitors.

Nearby Kansai International Airport has become the nation's biggest hub for budget carriers.

Industry executives say any casino in Japan would likely have an international operator, with U.S. companies such as Wynn Resorts and Las Vegas Sands Corp. top contenders.

Osaka has been a trading hub for more than 1,000 years, and for much of that time outshone the region around what is now called Tokyo. Today, most major corporations are based in Tokyo, and Osaka is reorienting itself.

Development is speeding up in the center of the city as

well. The north side of Osaka Station, the city's biggest transit center, is getting a multi-billion-dollar makeover, and a nearly 1,000-foot skyscraper, Japan's tallest building excluding broadcast towers, opened in 2014.

The city already has one big entertainment attraction, the Universal Studios Japan theme park that opened in 2001. Now owned by Comcast Corp., it brought in 15 million visitors in the year ended in March.

"As an [integrated resort] operator that focuses on entertainment, attractions, culture and arts, I think there's no better region for us than Osaka," said Melco Crown's chief executive, Lawrence Ho, in February.

Tokyo and nearby Yokohama have expressed interest in casinos but say they are waiting on more details before formally pursuing the idea.

Plots & Ploys
The offering of the company, which operates more than 630 properties, could take place as soon as this summer.

Blackstone also has been talking with three different investment groups about possibly selling LogiCor to them in a private transaction, people familiar with the matter said. Blackstone prefers this option, which would eliminate the need for an IPO and would allow the firm to sell its shares faster.

Blackstone created LogiCor partly on the assumption that online retail would boost demand for warehouses and distribution centers.

—Peter Grant

AGRICULTURE
Investments Are Flooding Into Legal Marijuana Farms

More capital is flowing into the purchasing and upgrading of property tied to fledgling marijuana businesses in states where it has been legalized, according to statistics from Viridian Capital Advisors, an investment bank that specializes in the pot trade.

Last year, businesses that focused on growing or dispensing marijuana raised about \$475 million, according to the Viridian Cannabis Deal Tracker. This year, the figure has already hit \$225 million, the firm said. Those businesses are using most of that money either to buy or upgrade indoor and outdoor farms and stores, Viridian executives said.

"You can't get a license to grow or sell unless you've already identified as part of the application process that it is legally zoned," said Scott Greiper, Viridian's founder and president.

Mr. Greiper noted that 29 states have legalized marijuana for recreational or medicinal use. "There's now a rush among real-estate investors to acquire these legally built facilities," he said.

—Peter Grant

BLACKSTONE GROUP

Private-Equity Firm Trying to Unload Europe Logistics Unit

Blackstone Group LP has taken new steps to sell its European warehouse business in an initial public offering that could fetch as much as \$13 billion, according to people familiar with the matter.

The private-equity giant,

which began accumulating European logistics properties in 2012 in a company named LogiCor, has tapped **Goldman Sachs Group Inc.** and **PJT Partners Inc.** to work on the IPO.



Planned layout of the Vineland Pointe complex in Orlando

BY KOSAKU NARIOKA

TOKYO—In the nation that spawned the mother of all modern real-estate bubbles three decades ago, market conditions these days feel slightly familiar.

Real-estate loans are at a record, and top buildings are selling for more than 30 times their annual income. Developers are racing to put up more office towers even though the population is declining.

Is the dreaded b-word back in Japan? Not really, say local real-estate players, but they caution that the current boom may be reaching its limits.

What distinguishes today from the late 1980s is the nature of the participants in the market and their expectations. Back then, companies in other fields such as electronics or retail made big bets on real estate, borrowing money for speculative projects on the assumption that prices would keep rising fast. When the market turned, that was a recipe for a crash and a nationwide plague of vacant lots.

Today, the market is largely dominated by real-estate professionals, and their calculation is a simple one: With long-term interest rates in Japan around zero due to

years of easing measures by the Bank of Japan, a building that returns 3% or so on an investment should be a fine deal, even if prices don't go higher.

"We love being borrowers here," said Eric Adler, chief executive of **PGIM Real Estate**, which is part of U.S. life insurer **Prudential Financial Inc.**'s investment-management arm. PGIM Real Estate typically borrows 40% to 65% of the price of properties it buys, according to a spokeswoman.

Blue-chip borrowers such as big companies and real-estate investment trusts can borrow at 1% or less for 20 years, says Hideaki Suzuki, head of Japan research at brokerage Cushman & Wakefield.

On a recent visit to Tokyo, Mr. Adler said PGIM Real Estate was interested in buying Tokyo retail and office properties as well as hotels. Over the long run, the firm is looking to increase its investments in Japan to \$5 billion from about \$1.5 billion, though the pace will depend on "the ability to find good deals at good pricing," he said.

An annual government survey released recently found land prices surged 25% or more last year in several prime locations, such as the

site of a Zara store in Tokyo's Ginza shopping district.

New loans to the real-estate sector rose 14% to ¥14.7 trillion (\$132 billion) in 2016, according to the Bank of Japan, the highest on record since data became available in 1977.

High-quality Tokyo office space yields 2.9 percentage points over the 10-year government bond in Japan, compared with a 1.1-percentage-point gap in New York and 2.3 percentage points in London, according to brokerage **Jones Lang LaSalle Inc.** That is because government debt yields more in the U.S. and the U.K.

Developer **Mori Building Co.** is undertaking one big project after another in the heart of Tokyo, increasing its borrowing 10% from three years ago to ¥968 billion at the end of September 2016.

Mori Building executive Yui Kosaka said the company has been extending the length of its borrowing on the assumption that rates can't fall much further.

Interest costs are down even though borrowing is up. "We see this as our chance," Mr. Kosaka said.

Of course, a sharp economic downturn could still cause pain. This is especially true for

investors who are buying land or fixer-upper properties expecting to boost cash flow.

Already there are signs the expansion may have run its course. Office rents are leveling off even though occupancy rates are high, because tenants figure they have more bargaining power with so many new buildings going up in the next few years.

Cushman & Wakefield projects that the rents sought by office landlords will drop about 8% by the end of 2020.

Some bankers say their tolerance for ever-narrower loan spreads is reaching a limit.

Michiya Fujii, head of real-estate finance at **Tokyo Star Bank Ltd.**, said he believed property values were getting artificially stretched by the availability of cheap loans. The bank trimmed loans in the year ended in March, focusing on longstanding clients.

"We don't need to push ourselves anymore," said Mr. Fujii.

Eiji Sakaguchi, chief executive of brokerage CBRE's Japan unit, said property prices likely hit a peak in the latter part of 2016. But he said he didn't anticipate a sharp downturn because lending practices today are far more conservative than they were in the late 1980s.

OCONNOR CAPITAL PARTNERS

INTERNATIONAL PROPERTY REPORT: JAPAN

Japan Pension Fund Gets Real-Estate Bug

BY PETER GRANT

Japan's government pension fund, the world's largest with \$1.25 trillion in assets, is making its biggest push ever to expand its real-estate portfolio.

The Government Pension Investment Fund in April asked asset managers around the world to submit proposals to run portions of the fund's real-estate investment portfolio. The request was part of a broader move by the fund to expand into alternative assets, including infrastructure and private equity.

At the moment, the fund's real-estate holdings are limited to the stock it has purchased in real-estate investment trusts. It is able to invest as much as 5% of its total portfolio in alternative investments, a fund spokeswoman said in an email.

The goal, she said, is to diversify.

"By investing in real estate, which has less correlation with traditional asset classes such as equities and bonds, we expect to reduce the risk of our entire investment portfolio," she said.

Japan is ramping up its real-estate exposure as other big investors are scaling back. Sales volume has slowed in Europe and the U.S. this year after declining in both markets in 2016.

Fundraising by private-equity firms has been weak. In the first quarter of 2017, closed-end, real-estate funds raised \$19.9 billion, compared with \$26.3 billion in the first quarter of 2016 and \$23.2 billion in 2015, according to data firm Prequin.

Japanese investors have had a spotty record with property purchases over the years. In the U.S., they suffered big losses following the recession

of the early 1990s with investments in such high-profile assets as Rockefeller Center in New York.

The pension fund spokeswoman declined to comment on the record of earlier investors. As for the timing of the new push, she pointed out that the fund "does not have to invest in real estate unreasonably if we judge it is not the proper timing in terms of market cycle."

The impact from the Japanese fund's planned expansion won't be felt quickly, in part because Japanese law prohibits it from buying property directly, the spokeswoman said.

Initially, the pension fund will concentrate on investing through fund of funds, vehicles that take positions in numerous portfolios.

Later, the Japanese fund plans to invest in single funds "when the regulatory environment becomes more conducive to that and when there is further expansion of our dedicated team," she said.

Government-backed pension funds and sovereign wealth funds have been playing an important role in the global capital markets, even as overall investment activity has declined. The Government Pension Fund of Norway, Qatar Investment Authority and the Australian Future Fund all have been more active in recent years.

The Japan pension fund isn't the only big player about to step onto the global stage. Many expect Saudi Arabia to get more active as it tries to become less reliant on oil.

"We've been seeing big waves from the region," said Yahya Abdulla, the head of Middle East capital markets for Cushman & Wakefield. If Saudi Arabia ramps up its investment activity, "we'll see huge waves," he said.



TOMOHIRO OHSUMI/GETTY IMAGES

Tourists take photos in front of a cherry tree in blossom last month in Tokyo. Visitors to Japan hit a record 24 million last year.

New Life for Offices: Hotels

BY KOSAKU NARIOKA

TOKYO—American real-estate developer Seth Sulkin thought the surge of tourism in Japan meant the time was right to build more hotels, but he was having trouble finding empty lots in the country's packed cities.

One answer: Buy office buildings and convert them. This November, in a 10-story building that once housed offices, a 205-room hotel under

Marriott International Inc.'s boutique Moxy brand is set to open near the temple in Asakusa, a top Tokyo tourist destination.

"It's very difficult to buy land and buildings now," says Mr. Sulkin, chief executive of **Pacifica Capital KK**, which developed the more than \$50 million project. He says the property will target younger travelers and charge about

\$150 a night to start.

While the country's domestic labor force is set to shrink as the population ages, tourists are flooding in, creating more demand for hotels but less for office buildings.

Visitor arrivals hit a record 24 million last year and rose 14% in the first quarter of this year, according to the Japan National Tourism Organization.

The government is targeting 40 million annually by 2020, when Tokyo plays host to the Summer Olympics.

"In many locations, hotels make more money than office buildings," says Mr. Sulkin, whose firm has similar conversion plans for an 11-story office building it bought in March near the Osaka bullet-train station.

Other investors that have converted offices to hotels or plan to include **Fortress In-**

vestment Group LLC, Goldman Sachs Group Inc. and LaSalle Investment Management Inc.

Revenue per available room, an industry metric, climbed in Japan an aggregate 59% on a local currency basis in the five years through 2016,

according to STR, an industry data and analytics firm. The 81% occupancy rate in Japan in the first quarter of this year was higher than the U.S.'s 61% and the U.K.'s 71% despite the average daily room rate of \$132 in Japan being higher than U.S.'s \$124 and the U.K.'s \$104.

Hotel-sales transactions in Japan rose 8% to ¥364 billion (\$3.3 billion) last year, the highest level since the global financial crisis, according to Jones Lang LaSalle Inc.'s Hotels & Hospitality Group.

Most of Japan's recently developed hotels offer either

budget-style, business lodgings with tiny rooms on one end and large, full-service, luxury accommodations on the other. Neither type is ideal for middle-class families from China, Taiwan, Hong Kong and South Korea, the sources of most of Japan's visitors.

"There is a huge mismatch between the existing stock and the demand from travelers," says Jon Tanaka, head of Japan real estate for Angelo Gordon & Co. Domestic travel by Japanese baby boomers is another source of growth, he says.

Empty lots are hard to come by in city centers. When land becomes available, competition drives up the price among developers of condos and offices. In a typical conversion project, developers keep the existing structures but renovate and reconfigure the interiors.

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BUSINESS & FINANCE

Berkshire Faces Pressure Over Political Disclosure

BY NICOLE FRIEDMAN

Berkshire Hathaway Inc. has largely avoided politics, but the pressure for more disclosure is increasing.

Shareholder advisory firms Glass Lewis & Co. and Institutional Shareholder Services Inc. are recommending that Berkshire shareholders approve a resolution asking for a twice-yearly report on the company's political contributions and expenditures. Berkshire is run by billionaire Warren Buffett, a longtime Democrat.

