

THE WALL STREET JOURNAL.

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WEDNESDAY, MAY 17, 2017 ~ VOL. CCLXIX NO. 114

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DJIA 20979.75 ▼ 2.19 0.01% NASDAQ 6169.87 ▲ 0.3% STOXX 600 395.91 ▼ 0.02% 10-YR. TREAS. ▲ 3/32, yield 2.329% OIL \$48.66 ▼ \$0.19 GOLD \$1,235.00 ▲ \$6.40 EURO \$1.1083 YEN 113.12

What's News

Business & Finance

Activist investors are increasingly targeting CEOs, helping push out the leaders of three S&P 500 companies this year. **A1**

♦ Auto makers are cutting workforces amid softening sales and investor concerns, retreating from earlier promises to add U.S. jobs. **A1**

♦ Industrial output jumped in April, the latest evidence that growth is picking up. **A2**

♦ Housing starts eased in April, likely worsening supply shortages. **A2**

♦ Tech shares propelled the Nasdaq to another record close. The Dow eased 2.19 points to 20979.75. **B18**

♦ China's central bank pumped \$24.7 billion into markets in a bid to boost investor confidence. **B19**

♦ The SEC will reconsider its initial approval of a risky, leveraged ETF. **B1**

♦ Wal-Mart is bracing for the arrival in the U.S. of German discount grocer Lidl. **B1**

♦ Teen retailer Rue21 filed for bankruptcy and has begun closing many stores. **B3**

♦ Dick's plans to scale back store openings after sales fell short of forecasts. **B3**

♦ More U.S. workers are testing positive for illicit drugs, an analysis found. **B1**

♦ Twitter co-founder Stone is rejoining the firm in a bid to revive morale. **B4**

♦ Facebook was fined by a French watchdog for allegedly breaking privacy law. **B4**

World-Wide

♦ Trump asked then-FBI Director Comey to back off the investigation of Flynn shortly after the former national security adviser resigned in February, according to two people close to Comey. **A1**

♦ The classified intelligence that Trump shared with Russian officials had been gathered by Israel, a disclosure that could have broad U.S. security consequences. **A6**

♦ GOP Sen. Cornyn withdrew from consideration to lead the FBI, another sign that a partisan figure might face a tough confirmation. **A4**

♦ Japan's Abe called for further efforts by China to tackle the North Korean threat, citing Pyongyang's latest missile launch. **A8**

♦ Erdogan hailed his visit to Washington as the launch of a new cooperative era between Turkey and the U.S. **A8**

♦ Syria ridiculed U.S. allegations it carried out mass killings at a prison and operated a crematorium. **A8**

♦ The U.S. and Pakistan discussed the prospect of freeing a jailed doctor who aided the mission to find bin Laden. **A11**

♦ The Labour Party vowed to nationalize parts of British industry and raise taxes on high earners if it wins in June. **A10**

♦ A stroke study found that the window for treatment can be extended longer than previously believed. **A3**

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Trump Asked Comey to Drop Probe



President Donald Trump, shown outside the White House on Tuesday, after meeting with Turkish President Recep Tayyip Erdogan.

Furor Puts the GOP Agenda at Risk

By KRISTINA PETERSON
AND NATALIE ANDREWS

shortly after the February meeting, according to two people close to Mr. Comey. House Oversight and Government Reform Committee Chairman Jason Chaffetz (R., Utah) said he was considering subpoenaing the memo, if it wasn't made available.

Mr. Chaffetz on Tuesday night, in a letter to acting FBI Director Andrew McCabe, requested the Federal Bureau of Investigation provide

by May 24 all memos, notes,

summaries and recordings of

communication between Mr. Trump and Mr. Comey.

The move was supported by House Speaker Paul Ryan (R., Wis.).

"We need to have all the facts, and it is appropriate for the House Oversight Committee to request this memo,"

AshLee Strong, a spokeswoman for Mr. Ryan, said in a statement.

Tuesday night.

Mr. Chaffetz insisted the

House could get its business done despite the upheaval.

"The government is always full of crisis—some of this is very self-inflicted by the White House itself—but we still have to be able to pass meaningful legislation and get it to the president's desk," Mr. Chaffetz told NBC Tuesday night.

Other congressional Republicans called on Mr. Comey to deliver a full explanation.

"I'm concerned about it,"

Rep. Leonard Lance (R., N.J.) said of the latest controversy.

Please see *GOP* page A4

People close to ex-FBI chief say he kept notes quoting president: 'I hope you can let this go'

By DEL QUENTIN WILBER
AND ARUNA VISWANATHA

President Donald Trump asked then-FBI Director James Comey to back off the investigation of former National Security Adviser Michael Flynn shortly after Mr. Flynn resigned in February, according to two people close to Mr. Comey.

The people said they had seen a memo written by Mr. Comey that documented a meeting with the president during which Mr. Trump told the director that he hoped he could find a way to drop the Federal Bureau of Investigation's probe of Mr. Flynn.

"I hope you can let this go," Mr. Trump told the former FBI director, according to the memo which was described in detail by a person close to Mr. Comey. A second associate confirmed having seen the memo and the thrust of its contents. Both requested anonymity to describe the law-enforcement record.

The memo isn't the only one that documents Mr. Comey's encounters with the president, according to one of the people. There are "a number of encounters with the president that concerned him, and he wrote very detailed memos about those instances," the person said.

The person said Mr. Comey may have written a similar memo documenting his dinner

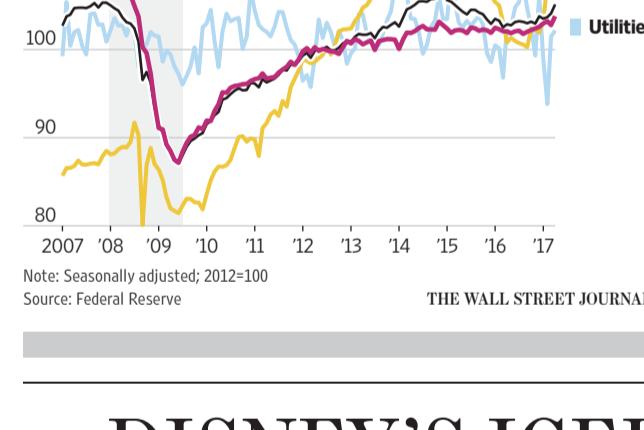
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♦ Cornyn withdraws as candidate to lead FBI A4

♦ Israel provided secrets relayed to Russia A6

Economy Shows New Sign of Health

Industrial output had the biggest gain in more than three years in April, according to a report from the Federal Reserve Tuesday. Manufacturing output, the biggest component, rose to a new postrecession high. **A2**



Activist Investors Step Up Efforts to Throw Out CEOs

By DAVID BENOIT

Activist investors, who have been a growing nuisance for chief executives, are now becoming an existential threat.

Since January, they have helped push out the leaders of three high-profile S&P 500 companies: insurance giant American International Group Inc., railroad CSX Corp. and aerospace-parts maker Arconic Inc. They are gunning for the CEOs at other companies, including Buffalo Wild Wings Inc. and Avon Products Inc.

Chief executives have long

felt pressure from these investors, who take stakes and push for changes to boost the stock, and turnover at the top tends to increase after they show up. But activists are increasingly asking for CEOs' heads at the outset of campaigns, a new level of aggressiveness for a group already known for its bold actions and impact on corporate America in recent years.

So far in 2017, activists have started nine campaigns targeting top management, the fastest pace on record, according to FactSet.

The shift has been years in

the making. After the financial crisis, activists regularly won board seats and successfully pushed for moves that can produce quick returns like breakups or share buybacks. Many activists and analysts now question whether the easy pickings are gone.

The answer for some is to pursue changes in operations, which can be more of a slog and require new management.

"The activists are finding that just settling for board seats is not all that productive," said Peter Michelsen,

Please see *CEO* page A2

DISNEY'S IGER ISN'T ABOUT TO SIGN OFF

Succession is up in the air as CEO candidates leave, show no interest

By BEN FRITZ

Robert Iger owns a license-plate frame printed with the question: "Is there life after Disney?"

The chairman and chief executive of the world's largest media conglomerate, Walt Disney Co., doesn't keep the frame on his car anymore. "I decided it's not worth it," Mr. Iger said in March at a conference sponsored by the University of Southern California. "I'd get stopped every once in a while by people who asked what it means."

The same question transfixes people throughout Disney and the entertainment industry, who wonder how much longer Mr. Iger,

66 years old, will keep his grip on the company behind *Snow White*, *Star Wars* and *SportsCenter*. Twelve years into his tenure as CEO, the question of who will succeed Mr. Iger is more uncertain than it has been for nearly a decade. He isn't about to let go.

The strongest internal candidates have left, and the most frequently mentioned external candidates are uninterested. Some people who know Mr. Iger believe he simply doesn't want to retire yet, despite stating repeatedly that he intends to. A contract extension signed in March runs through July 2, 2019. That is the fourth date he has announced for stepping down as CEO.

Please see *IGER* page A12



ONE FAMILY,
THREE
WEDDINGS

LIFE & ARTS, A13



ABE PRODS
CHINA ON
NORTH KOREA

WORLD NEWS, A8

Can I Have That Burger With a Side of Peanut Butter?

* * *

For some diners, hottest items aren't on the menu; get me a Puppuccino, please

By CORINNE RAMEY

When Katherine Drake spotted a photo of a Butterbeer Frappuccino on the social-media site Pinterest, she balked at ordering the Harry Potter-themed drink at the counter of her local Starbucks because it wasn't on the menu.

"I'm sure if you went to Starbucks and asked for that they'd look at you like you had three heads," said Ms. Drake, who works for a radio station in Ontario. So the 25-year-old ordered it by painstakingly entering the precise rec-

ipe—tall Vanilla Bean Creme Frappuccino, two pumps caramel syrup, two pumps toffee-nut syrup, light caramel drizzle, light ice, light whipped cream—into the coffee chain's iPhone app. She picked it up at the drive-through.

"It had a really nice flavor to it," said Ms. Drake, adding that it "wasn't too sugary."

For some restaurant customers, the hottest items to order aren't on the menu. In recent years, so-called secret menus have cropped up on social media and attracted a cult

Please see *MENU* page A12

Car Makers Pull Back on Jobs Pledge

By JOHN D. STOLL
AND MIKE COLIAS

Amid softening U.S. car sales and mounting investor skepticism about Detroit's ability to weather the industry's first downturn in nearly a decade, auto executives are facing a tough choice in whom to please: Wall Street or the White House.

Detroit has been an engine of growth for U.S. employment

since the financial crisis, with General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV adding tens of thousands of jobs to keep pace with growing demand and fund autonomous-car engineering and other moonshot programs. Earlier this year, company executives promised to add head count at certain factories in response to criticism from President Donald Trump.

"There is a lot of a balance." Please see *JOB* page A2

U.S. NEWS

A Dip in Construction Is Bad for Home Buyers

BY LAURA KUSISTO
AND SARAH CHANEY

U.S. new-home construction declined modestly in April for the third time in four months, a trend that is likely to worsen supply shortages and push prices higher at a time of swelling demand.

Housing starts declined 2.6% from March levels to a seasonally adjusted rate of 1.172 million, the Commerce Department said Tuesday. Single-family starts increased by 0.4%, while multifamily starts fell 9.6%, the fourth consecutive month of declines.

"With housing starts declining in April, inventory shortages will continue for a longer period of time. The intensifying housing shortage will push up home prices and rents, easily above wage growth and the broad consumer-price inflation," said Lawrence Yun, chief economist at the National Association of Realtors.

April's decline has a margin of error of 8.8 percentage points. Starts were 0.7% higher than in April 2016.

Permits, which tend to be a reliable indicator of future construction activity, also fell in April, by 2.5% to an annual

pace of 1.229 million. Single-family permits declined 4.5%, while multifamily permits increased by 1.5%.

The slowdown in starts is likely to exacerbate an imbalance of supply and demand.

Jeff Mezger, chief executive of KB Home, said there is a wave of demand, especially from first-time buyers who are moving out of their parents' homes and forming their own families. But building remains a challenge because of labor shortages and increased regulations, which have driven construction costs up more quickly than pricing.

"You're going to see a continued slow increase in activity levels. It's not going to be this explosion," he said.

Residential construction jobs increased by 4% year-over-year in April, down from a 5.7% increase in March, according to an analysis of Labor Department data by Mark Fleming, chief economist at First American Financial Corp.

Mr. Fleming said this creates a dilemma for builders. If they increase wages to attract more workers they might not be able to produce starter homes to respond to increasing demand from first-time buyers.

Industrial Output Jumped in April

BY JEFFREY SPARSHOTT

WASHINGTON—U.S. industrial output rose sharply in April, the latest evidence that economic growth is picking up following a lackluster start to the year.

Industrial production—a measure of output at factories, mines and utilities—jumped 1.0% from a month earlier, the Federal Reserve said Tuesday. That was the largest gain in more than three years.

The strong showing follows a string of upbeat April indicators, including the unemployment rate falling to its lowest level since 2007; solid consumer-spending gains at online sellers, restaurants and other retailers; and existing-home sales climbing at their fastest pace in a decade. The broad-based growth across key sectors of the economy suggests healthy demand from consumers and businesses, reversing some gloomier readings from earlier in the year.

"If you filter through the noise and look at the broader trend, things are starting to get a little better," said Richard Moody, chief economist at Regions Financial Corp.

Tuesday's report showed manufacturing output, the biggest component of industrial



A Brown-Forman worker in Louisville, Ky., selecting wood to make bourbon barrels.

production, posted its strongest gain since early 2014, pushing the Fed's manufacturing index to a new postrecession high.

U.S. factory activity was stagnant through much of 2015 and 2016 as the dollar strengthened, making U.S. goods more expensive to sell overseas, and global economic growth remained tepid. Now, the dollar has stabilized and overseas demand has picked

up, helping American factories.