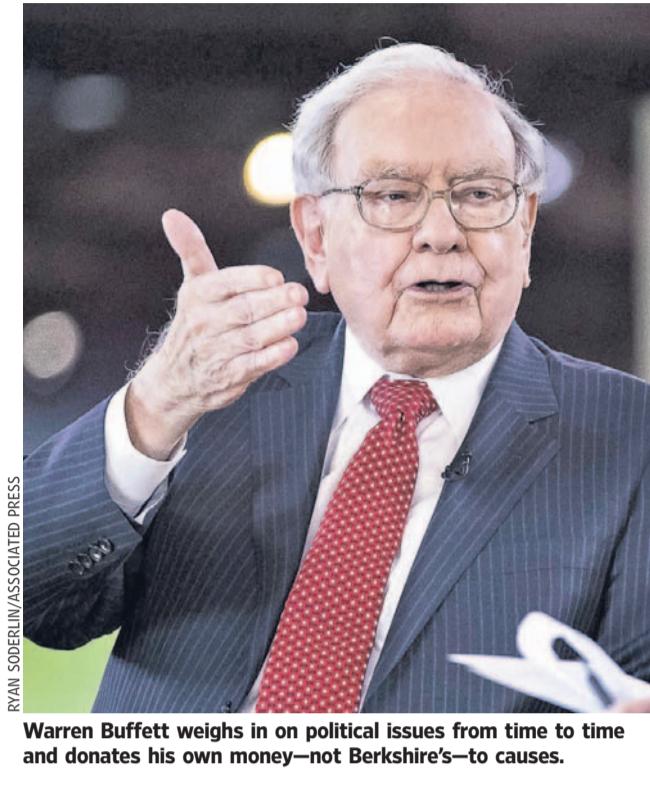
Berkshire's board opposes the resolution, arguing that political contributions make up less than 0.1% of Berkshire's annual expenditures and the parent company doesn't make any contributions.

Berkshire subsidiaries including BNSF Railway and Berkshire Hathaway Energy do make political contributions. The vote on the matter will be finalized Saturday at the company's widely attended annual meeting in Omaha, Neb.

Glass Lewis and ISS say the company's current disclosures are insufficient and the board's oversight of political spending is unclear.

"Berkshire Hathaway—the parent company—has never made a contribution to any presidential candidate (nor any other political candidate) during my 52 years as CEO," Mr. Buffett said in an email. "I am sure that some of our subsidiaries—in particular those in heavily regulated industries—make political contributions and employ lobbyists. I do not participate in these decisions and Berkshire parent has never, to my knowledge, used a lobbyist."

Mr. Buffett said he and Berkshire's vice chairman, Charles Munger, have never solicited political contribu-



Warren Buffett weighs in on political issues from time to time and donates his own money—not Berkshire's—to causes.

tions from a Berkshire employee or vendor.

"Over the decades, I've learned of a couple of our executives that were doing so and have told them to stop," he said.

He campaigned for Hillary Clinton and criticized President Donald Trump before November's presidential election. Since then, he has mostly stuck to conciliatory remarks.

Berkshire Vice Chairman Charles Munger said in an interview last month that Berkshire has no official position on political issues and he doesn't expect to talk much about politics at the annual meeting.

"Berkshire is the least political company you're going to find," he said.

A few days after the election, Mr. Buffett told CNN that Mr. Trump "deserves everybody's respect."

not Berkshire's—to causes and candidates he supports. He also donates \$5,000 a year to BNSF's political-action committee, he said.

The resolution was proposed by Clean Yield Asset Management on behalf of shareholders Tom Beers and Mary Durfee.

Shareholder resolutions are unlikely to pass at Berkshire, where Mr. Buffett, the company's chairman, controls 32.7% of the voting power. In his recent annual letter to shareholders, Mr. Buffett said that the proponents of shareholder resolutions "will be given a reasonable amount of time to state their case" at the meeting.

Mr. Buffett weighs in on political issues from time to time and donates his own money—

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE MKT and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG=Daily percentage change from the previous trading session.

Tuesday, May 2, 2017

| Stock | 52-Wk % Sym Hi/Lo Chg | Stock | 52-Wk % Sym Hi/Lo Chg | Stock | 52-Wk % Sym Hi/Lo Chg |
|------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| KoreFund KF | 39.54 1.4 | General Mills GIS | 52.00 1.3 | Van Eck Oil Refin CRK | 158.90 0.3 |
| KronosWorldwide LGI | 24.71 0.5 | LazardWorldDiv LHM | 10.87 0.6 | Van Eck Poland PLND | 17.61 1.0 |
| LazardLbb Div LGI | 25.42 0.4 | LiveStorage LSI | 75.68 2.8 | VanguardTech PGX | 140.54 0.7 |
| Aaron's AAN | 37.54 1.1 | OccidentalPetrol OXY | 59.39 1.3 | VanguardUSCS VSS | 108.49 0.7 |
| AdamsDivEquity FAD | 14.19 0.1 | Pengrowth PGH | 60.62 0.5 | VanguardTEC WEA | 105.35 0.6 |
| Avnet AET | 139.44 1.6 | PrimeroMining PPP | 18.44 1.0 | VanguardTSE EM VVO | 42.04 0.5 |
| Alibaba BABABA | 116.69 0.4 | Mettler Toledo MT | 524.39 0.6 | VanguardTSE Pac VPL | 64.34 0.3 |
| AllianzGlobalInvcn ACV | 121.77 0.5 | Schindler SCL | 70.97 1.2 | VanguardTSEANWUS VEU | 49.28 0.6 |
| AlpinGlbPrProp AWP | 6.16 1.1 | SuperiorEnergy SPN | 11.34 1.8 | VanguardGrowth VUG | 125.33 0.2 |
| Americo AMRC | 6.95 0.4 | SuperiorIndustrials SUP | 51.16 0.2 | VanguardMegaGrwth MGK | 98.69 0.2 |
| AmerTowerPfd AMTPB | 117.79 0.4 | Tanger SKT | 20.93 3.7 | VanguardS&P500 Grw VOOG | 121.11 0.2 |
| AmerTowerREIT AMT | 126.81 0.3 | TechAtlanta TTA | 3.21 2.4 | VanguardTotalRtrd VWD | 66.68 0.4 |
| BancoMacro BMA | 89.73 1.5 | Verizon VZ | 45.76 0.1 | VanguardTSE Europe VKG | 54.26 0.9 |
| Bio-RadLab B BIO/B | 221.05 0.5 | Vinceholding VINCE | 0.28 6.0 | VanguardTSE Europe HEDJ | 65.47 0.6 |
| Bio-RadLab B BIO/B | 221.05 0.3 | WescoAircraft WAIR | 9.50 3.5 | VanguardTSE Europe VOF | 29.88 0.9 |
| BrownMerrill ARRb | 24.22 0.2 | NextEraEnergy NEWR | 40.78 0.5 | VanguardTSE Europe EWG | 47.23 0.4 |
| Avalonbay AVB | 43.23 0.1 | NuvelGblHlthCare NFG | 60.87 1.8 | VanguardTSE Europe EDJ | 25.70 0.8 |
| AveryDennison AVY | 84.08 0.2 | PIMCO CorpBndl PCI | 22.15 0.4 | VanguardTSE Europe DOL | 46.75 0.5 |
| AxonovSciences AXON | 25.18 0.4 | PIMCO Income PDI | 29.46 0.5 | VanguardTSE Europe DIM | 62.97 0.8 |
| Azul AZUL | 24.49 0.3 | PIMCO InvAdm PFI | 10.45 0.2 | VanguardTSE Europe DLS | 68.72 0.9 |
| BWX Tech BWXT | 51.00 0.2 | PIMCO InvAdm PFO | 16.70 ... | VanguardTSE Europe DFJ | 68.36 0.5 |
| Cambrian Macro BMA | 89.73 1.5 | PIMCO InvAdm PGI | 20.10 0.1 | VanguardTSE Europe EAP | 24.12 0.3 |
| Bio-RadLab B BIO/B | 221.05 0.2 | PIMCO InvAdm PKI | 24.36 0.6 | VanguardTSE Europe EHW | 23.37 0.2 |
| Bio-RadLab B BIO/B | 221.05 0.3 | PIMCO CorpBndl PTI | 16.71 0.3 | VanguardTSE Europe EWD | 29.67 0.5 |
| BlackKnightFin BK | 42.20 0.2 | PIMCO CorpBndl PTC | 22.15 0.4 | VanguardTSE Europe EUD | 41.48 0.5 |
| BlkDebtBnd DSU | 13.40 0.4 | PIMCO CorpBndl PDI | 29.46 0.5 | VanguardTSE Europe FXD | 64.19 1.1 |
| BlkDebtBnd DSU | 13.40 0.3 | PIMCO CorpBndl PFO | 26.12 0.4 | VanguardTSE Europe DXUS | 25.08 0.8 |
| BoisnCascade BCC | 31.55 1.0 | PIMCO InvAdm PFM | 10.45 0.2 | VanguardTSE Europe DZU | 52.10 0.5 |
| BostonScientific BSK | 26.60 0.7 | PIMCO InvAdm PGI | 20.10 0.1 | VanguardTSE Europe EPI | 25.05 0.8 |
| BrightHorizons BFAM | 76.97 0.2 | PIMCO InvAdm PRN | 19.87 0.4 | VanguardTSE Europe DOO | 40.26 0.6 |
| BrookfieldMgt BAM | 37.84 2.0 | PIMCO InvAdm RELX | 20.74 0.2 | VanguardTSE Europe DOV | 34.39 1.4 |
| BurlingtonStores BUR | 100.50 0.2 | PIMCO InvAdm RELX | 11.66 0.3 | VanguardTSE Europe DOY | 51.38 0.7 |
| CBD Dao CBD | 22.50 1.4 | PIMCO InvAdm RPLX | 58.27 0.9 | VanguardTSE Europe DWD | 51.38 0.7 |
| CNA Fin CNA | 46.44 2.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| CRH CRH | 37.26 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| CableOne CABO | 689.40 0.5 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Centene CNC | 33.53 1.0 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| CtrEuropeRussiaFd CTR | 21.97 0.5 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Chegg CHGG | 12.10 2.8 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Chemour CC | 42.63 2.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| ChoiceHotels CHH | 65.25 1.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| CohenSteuartLdp LDP | 26.20 0.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| DeleShDvlnr DEY | 13.40 0.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| DeleShDvlnr DEY | 13.40 0.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| DigitalLogistics DLT | 20.81 0.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Dynagsoft Pfd DLTfpa | 24.93 0.6 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Eaton ETN | 79.70 1.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| EmeraldExpo EXE | 19.85 1.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| EmployersRldg EIG | 14.60 0.7 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| EnPro NPO | 74.89 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| EssexProp ESS | 24.99 0.0 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| EuropeanEqd FEE | 8.83 0.6 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| FairIsle FICO | 13.89 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Ferrari RACE | 75.93 0.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Ferro FTE | 18.30 0.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| FidelityIntlInfo FIS | 84.89 1.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GMS GMS | 36.91 0.5 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GOL GOL | 17.10 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GabellGblMultiEd GGT | 8.63 ... | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GabellGblSmall&GZ GZ | 11.93 0.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Gartner IT | 114.75 0.5 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GodDaddy GDYY | 39.84 0.9 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GraniteREIT GRP | 37.09 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GpoAeroportur PAC | 110.46 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GpoAeroportur ASR | 205.86 0.7 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| GuggStratOpps GOF | 21.08 0.4 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| HPE HPQ | 19.05 0.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| HRC HRC | 20.17 0.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Homeyetic HME | 42.45 0.3 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| HomeyFut FUT | 25.85 0.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| HighwaySouth HLS | 47.83 1.1 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Heico A HEI | 62.50 0.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| Heico A HEI | 72.93 0.2 | PIMCO InvAdm RPLX | 16.70 0.5 | VanguardTSE Europe EWD | 41.48 0.5 |
| HewlettPackard HPE | 18.84 0.4 | | | | |

MARKETS

Dividend Changes

Dividend announcements from May 2.

| Company | Symbol | Yld% | Amount New/Old | Payable / Record |
|---------------------------|--------|------|----------------|------------------|
| BW Technologies | BWXT | 0.9 | .11/.09 | Q Jun06/May16 |
| First Merchants | FRME | 1.7 | .18/.15 | Q Jun16/Jun02 |
| First Mid-Illinois Bcsch | FMBH | 1.9 | .32/.16 | SA Jun08/Jun01 |
| Hennedy Advisors | HNA | 1.07 | .075/.05 | Q Jun08/May16 |
| Manhattan Bridge | LOAN | 7.3 | .125/.05 | Q Jul17/Jul10 |
| NRG Yield Cl A | NYLD/A | 6.4 | .27/.26 | Q Jun15/Jun01 |
| NRG Yield Cl C | NYLD/C | 6.2 | .27/.26 | Q Jun15/Jun01 |
| Trinity Industries | TRN | 19 | .13/.11 | Q Jul31/Jul14 |
| Western Refining Logistic | WNRL | 7.1 | .4525/.4375 | Q May23/May09 |
| Westlake Chem Partners | WLKP | 5.6 | .3549/.345 | Q May30/May15 |

Increased

| Company | Symbol | Yld% | Amount New/Old | Payable / Record |
|---------------------------|--------|------|----------------|------------------|
| BW Technologies | BWXT | 0.9 | .11/.09 | Q Jun06/May16 |
| First Merchants | FRME | 1.7 | .18/.15 | Q Jun16/Jun02 |
| First Mid-Illinois Bcsch | FMBH | 1.9 | .32/.16 | SA Jun08/Jun01 |
| Hennedy Advisors | HNA | 1.07 | .075/.05 | Q Jun08/May16 |
| Manhattan Bridge | LOAN | 7.3 | .125/.05 | Q Jul17/Jul10 |
| NRG Yield Cl A | NYLD/A | 6.4 | .27/.26 | Q Jun15/Jun01 |
| NRG Yield Cl C | NYLD/C | 6.2 | .27/.26 | Q Jun15/Jun01 |
| Trinity Industries | TRN | 19 | .13/.11 | Q Jul31/Jul14 |
| Western Refining Logistic | WNRL | 7.1 | .4525/.4375 | Q May23/May09 |
| Westlake Chem Partners | WLKP | 5.6 | .3549/.345 | Q May30/May15 |

Initial

| Company | Symbol | Yld% | Amount New/Old | Payable / Record |
|---------------------------|--------|--------|----------------|------------------|
| Chimera Inv Fix/Flt Pfd B | CIMBp | .68333 | | Jun30/Jun01 |
| iShares Dec 2023 Muni | IBML | .01603 | | May05/May03 |

Funds and investment companies

| Company | Symbol | Yld% | Amount New/Old | Payable / Record |
|---------------------------|--------|-------|----------------|------------------|
| Advt Clymr Enr Grth | LCM | .97 | .21 | Q May31/May15 |
| AdvtClymr Convertible II | AGC | 8.9 | .047 | M May31/May15 |
| AdvtClymr Conv & Incm | AVK | 8.2 | .1116 | M May31/May15 |
| AllianzGI Conv & Incm | NCV | 11.2 | .065 | M Jun01/May11 |
| AllianzGI Conv & Incm II | NCZ | 11.3 | .0575 | M Jun01/May11 |
| AllianzGI Div Incm | ACV | 9.6 | .167 | M Jun01/May11 |
| Avenue Incm Cr Strat Fd | ACP | 10.1 | .12 | M May31/May11 |
| BlackRock Rscs Comm Str | BX | 7.2 | .0516 | M May31/May15 |
| BlackRock 2022 Gbln Cm | BGIO | 6.0 | .05 | M May31/May15 |
| BlackRock CA Munis 2018 | BZJ | 2.0 | .0253 | M Jun01/May15 |
| BlackRock CA Municipal Tr | BFZ | 5.0 | .0595 | M Jun01/May15 |
| BlackRock Core Bond Tr | BHK | 5.7 | .065 | M May31/May15 |
| BlackRock Corp Ht Yd Fd | HYT | 7.5 | .07 | M May31/May15 |
| BlackRock Corp Opp Cr Tr | BHL | 4.5 | .051 | M May31/May15 |
| BlackRock Enq Eqv Tr | BDJ | 6.4 | .0467 | M May31/May15 |
| BlackRock Frc Inq Strat | FRA | 5.0 | .061 | M May31/May15 |
| BlackRock Global Trust | BOE | 7.2 | .078 | M May31/May15 |
| BlackRock Income Trust | BKT | 5.1 | .0265 | M May31/May15 |
| BlackRock Invest | BKN | 5.1 | .062 | M Jun01/May15 |
| BlackRock Long-Term Mun | BTA | 5.6 | .0545 | M Jun01/May15 |
| BlackRock MA Tax-Exempt | MHE | 4.6 | .053 | M Jun01/May15 |
| BlackRock MD Munii | BZM | 3.9 | .0474 | M Jun01/May15 |
| BlackRock Multi-Sector IT | BIT | 7.9 | .1167 | M May31/May15 |
| BlackRock Mun | BAF | 5.6 | .0685 | M Jun01/May15 |
| BlackRock Mun 2018 Term | BPK | 18.0 | .022 | M Jun01/May15 |
| BlackRock Mun 2030 Target | BTT | 4.2 | .08 | M Jun01/May15 |
| BlackRock Mun Inco | BBF | 5.8 | .07238 | M Jun01/May15 |
| BlackRock Mun | BBK | 5.0 | .0635 | M Jun01/May15 |
| BlackRock Municipal Trust | BFK | 5.5 | .065 | M Jun01/May15 |
| BlackRock Multi-Sector II | BIT | 7.9 | .1167 | M May31/May15 |
| BlackRock Mun | BAF | 5.6 | .0685 | M Jun01/May15 |
| BlackRock Mun 2018 | BBLH | 13 | .0166 | M Jun01/May15 |
| BlackRock NY Municipal Tr | BNY | 4.9 | .06 | M Jun01/May15 |
| BlackRock Science & Tech | BST | 5.5 | .10 | M May31/May15 |
| BlackRock Strategic Munii | BSD | 5.7 | .065 | M Jun01/May15 |
| BlackRock Tax-Exempt | BZN | 7.0 | .1318 | M May31/May15 |
| BlackRock Utility & Infra | BUI | 7.1 | .121 | M May31/May15 |
| BlackRock VA Munii | BHV | 4.6 | .063 | M Jun01/May15 |
| BlackRock Durlinc Tr | BLW | 6.6 | .087 | M May31/May15 |
| BlackRock Munii | BLE | 5.9 | .0735 | M Jun01/May15 |
| BlackRock Mun 2020 | BKK | 3.4 | .0448 | M Jun01/May15 |
| BlackRock Mun Tr | BYM | 5.6 | .066 | M Jun01/May15 |
| BlackRock NY Trill | BFY | 5.0 | .061 | M Jun01/May15 |
| BlackRock MunHN Qlty | BGJ | 5.6 | .0675 | M Jun01/May15 |
| BSE | 4.7 | .052 | M Jun01/May15 | |
| BTZ | 6.4 | .0705 | M May31/May15 | |
| DSU | 7.0 | .0685 | M May31/May15 | |
| BGR | 6.9 | .0776 | M May31/May15 | |
| CII | 6.7 | .0828 | M May31/May15 | |
| BirkRk Enhnd Govt Fd | EGF | 3.7 | .041 | M May31/May15 |
| BirkRk Fltr InTr | BGT | 4.8 | .0583 | M May31/May15 |
| BirkRk Health Sci | BME | 6.8 | .20 | M May31/May15 |
| BirkRk Intl Grwth&Inco | BGY | 7.5 | .038 | M May31/May15 |
| BirkRk Mun Inter Dur | MUI | 4.8 | .0555 | M Jun01/May15 |
| BirkRk Mun NY Inter Dur | MNE | 4.3 | .0498 | M Jun01/May15 |

| Company | Symbol | Yld% | Amount New/Old | Payable / Record |
|------------------------------|--------|------|----------------|------------------|
| BirkRk Munenhanced | BIR | 5.8 | .0565 | M Jun01/May15 |
| BirkRk MunHldgs | MHD | 5.8 | .081 | M Jun01/May15 |
| BirkRk MunHldgs II | MUC | 5.2 | .0615 | M Jun01/May15 |
| BirkRk MunHldgs Inv | MUH | 5.7 | .0745 | M Jun01/May15 |
| BirkRk MunHldgs Qty II | MUE | 5.7 | .064 | M Jun01/May15 |
| BirkRk MunHldgs Qty II | MUS | 5.7 | .0635 | M Jun01/May15 |
| BirkRk MunYld Inv | MVF | 5.7 | .046 | M Jun01/May15 |
| BirkRk MunYld Inv | MVT | 5.7 | .073 | M Jun01/May15 |
| BirkRk MunYld Quality | MYD | 5.9 | .072 | M Jun01/May15 |
| BirkRk MunYld Quality | MZA | 5.1 | .062 | M Jun01/May15 |
| BirkRk MunYld CA Fd | MYC | 5.0 | .062 | M Jun01/May15 |
| BirkRk MunYld CA Quality | MCA | 5.2 | .065 | M Jun01/May15 |
| BirkRk MunYld CA Quality | MFT | 5.8 | .067 | M Jun01/May15 |
| BirkRk MunYld Inv | MYF | 6.0 | .078 | M Jun01/May15 |
| BirkRk MunYld Inv | MYI | 5.6 | .064 | M Jun01/May15 |
| BirkRk MunYld NJ Fd | MYJ | 5.7 | .075 | M Jun01/May15 |
| BirkRk MunYld Qty II | MQA | 5.7 | .062 | M Jun01/May15 |
| BirkRk MunYld Quality | MQY | 5.7 | .0725 | M Jun01/May15 |
| BirkRk NY Muni | BOH | 5.0 | .059 | M Jun01/May15 |
| BirkRk MuHldg NY Qlty | MHN | 5.1 | .058 | M Jun01/May15 |
| BirkRk MuHldg NY Qlty | MYN | 5.0 | .054 | M Jun01/May15 |
| BirkRk MunYld Qlty II | MYI | 5.8 | .068 | M Jun01/May15 |
| BirkRk MunYld Qlty II | DYH | 9.5 | .022 | M May22/May16 |
| BirkRk X-Links Multi-Asset H | MLT | 3.0 | .0729 | M May19/May15 |
| Cushing Energy Incm Fd | SRF | 5.2 | .04 | M May19/May15 |
| CushingMLPTotalReturnFd | SVR | 7.8 | .0903 | M May31/May15 |
| Divers Real Asset Incm Fd | DRA | 7.3 | .106 | M Jun01/May15 |
| Doubleline Oppor Credit | DSL | 8.7 | .15 | M May31/May15 |
| Duff & Phelps Sel Energy | DLB | 8.2 | .167 | M May31/May15 |
| Eatn Vnc Muni | MIW | 4.2 | .0475 | M May31/May15 |
| Eatn Vnc NY Muni | EMJ | 5.0 | .0533 | M May31/May15 |
| Eatn Vnc OH Muni | NYH | 4.4 | .0439 | M May31/May15 |
| Eatn Vnc PA Muni | IPG | 10.0 | .443 | M May31/May15 |
| Eaton CA Trust | CEV | 4.0 | .0413 | M May31/May15 |
| Eaton MA Trust | MMV | 3.9 | .0438 | M May31/May15 |
| Eaton MI Trust | EMI | 3.6 | .0391 | M May31/May15 |
| Eaton NY Trust | EVJ | 4.5 | .0457 | M May31/May15 |
| Eaton OH Trst | EVO | 4.0 | .0509 | M May31/May15 |
| Eaton Vance Eqy Write Opp | EVP | 4.1 | .0421 | M May31/May15 |
| Eaton Vance Mgmt | ETV | 8.6 | .1108 | M May31/May15 |
| Eaton Vance CA Mun Bd | EVM | 5.0 | .0487 | M May31/May15 |
| Eaton Vance Mun Bd Fd | EVD | 4.7 | .048 | M May31/May15 |
| Eaton Vance Eqy Inco Fd | ETO | 7.7 | .0864 | |