It is less clear if April's strong performance will repeat. The auto industry, which helped drive manufacturing output in April, now faces plateauing sales. Auto makers sold 1.43 million vehicles in the U.S. in April, down 4.7% from a year earlier, according to Autodata Corp. The slump follows a record year for sales in 2016 and is leaving unsold

vehicles piling up on dealer lots.

Other sectors, such as electronics and food manufacturers, posted smaller but perhaps more enduring gains.

"This will be remembered as the year when almost everything in manufacturing got healthy except for motor vehicles," Michael Montgomery, U.S. economist at IHS Markit, said in a research note.

Special Occasion: Corpse Flower Blooms



BOTANICAL RARITY: Greenhouse manager Edward Read examines the *Amorphophallus titanum*, known as the corpse flower, at California State University, Fullerton. The flower lets off a smell while blooming, that some say is akin to the smell of rotting flesh.

JOBS

Continued from Page One
ing act going on," said Jeff Schuster, LMC Automotive's senior vice president of forecasting. "We're finally at the point where we're likely to see a contraction in demand [and] obviously the new administration pushing for jobs." Mr. Schuster said that with "pressure on both sides of the equation, something has to give."

Auto executives are leaning on Mr. Trump for significant reforms, including relief from emissions standards set during the Obama administration and lower corporate taxes. GM, Ford and Chrysler, under pressure from the President over their reliance on Mexican production and the protections afforded by the North American Free Trade Agreement, have said Mr. Trump's pro-business stance could be a factor in re-routing investment to American factories that would otherwise head south of the border.

The industry's message for Wall Street has a different tone.

GM in recent months has disclosed plans to lay off more than 4,000 workers as demand for certain passenger cars, such as the Chevrolet Malibu and Cadillac CTS, dwindles. Ford is planning to cut 10% of its staff to shore up sagging profit.

Frank Giambay, an adviser with financial planner Waddell & Reed in Wilmington, Del., said it is clear that executives are "still trying to feel their way around" in the early days of the Trump administration. But "I don't think Ford should be kowtowing," he said. "It's got

Fading Fortunes

Ford and GM share performance this year versus the broader market.



to do what it has to do to stay alive."

Mr. Giambay, a longtime investor in Ford with his own money, said the auto maker needs to show it is focused on managing costs. His concern is shared by the auto maker's board, which granted Chief Executive Mark Fields a \$2.5 million stock incentive for "developing a lean mind-set," even as he focuses on future initiatives at the car maker.

Shares of Ford and GM are trading well below their value when Mr. Fields and his counterpart at GM, Mary Barra, took the helm in 2014. GM's stock price, closing at \$33.42 on Tuesday, is only slightly above the company's 2010 initial public offering; Ford's share price, stuck below \$11, is down about 40% from when Mr. Fields replaced Alan Mulally three years ago.

Ford and GM slipped behind Tesla Inc. earlier this year in market capitalization, under-

stant to lay off hourly workers, instead staggering assembly-plant schedules by giving workers weeks of downtime. It will now slim down its global workforce, cutting 10% of jobs mostly from its salaried ranks, according to people familiar with the plan.

Total auto manufacturing employment, including parts suppliers, hit 945,000 in April, 50% higher than industry employment in 2009 when GM, Chrysler and several auto suppliers were undergoing bankruptcy restructuring.

GM's U.S. employment during the decade has been rebuilt, growing from 77,000 in 2010 to 105,000 last year. It recently committed to add \$1 billion in fresh investment, which could lead to 1,500 new factory jobs. Ford and Fiat Chrysler also promised jobs early this year, many of which had been committed during 2015 negotiations with the UAW.

—Christina Rogers

contributed to this article.

Both companies have sought to boost value by implementing stock buybacks or special dividends in recent years. The measures, coming as Detroit auto makers report historically strong profitability, have had little impact on investors due to their concerns about the cyclical nature of the car business.

GM executives, citing changes made to United Automobile Workers' contracts before the company's 2010 initial public offering; Ford's share price, stuck below \$11, is down about 40% from when Mr. Fields replaced Alan Mulally three years ago.

Ford, aiming to cut \$3 billion in costs, had been reluc-

CEO

Continued from Page One
president of CamberView Partners LLC, which advises some of the largest U.S. companies on how to deal with activists. "They are having to get more involved, including pushing for changes in management and operations."

Some CEOs who have been targeted complain privately that activists don't understand their businesses. "They've never built anything in their life, except a spreadsheet," one chief executive said. Others say boards should determine the CEO. They argue that activists seek too much power given the size of their stakes, which amount to as little as 1% in some cases.

The increased aggressiveness portends even nastier fights between activists and their targets. It may also make private-company executives more reluctant to tap public markets and prompt them to employ stronger defenses when they do.

Many well-funded startups are already staying away, contributing to a roughly one-third decline in the number of public companies since 1997, according to the University of Chicago's Center for Research in Security Prices.

"Why would you want to go public if you can't lose control of your company that easily because somebody makes a public statement and the stock goes up?" Jeffrey Ubben, founder of activist ValueAct Capital Management LP, asked at a conference last month. "You are hijacked."

What happened at CSX could be cited as a case in point.

Paul Hilal, formerly of William Ackman's Pershing Square Capital Management LP, raised his own fund with the sole purpose of replacing the railroad's CEO with Hunter Harrison. When The Wall Street Journal reported the plan in January, CSX stock shot up 23%.

The market's endorsement helped Mr. Hilal, with 4.9% of CSX's stock, push for board changes he argued were needed to support Mr. Harrison and his efficiency strategy. CSX, already planning succession, agreed to hire Mr. Harrison and name five new directors.

That wasn't even the most dramatic activist-fueled CEO

change this year.

Elliott Management Corp.'s fight with Klaus Kleinfeld at Arconic resulted in the CEO's exit in April, though not for reasons either side anticipated. In pushing for his ouster, Elliott called Mr. Kleinfeld the worst CEO in the S&P 500. Elliott cited missed targets and what it characterized as his lavish spending—such as on ads based on the *Jetsons* cartoon.

"CEOs do not hold the job by right," Elliott wrote in one letter to Arconic, which was created when Alcoa broke into two companies. "The Board must continually evaluate who should be running the company."

Arconic defended Mr. Kleinfeld, saying he deserves credit for building the company and breaking up Alcoa. Last month, Mr. Kleinfeld sent a vaguely threatening note to Elliott's founder. Arconic said at the time that Mr. Kleinfeld has stepped down by mutual agreement. He hasn't commented since.

What happened at AIG is more typical. In late 2015, Carl Icahn agitated for a breakup of the insurance company and a CEO change. The sides settled, with Mr. Icahn getting a board seat and CEO Peter Hancock pledging to improve performance. When AIG missed its targets, Mr. Hancock resigned because, he said, he lacked "wholehearted shareholder support."

At Avon Products, Barington Capital Group LP and NuOrion Partners AG called for a CEO change after the beauty-products seller reported a surprise loss this month, claiming a turnaround is taking too long. The company said its plan is on track.

Even CEOs with strong overall returns aren't safe.

Sally Smith has led sports-bar chain Buffalo Wild Wings since 1996, presiding over rapid store growth and a roughly 1700% stock return. The company still increased stock buybacks, added five new directors and made other changes activist Marcato Capital Management LP sought.

Marcato nonetheless last month called on Buffalo Wild Wings to fire Ms. Smith, saying the company has lost its way amid slowing growth. Buffalo Wild Wings says she is the right person for the job.

CORRECTIONS & AMPLIFICATIONS

Bitcoin users' identities can be difficult to connect to transactions because the network and some online services don't require users to declare the information. A sidebar with a Page One article on Tuesday about a global cyberattack incorrectly said that finding bitcoin users' identities was difficult because the information is encrypted.

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

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U.S. NEWS

Cornyn Out as FBI Candidate

BY DEL QUENTIN WILBER
AND ARUNA VISWANATHA

A leading candidate to be the next director of the Federal Bureau of Investigation, Sen. John Cornyn (R., Texas), withdrew from consideration, providing another sign that a partisan figure might have a hard time winning confirmation to the influential law-enforcement post.

"Now more than ever the country needs a well-credentialed, independent FBI director," Mr. Cornyn said Tuesday. "I've informed the administration that I'm committed to helping them find such an individual and that the best way I can serve is continuing to fight

for a conservative agenda in the U.S. Senate."

Mr. Cornyn pulled out of the running one day after another high-profile Republican, Rep. Trey Gowdy, of South Carolina, said he didn't want to be considered because he wasn't right for the job. Mr. Gowdy said the FBI needed someone who could "unite the country."

A former federal prosecutor, Mr. Gowdy headed a House probe into the 2012 terrorist attacks on a U.S. compound in Benghazi, Libya, an inquiry that sharply divided Republicans and Democrats.

Their decisions underscored the difficulty a Republican officeholder might face in win-

ning confirmation in the aftermath of President Donald Trump's abrupt firing of Director James Comey. Republicans as well as Democrats have urged Mr. Trump to name someone from outside politics, and Senate Majority Leader Mitch McConnell (R., Ky.) told Bloomberg News on Tuesday that Mr. Trump should choose an "apolitical" director.

The FBI director post has generally gone to a former top federal prosecutor or senior law-enforcement official, not a political figure, and the current vacancy may be especially sensitive because Mr. Comey was spearheading an investigation into whether Mr. Trump's

campaign or associates colluded with the Russian government in meddling in the 2016 election. Russia and Mr. Trump have denied any wrongdoing.

Mr. Cornyn's announcement came as associates of U.S. Circuit Judge Merrick Garland said he wasn't interested in the job. Judge Garland was tapped last year by then-President Barack Obama to be a justice on the Supreme Court, only to see his nomination stymied by Senate Republicans.

Utah Sen. Mike Lee and other Republicans, including Mr. McConnell, had suggested Judge Garland would be a good choice because he wasn't seen as partisan and would

win confirmation. But Democrats have signaled they didn't want to lose Judge Garland on the influential U.S. Court of Appeals for the D.C. Circuit.

Among the remaining known candidates for the FBI is Mike Rogers, a former GOP congressman who served as an FBI agent and who won the recent backing of an association that represents current and retired FBI agents. Others are Michael Garcia, a New York state judge and former U.S. attorney; Alice Fisher, a former Justice Department official; and two top FBI officials, including current acting Director Andrew McCabe.

—Jess Bravin
contributed to this article.

WASHINGTON WIRE

TRADE

New Envoy Starts Job With Focus on Nafta

The Trump administration's new U.S. trade representative began laying the groundwork for a renegotiation of the North American Free Trade Agreement on his first full day on the job.

Robert Lighthizer, a longtime Washington lawyer and former U.S. trade official, on Tuesday briefed the Senate Finance Committee on efforts to begin talks on overhauling Nafta.

Officials are required to consult with Congress and deliver a letter informing Congress at least 90 days before formal talks can begin with Mexico and Canada if any final deal is to get expedited consideration on Capitol Hill.

—William Mauldin

POLITICS

Democrats Struggle Over Party's Focus

President Donald Trump's action-packed tenure in the White House has left Democrats groping for consensus about their party's path forward.

The party's activist wing wants to focus on the Republican president and his controversies, but Democratic leaders and many grass-roots organizers don't want to divert too much energy from the advancement of policy ideas.

New York Sen. Kirsten Gillibrand said Democrats shouldn't let Mr. Trump "distract us from our work, our everyday work fighting for working families." She called for a federal paid family-leave program. Sen. Elizabeth Warren of Massachusetts called for legislation to require presidents to release their tax returns and place their assets in blind trusts.

—Reid J. Epstein
and Janet Hook

DIPLOMACY

South Korea Leader To Visit Trump

South Korea's newly elected President Moon Jae-in will travel to Washington late next month for a meeting with President Donald Trump, according to a spokesman for the presidential Blue House in Seoul.

The summit meeting will mark an early test of whether Mr. Moon's policy of engagement with North Korea, primarily through economic cooperation, will mesh with Mr. Trump's hard-line approach, which emphasizes economic pressure and the threat of military force in attempting to curb Pyongyang's nuclear and missile programs.

South Korean Defense Minister Han Min-ko on Tuesday reiterated Seoul's policy that it would launch a pre-emptive strike if there were clear signs of an imminent missile attack by the North.

—Jonathan Cheng



Reporters asked GOP Sen. Jeff Flake questions as he rode the Senate subway on Tuesday. Below, Senate Majority Leader Mitch McConnell.



an interview with The Wall Street Journal.

"They're sidetracked every single day," Rep. Cheri Bustos (D., Ill.), a member of House Democratic leadership, said of Republicans. "Even as Democrats, it's very hard to get a toehold on anything when you've got this constant drama every single day."

Although Senate Republicans continued to meet Tuesday afternoon to hash out details of their health-care bill, major legislative lifts will be complicated by any new congressional probes launched in the wake of the week's disclosures.

"We could do with a little less drama from the White House on a lot of things so that we can focus on our agenda," Senate Majority Leader Mitch McConnell (R., Ky.) said Tuesday.

It will be up to GOP committee chairmen to decide what kinds of investigations to pursue, but a public outcry could apply increased pressure to

dedicate staff and time looking into Mr. Comey's firing, suspected Russian interference in the 2016 election, whether Mr. Trump's campaign had any ties to Russia and any subsequent revelations that could unfold in coming days. Both Russia and the Trump administration have denied any wrongdoing during the election.

Democratic leaders made

clear they would keep the spotlight trained on getting to the bottom of Mr. Trump's conduct. Democrats and a couple of House Republicans have called for a special prosecutor to look into Russian interference in the election.

"With each passing day, the President's actions give greater and greater urgency to the need for a full and independent

investigation of the Trump-Russia connection," House Democratic Leader Nancy Pelosi (D., Calif.) said in a statement Tuesday night.

The latest controversies erupted at a time when both chambers of Congress were in a quiet period of low-profile legislating. The Senate is slogging through confirmation of lower-level presidential nominees, while Republicans are working behind the scenes to craft big-ticket bills on health care and a rewrite of the tax code.

Republicans said it has been hard to concentrate on crafting even legislation they plan to pass with only GOP votes amid the continuing White House turmoil.

"When you're not sure what's going to happen from the morning to the evening, it definitely takes your eye off the ball," said Sen. Shelley Moore Capito (R., W.Va.). "We're trying to stay focused on what we need to do, which is health care."

Location: Eleanor Tinsley Park, Downtown Houston

A large advertisement for Houston featuring a group of six chefs in white aprons and black ties standing behind a wooden table filled with various fruits and vegetables. They are positioned in front of a large, modern city skyline. The text "HOUSTON is taste™" is prominently displayed in large, bold letters across the bottom of the image. A small "TM" symbol is located next to the word "taste".

Experience fresh ideas and cutting-edge menus in a city where culinary innovation has no limits.

L to R: Chefs Anita Jaisingham, Antoine Ware, Rebecca Masson, Chris Shepherd, Greg Gatlin, Seth Siegel-Gardner and Terrence Gallivan

VISIT HOUSTON

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U.S. NEWS

Israel Provided Secrets Relayed to Russia

The classified information that President Donald Trump shared last week with Russian officials had been gathered by Israeli intelligence, according to U.S. officials familiar with the matter, a disclosure that could have far-reaching consequences for U.S. national security.

By **Shane Harris,**
Carol E. Lee
and Paul Sonne

The intelligence—concerning terrorist threats against airliners—was meant for U.S. eyes only and was provided as part of a longstanding sharing agreement that is predicated on mutual assurances of secrecy, these people said.

Mr. Trump defended on Tuesday his decision to share the information with the Russians, writing on Twitter that he had the “absolute right” to discuss threats with visiting dignitaries. H.R. McMaster, the president’s national security adviser, described the president’s disclosures as “wholly appropriate.”

The fallout left lawmakers on both sides of the aisle rattled, as Mr. Trump prepared to make his first foreign trip as president later this week.

The president’s decision to discuss sensitive intelligence with a U.S. adversary reignited concerns among lawmakers that Mr. Trump is either incapable or unwilling to handle discreetly the nation’s most guarded secrets. He also fanned tensions with U.S. intelligence agencies that date back to before the start of his presidency.

If other countries now shy away from sharing information with the U.S. in the future because they fear Mr. Trump won’t keep the intelligence under wraps, their decision could



President Donald Trump and Israeli Prime Minister Benjamin Netanyahu at the White House in February. Mr. Trump on Tuesday defended sharing intelligence with Russia.

impede a range of operations from counterterrorism to combating weapons proliferation that depend on intelligence from foreign governments, officials said.

One isolated incident, though, isn’t likely to cause long-term problems because “other countries need U.S. intelligence cooperation more than the other way round,” said Sir Adam Thomson, a former United Kingdom ambassador to North Atlantic Treaty Organization and head of the European Leadership Network think tank.

“But if it looked like it was becoming a pattern by President Trump, then that would indeed have a chilling effect

on many countries’ intelligence cooperation with the U.S.” Mr. Thomson said.

One U.S. official who works on counterterrorism operations said that the president seemed “utterly unaware” of the nature of intelligence operations and indifferent to the restrictions that officials place on information that is hard-won and intended for a small circle.

The Israeli source was considered so sensitive that the U.S. hadn’t shared it with its closest allies in the so-called Five Eyes group, which includes the U.K. and Canada, the officials said. It came from a source, which is still unidentified, that Israel had developed

before Mr. Trump was elected.

One former official who maintains close ties to the White House described a scene in which demoralized security officials have been racing to address one controversy after another. The conversation with the Russians in the Oval Office, while not likely to damage current operations, embarrasses the U.S. among its closest allies, the former official said.

What Mr. Trump discussed with the Russians wasn’t likely a surprise to them, given that news reports have described ambitions held by Islamic State and al Qaeda to attack airliners with concealed explosives. The U.S. is considering

expanding a ban on certain electronic devices on airplanes.

Israeli officials didn’t confirm that they were the source of information. And Ron Dermer, the Israeli ambassador to the U.S., played down any potential damage to the relationship.

“Israel has full confidence in our intelligence-sharing relationship with the United States and looks forward to deepening that relationship in the years ahead under President Trump,” Mr. Dermer said in a statement.

But experts said the episode likely upset Israel’s intelligence sector.

“The Israeli government, especially days before a presidential visit, has no choice but

try to downplay the damage that’s done by this leak,” said Daniel Shapiro, a former U.S. ambassador to Israel. But for Israeli intelligence officials “if information is revealed to an unfriendly country like Russia, they take this very seriously.”

Mr. McMaster and others at the White House sought to dispel the notion that Mr. Trump had jeopardized national security interests. Officials there are convinced that members of intelligence community are deliberately leaking information to undermine and embarrass Mr. Trump.

—**Julian E. Barnes**
and Alan Cullison
contributed to this article.

President’s Tweets Put His Aides in Awkward Spot

BY **ELI STOKOLS**

H.R. McMaster on Tuesday was the latest Trump administration official to find himself in an awkward position.

The national security adviser had to revise his defense of President Donald Trump’s unveiling of classified information to Russian officials. The president’s conversations were “wholly appropriate,” said Mr. McMaster, who a day before had said flatly that the release of sensitive information “didn’t happen.”

The reason for the clarification: a Trump tweet.

For the second time in two weeks, the president has used his Twitter account and interviews to undercut the comments of senior aides. It is a pattern that risks undermining the White House’s standing with political allies.

“After a while, your credibility just gets tattered, and it has repercussions on your ability to be effective on other issues,” said Eric Edelman, ambassador to Turkey and undersecretary of defense under President George W. Bush.

Last week, Vice President

Mike Pence and others had sought to explain Mr. Trump’s abrupt firing of former FBI Director James Comey as a reaction to a memo from the deputy attorney general. But then, the president himself admitted he made the decision out of frustration over the FBI’s investigation of alleged Russian meddling in the U.S. election and his own feeling that Mr. Comey was “a showboat.”

“His staff and Republicans more generally are being called on every day to defend what are clearly flat-out lies, dozens upon dozens of lies compounding on each other with each new version of the story,” said Steve Schmidt, a GOP strategist who worked in the Bush White House.

In the latest incident, Mr. McMaster on Monday denied that Mr. Trump revealed sensitive information, including sourcing and methodology, in the Oval Office gathering last week with Russian Foreign Minister Sergei Lavrov and Ambassador Sergei Kislyak. Deputy National Security Adviser for Strategy Dina Powell and Secretary of State Rex Tillerson made similar assertions

On Intelligence: Some Answers

Is it illegal for the president to disclose classified information?

No. Other U.S. officials would face penalties and possible criminal prosecution, but the president has the authority to declassify information as he sees fit and also can empower others in the administration to do so.

The president regulates classification standards through executive order, last amended in 2009.

What role do partners play in intelligence gathering?

The U.S. relies heavily on the intelligence capabilities of allied countries to receive a more robust picture of national security

threats. The closest partners are the so-called Five Eyes, a five-country intelligence-sharing alliance composed of the U.S., the U.K., Australia, Canada and New Zealand. The U.S. also works with other countries, such as Israel.

If allied countries believe the U.S. is mishandling intelligence they are passing along to Washington, they may curtail what they share—which is generally the prerogative of each foreign government.

What does the term “sources and methods” mean?

“Sources and methods” is a term U.S. government agencies often use to describe the way they obtain intelligence.

One example is human intelligence, or information from a human informant, referred to as Humint. Another is signals intelligence, or Sigint, which is de-

rived from intercepted communications such as phone calls.

Why are U.S. intelligence agencies so protective of sources and methods?

U.S. government agencies keep sources and methods secret so as not to jeopardize human intelligence assets or stop the flow of information from a particular capability, whether human or electronic.

Did President Donald Trump reveal sources and methods to the Russians?

During his meeting with Russian Foreign Minister Sergei Lavrov and Russian Ambassador Sergei Kislyak in the Oval Office, Mr. Trump revealed enough information for the Russians to potentially compromise the sources and methods, U.S. officials told The Wall Street Journal.

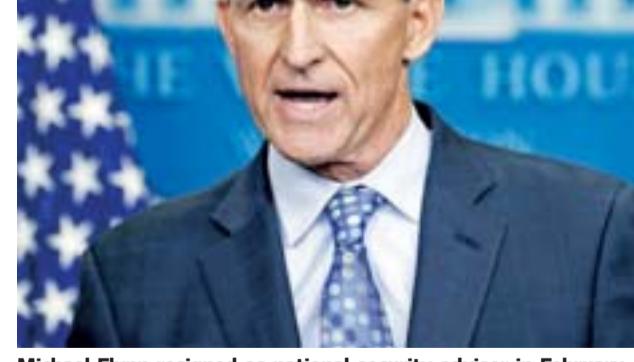
administration,” said Senate Minority Leader Chuck Schumer (D., N.Y.).

A senior White House official said they deployed Mr. McMaster to address the reports about the Russia meeting because the president felt he would be a more credible source on the matter than his communications team.

The official also drew a contrast between the president’s tweets about firing Mr. Comey and the Russia meeting. The official acknowledged that last week’s tweets contradicted White House aides, but said the president’s comments on Tuesday were consistent with Mr. McMaster’s statements.

While the president and some of his top advisers have privately expressed frustration with the communications team, Mr. Trump has acknowledged the difficulty his aides face. “As a very active president with lots of things happening, it is not possible for my surrogates to stand at podium with perfect accuracy!” Mr. Trump tweeted on Friday.

—Louise Radnofsky
and Michael C. Bender
contributed to this article.



Michael Flynn resigned as national security adviser in February.

vestigations,” the statement added. “This is not a truthful or accurate portrayal of the conversation between the president and Mr. Comey.”

The latest disclosure further roiled the waters amid a turbulent stretch for the White House, starting with the president’s unexpected firing of Mr. Comey. Because Mr. Comey was overseeing an FBI investigation into suspected Russian interference in the 2016 election, including any possible coordination

between the Trump campaign and Russian officials, the dismissal has attracted criticism and questions from members of both parties.

Both Russia and the Trump administration have denied any wrongdoing during the election.

On Monday night, the administration confronted reports that Mr. Trump had disclosed sensitive intelligence information to Russian officials during a meeting at the White House last week.

The disclosure of the Comey memo quickly prompted demands from Congress for more information, as lawmakers from both parties appeared taken aback by the reports.

“I’m floored by that,” said Sen. Susan Collins (R., Maine), a member of the Senate Intelligence Committee, adding that she was hearing of it for the first time and wanted to reserve judgment until she learned more. “There’s so much floating around—some of it’s true, some of it isn’t,” she said.

Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa) said such a memo, if it existed, would be troubling.

Mr. Grassley and other Republicans said they thought the memo would conflict with statements last week by Acting

FBI Director Andrew McCabe, who said in testimony before Congress last week that the White House hadn’t interfered with any investigation.

Sen. Dianne Feinstein (D., Calif.), the top Democrat on the Judiciary Committee, expressed “stark surprise and deep concern,” saying she believed the committee should “hold full hearings on this immediately.”

The meeting in question took place in the Oval Office after a regularly scheduled briefing on

an unrelated matter and occurred a day or two after Mr. Flynn resigned on Feb. 13. The former national security adviser had been under intense pressure for having misled Vice President Mike Pence and other officials about the nature of his conversations with Sergei Kislyak, the Russian ambassador to the U.S.

Mr. Flynn had assured Mr. Pence and other White House officials he hadn’t discussed sanctions with Mr. Kislyak. In fact, they had talked about the sanctions in a phone conversation the very day the Obama administration levied penalties against the Kremlin for its alleged interference in the 2016 campaign.

U.S. intelligence officers learned about the discussions after reading intercepts of Mr. Kislyak’s phone calls, officials have said.

The FBI is reportedly investigating Mr. Flynn for the conversations he had with the Russian diplomat and his financial dealings with Russia and Turkey. It isn’t clear if Mr. Trump was aware of the exact nature of the investigation into Mr. Flynn.

In their private meeting, Mr. Trump asked Mr. Comey if he might “see your way clear to letting this go,” adding that he thought Mr. Flynn was “a good

guy,” according to the person who read the memo.

Mr. Comey declined to talk about the Flynn investigation but agreed that Mr. Flynn was a good person, according to the associate.

Ronald Hosko, a former senior FBI official, said Mr. Trump’s comments, if accurately recounted in the Comey memo, were “extraordinary, entirely out of bounds,” and that agents would be “shocked and dismayed” by the president’s actions.

Richard Painter, a chief ethics lawyer in the George W. Bush White House, said it would be obstruction of justice for the president to explicitly or implicitly threaten to fire the FBI director if he didn’t drop the investigation of Mr. Flynn.

However, “if all he does is express his view that it’s an investigation he hopes will end, that in and of itself would not be obstruction of justice,” Mr. Painter said. He added that the sequence of events appeared to show an implicit threat, given that Mr. Trump acknowledged he was thinking about the Russia investigation when he fired Mr. Comey.

—Kristina Peterson, Natalie Andrews and Byron Tau contributed to this article.

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WORLD NEWS

Abe Prods China to Pressure North Korea

Japan leader notes rising threat posed by Pyongyang's weapons advancements

By ALASTAIR GALE

TOKYO—Japanese Prime Minister Shinzo Abe called for further efforts by China to tackle the North Korean threat and said Pyongyang's latest missile launch showed it was advancing toward being able to hit the mainland U.S.

Speaking at The Wall Street Journal CEO Council in Tokyo, Mr. Abe said he wanted to build a "Japanese-style inclusive society" with more foreign workers and tourism, but he said his country's rising links with the world were endangered by North Korea's missile and nuclear programs.