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

| | Dow Jones | | Latest | | 52-Week | | YTD | | % chg | |
|------------------------------|-----------|----------|-----------------|---------|---|----------|----------|--------------|-------|--------------|
| | High | Low | Close | Net chg | % chg | High | Low | % chg | YTD | 3-yr. ann. |
| Industrial Average | 20960.92 | 20904.06 | 20494.89 | 36.43 | 0.17 | 21115.55 | 17140.24 | 18.0 | 6.0 | 8.3 |
| Transportation Avg | 9157.96 | 9075.09 | 9153.97 | 83.82 | 0.92 | 9593.95 | 7093.40 | 16.9 | 1.2 | 5.9 |
| Utility Average | 704.05 | 698.36 | 701.68 | 2.10 | 0.30 | 720.45 | 625.44 | 6.3 | 6.4 | 8.9 |
| Total Stock Market | 24842.22 | 24750.23 | 24800.07 | 8.74 | 0.04 | 24868.78 | 20583.16 | 16.8 | 6.5 | 8.0 |
| Barron's 400 | 642.94 | 638.53 | 640.25 | -1.30 | -0.20 | 643.82 | 491.89 | 24.0 | 6.4 | 7.7 |
| Nasdaq Stock Market | | | | | | | | | | |
| Nasdaq Composite | 6102.72 | 6081.56 | 6095.37 | 3.76 | 0.06 | 6095.37 | 4594.44 | 28.0 | 13.2 | 13.9 |
| Nasdaq 100 | 5645.08 | 5625.49 | 5644.07 | 14.44 | 0.26 | 5644.07 | 4201.05 | 30.0 | 16.0 | 16.3 |
| Standard & Poor's | | | | | | | | | | |
| 500 Index | 2392.93 | 2385.82 | 2391.17 | 2.84 | 0.12 | 2395.96 | 2000.54 | 15.9 | 6.8 | 8.3 |
| MidCap 400 | 1741.67 | 1730.31 | 1734.72 | -2.65 | -0.15 | 1758.27 | 1416.66 | 19.3 | 4.5 | 8.4 |
| SmallCap 600 | 856.92 | 849.21 | 851.96 | -3.06 | -0.36 | 863.08 | 670.90 | 23.5 | 1.7 | 9.3 |
| Other Indexes | | | | | | | | | | |
| Russell 2000 | 1409.05 | 1395.63 | 1399.36 | -8.00 | -0.57 | 1419.43 | 1089.65 | 24.7 | 3.1 | 7.4 |
| NYSE Composite | 11562.64 | 11529.87 | 11551.29 | 14.80 | 0.13 | 11661.22 | 9973.54 | 11.4 | 4.5 | 2.8 |
| Value Line | 525.57 | 522.96 | 524.07 | -0.27 | -0.05 | 529.13 | 435.06 | 14.9 | 3.5 | 2.5 |
| NYSE Arca Biotech | 3674.11 | 3610.43 | 3631.05 | -36.31 | -0.99 | 3667.35 | 2818.70 | 19.4 | 18.1 | 13.3 |
| NYSE Arca Pharma | 516.03 | 511.02 | 515.27 | 3.43 | 0.67 | 554.66 | 463.78 | 0.7 | 7.0 | 0.1 |
| KBW Bank | 92.22 | 91.20 | 91.76 | -0.32 | -0.35 | 99.33 | 60.27 | 34.4 | -0.03 | 10.2 |
| PHLX® Gold/Silver | 81.76 | 80.30 | 81.26 | 0.48 | 0.60 | 112.86 | 73.03 | -6.8 | 3.0 | -4.4 |
| PHLX® Oil Service | 152.04 | 148.09 | 148.97 | -1.81 | -1.20 | 192.66 | 148.37 | -13.7 | -18.9 | -20.3 |
| PHLX® Semiconductor | 1010.94 | 999.53 | 1004.62 | -10.81 | -1.06 | 1023.29 | 630.77 | 56.3 | 10.8 | 20.4 |
| CBOE Volatility | 10.59 | 10.04 | 10.59 | 0.48 | 4.75 | 25.76 | 10.11 | -32.1 | -24.6 | -6.4 |

\$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 | % chg | After Hours | High | Low |
|------------------|--------|--------------|--------|---------|--|-------------|--------|-----|
| SPDR S&P 500 | SPY | 7,331.4 | 238.46 | -0.31 | -0.13 | 238.83 | 238.37 | |
| Ford Motor | F | 5,772.0 | 10.92 | ... | unch. | 10.98 | 10.91 | |
| Apple | AAPL | 5,495.0 | 144.39 | -3.12 | -2.12 | 149.00 | 143.81 | |
| Twilio Cl A | TWLO | 5,469.1 | 23.60 | -10.34 | -30.47 | 33.95 | 23.50 | |
| General Electric | GE | 4,354.0 | 28.99 | ... | unch. | 28.99 | 28.91 | |
| Weyerhaeuser | WY | 4,094.8 | 33.70 | ... | unch. | 33.70 | 33.58 | |
| Bank of America | BAC | 3,560.9 | 23.48 | -0.05 | -0.21 | 23.64 | 23.43 | |
| FireEye | FEYE | 3,224.3 | 14.00 | 1.79 | 14.66 | 14.08 | 12.16 | |

Percentage gainers...

| Company | Symbol | Volume (000) | Last | Net chg | % chg | High | Low |
|--------------------------|--------|--------------|-------|---------|--|-------|-------|
| Avnet Inc | AVT | 22.9 | 46.00 | 8.52 | 22.74 | 46.00 | 37.44 |
| OneBeacon Insurance Cl A | OB | 31.2 | 18.41 | 2.71 | 17.26 | 18.41 | 15.70 |
| FireEye | FEYE | 3,224.3 | 14.00 | 1.79 | 14.66 | 14.08 | 12.16 |
| Dana | DAN | 7.5 | 22.99 | 2.90 | 14.44 | 22.99 | 20.09 |
| Weight Watchers | WTW | 449.8 | 24.20 | 3.01 | 14.20 | 24.90 | 19.54 |
| ...And losers | | | | | | | |
| Twilio Cl A | TWLO | 5,469.1 | 23.60 | -10.34 | -30.47 | 33.95 | 23.50 |
| Inphi | IPHI | 808.7 | 33.00 | -7.54 | -18.60 | 40.93 | 32.99 |
| Etsy | ETSY | 527.3 | 9.50 | -1.89 | -16.59 | 11.39 | 8.96 |
| Lannett Co | LCI | 68.1 | 23.25 | -3.90 | -14.36 | 27.15 | 22.50 |
| Akamai Technologies | AKAM | 494.3 | 54.30 | -8.20 | -13.12 | 63.17 | 54.30 |

Trading Diary

| Volume, Advancers, Decliners | NYSE | NYSE Mkt |
|------------------------------|-------------|------------|
| Total volume* | 908,373,814 | 12,695,312 |
| Adv. volume* | 445,209,768 | 5,343,333 |
| Decl. volume* | 450,347,997 | 6,913,044 |
| Issues traded | 3,094 | 330 |
| Advances | 1,498 | 154 |
| | | |

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | | | | Open | High | Low | Settle | Chg | Open interest |
|---|----------|----------|----------|----------|---------|---------|-----|--------|-----|---------------|
| Copper-High (CMX) -25,000 lbs.; \$ per lb. | 2,650.5 | 2,650.5 | 2,615.5 | 2,625.0 | -0.0250 | 5,202 | | | | |
| May | 2,662.0 | 2,663.0 | 2,622.0 | 2,635.5 | -0.0250 | 131,941 | | | | |
| Gold (CMX) -100 troy oz.; \$ per troy oz. | 1,256.20 | 1,256.20 | 1,251.20 | 1,255.10 | 1.80 | 418 | | | | |
| June | 1,257.40 | 1,258.80 | 1,252.60 | 1,257.00 | 1.50 | 323,713 | | | | |
| Aug | 1,261.00 | 1,262.00 | 1,256.10 | 1,260.50 | 1.60 | 55,254 | | | | |
| Oct | 1,263.70 | 1,264.60 | 1,259.70 | 1,263.80 | 1.60 | 7,504 | | | | |
| Dec | 1,267.30 | 1,268.90 | 1,263.10 | 1,267.20 | 1.60 | 53,308 | | | | |
| Feb'18 | 1,271.20 | 1,271.20 | 1,266.70 | 1,270.60 | 1.60 | 7,847 | | | | |
| Palladium (NYM) -50 troy oz.; \$ per troy oz. | 812.80 | 812.80 | 813.45 | 813.45 | -0.85 | 1 | | | | |
| May | 814.75 | 818.60 | 810.50 | 813.60 | -0.85 | 32,272 | | | | |
| Sept | 814.75 | 818.30 | 810.85 | 813.45 | -0.90 | 4,155 | | | | |
| Platinum (NYM) -50 troy oz.; \$ per troy oz. | 949.80 | 949.80 | 947.50 | 923.60 | -6.20 | 36 | | | | |
| July | 933.70 | 937.20 | 924.80 | 926.00 | -6.20 | 62,778 | | | | |
| Silver (CMX) -5,000 troy oz.; \$ per troy oz. | 16.855 | 16.955 | 16.755 | 16.769 | -0.011 | 1,464 | | | | |
| May | 16.880 | 17.015 | 16.800 | 16.831 | -0.011 | 151,200 | | | | |
| Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl. | 48.78 | 49.28 | 47.35 | 47.66 | -1.18 | 565,908 | | | | |
| June | 49.09 | 49.60 | 47.69 | 47.99 | -1.17 | 274,438 | | | | |
| Aug | 49.34 | 49.84 | 47.95 | 48.24 | -1.16 | 118,717 | | | | |
| Sept | 49.58 | 50.05 | 48.22 | 48.48 | -1.15 | 195,898 | | | | |
| Dec | 50.14 | 50.62 | 48.80 | 49.10 | -1.08 | 281,189 | | | | |
| Dec'18 | 50.01 | 50.41 | 47.88 | 49.00 | -1.05 | 135,033 | | | | |
| NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal. | 1,486.1 | 1,5097 | 1,4618 | 1,4680 | -0.198 | 129,242 | | | | |
| July | 1,4936 | 1,5166 | 1,4690 | 1,4751 | -0.0203 | 78,587 | | | | |
| Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal. | 1,5245 | 1,5530 | 1,5075 | 1,5136 | -0.0136 | 136,158 | | | | |
| July | 1,5310 | 1,5577 | 1,5114 | 1,5173 | -0.0152 | 73,721 | | | | |
| Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu. | 3.231 | 3.273 | 3.178 | 3.195 | -0.020 | 270,394 | | | | |
| June | 3.309 | 3.350 | 3.257 | 3.274 | -0.019 | 216,642 | | | | |
| Aug | 3.325 | 3.376 | 3.286 | 3.302 | -0.015 | 94,638 | | | | |
| Sept | 3.307 | 3.356 | 3.270 | 3.286 | -0.013 | 283,833 | | | | |
| Oct | 3.319 | 3.369 | 3.287 | 3.303 | -0.010 | 163,833 | | | | |
| Jan'18 | 3.567 | 3.614 | 3.538 | 3.555 | -0.010 | 101,343 | | | | |

Contract

| Open | High | hilo | Low | Settle | Chg | Open interest |
|--|---------|---------|---------|---------|-------|---------------|
| Corn (CBT) -5,000 bu.; cents per bu. | 367.25 | 369.75 | 362.25 | 364.00 | -5.25 | 5,535 |
| May | 376.75 | 378.25 | 370.25 | 372.25 | -5.25 | 731,288 |
| Oats (CBT) -5,000 bu.; cents per bu. | 244.00 | 244.00 | 244.00 | 245.25 | 2.00 | 20 |
| July | 239.75 | 244.50 | 236.75 | 241.50 | 2.00 | 4,767 |
| Soybeans (CBT) -5,000 bu.; cents per bu. | 958.50 | 967.75 | 955.00 | 958.00 | -1.00 | 5,699 |
| May | 969.75 | 978.50 | 965.25 | 968.75 | -1.50 | 372,488 |
| Soybean Meal (CBT) -100 tons; \$ per ton. | 314.00 | 316.80 | 308.90 | 310.80 | -3.50 | 3,526 |
| July | 318.60 | 321.30 | 313.00 | 315.00 | -3.60 | 207,529 |
| Soybean Oil (CBT) -60,000 lbs.; cents per lb. | 31.88 | 32.54 | 31.88 | 32.35 | .46 | 2,181 |
| May | 32.10 | 32.80 | 32.07 | 32.62 | .46 | 229,945 |
| Rough Rice (CBT) -2,000 cwt.; \$ per cwt. | 913.00 | 918.50 | 913.00 | 933.00 | -2.50 | 226 |
| July | 964.50 | 966.00 | 952.50 | 960.00 | -3.50 | 10,180 |
| Wheat (CBT) -5,000 bu.; cents per bu. | 445.75 | 450.75 | 440.00 | 441.50 | -1.25 | 1,380 |
| May | 457.50 | 461.50 | 448.25 | 454.00 | -2.00 | 291,587 |
| Wheat (KCO) -5,000 bu.; cents per bu. | 452.25 | 459.00 | 452.25 | 454.75 | 2.00 | 839 |
| July | 466.00 | 474.75 | 461.75 | 467.75 | 2.00 | 167,927 |
| Wheat (MPLS) -5,000 bu.; cents per bu. | 547.25 | 547.25 | 543.00 | 543.50 | -6.25 | 174 |
| July | 561.50 | 569.00 | 555.25 | 557.50 | -5.25 | 31,106 |
| Cattle-Feeder (CME) -50,000 lbs.; cents per lb. | 148,600 | 153,100 | 147,950 | 149,625 | 1.025 | 9,173 |
| Aug | 153,750 | 158,250 | 153,000 | 155,600 | 1.850 | 32,214 |
| Cattle-Live (CME) -40,000 lbs.; cents per lb. | 124,100 | 127,125 | 124,075 | 127,050 | 2.925 | 175,964 |
| June | 120,050 | 123,175 | 120,025 | 120,800 | .625 | 106,507 |
| Hogs-Lean (CME) -40,000 lbs.; cents per lb. | 66.500 | 67.125 | 66.500 | 66.950 | .825 | 2,065 |
| June | 73.500 | 74.475 | 73.375 | 74.150 | .875 | 78,129 |
| Lumber (CME) -110,000 bd ft.; \$ per 1,000 bd ft. | 390.20 | 393.30 | 384.90 | 385.20 | -3.10 | 1,022 |
| July | 391.90 | 396.90 | 388.90 | 390.80 | -1.40 | 3,764 |

Agriculture Futures

| | Open | High | hilo | Low | Settle | Chg | Open interest |
|--|---------|---------|---------|---------|--------|---------|---------------|
| Corn (CBT) -5,000 bu.; cents per bu. | 367.25 | 369.75 | 362.25 | 364.00 | -5.25 | 5,535 | |
| May | 376.75 | 378.25 | 370.25 | 372.25 | -5.25 | 731,288 | |
| Oats (CBT) -5,000 bu.; cents per bu. | 244.00 | 244.00 | 244.00 | 245.25 | 2.00 | 20 | |
| July | 239.75 | 244.50 | 236.75 | 241.50 | 2.00 | 4,767 | |
| Soybeans (CBT) -5,000 bu.; cents per bu. | 958.50 | 967.75 | 955.00 | 958.00 | -1.00 | 5,699 | |
| May | 969.75 | 978.50 | 965.25 | 968.75 | -1.50 | 372,488 | |
| Soybean Meal (CBT) -100 tons; \$ per ton. | 314.00 | 316.80 | 308.90 | 310.80 | -3.50 | 3,526 | |
| July | 318.60 | 321.30 | 313.00 | 315.00 | -3.60 | 207,529 | |
| Soybean Oil (CBT) -60,000 lbs.; cents per lb. | 31.88 | 32.54 | 31.88 | 32.35 | .46 | 2,181 | |
| May | 32.10 | 32.80 | 32.07 | 32.62 | .46 | 229,945 | |
| Rough Rice (CBT) -2,000 cwt.; \$ per cwt. | 913.00 | 918.50 | 913.00 | 933.00 | -2.50 | 226 | |
| July | 964.50 | 966.00 | 952.50 | 960.00 | -3.50 | 10,180 | |
| Wheat (CBT) -5,000 bu.; cents per bu. | 445.75 | 450.75 | 440.00 | 441.50 | -1.25 | 1,380 | |
| May | 457.50 | 461.50 | 448.25 | 454.00 | -2.00 | 291,587 | |
| Wheat (KCO) -5,000 bu.; cents per bu. | 452.25 | 459.00 | 452.25 | 454.75 | 2.00 | 839 | |
| July | 466.00 | 474.75 | 461.75 | 467.75 | 2.00 | 167,927 | |
| Wheat (MPLS) -5,000 bu.; cents per bu. | 547.25 | 549.00 | 543.00 | 545.50 | -6.25 | 174 | |
| July | 561.50 | 569.00 | 555.25 | 557.50 | -5.25 | 31,106 | |
| Cattle-Feeder (CME) -50,000 lbs.; cents per lb. | 148,600 | 153,100 | 147,950 | 149,625 | 1.025 | 9,173 | |
| Aug | 153, | | | | | | |

Micro Trends, Macro Context. In Minutes.



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How to Read the Stock Tables

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 BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 d-Indicates loss in the most recent four quarters.
 f-FIRST day of trading.
 h-Does not meet continued listing standards.
 l-First filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 y-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, May 2, 2017

| | | Net | | Net | | | |
|-------------------|------------------|----------------|-------------------|---------------|--------------------|-------------------|-------------------|
| Stock | Sym Close Chg | Stock | Sym Close Chg | Stock | Sym Close Chg | Stock | Sym Close Chg |
| NYSE | | | | | | | |
| ABB | ABB 24.70 0.13 | CBS A | CBS/A 66.95 -0.61 | ExtraSpaceSt | EXR 73.54 -1.89 | RogersComm B | RCI 42.15 -0.30 |
| AES | AES 11.30 -0.01 | CBS B | CBS/B 66.56 -0.99 | ExxonMobil | XOM 82.05 -0.01 | RogersComm R | RCL 45.88 ... |
| Aflac | AFL 75.00 0.58 | CF Industries | CF 26.37 -0.37 | FMC | FMC 73.77 0.26 | Rollins | ROL 39.13 -0.07 |
| AT&T | T 38.95 -0.15 | Cit Group | CIT 46.78 0.20 | FactSet | FDS 163.24 0.28 | RoperTech | TOP 217.23 0.45 |
| AXIS Capital | AXS 65.91 0.04 | CMS Energy | CMS 45.32 -0.17 | FederalRealty | FRT 133.81 0.65 | RoyalBkCanada | RY 67.54 -0.66 |
| AbbottsLabs | ABR 43.60 0.12 | CPFLEnergy | CPL 16.43 0.13 | FDX | FDX 189.03 0.80 | RoyalBankScotland | RBS 6.88 -0.02 |
| AbbVie | ABBV 66.63 0.15 | CRH | CRH 37.16 0.06 | FidelityInfo | FIN 83.26 -1.16 | RoyalDutchB | RDS/B 53.74 -0.29 |
| Accenture | ACN 120.68 -0.57 | CVS Health | CVS 79.00 -2.96 | GlobeNet | GLO/ A 25.70 -0.39 | RWK 187.66 1.75 | |
| AcuityBrands | AYI 178.64 2.56 | CabotOil | COG 24.13 0.33 | HP | HP 264.90 1.49 | WestRock | WRK 54.19 0.08 |
| Adient | ADNT 68.63 -5.86 | CAE | CAE 16.58 0.37 | IHS | IHS 81.20 -0.15 | Weyerhaeuser | WY 33.70 0.12 |
| AdvanceAuto | AAP 142.55 2.02 | CamdenProperty | CPT 82.10 -0.28 | FirstEnergy | FE 29.03 -0.43 | Whirlpool | WHR 187.66 1.75 |
| AdvSemErg | ASX 6.21 0.06 | CampbellSoup | CMP 56.91 0.05 | FleetCorTech | FLT 138.00 -0.05 | Williams | WMB 30.33 -0.47 |
| Aegon | AEG 5.17 -0.07 | CNA | CNA 14.50 -1.89 | FlatsIron | FCIA 10.92 -0.24 | WilliamsPartners | WPZ 41.11 -0.26 |
| AerCap | AER 46.41 0.15 | CNOOC | CEO 114.50 -1.89 | FidelityNet | FIN 40.39 -0.30 | Windham | WYN 95.98 0.25 |
| Aetna | AET 138.91 2.13 | CPFLEnergy | CPL 16.43 0.13 | Group | FINV 13.60 -0.25 | XcelEnergy | XEL 44.81 -0.01 |
| AffiliatedMtrs | AMG 154.79 -1.05 | CRH | CRH 37.16 0.06 | GlobeNet | FIN 83.26 -1.16 | Zayo | ZAYO 35.09 0.13 |
| AgilentTechs | A 55.93 0.13 | Co | CO 14.33 -0.05 | GlobeNet | FIN 83.26 -1.16 | ZimmerBiomet | ZBH 120.63 -0.19 |
| AignicoEagle | AGM 46.48 0.12 | CapriRocky | CP 16.43 0.13 | GlobeNet | FIN 83.26 -1.16 | Zoetis | ZTS 56.47 0.19 |
| Aigrium | AGU 92.25 -1.36 | CarMax | KMX 57.88 -0.27 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AirProducts | APD 143.52 1.49 | Carnival | CCL 62.70 0.15 | GlobeNet | FIN 83.26 -1.16 | Yipm | YPF 25.61 0.18 |
| AlaskaAir | ALK 86.49 2.07 | Centene | CNC 79.95 -0.11 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Albermarle | ALB 108.38 -1.01 | Chesapeake | COK 51.79 -0.59 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Alcoa | A 33.33 0.05 | ChinaPacRocky | CP 16.43 0.13 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AlexandriaRealEst | ARE 114.56 1.74 | CG | CG 14.33 -0.05 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Alibaba | BABA 118.00 1.41 | FirstData | FD 15.84 -0.27 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Allegheny | Y 60.99 -3.43 | FirstEnergy | FE 29.03 -0.43 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Allergan | AGN 44.50 0.27 | Forti | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AllianceData | ADS 255.90 2.42 | FrontBrands | FBBH 63.73 -0.40 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| AllianceBernstein | AB 215.50 -0.60 | FranklinRsrcs | FRN 42.65 -0.10 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AlliantEnergy | LNT 39.42 0.32 | FranklinResc | FRN 42.65 -0.10 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| AllisonTransm | ALSN 38.73 0.22 | FreightNet | FTN 15.84 -0.27 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Allstate | ALL 81.83 0.33 | Frigo | FRG 10.92 -0.03 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| AllyFinancial | ALLY 19.99 0.18 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Altira | MO 70.83 0.03 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| AlumofChina | ACH 12.28 -0.16 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Ambev | ABEV 5.86 0.09 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Ameren | AEE 54.02 -0.05 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AmericaMovil | AMX 15.49 0.16 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| AmericaMovil A | AMX 15.49 0.16 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| AmGen | AMGN 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amgen | AMGN 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | YumBrands | YUM 66.34 0.59 |
| Amoco | AMC 47.05 -0.44 | Frontier | FTV 62.18 -0.07 | GlobeNet | FIN 83.26 -1.16 | Zwift | ZWFT 39.35 0.70 |
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BANKING & FINANCE

Trump Starts Bank-Regulation Shake-Up

By RYAN TRACY

WASHINGTON—President Donald Trump's expected move to replace the comptroller of the currency signals a change in direction at the bank regulator that could ripple through the financial markets, from private-equity buyouts to financial technology—and even municipal securities.

Comptroller Thomas Curry, who people familiar with the matter say could be replaced as soon as this week, is a career regulator appointed by President Barack Obama. Mr. Curry used his office to tamp down on what he viewed as overly risky lending practices in the banking industry.

His expected replacement—Joseph Otting, a former chief executive of OneWest Bank—would be the first former banker to hold the comptrol-

ler's job since the 1990s.

Mr. Otting hasn't spoken much publicly about his regulatory views, but the Trump administration has made increasing bank lending a clear priority. Treasury Secretary Steven Mnuchin, who worked with Mr. Otting at OneWest, recently told a group of bankers the administration could help them by "changing the tone" at regulatory agencies.

"The tone at the top may change in terms of [giving bankers] the benefit of the doubt in riskier sectors," said Karen Shaw Petrou, managing partner of the policy analysis firm Federal Financial Analytics Inc.

She said she expects the next comptroller to pursue community-bank relief more aggressively. "The focus is going to be shifting to, 'What can we do to get more lending

out?'"