"Without peace and security, there can be no growth and prosperity," Mr. Abe said.

On Sunday, North Korea tested a new type of missile that has been estimated by experts to have sufficient range to reach U.S. bases in Okinawa and Guam.

Mr. Abe said the missile, which reached a height of about 1,240 miles, appeared also to provide a test of a warhead's ability to withstand the heat and pressure of re-entering the atmosphere. The launch was described by North Korea as a success.

China's close economic relationship with North Korea meant it had a pivotal role to play in pressuring its neighbor to give up its nuclear and missile ambitions, Mr. Abe said.

"North Korea's policies can be changed by China playing its part," Mr. Abe said, observing that Beijing had already pledged



Prime Minister Shinzo Abe said Beijing can play a decisive role in reining in North Korea's weapons-development aspirations.

to suspend coal imports from North Korea, the isolated nation's biggest source of export income.

Mr. Abe, who has built one of postwar Japan's most stable governments since reassuming the prime minister's job in 2012, has developed a rapport with President Donald Trump. The two played golf at Mr. Trump's Florida resort in February. That visit was disrupted by another North Korean missile test, after which Mr. Trump said the U.S. "stands behind Japan, its great ally, 100%."

Like Mr. Abe, Mr. Trump is calling on China to help stem North Korea's rapid advances in weapons development. More than 80% of North Korea's external trade is with China.

But some diplomats and analysts say it's unlikely China would do anything that would risk destabilizing its neighbor and triggering its collapse.

In an interview earlier at the WSJ CEO Council event, a former senior U.S. diplomat involved in North Korea policy said it was wishful thinking to rely on China.

"We will be fundamentally

disappointed if we believe China will put so much pressure on North Korea that they will cease and desist," said Kurt Campbell, assistant secretary of state in the Obama administration.

In response to the latest missile launch, China's Foreign Ministry on Sunday urged all parties to "exercise restraint and do nothing to further worsen regional tensions."

Mr. Abe also said that he had gained a general agreement with South Korea's new president about dealing with North Korea following a recent phone call. But

in a potential flashpoint with the administration of liberal leader Moon Jae-in, Mr. Abe indicated he wasn't considering revising a landmark deal on forced Korean sex workers.

Japan and South Korea agreed in December 2015 on a package of financial support and an apology from Mr. Abe for Korean women used as prostitutes by the Japanese military during World War II. Mr. Moon has called for the deal to be revised after criticizing it for not reflecting the demands of the women.

"We want to see the current

Bank of Japan Chief Defends Stimulus Efforts

TOKYO—Bank of Japan Gov. Haruhiko Kuroda defended the drastically expanded monetary stimulus he has overseen, saying it is working to stimulate inflation and won't cause problems for his successor.

Mr. Kuroda is fighting doubts over the policy's effectiveness and the central bank's ability to dial it back without destabilizing Japan's economy.

Speaking at The Wall Street Journal CEO Council, Mr. Kuroda pushed back, repeating that inflation is on track to hit the BOJ's 2% target by around March 2019—despite "somewhat slow" price increases and "somewhat disappointing" wage growth so far.

Ultralow interest rates are still needed to push inflation toward the target, he said, so it is "quite appropriate" for the bank to press ahead.

—Takashi Nakamichi

deal with South Korea to be followed through," Mr. Abe said.

An uptick in tension between South Korea and Japan could worry the U.S. as it seeks coordinated action on North Korea. In a meeting earlier Tuesday between Mr. Abe and visiting commander of the U.S. Pacific Command, Adm. Harry Harris, both men agreed on the need for trilateral defense cooperation between the U.S., South Korea and Japan, according to a Japanese government account.

—Kosaku Nariaoka contributed to this article.

Erdogan Hails U.S. Ties Amid Rift on Kurds

BY DION NISSENBAUM
AND FELICIA SCHWARTZ

WASHINGTON — Turkish President Recep Tayyip Erdogan praised President Donald Trump for his November election victory and hailed his visit to Washington as the launch of a new cooperative era, but attacked America's Kurdish partners in Syria as terrorists.

With Mr. Trump standing by his side, Mr. Erdogan said he would never accept Washington's Syrian Kurdish allies as partners in the region and suggested the group is a "clear and present danger" to Turkey.

Mr. Erdogan's comments came days after Mr. Trump approved plans to directly arm the Kurdish force in Syria, known as the YPG, that is working with U.S. special operations forces to push Islamic State from Raqqqa, the militants' biggest Syrian stronghold.

The two presidents expressed hopes of repairing the strained relationship between the U.S. and Turkey, two North Atlantic Treaty Organization allies. But the issue of arming the Kurdish fighters has cast a



ANDREW HARRER/BLOOMBERG NEWS

President Donald Trump greets Turkey President Recep Tayyip Erdogan at the White House.

cloud over those efforts.

Mr. Erdogan and Turkish leaders view the YPG as an offshoot of the Kurdistan Workers' Party, known as the PKK, which has been fighting a decadeslong struggle for more rights and autonomy in Turkey, where Kurds represent

about 18% of the population.

The U.S. and Turkey both classify the PKK as a terrorist organization, but disagree on the YPG. The U.S. views the YPG as a separate fighting force and doesn't classify it as a terrorist group.

In the wake of Mr. Trump's

decision to arm the YPG, the U.S. plans to funnel antitank weapons, machine guns and ammunition to the group.

Ankara has repeatedly accused the YPG of smuggling arms and fighters from neighboring Syria into Turkey. Last month, Turkey drew the ire of

the U.S. by bombing YPG fighters in northern Syria, where U.S. special operations forces work side-by-side with the fighters.

Some U.S. officials worry that Mr. Erdogan could complicate the fight for Raqqa by attacking the YPG. In an effort to reassure Turkey, the U.S. is preparing to step up intelligence sharing with Ankara to help it in its fight against the PKK. After meeting with Turkey's defense minister on Tuesday, Defense Secretary Jim Mattis said the U.S. plans to "increase cooperation on Turkey's counter-PKK efforts."

Turkey is vital in the battle against Islamic State. The country is home to Incirlik Air Base, a major launchpad for airstrikes against the militants.

In comments before Mr. Erdogan spoke, Mr. Trump made no mention of the YPG decision. He said it was a "great honor" to welcome the Turkish president to Washington.

Mr. Trump expressed support for Turkey's fight against the PKK and said he hoped the two countries could work more closely in confronting terrorist threats.

Syrians Mock U.S. Allegation On Killings

BY NOAM RAYDAN

BEIRUT—The Syrian regime ridiculed U.S. allegations it was carrying out mass killings at a prison and operating a crematorium to cover them up.

The U.S. State Department's top Middle East diplomat, Stuart Jones, on Monday said the U.S. estimates that Syria's government is hanging up to 50 detainees a day at Saydnaya prison and burning some of the remains to hide the proof. The U.S. also released satellite photos it said showed the crematorium close to the main building of the prison complex.

The regime of President Bashar al-Assad on Tuesday mocked the U.S. claims, with the state news agency SANA quoting an unnamed foreign-ministry official as saying the Trump administration "came out with a new Hollywood-like story that is detached from reality and false."

In Israel, Yoav Gallant, the housing minister, said that in view of the latest allegations over purported atrocities by the Assad regime at Saydnaya, it was time to take direct action against the Syrian leader.

"As far as I'm concerned, it is time to eliminate Assad," Mr. Gallant, a former general in the Israeli military, told a conference near Jerusalem organized by the magazine Israel Defense.

The State Department's assertions about Saydnaya on Monday weren't unprecedented.

In a report issued in February, Amnesty International estimated 13,000 people had been hanged at the prison between 2011 and 2015.

Citing testimony from former detainees and guards, the rights group accused the government of a "policy of extermination" against suspected dissidents and said there were "clear indications" that mass hangings were continuing at the facility, located about 18 miles north of Damascus.

It said such practices amounted to war crimes and crimes against humanity, and were authorized "at the highest levels of the Syrian government."

The regime later called the report's findings untrue.

After al Qaeda's Ouster, a Push to Revive Yemeni Port

By ASA FITCH

AL MUKALLA, Yemen—When al Qaeda ran this port city, the local power plant lacked spare parts, generators had to run on the wrong fuel and residents lived with spotty electricity during peak summer demand.

The militants threatened to hang engineer Mohammed Bahaj if he couldn't boost production for the province of Hadramout and its capital, Al Mukalla, which was their most populous territorial holding in the world.

Now, a year after al Qaeda was ousted, the plant is able to order replacement parts, new workers have joined the staff and power output has roughly doubled, making it possible to keep the lights on most of the time for around 700,000 people in the province, he said.

"Capacity has gone higher to provide more families with a standard of living. That's a major difference," said Mr. Bahaj, who has worked at the plant for three decades.

Al Qaeda in the Arabian Peninsula, an offshoot of the terror group, took over Al Mukalla in



Yemeni forces last year drove an al Qaeda affiliate from Al Mukalla.

2015 as Yemen descended into conflict between Shiite Houthi rebels allied with Iran and Saudi Arabia, the region's leading Sunni Muslim power.

Then, on April 24 of last year, a force of 11,000 Yemenis trained by the United Arab Emirates, a Saudi ally, launched an assault backed by U.A.E. planes and ships. By nightfall, AQAP members were fleeing the city.

The quick and decisive victory—the centerpiece of a broader push last year to defeat AQAP in southern Yemen—was followed by a more time-

consuming challenge for the local government: maintaining security and improving daily life, even as the broader Yemen conflict grinds on elsewhere.

The U.S. and its allies may soon face similar challenges in Iraq and Syria, where they are fighting to oust Islamic State from Mosul and Raqqqa. Protecting military gains often depends on successfully restoring basic services, because extremists can exploit any failures.

That is especially true in Al Mukalla, where al Qaeda positioned itself as better than

previous governments that had neglected the area.

"You do have to compete with them on services," said Michael Knights, a fellow at the Washington Institute for Near East Policy who has studied the campaign to recapture and stabilize Al Mukalla. "It's obvious that if you just leave, groups like al Qaeda and Islamic State fill the void."

In Al Mukalla, AQAP tried to improve city services, but a lack of technical expertise, isolation from international markets and extremist ideology got in the way, residents and

city employees said.

AQAP failures contributed to a groundswell of support for the group's ouster. A couple thousand members of the Yemeni force infiltrated AQAP's ranks to prepare for the offensive, said Ahmed bin Braik, the provincial governor.

Now, schools in Al Mukalla have been refurbished and hospitals have been restocked. Water use has roughly doubled. Damaged roads have been repaired and new ones built. The radio station has been revived.

Keeping Al Mukalla safe is a daily battle for the Yemeni and U.A.E. soldiers who man hastily built camps that ring the city. Many AQAP fighters—local officials estimate between 200 and 400—linger in the rugged valleys that run from the interior to the coast near Al Mukalla.

"One of the major pieces of unfinished business is that we have a serious problem with terrorists," Mr. bin Braik said.

But at the power plant where Mr. Bahaj works, the gigantic engines roar again.

"Everyone is more relaxed, they are happier, salaries are getting paid on time," he said.

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WORLD NEWS

Austria Readies Autumn Snap Vote

BY ANTON TROIANOVSKI

Austria prepared for a five-month election campaign that will pit the centrist incumbent against the popular conservative foreign minister and a far-right party that sees a new chance to gain power.

The sprint toward snap elections in the Alpine country highlights how popular frustration with the establishment across Europe is boosting fresh faces in the political mainstream as well as parties that were long on the fringe.

In Vienna on Tuesday, center-left Chancellor Christian Kern said leaders of the parties in Parliament, including his own Social Democrats, had agreed on snap elections Oct. 15 and that the current government would continue to function in the coming months.

Foreign Minister Sebastian Kurz, 30 years old, in recent days had called for new elections and taken over the chairmanship of his center-right People's Party.

"I believe it makes sense to go to elections," Mr. Kurz said on Tuesday. "I don't believe it

makes sense to continue this coalition."

The October vote would come a year earlier than scheduled, giving the anti-immigrant Freedom Party a strong chance to enter the government.

The Freedom Party has been at or near the top of the polls for about two years, and its candidate Norbert Hofer

gain a governing majority.

"Let us exchange out these Austrian government politicians before they have entirely exchanged out the Austrian population," Freedom Party Chairman Heinz-Christian Strache told Parliament after Mr. Kern's speech.

The maneuvering in Vienna reflected the political upheaval seen across Europe, as voters turn away from establishment parties. The center-right People's Party, which has been losing voters to the Freedom Party, sought to reverse the trend by electing Mr. Kurz over the weekend as its chairman to lead it into the election.

Mr. Kurz is casting himself as a pragmatist and trying to fashion a political movement around his own youthful image.

He will run in the next election atop his own electoral list dubbed Sebastian Kurz List—the New People's Party.

Mr. Kurz supports membership in the European Union, but he favors strict controls on immigration. A poll released on Sunday found his party rising to a virtual tie with Mr. Kern's Social Democrats and the Freedom Party.

Pre-Poll Labour Manifesto Tacks Left

BY JASON DOUGLAS

LONDON—The U.K.'s main opposition Labour Party pledged to nationalize parts of British industry and raise taxes on high earners if it wins a national election June 8, an avowedly left-wing platform that party leader Jeremy Corbyn hopes will narrow a gap in the polls with Prime Minister Theresa May's governing Conservatives.

Launching the party's election manifesto at an event in northern England on Tuesday, Mr. Corbyn said that for the past seven years the U.K. has been run "for the rich, the elite and the vested interest," vowing to fashion an economy "run for the many, not the few" if he wins power.

In a throwback to the politics of the early 1980s in Britain, the manifesto listed commitments to nationalize railways and water companies and to increase taxes on corporations and on the top 5% of earners.

The 128-page document also promised to raise the minimum wage and to create a National Investment Bank with regional branches to finance small-business lending, policies the party hopes will strike a chord with voters wearied by years of sluggish earnings growth and a long squeeze on public spending.