Mr. Curry, whose five-year term expired last month, has endorsed regulatory changes to help smaller lenders. But his message has often clashed with what bankers might wish to hear.

In October 2015, he compared risky auto lending to the mortgage securities that helped cause the 2008 financial crisis.

The OCC under his leadership also wrangled with oilpatch bankers about loans to prop up struggling drilling firms.

When the Federal Reserve said it would loosen bank liquidity rules to make them less punitive toward holdings of municipal debt, Mr. Curry declined to go along.

If selected, Mr. Otting would come to the position after having worked in banking since

the 1980s. At Union Bank NA in the 1990s, he was an executive in charge of lending to medium-size companies. At U.S. Bancorp., he also helped build a middle-market busi-

ness in the mid-2000s and later oversaw an expansion of the lender's presence in California.

In 2010, he was hired as chief executive of OneWest, now owned by CIT Group. Mr. Mnuchin was chairman of OneWest at the time, playing a behind-the-scenes role while Mr.

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The next comptroller won't be able to reverse Mr. Curry's policies immediately. Many banking rules are adopted jointly with the Fed and the Federal Deposit Insurance Corp., which are both still led by Obama appointees whose terms expire in early 2018 and late 2017, respectively.

But the comptroller's office

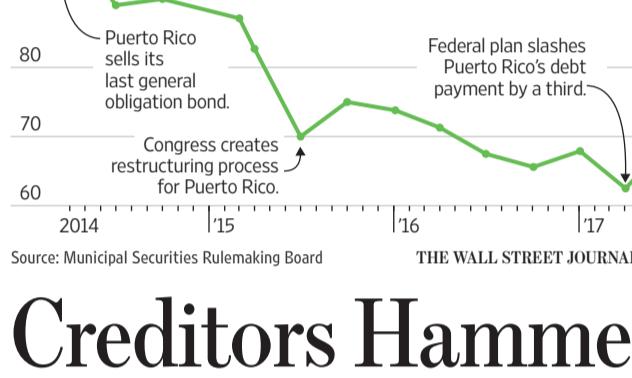
is one of the most powerful banking oversight agencies because of something those agencies don't have: a huge fleet of bank examiners that are the primary supervisors of federally chartered banks.

As of last year, the OCC employed more than 700 examiners in its large-bank supervision division alone, and it has more examiners on-site at large banks than other regulators.

Mr. Curry empowered those supervisors to question decisions made by bankers, leading a yearslong fight to stop banks from what the OCC perceived as overly risky "leveraged lending" to support private-equity buyouts. Such lending is governed by voluntary regulatory "guidance" documents, which aren't binding on bankers. However, regulators have discretion on how aggressively they want to enforce them.

Reckoning Approaches

Puerto Rico general-obligation bond prices have tumbled in recent years as the island's fiscal straits grew more dire. Investors are now bracing for a long-awaited restructuring.



Demonstrators block a street in San Juan, Puerto Rico, to protest government austerity measures to cope with \$73 billion in debt.

Creditors Hammer Puerto Rico as Debt Deadline Passes

By ANDREW SCURRIA

Puerto Rico was besieged by creditor lawsuits Tuesday following the expiration of a key legal deadline in the renegotiation of its \$73 billion mountain of debt.

Bond insurer Ambac Assurance Corp., which has \$10 billion in guarantees on the line in Puerto Rico's debt crisis, filed lawsuits in federal court challenging the territory's debt-cutting plan. Hedge funds

holding sales-tax bonds called Cofinas also sued to prevent Puerto Rico from spending their collateral for other purposes.

The lawsuits "aren't surprising given recent proposals to creditors and legislation passed allowing for the invasion of Cofina revenues," said Nader Tavakoli, the former Ambac chief executive who runs EagleRock Capital Management LLC.

Meanwhile hedge funds led by Aurelius Capital Management LP sued Puerto Rico in New York state court, seeking to recoup past-due payments on \$1.4 billion in defaulted general-obligation bonds.

Creditors holding Cofina and general-obligation bonds were already battling in another case for top priority.

The mounting legal claims signaled a collapse in restructuring negotiations, heighten-

ing the likelihood that the federal board overseeing Puerto Rico's finances will place the territory under bankruptcy protection, though no such filing appeared to have been made by Tuesday evening.

Ambac asked for a court order barring the board from invoking the quasibankruptcy proceeding, known as Title III, that Congress designed specifically for Puerto Rico. A spokesman for the oversight

board didn't respond to a request for comment.

A legal shield protecting Puerto Rico from lawsuits expired Monday. Without having invoked Title III or signed standstill agreements with creditors, Puerto Rico for the moment is exposed to debt-related claims stemming from its fiscal plan, which allocates roughly \$800 million a year over the next decade for debt payments. Creditors are owed

more than four times that amount annually.

Private restructuring talks came apart over the weekend, when creditors publicly rejected a debt-restructuring offer that pays sales-tax bondholders and general-obligation bondholders a maximum of 58 cents and 77 cents on the dollar, respectively. Some of those recoveries were contingent on a broader revival of Puerto Rico's economy.

Och-Ziff Investors Withdraw \$7 Billion

By GEOFFREY ROGOW

Investors pulled nearly \$7 billion from the largest publicly traded hedge-fund firm in the U.S. in the first four months of 2017, the latest sign of investor disillusionment with Wall Street's most prominent money managers.

Och-Ziff Capital Management Group LLC said Tuesday that it received net redemptions of \$4.8 billion in the first quarter and \$2.1 billion from April 1 to May 1. That follows \$8 billion in redemptions during 2016. Total assets at the firm fell 24% from a year earlier to \$32 billion as of May 1.

Shares of the company dropped 2.9% Tuesday and have declined 42% over the past year.

Och-Ziff isn't alone in posting continued outflows as investors have pulled capital from hedge funds for a record five consecutive quarters. The \$3 trillion hedge-fund industry received \$70 billion in redemptions last year, according to industry tracker HFR Inc.

Individual issues have also put Och-Ziff in a difficult position. The firm last year agreed to pay \$412 million after a unit pleaded guilty to conspiracy to commit bribery in Africa.

In its quarterly earnings report, Och-Ziff posted a loss of \$7.2 million, or 4 cents a share, compared with a year-earlier loss of \$69.4 million, or 38 cents a share. Distributable earnings were \$35.7 million, or 7 cents a share, compared with a loss of \$142.5 million, or 27 cents a share, a year earlier. Analysts had expected the company to post a profit of 2.5 cents a share.

Management fees, excluding certain items, dropped 44% to \$80.8 million, hitting the company's bottom line.



Hedge funds, ranchers and other investors jumped into cattle futures in recent weeks, sending prices to an 18-month high. The cattle market has buoyed hog prices, too.

COMMODITIES

Investors Pile Into Cattle Futures

Cattle futures hit a fresh 18-month high as traders seized on tight supplies as an occasion to push up meat prices.

As a world-wide glut of agricultural commodities such as corn and soybeans weighs on prices, beef is giving traders a rare opportunity to bet on upward market momentum. Everyone from hedge funds to ranchers has piled into cattle futures in recent weeks, pushing the number of outstanding contracts to a record.

"It appears the demand for U.S. beef has never been better," said Dennis Smith, a broker at Archer Financial Services Inc. in Chicago.

After rising to a record in 2014, cattle futures fell precipitously as the mounting global

grain glut encouraged ranchers to expand their herds. Prices have regained about half the ground lost since 2014 over the past six months thanks to unexpectedly strong demand for U.S. beef. Beef prices rose to \$2.28 a pound on Tuesday, a 10% jump in just over three weeks.

Live cattle futures for June delivery hit the upper limit of their allowable daily trading band at the Chicago Mercantile Exchange on Tuesday before closing 2.4% higher at \$1,270.50 a pound. That was the highest close for the busiest cattle contract since August 2015.

The strong market for cattle has buoyed hog prices, too, as traders bet that higher beef prices will make pork more competitive. Hog supplies have also tightened in recent weeks after ample supply earlier this year. CME June lean hog futures rose 1.2% to 74.150 cents a pound on Tuesday.

Late-season snow on the

Great Plains last weekend, which disrupted feeding and may have killed some cattle, gave extra lift to the rally, analysts said.

Rich Nelson, chief strategist at brokerage Allendale Inc., predicted the rally has some room to run yet as meatpackers stock up for a surge in demand around the summer barbecue season in the U.S.

"We have three big meat-eating holidays ahead of us," he said referring to Mother's Day, Memorial Day and Father's Day.

Other analysts focused on the likelihood that prices will fall down the road as meatpackers process more animals in the months ahead.

—Benjamin Parkin

SUGAR

Worries Over Global Surplus Hit Prices

Sugar prices tumbled Tuesday, as traders turned their focus

to the prospect of a global surplus after a wild week of trading.

Raw sugar for July delivery fell 1.9% to settle at 15.88 cents a pound on the ICE Futures U.S. exchange.

Last week, sugar prices had dropped to as low as 15.34 cents a pound, the lowest in a year amid a massive physical delivery against the expired May contract, before surging more than 4.5% in one day. Volumes were thin Monday in New York as the trading session was shortened due to a London bank holiday on May Day.

With regular trading hours resuming, sugar prices rallied initially before giving back all the gains. In a surprising move, the July contract settled below the nearby physical prices in Brazil, which often trade lower than the exchange prices.

"The trade is worried that China is going to make it tougher for imports" by curb-

ing smuggling through neighboring countries, said Michael McDougall, director of commodities agency at Société Générale SA.

Domestic sugar prices in China are significantly higher than global prices, giving traders an incentive to send sugar into the country. However, rampant smuggling has caused backlash from local producers and refineries, leading the government to take action to contain the illegal activity. During the first quarter, China's official sugar imports increased 48% to 890,000 tons.

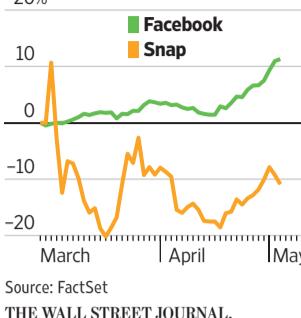
Tuesday's price decline dealt another blow to sugar bulls. In the week ended April 25, managed money slashed net long positions for the ninth consecutive week to 13,656 contracts, putting it at just 5% of its historical net long positions hit in September 2016.

—Carolyn Cui

MARKETS

Thumbs Up

Share-price performance

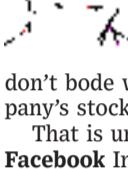


Source: FactSet
THE WALL STREET JOURNAL.

AHEAD OF THE TAPE

By Steven Russolillo

Yet More Reasons To Like Facebook

 Warnings of higher spending and slower revenue growth normally don't bode well for a company's stock price.

That is unless you are Facebook Inc.

The social network's shares have surged 33% so far this year. Already a digital-advertising powerhouse, Facebook is now benefiting from sharpened focus on its photo-sharing app Instagram. That has catapulted the social network's market value north of \$440 billion, the fifth highest in the S&P 500 and topping Warren Buffett's Berkshire Hathaway Inc.

More good news is expected Wednesday, when Facebook is scheduled to report quarterly results. Analysts polled by FactSet estimate first-quarter earnings of \$1.12 a share, up 45% from a year earlier. Revenue is expected to have increased 45% to \$7.8 billion.

Facebook's flagship app and Instagram, as well as Messenger and WhatsApp, were the four most-downloaded apps in the first quarter, according to Anthony DiClemente, an analyst at Nomura Instinet.

Granted, there are risks. The social network is counting on growth from video with hopes of winning over traditional television advertising dollars. That is no sure thing, particularly as the company grapples with violent videos and fake news.

Its shares aren't cheap either, fetching 26 times projected earnings over the next 12 months.

But a rich multiple hasn't stopped investors in Facebook's nearly five-year history as a public company.

If anything, the current valuation is more compelling as it is roughly 30% cheaper than its average since its May 2012 initial public offering.

There is still plenty to like here.

Investors Tune Into French Debate

Money managers say TV battle Wednesday could prove pitfall for front-runner Macron

By JON SINDREU

Is the rise of populism in Europe fading or is there space for a comeback? Many investors expect the French presidential debate Wednesday to provide some answers.

Far-right candidate Marine Le Pen's few remaining chances to clinch a last-minute victory in the second round of the French presidential election Sunday, investors say, will depend on her television performance. While research suggests the impact of debates is often limited, money managers see it as a potential pitfall for pro-business candidate Emmanuel Macron, who is leading comfortably in the polls but remains politically inexperienced.