Mr. Corbyn's pitch highlights how far left the Labour Party has tacked since former Prime Minister Tony Blair stood down as leader in 2007 following three back-to-back election victories under the centrist "New Labour" banner.

Labour said in its manifesto that it would seek a close relationship with the European Union after Brexit that maintains many of the benefits of the EU's single market.



CHRISTIAN BRUNA/EUROPEAN PRESSPHOTO AGENCY

Chancellor Christian Kern, center, says he doesn't believe 'it makes sense to continue this coalition' with the center-right People's Party.

Experts Connect U.S. Hacker to Macron Smear

BY DAVID GAUTHIER-VILLARS

A group of cybersecurity experts has unearthed ties between an American hacker who maintains a neo-Nazi website and an internet campaign to smear Emmanuel Macron days before he was elected president of France.

Shortly after an anonymous user of the 4chan.org discussion forum posted fake documents purporting to show Mr. Macron had set up an undisclosed shell company in the Caribbean, the user directed people to visit nouveaumartel.com for updates on the French election.

That website, according to research by web-security pro-

vider Virtualroad.org, is registered by "Weevlos," a known online alias of Andrew Auernheimer, an American hacker who gained notoriety three years ago when a U.S. appeals court vacated his conviction for computer fraud. The site also is hosted by a server in Latvia that hosts the Daily Stormer, a neo-Nazi news site that identifies its administrator as "Weev," another online alias of Mr. Auernheimer, Virtualroad.org says.

"We strongly believe that the fake offshore documents were created by someone with control of the Daily Stormer server," said Tord Lundström, a computer-forensics investigator at Virtualroad.org.



Andrew Auernheimer

thing to say."

A French security official said a probe into the fake documents was looking into the role of far-right and neo-Nazi groups but declined to comment on the alleged role of Mr. Auernheimer.

In the run-up to the French election, cybersecurity agencies warned Mr. Macron's aides that Russian hackers were targeting his presidential campaign, according to people familiar with the matter. On May 5, nine gigabytes of campaign documents and emails were dumped on the internet. The Macron campaign and French authorities have stopped short of pinning blame for

the hack on the Kremlin.

Intelligence and cybersecurity investigators examining the flurry of social-media activity leading up to the hack followed a trail of computer code they say leads back to the American far right.

Contacted by email over the weekend, the publisher of the Daily Stormer, Andrew Anglin, said he and Mr. Auernheimer had used their news site to write about the fake documents because "We follow 4chan closely and have a more modern editorial process than most sites."

When asked if he or Mr. Auernheimer was behind the fake documents, Mr. Anglin stopped replying.

OUT TODAY

alexa

HAMPTONS INSIDER GUIDE

THE HOTTEST SPOTS TO EAT, STAY, LIVE & PLAY

PLUS:
Fashion meets
history at the
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FREE INSIDE THE NEW YORK POST



A Duesenberg Model J coupe owned by eccentric playboy George Whittell Jr. commanded \$10.34 million.

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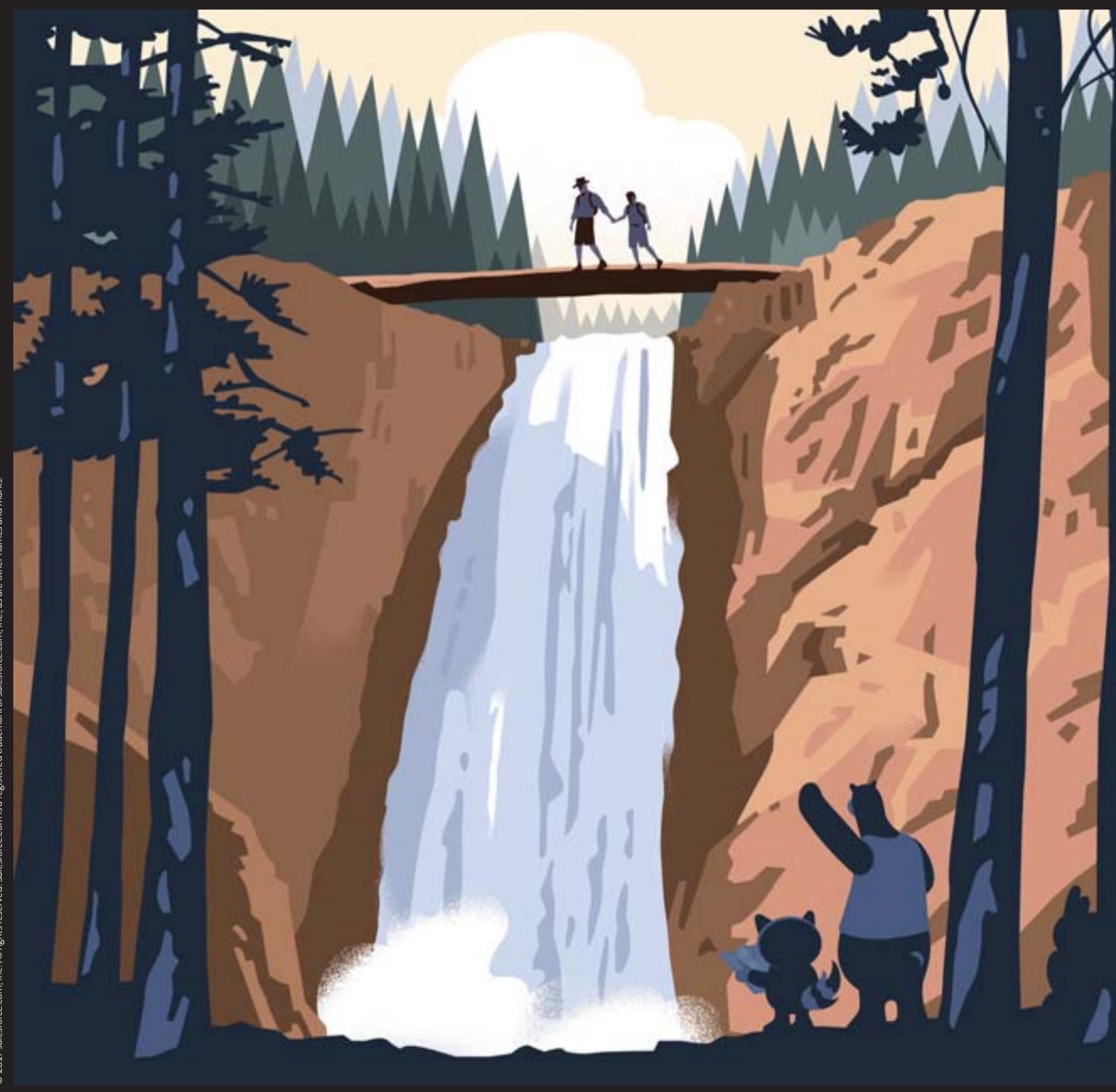
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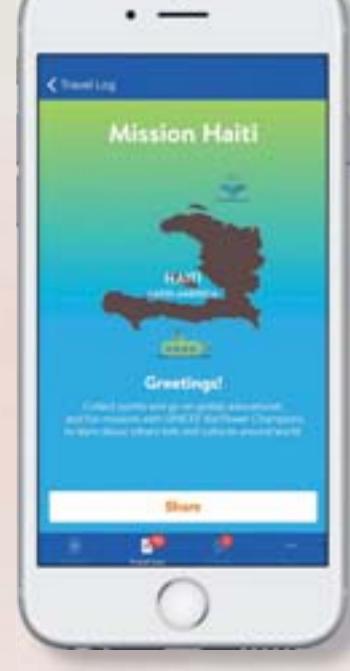
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WORLD NEWS

U.S., Pakistan Discuss Release of Doctor

Lawyers see opening for prisoner who had helped hunt bin Laden, amid push for detente

BY SAEED SHAH

PESHAWAR, Pakistan—The Trump administration spoke with Pakistan about the prospect of freeing a doctor who helped the U.S. mission to find Osama bin Laden, and whose imprisonment in Pakistan has been a thorn in relations between the longtime allies.

In a sign that the climate is shifting in Pakistan, Dr. Shakil Afridi's lawyers said they expect to be able to present their case in an appeal hearing scheduled for May 24, after three years of postponements.

His lawyers said he was wrongly convicted, on charges unrelated to the bin Laden raid, and they see a chance of winning his release.

Pakistan, which resisted the Obama administration's efforts to secure Dr. Afridi's release, is looking for a better relationship with President Donald Trump after relations soured under his predecessor, a senior Pakistani official said.

Mr. Trump boasted in his campaign that "I would get [Afridi] out in two minutes."

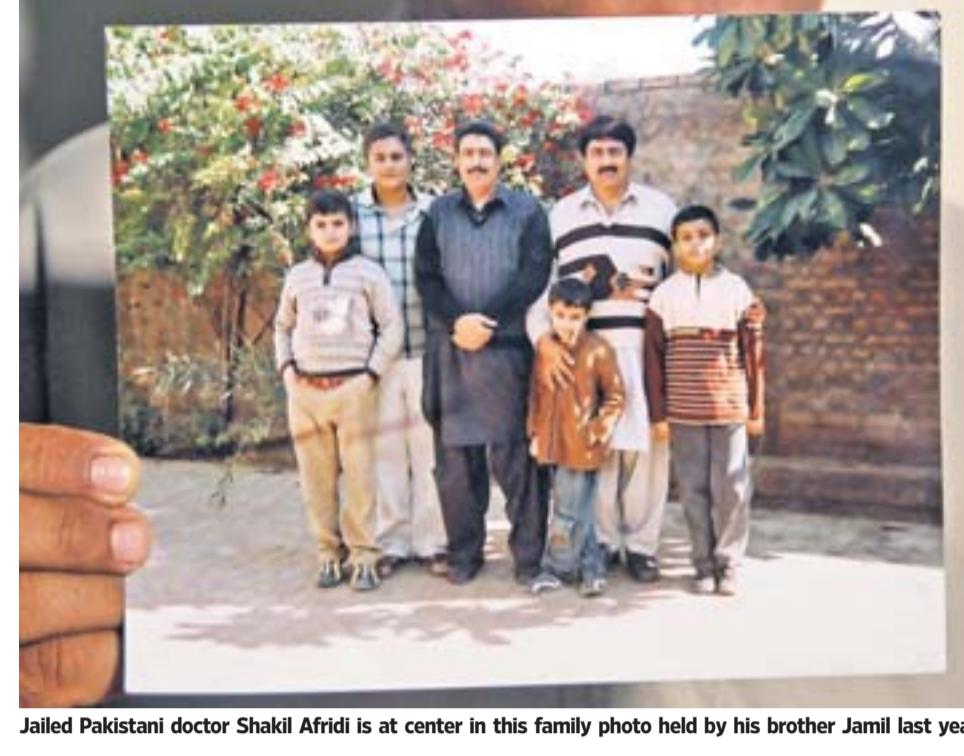
"We are trying to accelerate the legal processes," the Pakistan official said. Dr. Afridi's 23-year sentence could be reduced to the time already served, the official said. Another official suggested a presidential pardon was possible.

When the subject of Dr. Afridi came up at an April 25 meeting in Washington involving H.R. McMaster, the U.S. national security adviser, and Pakistan Finance Minister Ishaq Dar, "we said that we need to find a solution and we need to work together to find a solution," said Pakistan's ambassador to the U.S., Aizaz Chaudhry, who attended.

Dr. Afridi was detained by Pakistani authorities in 2011 and has been in prison since May 2012. He is being held in solitary confinement for his own safety, in a facility that also holds jihadists who have threatened to kill him for his role in the bin Laden operation.

He was convicted under the special laws for the country's remote tribal areas, where the justice system is run by civil servants. His appeal is before a government-appointed tribunal. The tribunal declined to comment on the case.

The U.S. Embassy in Islamabad declined to comment on the McMaster meeting or the



Jailed Pakistani doctor Shakil Afridi is at center in this family photo held by his brother Jamil last year.

Afridi case. The White House didn't respond to requests to comment.

In 2011, in the weeks leading up to the bin Laden raid, the Pakistani doctor set up a door-to-door vaccination program in the city of Abbottabad in an attempt to get DNA samples from the occupants of the house

where the Central Intelligence Agency suspected the al Qaeda leader was living, Pakistani and U.S. officials have said.

Leon Panetta, CIA director at the time of the operation, said in 2012 that Dr. Afridi "helped provide intelligence that was very helpful" to the bin Laden mission, though Dr. Afridi's law-

yers maintain that he was just conducting medical research.

Pakistan treated the unilateral U.S. operation that resulted in the killing of bin Laden in May 2011 as a national humiliation. Dr. Afridi's supporters say that is why he is in prison. "Pakistan had to make someone a scapegoat,"

said his brother, Jamil Afridi. "We're not getting justice."

Congress has voted for the past several years, including in April, to withhold \$33 million of U.S. aid to Pakistan, or \$1 million for each year of Dr. Afridi's original 33-year sentence. U.S. civilian aid to Pakistan was \$352 million for the latest financial year, according to the Congressional Research Service.

Some Pakistani officials said they are concerned about possible deeper punitive action by Washington as the Trump administration considers sending thousands more troops to Afghanistan to fight the Taliban—an insurgency the U.S. has accused Pakistan of supporting. Islamabad denies backing the Taliban.

"Dr. Afridi is entitled to due process and a fair trial, which he is availing," said foreign-affairs ministry spokesman Nafees Zakaria.

Dr. Afridi's lead counsel, Latif Afridi, said he would argue in the appeal that the conviction of Dr. Afridi for aiding an Islamist warlord was fabricated, with no evidence, and that proper legal procedures weren't followed in the trial.

—Safdar Dawar in Peshawar and Carol E. Lee in Washington contributed to this article.

WORLD WATCH

PYONGYANG

U.N. Security Council Eyes New Sanctions

The United Nations Security Council on Tuesday held a closed-door emergency meeting on North Korea, holding talks on new sanctions in response to the country's latest ballistic missile test.

The U.S. and China were negotiating a resolution that would implement new sanctions and tighten existing penalties on Pyongyang, diplomats said. China is North Korea's main ally at the U.N. and has in the past advocated for direct negotiations

rather than economic and military punishment.

U.S. Ambassador Nikki Haley said the international community had to send North Korea a "no more" signal and that the U.S. would be willing to talk to North Korea only if the country abandoned its nuclear and missile program.

"This is not play time. This is serious. These threats are not welcome," said Ms. Haley, speaking to reporters before the Council meeting.

North Korea launched its seventh ballistic missile of the year on Sunday.

—Farnaz Fassihi

EUROPEAN UNION

Court Limits Bloc's Role in Trade Pacts

The EU's top court curbed its power to sign off on trade pacts without explicit backing from member countries in a decision that poses risks to future deals, including with Britain.

Judges in the Luxembourg-based court said a free-trade accord between the EU and Singapore concluded in 2014 would have to be ratified by the bloc's members to take effect.

That comes as a blow to the EU's executive arm, the Euro-

pean Commission, which has the sole power to negotiate trade deals for the bloc. While the commission needs broad support among EU members to sign a trade deal, it had claimed the legal remit to adopt some pacts without states' formal backing.

"The free-trade agreement with Singapore can, as it stands, be concluded only by the EU and the member states acting together," the European Court of Justice said on Tuesday.

While the decision is a setback to the commission and the European Parliament, isn't as expansive as had been expected.

—Emre Peker



ZANJAN RALLY: Iranians gather in the northwest of the country in support of President Hassan Rouhani's bid for another term.

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IN DEPTH

IGER

Continued from Page One

Disney's board of directors and investors seem happy to back Mr. Iger for as long as he wants to stay. Under his widely acclaimed leadership, the Burbank, Calif., company's share price has nearly quintupled, increasing the stock-market value of Disney to about \$170 billion. Disney is the most successful entertainment company in modern history.

The longer Mr. Iger stays, though, the harder it gets to imagine the future of Disney without him—or who could possibly replace him.

Mr. Iger has led the company for so long and with such hands-on attention that he and Disney now seem inseparable to many employees and outside partners. That dynamic also occurred with founder Walt Disney and Mr. Iger's predecessor as CEO, Michael Eisner. Mr. Eisner left following strife among Disney shareholders and its board, a problem Mr. Iger isn't facing.

Declines at ESPN

Mr. Iger's ever-extending leadership might be just what Disney needs to keep thriving where it is strong and solve problems looming on the horizon, such as declines in viewership at ESPN and the company's other television networks. If the problems worsen, though, Disney shareholders might turn less sanguine about succession questions.

On a conference call with analysts last Tuesday, Mr. Iger said that "more has been made about our succession than it really deserves." He and the board are trying to ensure "we have enough time to not only consider the right candidates but to make the right decision and to craft a handover of sorts of a transition that should be successful," added Mr. Iger.

Two years ago, the succession question seemed to be settled. After a five-year bake-off during which Mr. Iger's retirement as CEO was delayed from 2015 to 2016 and then to 2018, Disney promoted Tom Staggs, head of its parks and resorts division and former finance chief, to operating chief.

The move positioned Mr. Staggs, a 26-year Disney veteran, as the natural successor to Mr. Iger.

In March 2016, Mr. Iger told Mr. Staggs that they needed to talk.

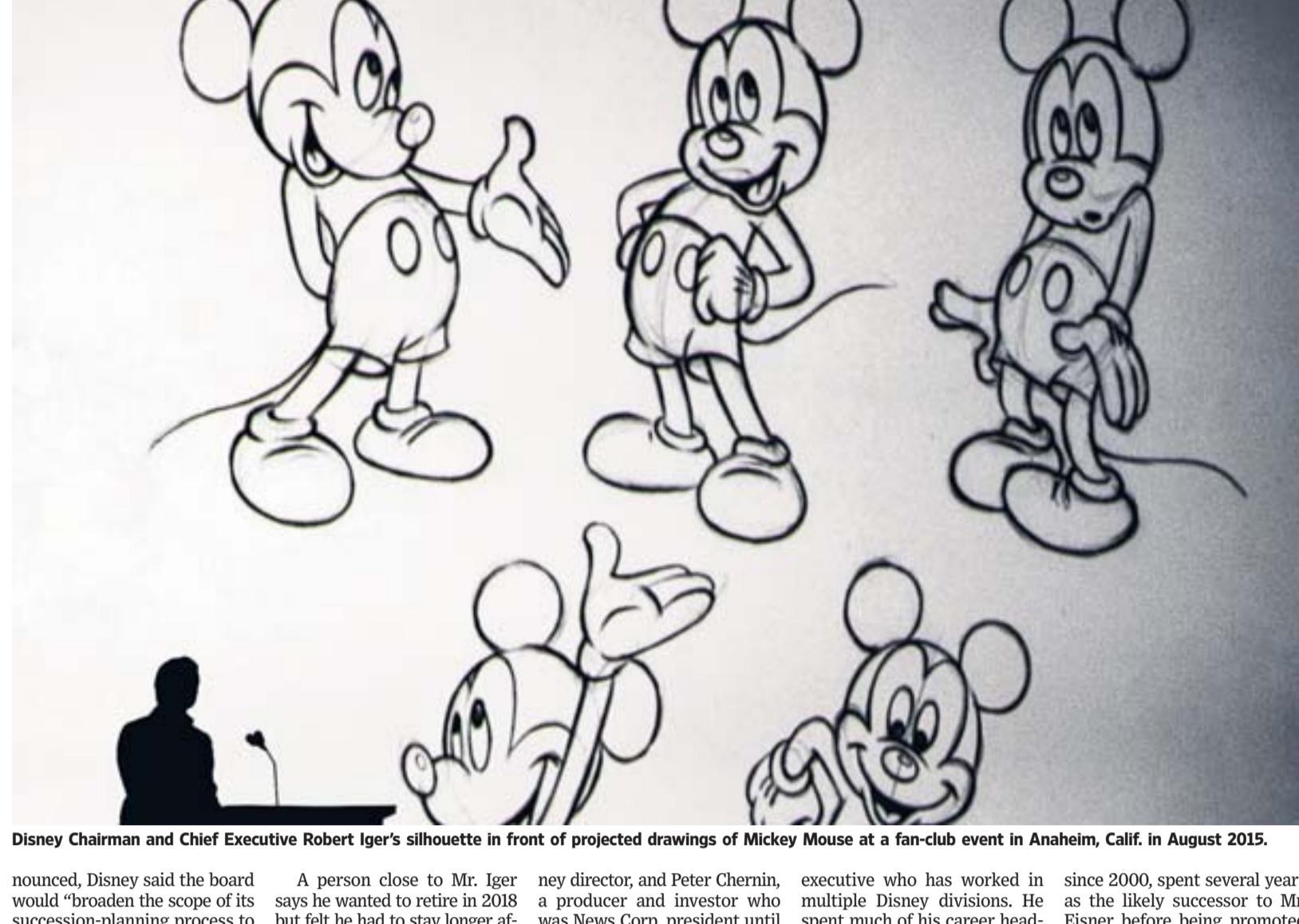
Mr. Staggs's first year in the No. 2 job was bumpy. Because the chief operating officer had few solo responsibilities and no business units reporting directly to him, Disney employees were uncertain how much authority he carried.

Still, many people inside the company assumed those obstacles would be surmountable. Messrs. Iger and Staggs were longtime friends who had similar leadership styles and whose children attended the same school. But Mr. Iger had a very different message during their meeting in March 2016.

Disney's board of directors, led by Mr. Iger as chairman, had lost confidence in Mr. Staggs's ability to ascend to the top job, the CEO said, according to people familiar with the discussion.

Without citing any shortcomings that emerged during Mr. Staggs's year as operating chief, Mr. Iger said the board would expand its search process for a new chief executive. Mr. Staggs felt he had no choice but to resign.

When his exit was an-



Disney Chairman and Chief Executive Robert Iger's silhouette in front of projected drawings of Mickey Mouse at a fan-club event in Anaheim, Calif. in August 2015.

nounced, Disney said the board would "broaden the scope of its succession-planning process to identify and evaluate a robust slate of candidates for consideration."

Throughout Hollywood and Disney, some executives, producers, agents and other business associates believed Mr. Iger had decided he wasn't ready to step down.

Those people pointed to issues ranging from professional, including his desire to conquer the challenges at ESPN from cord-cutting, to personal, such as the failure of a bid he chaired to build a National Football League stadium near Los Angeles that might have been an anchor of post-Disney life.

Building a boat

In private conversations, Mr. Iger has discussed possibly running for office, serving in a Democratic presidential administration or spending time on a sailboat he is building, say people who have worked at Disney and spoken with him. Those people say they weren't sure how seriously to take Mr. Iger.

A person close to Mr. Iger says he wanted to retire in 2018 but felt he had to stay longer after the plan for Mr. Staggs to succeed him failed. This person adds that if Mr. Iger's goal was simply to extend his tenure as CEO, he could have kept Mr. Staggs as operating chief past 2018.

Disney's board is now focused on hiring or promoting someone directly into the CEO job, rather than an evaluation or training period as operating chief, according to people close to the company. There have been no obvious signs of progress in the past year toward selecting such a person.

Orin C. Smith, Disney's independent lead director, said in March that the board would continue its "robust process of identifying a successor."

Speculation inside and outside Disney has centered on three widely respected outsiders: Steve Burke, chief executive of Comcast Corp.'s NBCUniversal, which includes cable and broadcast networks, film and TV studios and theme parks; Sheryl Sandberg, Facebook Inc.'s operating chief and a Disney

ney director, and Peter Chernin, a producer and investor who was News Corp. president until 2009.

News Corp. later spun off its newspaper and book-publishing assets, including The Wall Street Journal, and changed its name to 21st Century Fox Inc.

No interest in the job

Disney hasn't approached Mr. Burke, Ms. Sandberg or Mr. Chernin about the CEO job, according to people familiar with the matter. None of them is interested in taking it.

Some people at Disney believe the board should try to hire from the inside. Disney prides itself on a corporate culture that focuses obsessively on what it calls "franchises"—or entertainment juggernauts that live on for many years as theme-park rides, toys, video-games, television shows and merchandise.

No one already at Disney has emerged as a strong potential successor to Mr. Iger, either. The company's theme-park chief for the past two years, Bob Chapek, is the only senior

executive who has worked in multiple Disney divisions. He spent much of his career heading home video for Disney's movie studio before taking over the consumer-products business in 2011.

Mr. Chapek has no experience in Disney's television business, the biggest unit in terms of revenue and profit.

Finding a successor to Mr. Iger wasn't supposed to come down to the wire.

Mr. Staggs and Jay Rasulo emerged as leading CEO contenders as far back as 2010, when they swapped jobs, with Mr. Staggs taking over the theme-park division and Mr. Rasulo becoming chief financial officer.

The idea of Mr. Iger and Disney's board was that Messrs. Staggs and Rasulo would broaden their exposure and skill sets so that either one would become seen as qualified to rise to the CEO spot held by Mr. Iger.

Four months after being passed over in 2015 to be Mr. Iger's second-in-command, Mr. Rasulo resigned from Disney.

Mr. Iger, Disney's president

since 2000, spent several years as the likely successor to Mr. Eisner before being promoted to the top job in 2005.

People close to the company say it appears that Disney's board isn't close to zeroing in on a successor to Mr. Iger and is unlikely to announce the company's new chief executive until 2018 at the earliest.

Meanwhile, Mr. Iger is as hands-on as he has ever been. Initially cautious about getting involved in the film business because his background was in TV, he now reads scripts regularly and discusses release plans.

Food taster

He tasted the food at Shanghai Disneyland before it opened last year. Mr. Staggs was heavily involved in the new theme park but exited Disney a month before the opening.

Mr. Iger also is leading the charge to figure out a new digital future for profit machine ESPN, which has lost 12 million subscribers in the past five years as consumers become less interested in pricey pay-TV packages.

Solving the ESPN problem is a top priority for Mr. Iger, a perfectionist who wants to leave Disney in as flawless shape as possible, people close to him say.

TV is the biggest challenge for Disney, which otherwise has been succeeding on all fronts. Mr. Iger engineered the purchases of Pixar Animation Studios, Marvel Entertainment Inc. and Lucasfilm, which cost more than \$15 billion combined. They are largely responsible for Disney's dominance of the movie business in the past few years and have helped generate growing profits for parks and consumer products.

Insiders and outsiders are split on whether Disney's future would be brighter with a CEO from Silicon Valley who could guide the company's digital transition, an expert in brand management or someone already in the creative bubble of Hollywood. Mr. Iger and the board have given themselves two more years to answer that question.

—Joe Flint

contributed to this article.

Twelve Years and Counting

Robert Iger has announced four different retirement dates.

Details:	October 2011	July 2013	October 2014	March 2017
Iger said he would step down as CEO in 2015, become chairman and stay in that role until 2016.	Iger said he would stay as CEO and chairman until 2016.	Iger said he would stick around until 2018.	One-year contract extension to July 2019.	

Comment:

"It is for these reasons—continuing the strategic direction and growth of the company while ensuring a smooth transition process to the next generation of leadership—the Board has determined that Bob should assume the additional role of Chairman."

—John Pepper, Disney chairman

"The board remains focused on effective succession planning, and will continue to develop a sound and appropriate process for ensuring a smooth management transition."

—Orin C. Smith, Disney's independent lead director

"Disney has an incredibly strong management team and the board is confident in the leadership talent available for succession planning."

—Orin C. Smith, Disney's independent lead director

"[T]he Company and its shareholders will be best served by [Iger's] continued leadership as the Board conducts the robust process of identifying a successor and ensuring a smooth transition."