"That debate will be key," said Holly MacDonald, chief investment strategist at Bessemer Trust, a New York-based wealth manager with more than \$100 billion under its wing. Mr. "Macron is somewhat of an untested candidate."

Mr. Macron managed to hold his own against Ms. Le Pen during the first televised debate in March but shared the airtime with four other candidates. Conservative François Fillon and socialist Benoit Hamon now back Mr. Macron in a bid to defeat the far-right candidate. This, analysts say, dents his antiestablishment credentials.

In a note to clients last week, Citigroup Inc. warned that the debate could swing votes toward Ms. Le Pen, who is "likely to focus her attacks on Macron's investment-banking past, his establishment status, relative lack of experience, acceptance of immigration, globalization and the diktat of the European Union."

The importance of the debate in investors' minds can be gauged by the implied volatility of options offering insurance against future swings in the euro versus the dollar. Two weeks ago, as one-week con-



Posters for the candidates in France's presidential election, Emmanuel Macron and Marine Le Pen, on a street in Nice, France.

tracts started maturing after the first round of the election, their implied volatility shot up to 0.17 percentage point from 0.07. But yet another rise happened when the options started maturing after the debate, going up to 0.2 percentage point.

The cost of insurance plummeted across the board after Mr. Macron finished ahead in the first round on April 23 with 24% of the vote, against Ms. Le Pen's 21%. The CAC-40 stock index is up 4.8% since, and the extra compensation investors demand to hold French 10-year sovereign debt over German paper has fallen to around 0.5 percentage point from more than 0.7.

Yet, the spread remains double what it was before French election jitters started settling in and has slightly edged up again over the past week.

"I expect more volatility," said Nicolas Forest, global head of fixed-income management at Candriam Investors Group, who highlighted the debate as "the big important event for markets."

The widespread belief remains that Mr. Macron will have an easy win: The latest polls show he is set to win around 60% of the vote, a distance seen by analysts as insurmountable.

Whether televised debates can deliver election swings has been thoroughly researched in the U.S. but remains unclear.

'What could be interesting is how many people will watch the debate.'

According to University of Wisconsin-Milwaukee professor of political science Thomas Holbrook, even though there is "pretty thin evidence" that debates steer election outcomes, they can sometimes "change the narrative" of a campaign.

In last year's U.S. presidential campaign, Democratic candidate Hillary Clinton appeared to get a boost in the polls after

each of the three debates she had against Donald Trump, but she lost the election. Research for the 2012 campaign that pitted Barack Obama against Mitt Romney found that much of these moves aren't due to people changing their minds on who to vote for, but rather because the winner's supporters become more eager to answer pollsters.

"When you have three or four debates, typically the net effect tends to wash out," said Robert S. Erikson, professor of political science at Columbia University, but short-term effects can be more powerful, which in this case might work in Ms. Le Pen's favor.

"What could be interesting is how many people will watch the debate," said Didier Saint-Georges, managing director and member of the investment committee at Carmignac, a French asset manager with €56 billion (\$61 billion) under its wing.

If viewing is very low, it could be perceived as a preview of a low turnout on election day, which could conceivably give Ms. Le Pen a

fighting chance.

Even if he wins Sunday, Mr. Macron could struggle to secure enough support for his upstart platform En Marche ("On the Move"), which is barely a year old, if he can't field strong enough candidates in the legislative elections in June. This could hamper his pro-market agenda, investors say.

Meanwhile, Ms. Le Pen's simple presence in the debate is "important, symbolically, in the long run," said Bastien Drut, strategist at Paris-based Amundi, Europe's largest money manager with more than €1 trillion under supervision, because it shows that Europe might grapple with anti-globalization parties for years to come.

When Ms. Le Pen's father, far-right firebrand Jean-Marie Le Pen, got through to the second round in 2002, his contender, Jacques Chirac—who ended up winning with 82% of the vote—refused to debate with him at all.

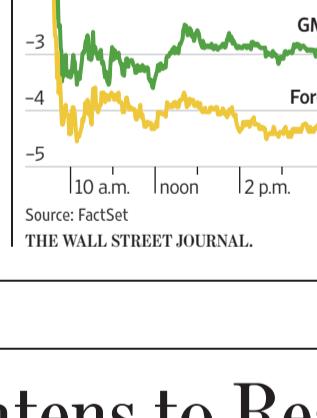
"Fifteen years ago, this was unthinkable," Mr. Drut added.

—Riva Gold contributed to this article.

Stocks Inch Up, Helped by Industrial Sector

Slowdown

Auto makers' shares fell after reports of declining sales, and the S&P 500 was little changed.



Source: FactSet
THE WALL STREET JOURNAL.

By AKANE OTANI AND RIVA GOLD

U.S. stock indexes edged higher, as gains in shares of industrial companies offset losses in the energy sector.

Stocks have mostly climbed over the past two weeks, supported by earnings reports pointing to corporate strength. With more than two-thirds of S&P 500 companies having reported, firms are on track to post their best results since the third quarter of 2011, according to FactSet.

"We're beginning to see the fruits of some better growth showing up in the bottom line," said Larry Hatheway, chief economist at GAM, which manages roughly \$127 billion in assets.

The Dow Jones Industrial Average added 36.43 points, or 0.2%, to 20949.89. The S&P 500 rose 2.84 points, or 0.1%, to 2391.17, and the Nasdaq Composite gained 3.76 points, or less than 0.1%, to a fresh closing high of 6095.37.

Corporate news drove swings in individual stocks on Tuesday while leaving major indexes little changed.

Mastercard shares gained \$1.75, or 1.5%, to \$118.12 after the company posted higher-than-expected revenue and earnings per share for the first quarter as transactions rose.

Cummins jumped 9.23, or 6.1%, to 160.56, boosting the S&P 500 industrials sector, after the engine manufacturer raised its guidance for the rest

of the year.

Auto makers were among the worst performers in the S&P 500 on Tuesday after major manufacturers including General Motors, Ford Motor and Fiat Chrysler Automobiles reported car sales fell sharply in April. General Motors shares lost 1.00, or 2.9%, to 33.20, and Ford shares slipped 50 cents, or 4.4%, to 10.92.

Energy stocks, the worst-performing sector in the S&P 500 so far this year, fell 0.5% as a slide in crude prices pressured oil companies. U.S. crude for June delivery lost 2.4% to \$47.66 a barrel, posting its second-lowest settlement for the year.

Government-bond prices strengthened, with the yield

on the 10-year U.S. Treasury note falling to 2.296%, from 2.327% Monday. Yields fall as bond prices rise.

Elsewhere, the Stoxx Europe 600 rose 0.7%, with shares of BP among the best performers, up 1.6% in London, after the oil company reported a sharp increase in first-quarter profit.

Markets were closed for holidays in Japan, South Korea and Hong Kong Wednesday. On Tuesday, South Korea's Kospi added 0.6%, closing at its highest level since 2011. Japan's Nikkei Stock Average rose 0.7% on its last trading day of the week as the dollar strengthened against the yen, supporting the shares of exporters.

COMMODITIES

U.S. Threatens to Restore Antidumping Duties on Mexican Sugar

BY JULIE WERNAU AND WILLIAM MAULDIN

U.S. Commerce Secretary Wilbur Ross is threatening to reinstate duties on Mexican sugar on June 5, after talks between the U.S. and Mexican sugar industries stalled.

Antidumping and antisubsidy duties on Mexican sugar that are currently suspended will be brought back, the Commerce Department said in a statement late Monday. The last deadline for reaching an agreement in the longstanding dispute over sugar expired Monday.

"While I regret that such measures were needed, it is my hope that Mexico and the U.S. can reach a fair agreement before June," Mr. Ross said in the statement.

Mexico's Economy Ministry said the "excessive demands of U.S. producers and refiners" prevented an agreement from being reached.

If the duties are imposed, the move would drive up prices for one of the U.S.'s

main sources of sugar, essentially locking Mexico out of the U.S. sugar market. Roughly 50% of U.S. sugar imports are from Mexico, by far the U.S.'s cheapest supplier.

The U.S. sugar industry has argued for years that cheap, subsidized Mexican sugar is hurting margins.

After a number of U.S. sugar producers defaulted on their government loans in 2013, the U.S. investigated and considered imposing duties on Mexican sugar. But in 2014, the two countries entered into a voluntary trade agreement that placed restrictions on sugar imports from Mexico and avoided the U.S. antidumping and antisubsidy duties.

Mexico denies that it subsidizes local sugar producers.

"The Mexican sugar industry will request that the government put brakes on imports of U.S. high-fructose corn syrup if we're shut out of the U.S. sugar market," said Juan Cortina, who is president of the Mexican sugar industry chamber.

The latest friction over sugar comes as the Trump administration is preparing to formally renegotiate the North American Free Trade Agreement. The impasse in the sugar dispute, if unresolved, could complicate the Nafta talks.

Mexican sugar, along with Canadian lumber and dairy, will be key issues to resolve before or during Nafta negotiations.

U.S. producers of all three agricultural products have defenders in Congress.

Last month, Mr. Ross slapped preliminary tariffs on Canadian softwood lumber, in a move many trade experts saw as leverage ahead of talks, and President Donald Trump has also criticized Canadian dairy practices.

Mr. Ross eased his tone on sugar in March during a press conference on the issue with Ildefonso Guajardo, Mexico's economy minister. The meeting had marked a softening of rhetoric toward Mexico City after Mr. Trump insisted early in his term that the country pay for a border wall.

The American Sugar Coalition, a group representing more than 95% of the U.S. sugar industry, asked the Commerce Department to review the sugar trade agreement in December 2015 and reopen negotiations, saying the pacts weren't working as intended.

The situation has caused a pricing distortion in the mar-

ket that sugar-cane refiners say makes it difficult to be profitable. A glut of refined sugar combined with tightly restricted imports for unrefined sugar have caused unrefined sugar prices and refined sugar prices to reach parity at about 29 cents a pound. Two years ago, prices for refined sugar were about 10 cents a

pound higher on average than for raw sugar.

"We're basically looking at negative margins before you turn on the lights in the refinery," Frank Jenkins, president of Jenkins Sugar Group, said at a recent presentation in New York.

—Anthony Harrup contributed to this article.



Sacks of sugar at a Mexico mill. The U.S. sugar industry argues Mexican sugar is hurting margins.

EDGAR GARRIDO/REUTERS

MARKETS

The Economy's Vital Signs Start to Flag

Weak data cast doubt on expectations; some investors see a slowdown ahead

By BEN EISEN

A soft patch in the economy is damping expectations for a stimulus-driven, post-election boom, prompting many investors to retreat from bets on growth.

The first quarter marked the weakest U.S. growth in three years, according to the initial Commerce Department reading on Friday.

The Federal Reserve's preferred measure of inflation, the personal-consumption expenditures price index, dropped 0.2% in March from a month earlier, pushing annual increases back below the central bank's 2% target, data showed Monday. Even long-time economic bright spots such as consumer spending and car sales have recently begun to fade, with sales at General Motors Co. and Ford Motor Co. declining sharply in April.

Economists say these signs run counter to the bets on faster growth under President Donald Trump that fueled a post-election stock rally, reflecting early excitement about the likely impact of potential tax cuts, deregulation and infrastructure spending.

Investment managers are tempering their optimism, with 44% saying in a Northern Trust survey taken in late March that they expect the economy to accelerate over the next six months, down from 55% in the previous quarter.

"Moderate is going to be as good as it gets for the near term, with a longer-term outlook suggesting even weaker growth," said Lindsey Piegza, chief economist at Stifel Financial Corp.

Stalling Out | Investors are scrutinizing gauges of monetary and economic conditions that suggest a further slowdown following a weak first quarter.

Gross domestic product grew at its slowest pace in three years during the January-to-March period.