—Orin C. Smith, Disney's independent lead director

I'm privileged and grateful to lead the Walt Disney Co. and our talented, dedicated team at this exciting time.

I sincerely appreciate this vote of confidence by the Board of Directors.

This time I really mean it.

I'm serious this time around.

Robert Iger, Walt Disney Co. chairman and chief executive

Photo: Associated Press

THE WALL STREET JOURNAL.

MENU

Continued from Page One

following, devotees proudly photograph their McDonald's Chicken Cordon Bleu McMuffins, Chipotle Quesaritos (a quesadilla-wrapped burrito) and Shake Shack Peanut Butter Bacon Burgers. Fans debate recipes and discuss how to order tricky items without provoking the ire of harried restaurant staff.

Some restaurants, like McDonald's, deny the existence of such menus, although others say their staff will customize orders. Some establishments actually embrace the concept. Many creations are suggested and named by consumers, who detail online what ingredients to request. Sometimes, people put them together on their own.

"It sounds weird on the surface," said Minneapolis resi-

dent Shawn Rodgers, of his recent peanut-butter-and-bacon Shake Shack concoction, which he had seen suggested on HackTheMenu.com. The business analyst ordered a Smoke-Shack Burger with a side of peanut butter, which he later slathered on.

"The nice, sweet, creamy texture with the salty crispiness of the bacon makes for a sweet-and-salty combination," added Mr. Rodgers, 30, who promptly posted a picture of the burger on Instagram.

Culinary secrets—say, "a secret way of doing something or killing a fish"—have probably existed for centuries, said Lawrence Longo, who made an app from his database of some 3,000 secret items at restaurants nationwide. People have always craved secrets, he said, and ordering supposedly secret items isn't only about the food, but being "in the know" among friends and colleagues.

In more modern history,

most trace secret menus' origins to In-N-Out Burger, the California-based chain whose longtime special-order menu has become so mainstream the company website refers to its not-so-secret menu.

In the 1960s, said Mr. Longo, an In-N-Out chef made himself and his staff an amazing burger, with a patty fried in mustard, pickles, extra spread and grilled onions. The surfers and skateboarders who hung around the restaurant, nicknamed the Animals, wanted in on the secret.

"One of the Animals was like, 'What do you call that?'" said Mr. Longo, 37, who lives in Los Angeles. "The chef said, 'It's called Animal Style.' From that point on, Animal Style grew like hot fire."

An In-N-Out spokesman said the chain doesn't consider itself to have a secret menu, but does prepare every burger how the customer wants it. "We never set out to create or pio-

neer a 'secret menu,'" he added. "Some of the names for those variations just stuck."

These days, most secret-menu items appear to arise organically from customer creations or employees experimenting on their breaks. Then, connoisseurs post these dishes on social media, particularly Instagram. Some go viral.

At some restaurants, the secret creations originate with the establishments themselves. At Dominique Ansel Bakery in Manhattan's SoHo neighborhood, customers can order a scoop of ice cream inside a Dominique's Kouign Amann—a pastry resembling a caramelized croissant. The bakery sells a few dozen of these ice-cream sandwiches a day at \$7 each, a spokeswoman said. "You have to be in the know" to order it, she added.

Occasionally, what fans call a secret item is formally acknowledged by a restaurant.

The Quesarito, a quesadilla-wrapped burrito, never made the Chipotle menu, but aficionados say the chain created official pricing for the item—\$3.50 plus the price of a traditional burrito.

"That kind of killed it," said Kiley Libuit, 27, who runs the website HackTheMenu.com. "There's a lot of people upset about that."

Chipotle didn't respond to a request for comment.

Some secret-menu tips, from the aficionados: Stick to bigger locations, not the smaller ones inside airports or malls that may not be fully stocked with ingredients. Avoid the lunch rush. Have the recipe on your phone. Ask nicely.

Occasionally, secret menus aren't limited to restaurants' human clientele. Last year, Ricky Wolfe and his then-girlfriend, with dog Wally in tow, drove through a Starbucks in College Park, Md. She ordered a coffee and a Puppuccino.

The barista, no questions asked, handed over a tiny cup filled with whipped cream. Mr. Wolfe, 28, was incredulous. Wally, a shepherd-hound mix, was apprehensive until her tongue met the whipped cream.

A Starbucks spokeswoman said the company has no official secret menu, although there are thousands of ways that baristas can customize drinks.

She said the company has seen customers order whipped cream for their dogs, adding "we recommend that pet owners consult with their vet on what treats are best for their pet."

While the girlfriend is now an ex, the Puppuccino has become a regular indulgence for Wally. Mr. Wolfe, who doesn't like coffee, still frequents the chain.

"I literally go to Starbucks now for her, and force myself to get something," he said.

GREATER NEW YORK

Colleges Face Audit on Assault Complaints

BY LESLIE BRODY

Gov. Andrew Cuomo is ordering an audit of every college and university in New York this summer to see whether they are obeying state rules for handling sexual-assault complaints and dating violence.

Officials representing the governor said Tuesday that the review would evaluate schools' compliance with requirements for training students and staff on sexual-assault issues and notifying them of their rights

in these cases. It would also check whether investigations are conducted properly.

The audit was triggered by anecdotal information from students and advocates that some campuses weren't taking the 2015 "Enough Is Enough" law on sexual assault seriously enough, officials said.

"We are ensuring every university fully meets their obligations under that law," Mr. Cuomo said in email. "We must take every measure to protect our students from harm, and

we will accept nothing less from our state's colleges and universities."

Representatives of several schools declined to comment. Lawyers who handle these cases questioned whether the audits would likely be a fruitful exercise or a paper chase.

The Democratic governor championed the Enough Is Enough law, which created a uniform definition of affirmative consent for students' sexual activity.

Officials at the governor's

office said the first phase would review schools' paperwork and websites, including checking to see whether they have proper codes of conduct and whether they are documenting that students have been advised of their rights when sexual-assault complaints are made. A preliminary report is due Sept. 1.

A second phase next fall would look deeper at implementation of the law, such as whether a school handles complaints in a consistent manner,

they said. The reviewers might interview students and staff about how their cases were handled and look at transcripts of hearings.

The reviews would be conducted by a team including representatives from the New York State Police, state Department of Health, Office of Victim Services and State Education Department.

Officials said they couldn't predict the cost of the audit but said its funding would come from the \$4.5 million al-

located to state police to implement the Enough Is Enough policy. The review would cover more than 200 private and public colleges and universities statewide.

Matt Kaiser, a lawyer who often represents the accused in sexual-assault cases, said doing a meaningful review of schools' practices would be an enormous undertaking. "Either it's really cursory for each school," he said, "or it's a full employment program for whoever they tap to do these audits."

METRO MONEY | By Anne Kadet

Bryant Park West? Newark Tries Same Playbook

 **W**HAT has thousands of purple pansies, free ping pong and board games, free yoga, free movies, free Wi-Fi, a reading room, a carousel, clean restrooms and excellent coffee?

That answer, of course, is Bryant Park, Midtown Manhattan's celebrated gathering spot.

But you could also answer Military Park—a historic triangle of green 13 miles west, in downtown Newark.

The same man who helped transform Bryant Park from a crime-ridden drug zone in the 1980s is making a similar effort to revitalize one of the most high-profile parks in Newark.

Dan Biederman, president of the nonprofit Bryant Park Corporation, is trying to replicate the Bryant Park model in Newark, creating a great public space without government funding.

"I believe I could run any public space without public money," he says.

There's a formula, he says, and it starts with free programming—from movie nights and classes to open-air libraries. That's to ensure the park feels busy and safe enough to attract women. Clean bathrooms and general beautification also help with that effort.

Then there's trick of turning a public park into a giant money machine.

Nearly three decades into its revival, Bryant Park has a \$19.4 million budget. It spends \$271,000 a year on its restrooms alone, \$69,000 just on employee uniforms. And it has no trouble paying the bills.

Sponsors including Bank of America, Southwest Airlines, Zara and HSBC pay a collective \$6 million a year to plaster their names on the skate pavilion, food kiosks, Wi-Fi and reading room. Skate rentals generate another \$5 million. The park's two restaurants and five kiosk operators



pay about \$3 million in rent.

Military Park's numbers aren't quite so impressive. Its budget is just \$745,000, a third of which goes to Bieder-

man's private consulting firm, Biederman Redevelopment Ventures, to manage its operations.

While it has one restaurant,

a carousel selling \$2 tickets and several Wi-Fi sponsors, Military Park generates little revenue: about \$80,000 last year. It's funded mainly by donations from nearby businesses like Prudential Financial and PSEG.

The reason for the disparity? Visitor numbers. While 6-acre Bryant Park attracts as many as 4,000 visitors at any given time, Military Park, also 6 acres, peaks at 400.

On a sunny afternoon last week, the carousel attendant sat patiently waiting for customers. The ping-pong tables were silent.

Mr. Biederman and other boosters say the park does better in warmer weather. And just as Bryant Park helped lift surrounding Midtown property values—by more than 20%, according to one 2014 study—Military Park is already revitalizing downtown Newark. It is flanked by

the new Prudential office tower, several luxury apartment developments and new businesses.

Miles Berger, a developer who started buying buildings on Military Park 30 years ago, says that since the park reopened in 2014, rents on his office spaces rose \$3 to \$5 a square foot. "It's become an attraction," he says of the formerly rundown park.

Park Ambassador Hakkiem Ervin, who rides around the park on his Segway giving directions and warning children not to pick the tulips, says he sometimes hears people commenting that Military Park isn't nearly as busy as Bryant Park. But come summer, he predicts, that's going to change.

"Once the weather breaks," he says, "you gonna get in line to play that ping-pong table!"

anne.kadet@wsj.com

Single-Payer Health Care Gets Another Shot

BY MIKE VILENSKY

Democrats in the New York Assembly are relaunching a push for a statewide single-payer health-care program in hopes that the national debate over health care will give their legislation new momentum.

The "Medicare-for-all" bill—designed to provide health insurance to all state residents—passed the predominantly Democratic Assembly Tuesday.

The bill has passed the Assembly twice before, but then stalled in the more conservative and currently Republican-controlled state Senate, as it is expected to again.

But sponsors say it has more support this year amid a move in Congress to repeal former President Barack Obama's signature health-insurance law. A replacement for "Obamacare" is being hashed out in the U.S. Senate.

Vermont Sen. Bernie Sanders proposed a single-payer system on a national scale during his 2016 bid for the Democratic presidential nomination, giving the idea wider attention.

"We are now seeing a surge of support in New York for a Medicare-for-all system, and that's partly because the debate now going on in Washington makes it clear our problems with health care are not going to get solved, but will be

made worse, by Washington," said Assemblyman Richard Gottfried, a Manhattan Democrat who has sponsored a single-payer bill for two decades.

The program would require some \$90 billion annually in new tax revenue, analysts said.

Republicans in the Assembly pushed back on the bill. "There's a noble endgame trying to be achieved here, and if it could work I would support it," said Assemblyman Andrew Raia, a

Long Island Republican. "But when you're dealing with progressively graduated taxes, the rich have the ability to leave."

Gov. Andrew Cuomo, a Democrat, hasn't taken a firm position on Mr. Gottfried's bill. His spokeswoman said Tuesday:

"The governor has been and remains committed to ensuring access to high-quality health care for all New Yorkers and we will review the legislation in that context."

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GREATER NEW YORK

New Jersey Ski Resort Takes a Fall

Mountain Creek cites weather in chapter 11 filing, but still hopes to continue operating

BY TOM CORRIGAN

Mountain Creek Resort Inc., a New Jersey ski resort less than two hours from Manhattan, has filed for bankruptcy protection, citing years of above-average temperatures, scant snowfall and missteps by prior owners.

Short on cash and beset by obligations it says it can't meet, the Vernon resort sought chapter 11 protection in U.S. Bankruptcy Court in Newark on Monday. The company has been exploring options to help it get out from under about \$50 million in liabilities since late last year, court papers show.

"Our vision to create a world-class, four-season resort here in New Jersey is still our main objective and this move will put us in the best position to achieve that," Chief Executive Jeffrey Koffman said.

Mountain Creek operates year-round. In addition to its snow sports, the resort houses a 25-acre water park, bike park, zip line and an alpine roller coaster it purchased in 2015 for \$3.38 million. It also runs a hotel, condominiums and various bars and restaurants.

The resort's winter operations—built around 167 skiable acres, 46 trails and 11 lifts—are its most lucrative business. In court papers, Mr. Koffman touted a "34 lane snow tubing park, night skiing with more than 1,000 lights on all trails,



A 2015 event at Mountain Creek Resort in Vernon, N.J. The resort said it would run out of cash in days without emergency financing.

North America's only eight passenger open-air gondola, and the region's most extensive, state-of-the-art snow-making system."

Warm weather and below-average snowfall in recent years have meant fewer lift-ticket purchases, shorter seasons and more money spent making snow, the company says. The strain from the weather has been compounded by adverse economic conditions, including a downturn in the market for its surrounding

real estate. Ambitious plans for expansion set in motion by prior owners have also left the resort facing a mountain of debt it can't afford to repay.

Mountain Creek was named the Great Gorge Resort when it began in 1965, and in 1972 Hugh Hefner opened a Playboy Club hotel near the resort. The Playboy Club closed in the 1980s, and in 1998 the resort was renamed and sold to Intrawest Resorts Holdings Inc., an established ski-resort operator.

A group of local families purchased the resort in 2010 and added a new lodge and restaurants. In June 2015, one of those families, the Koffman family, became the resort's sole owner.

Now under the jurisdiction of a bankruptcy judge, the resort has asked for permission to continue paying its employees and vendors critical to its operations. Like most companies that seek chapter 11 protection, it hopes to maintain its operations without interruption

while it works to pare down its debt.