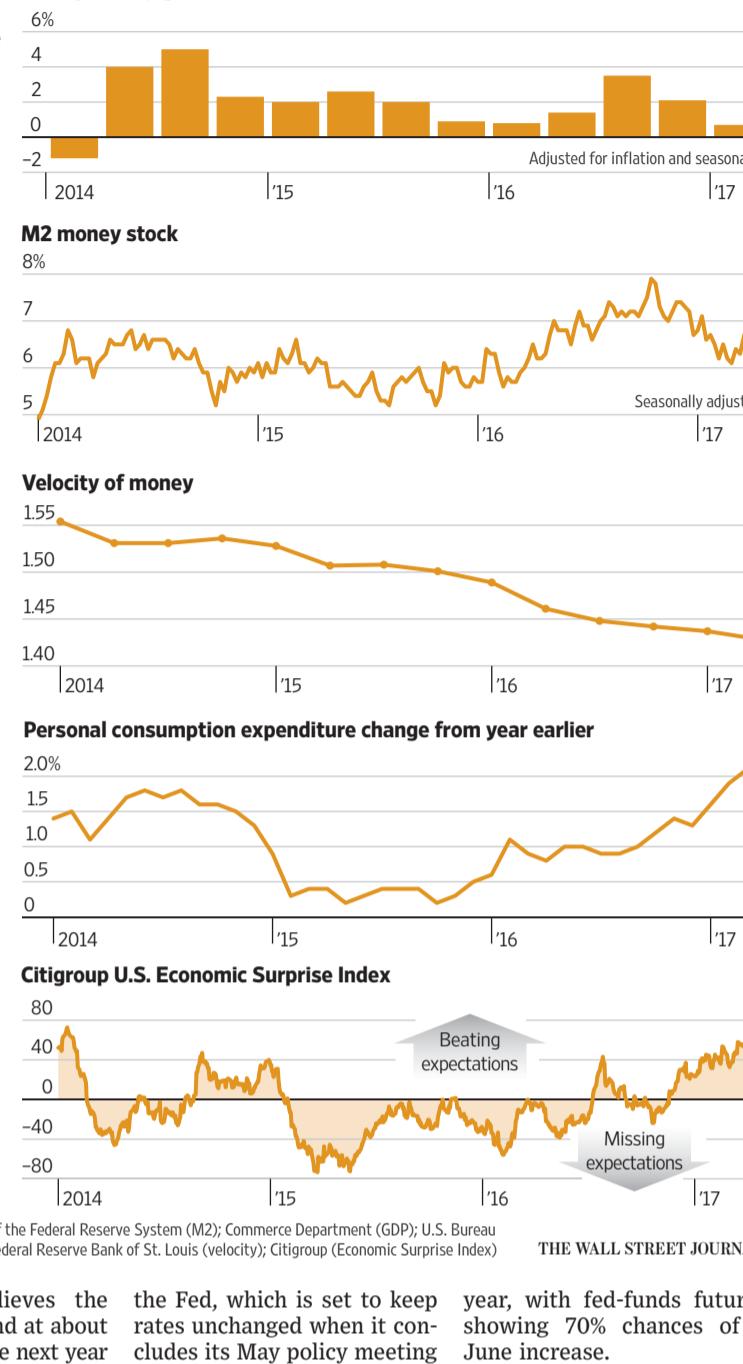
Some worry about a decline in the measure of the supply of highly liquid money, which tends to rise and fall with demand for goods and services.

A measure of the relationship between money and GDP has been trending lower for more than a decade, hitting a fresh record low in the first quarter.

The Fed's preferred measure of inflation receded in March after briefly topping 2% for the first time in nearly five years.

Economic data have been coming in below the expectations of forecasters recently.

Sources: Board of Governors of the Federal Reserve System (M2); Commerce Department (GDP); U.S. Bureau of Economic Analysis (PCE); Federal Reserve Bank of St. Louis (velocity); Citigroup (Economic Surprise Index)



THE WALL STREET JOURNAL.

for GDP growth, raising questions about the Commerce Department's seasonal adjustment methodology and fueling expectations for a rebound in the April-to-June period. The economy could well get a boost if the White House and Congress pass a tax-overhaul bill or other measures that encourage spending, some investors say.

Others expect the Fed to continue raising rates, noting that a falling U.S. dollar, near-record stock prices and narrow junk-bond spreads all point to loose financial conditions.

months of the year after more than a decade of decline. In effect, for each increase in the money supply, the associated increase in gross domestic product is smaller.

Together with decelerating credit growth, tightening lending standards and a rising fed-funds rate, slowing money growth and velocity suggest softer economic growth ahead, Mr. Hunt said.

"We're headed for a severe slowdown and the risk of an accident is high," he said.

Citigroup Inc.'s U.S. economic surprise index, which turns positive when data in aggregate are beating economists' forecasts and negative when they are missing expectations, turned negative on Friday for the first time since the week after the election. In mid-March, the index was at its highest since early 2014.

Tom Forester, chief investment officer at Forester Capital Management, is largely shunning stocks that are trading at high prices relative to their earnings, because economic growth doesn't show signs of accelerating. Recently, he has also stayed away from retail stocks, which are sensitive to a weakening economy and suffering from a deeper shift away from brick-and-mortar shopping. He suspects these declines could point to broader slowing.

"We've peaked and started rolling over on a lot of these things like auto sales, factory usage and homes," said Mr. Forester.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

| | |
|---------------------------------|-----------------------|
| Applications | \$164,699,667,800 |
| Accepted bids | \$55,000,107,800 |
| *noncompetitively | \$356,634,300 |
| *foreign noncompetitively | \$0 |
| Auction price (rate) | 99.943611 (0.725%) |
| Coupon equivalent | 0.735% |
| Bids at clearing yield accepted | 37.36% |
| Cusip number | 91279GLAS |

The bills, dated May 4, 2017, mature on June 1, 2017.

0.2%

March drop in Federal Reserve's preferred inflation index

But the souring in the current outlook reflects the evolution of a broader postcrisis trend, in which the economy has expanded steadily while struggling to expand at an annual pace above 3%. The U.S. is in one of its longest periods of expansion since World War II, but many fear that the economy will struggle to maintain even its modest pace of growth, much less accelerate rapidly.

Lacy Hunt, executive vice president at Hoisington Investment Management Co. in Austin, Texas, noted that the supply of highly liquid money, called M2, an indicator of overall demand, has increased at a below-average annual rate of 5.5% over the three months that ended in mid-April, down from 6.8% in 2016. M2's pace tends to rise and fall with demand for goods and services.

Another measure of the relationship between money and GDP, known as velocity, hit a record low in the first three

year, with fed-funds futures showing 70% chances of a June increase.

Some see the slowdown as a passing phase. For years, the first quarter has been weak

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Apple Boosts Margins, but Not Enough

If nothing else, Apple's latest results will serve as a sound reminder of the company's ability to watch its bills.

Granted, that isn't always enough for a company that frequently touts its own products as "revolutionary." Apple's share price slipped after hours Tuesday following the company's fiscal second-quarter results.

However, the company also managed to edge up its gross margin to 38.9%, from 38.5% in the December quarter. That is notable given the pressure of a strong dollar, along with the fact that the cost of key components keeps rising. The midpoint of Apple's gross margin projection for the June quarter is 38%, suggesting the company is confident it can keep managing those costs as production ramps up for the next iPhone.

That device's reception, of course, matters far more than Tuesday's results. Coming on the 10th anniversary of Apple's first smartphone launch, it will compete against the Galaxy S8 from rival Samsung. Having watched sales of its flagship product fall for the first time last year, Apple really can't afford to phone this next one in.

—Dan Gallagher

DryShips Investors Aren't Crazy

Investors have poured over half a billion dollars and counting into DryShips since November. The stock has dropped 99% over that time.

While any further investment in the stock appears foolhardy, there are psychological reasons, and even a practical one, that have kept fresh cash flowing in.

DryShips made headlines last November, when its shares surged by 1,500% in just four trading sessions for no apparent reason. The company, valued at just \$5 million before the run-up and behind on its debts, briefly saw its shares suspended by Nasdaq as questions swirled about the surge. The next day, DryShips began selling shares to a mysterious offshore entity, Kalani Investments, which appears to have resold them immediately to individual investors. Chief Executive George Economou, who owns a special class of supervoting

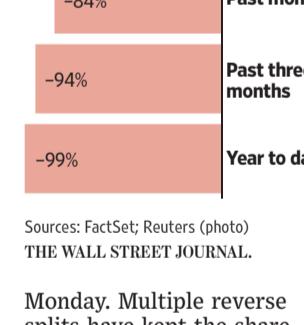
the Fed, which is set to keep rates unchanged when it concludes its May policy meeting on Wednesday. Investors have penciled in two more rate increases before the end of the

year, with fed-funds futures showing 70% chances of a June increase.

Some see the slowdown as a passing phase. For years, the first quarter has been weak

Man Overboard

DryShips share-price change



Sources: FactSet; Reuters (photo)

THE WALL STREET JOURNAL.

preferred stock plus nearly all of the debt and who has lucrative service contracts, appears to be profiting from the cash inflow as ordinary shareholder losses mount.

The dilution has been brutal. A \$1,000 investment on the day before the stock was suspended would have been worth just \$82 a week later, \$67 a month later, and \$5 on

Monday. Multiple reverse splits have kept the share price from sinking to penny-stock territory. A 7-for-1 split was announced Tuesday.

So why is anyone buying? One reason is the recent memory of that spectacularly. Aside from hoping lightning will strike twice, there is, on paper at least, value in DryShips. The com-

pany used the money from its share sales to buy or take options on vessels valued at over 10 times its current market value, based on securities filings. If DryShips stopped selling shares, the price might, in theory, rise to account for those assets, net of debt.

Even before its epic spike, DryShips was valued at \$146 a share or 125 times as much as today adjusting for reverse splits. Focusing on the past price makes even less sense after a huge expansion in the share count, though.

Whether blinded by past gains, prices, or losses, or just making back-of-the-envelope calculations, buying DryShips represents the triumph of hope over experience. No wonder posts on message boards such as "an upgrade will double this price in a second" and "a last dip before the huge rip" are punctuated by snarky links to 1-800-GAMBLER.

—Spencer Jakab

OVERHEARD

To misquote an Aesop fable, slow and steady can keep you in the race.

That is what Valeant Pharmaceuticals International investors seem to believe. The company said Tuesday that it expects to launch about 50 products in 2017 amounting to about \$100 million in annualized sales, sending shares higher.

Valeant could use every dollar to continue servicing its massive debts.

Analysts expect the company to record \$8.8 billion in revenue this year, a 9% decline from a year earlier, so those launches are a drop in the bucket.

Valeant would need to launch an extra 436 products at that sales rate merely to ensure flat sales.

Luckily, the beleaguered drug company still has an ace to play. The company's CEO said it is considering changing its name to counter "negative press."

The Stakes Run High in Big Pharma's Latest Cancer Race

The most important class of new cancer drugs is nearing a moment of truth.

Merck & Co.'s first-quarter results, in which blockbuster Keytruda played a starring role, offered the latest clue.

The drugmaker on Tuesday reported first-quarter sales of \$9.4 billion and adjusted earnings of 88 cents a share.

Both results narrowly beat expectations, and Merck provided full-year guidance modestly higher than Wall Street expectations.

Shares were flat, however, in part because sales of the promising new drug to treat a variety of cancers were slightly below analysts' expectations at \$584 million.

Analysts expect Merck to

eventually overtake Bristol-Myers Squibb as the leader in this drug class known as checkpoint inhibitors in part because Merck has a first-mover advantage in the highly lucrative lung-cancer market. Keytruda is the only such drug approved by U.S. regulators to treat lung cancer as a stand-alone therapy for an initial treatment plan.

Analyst consensus calls for more than \$10 billion in annual Keytruda sales by 2022.

Stand-alone lung-cancer therapy, however, is only part of that estimate. Merck is expecting a decision from the Food and Drug Administration by next week on approval for Keytruda in combination with traditional chemotherapy. Approval there would open the market to significantly more patients.

Merck said on a conference call with analysts that a delay or rejection of that application won't cause 2017 guidance to come down. But approval there is necessary to keep Merck's clear front-

leader until a shock clinical-trial failure sent the stock plunging last summer.

And while Merck trades at a fairly low multiple of 16 times forward earnings, Keytruda living up to expectations is central to investors' long-term hopes. That is especially true since sales of Merck's best-selling drug, the diabetes treatment Januvia, fell by 5% in the first quarter.

Merck shares are up about 14% over the past 12 months, among the strongest performances for a big pharma company.

That rally appears justified if Keytruda becomes what investors expect.

Regulators will provide some answers soon.

—Charley Grant

Margin Call

Apple's gross margin, quarterly

50%

40%

30%

20%

10%

0%

Forecast

Source: the company

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