Mountain Creek is also asking for immediate access to a "critical" \$6 million lifeline from an existing lender that, if approved by a judge, would help fund its operations and pay for the professionals handling its bankruptcy proceeding. Without the emergency financing, the resort says it will run out of cash within a matter of days.

An initial hearing is slated for Wednesday before Judge Stacey Meisel.

Regulators May Curb Insurers' Questions

BY LESLIE SCISM

New York regulators are seeking to ban education and occupation as factors in determining how much consumers pay for car insurance, tackling a long-controversial pricing practice across much of the U.S.

The New York State Department of Financial Services said Tuesday it proposed regulation to prohibit use of these two factors in setting auto-insurance premiums unless the insurance company clearly demonstrates "a plausible relationship to the risk of loss."

The regulation would apply just in New York, but the move reopens a debate among regulators, insurance companies and consumer advocates about what data should be prohibited even if it is effective at identifying risks.

"Requiring insurers to openly justify the use of education and occupation data in setting rates will ensure that New Yorkers are not being charged higher rates due to factors outside their control as drivers," said New York Financial Services Superintendent Maria Vullo.

The proposal is subject to public comment before it would go into effect.

Industry and trade-group executives said that adoption, with some possible minor modifications, would be likely given the state has studied the matter for many months, and some leading insurers already had made a case in defense of the practice.

"This new protection cracks down on this unfair practice that soaks drivers for not having a college degree or a high-paying job," Gov. Andrew Cuomo said.

In many states, the industry has long used education and occupation alongside other variables, including age, gender, driving history, vehicle type and estimated miles to be driven, to help set rates. In many states, credit scores are also used.

Kristina Baldwin, vice president of state government relations with trade group Property Casualty Insurers Association of America, said: "Insurers use factors such as education and occupation because they are helpful in predicting the likelihood of an insurance loss and allows for more accurate underwriting and pricing."

As an example, she said some insurers "have found that teachers represent lower risks, and based on this proposal could be in jeopardy of paying more for insurance."

GREATER NEW YORK WATCH

BRONX

Scratch-Off Ticket Makes Bartender Rich

A Bronx bartender won \$7 million in a scratch-off ticket and will take home around \$4 million after required withholdings, the New York Lottery said Tuesday.

Michael Moriarty, 56 years old, said he had "no clue" what he would do with his winnings, but that he would take care of his family.

Mr. Moriarty popped into a gift shop and bought the "Cash

Blowout" scratch-off ticket after dropping off his laundry.

—Associated Press

LOWER EAST SIDE

Arson Suspected In Synagogue Fire

Police believe a fire that destroyed an abandoned Lower East Side synagogue that once housed the city's oldest Orthodox Jewish congregation was deliberately set.

Chief of Detectives Robert Boyce said Tuesday that police were reviewing surveillance

video showing several teens fleeing the area at the time of the blaze around 7 p.m. Sunday.

It took firefighters about two hours to bring the fire under control. No injuries were reported.

The Gothic structure was originally built in 1850 as a Baptist church. It was home to Beth Hamedrash Hagodol for over 120 years. The synagogue was closed in 2007.

—Associated Press

QUEENS

Retired Bishop Thomas Daily Dies

Retired Bishop Thomas Daily, who led the diocese of Brooklyn and Queens for more than 13 years, has died. He was 89.

The Brooklyn Diocese said Bishop Daily died early Monday at his residence in Douglaston, Queens.

His successor, Bishop Nicholas DiMarzio, called him a mis-



Jon Bon Jovi played at Fairleigh Dickinson University's commencement ceremony on Tuesday at MetLife Stadium. The school won a contest to get the New Jersey-based band Bon Jovi.

sionary who "never acted out of malice or to further his own self-interest."

Bishop Daily served as bishop of Brooklyn from 1990 until his retirement in 2003. During that time he weathered racial tensions and financial hardships. As a young priest he ministered to the indigenous

people of Lima, Peru.

In his later years, Bishop Daily became embroiled in the priest sex scandals. In Boston, where he served in the archdiocese in the 1970s and 1980s, Bishop Daily was criticized for failing to thoroughly investigate allegations of priest abuse.

—Associated Press

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LIFE & ARTS

TURNING POINTS | By Clare Ansberry

One Family, Three Weddings

The Fogarty sisters are getting married within weeks; It takes a big family to pull it off without sibling rivalry and chaos

ON SATURDAY, Kathleen and Dan Fogarty's daughter Rachel will get married. It is their daughter Kelly's turn three weeks later. And three weeks after that, their daughter Juliette will get married.

These last few weeks have been a whirlwind of bridal showers, bachelor and bachelorette parties, altering dresses, making veils, cooking, cleaning, and shopping. It is doable but can be hectic, say the Fogartys, who live in Fort Wayne, Ind.

Long group texts help as does a calendar. So, too, does a big family. With eight children—five girls and three boys in 15 years—they leaned on each other, which made them allies rather than rivals, say family members. "We have this big support system," says Juliette. "I know I can call any sibling and say 'Oh my gosh, I need help,' and they would be at my side."

One brother is handling reception music. Their youngest sister, Rose, is baking more than 100 cupcakes for Rachel's wedding and 250 for Kelly's. Extended family is pitching in as well. A cousin, who is a graphic artist, made the wedding invitations for Juliette, as her wedding present. An aunt threw a shower for all three.

"The weddings will be beautiful and the receptions will be fun. Nothing over the top," says Mr. Fogarty, a human resources manager at a small manufacturer. His daughters and their fiancés are handling most of the planning and costs and keeping them in line. "It's been pretty easy for me, at least."

The Fogartys are a close-knit family, who lived until a few years ago in a small town of Bryan, Ohio, home of Spangler Candy, which makes Dum Dums lollipops. They took vacations, pulling a camper behind them, once retracing Dan and Kathleen's honeymoon trip 35 years ago from Savannah, Ga., to Williamsburg, Va. Every Sunday, they hosted brunch for family and friends, workers on one side of the kitchen island and talkers on the other.

When their children started graduating from college and going to work in bigger Fort Wayne, across the state line, the Fogartys bought a three-bedroom house there for them. The four oldest sisters lived together at times. Rachel



RUTH YAROSLAVSKY FOR THE WALL STREET JOURNAL



Kelly and Juliette Fogarty, above, try on their wedding dresses with Rachel, in the middle, who is getting married Saturday. (Rachel's dress was out for alterations.) Below, the Fogarty family of Fort Wayne, Ind. Left to right: Kelly, Juliette, their father Dan and mother Kathleen, Rachel, Rose, and Brigette.

and Kelly still do. Over the years, they talked about the guys they were dating. "We talked about getting married and weddings. I don't think we thought we would get married three weeks apart. It just happened to work out that way," says Rachel. It began last fall when all three became engaged within five weeks of each other. On Oct. 2, Rachel, 29, was on a Sunday morning hike with her boyfriend Brent Bennett in Wisconsin, where his sisters

live, when he asked her to marry him. Six days later, Kelly, 33, and her boyfriend Chris Whelan, who lives in Kentucky, met in Columbus and were walking along the river. The only thing that would make the day better, Mr. Whelan said, dropping to his knee, was if Kelly would marry him. Four weeks later, on Nov. 11, in honor of Veterans Day, Juliette, 25, a nurse who lives in the Washington, D.C. area, and her boyfriend Michael Jackson went for a walk along the war memorials. Mr. Jackson said he would honor her and their family-to-be and asked her to marry him. A friend on a hill above captured the

moment on camera.

Rachel picked her wedding date first because she was the first one engaged—the Cathedral of the Immaculate Conception in Fort Wayne, where she belonged, was available May 20.

Kelly and Chris were next. Both are teachers, so they had to wait until June when school was over—June 10 at the same cathedral.

Juliette, who loves the beach, wanted a summer wedding with a tropical theme. July is her favorite month. They will marry on July 1 at the Basilica of the Sacred Heart at the University of Notre Dame in Notre Dame, Ind. "We were like, Wow this is going to be pretty crazy," says Rachel of weddings

Please see WEDDINGS page A15

WORK & FAMILY | By Sue Shellenbarger

LET THE CHILDREN PLAN YOUR VACATION

SUMMER IS A TIME of family trips and outings. Figuring out a plan that suits everyone can be tricky. It pays to involve children in the decisions—without giving them too much control.

Taking part in family decision-making teaches children valuable skills. They learn to advocate for what they want, listen to others' wishes and make compromises. But parents who have ceded some decision-making to their children warn there are right and wrong ways to do it.

The Johnson family of Denver is planning a car trip to western Colorado this summer. Amber Johnson says her daughter Hadley, 12, persuaded the family to go jet-boating, racing over the Colorado River at speeds of up to 40 miles an hour in boats driven by professionals. It's a plan Ms. Johnson and her husband Jamie would never have chosen for the family. But Hadley sees children's museums as cheesy. "I'm kind of growing up and everything," Hadley says. "I'm a little more crazy and adventurous than museums."

Bode, 10, says he was nervous at first about jet-boating. Ms. Johnson reassured him that passengers wear life jackets and the boats are safe. Now he's on board with the plan. "I think I might actually learn something, including having a positive attitude and being willing to do new things," he says.

Giving the children a voice keeps them excited and interested, Ms. Johnson says. It also means suffering through their mistakes.

Bode and Hadley picked a hotel online for a road trip last summer because it had a big pool, says Ms. Johnson, editor of Mile High Mamas, an online community. She suggested they might want to do more research, but "they jumped on it because it looked really fun," Ms. Johnson says.

When they arrived, the pool was closed for renovation. Ms. Johnson sees such "soft failures," or missteps with minor consequences, as learning experiences. "We would call ahead and do more research" next time, Hadley says.

Internet savvy helps children gain influence because they can research travel options online with ease. Jack Ezon, president of Ovation Vacations, a New York City travel agency, says clients bring children as young as 7 or 8 to planning sessions. Mr. Ezon recalls one 12-year-old who made a convincing argument for his family to fly Emirates Airline because of its business class.

Parents can channel that kind of energy by setting spending limits or offering acceptable choices and letting children research and advocate for the ones they want, says Sean Grover, a New York City psychotherapist who works with children and teens. Parents should make the final decision, says Mr. Grover, author of "When Kids Call the Shots."

Gina Luker of Lawrenceburg, Tenn., and her husband Mitch enjoy attending live concerts with their four children, ages 17 to 26. They allowed their youngest



VAL BOCHKOV

daughter, Hannah, to choose the most concerts, says Ms. Luker, editor of a blog on food, crafts and decorating. Ms. Luker stopped saying yes two years ago when Hannah, then 15, no longer seemed grateful or excited about VIP passes to meet her favorite bands.

Now 17, Hannah appreciates that her parents let her have a voice but also set limits. Being allowed to drive family decision-making "gave me a big head," she says. "Parents have to walk a fine line: They shouldn't be afraid to say no, but they also need to say yes sometimes, so teens don't feel trapped" in a world of their parents' making.

Parents should model good decision-making for small children and

give them a small but growing role as they get older, says Dave Anderson, a clinical psychologist with the Child Mind Institute, a non-profit mental-health organization in New York City. He advises parents to progress through "I do, we do, you do" stages of coaching from childhood through the teen years, with a goal of instilling independent decision-making skills.

Among those skills are listening to others' ideas and accepting compromises, says Eileen Ogintz, founder of Taking the Kids, a website on family travel. "You can allow each of them to have a voice, and then they're each exposed to something new," Ms. Ogintz says.

Yana and Raul Gutierrez ask their children Marcos, 13, and

Maya, 11, for travel ideas, "but my husband and I always have veto power" and insist on destinations where the children can learn about geography or other cultures, says Ms. Gutierrez, of Montclair, N.J. They agreed to Maya's request to visit China two years ago because they'd already been planning to travel there at some point, Ms. Gutierrez says.

When Marcos asked to visit Fiji after seeing ads for an underwater hotel there, his parents said no because the family traveled to the South Pacific last year. They gave Marcos and Maya a say in planning a trip to Indonesia this summer, however. The family is looking forward to snorkeling, hiking volcanoes and visiting temples.

ART

SOTHEBY'S
AUCTION LOSES
STAR WORK

BY KELLY CROW

A DAY AFTER Christie's sold \$289.2 million worth of impressionist and modern art, rival Sotheby's countered Tuesday with a passable, \$173.8 million sale that was crippled by the fact that its expected star, an Egon Schiele nude portrait, backed out at the last minute.

The anonymous sellers of Schiele's 1909 "Danaë" had enlisted Sotheby's to sell the painting for at least \$30 million, but ended up withdrawing it rather than risk watching it go unsold publicly.

Sotheby's sale still managed to fall comfortably within its own, revised presale estimate of \$147 million to \$210.4 million, even though 13 of its 50 offerings failed to sell. Two people with knowledge of the house's finances said Sotheby's earned between \$15 million and \$20 million in gross profit from the night, better than expected.

For that, kudos go to Kazimir Malevich's "Suprematist Composition with Plane in Projection," a 1915 view of mustard, blue and black shapes floating against a white expanse. It sold for \$21.2 million to an anonymous phone bidder.



Kazimir Malevich's 'Suprematist Composition with Plane in Projection'

Rich Chenet, 68, a semiretired photographer from Zelienople, Pa., on his roughly 40 Saabs, as told to A.J. Baime.

This coming weekend, what is probably the biggest gathering of Saab enthusiasts in the country will occur at the Carlisle Import Performance Nationals in my home state of Pennsylvania. I will be there. There will be lots of different kinds of cars, but traditionally, more Saabs show up than any other make.

I own about 40 Saabs—I'm no longer sure of the exact number. About a dozen are good, running cars; maybe half that are in need of a few weeks' work; and then there are a lot of parts cars. I have been collecting these vehicles for decades. But two years ago, I bought my farm, and that's when the Saabs (as my wife puts it) started multiplying.

Though there are some gems, I always come back to my first—a 1975 99 EMS. I bought the car for \$1,000 in 1979, and got it running using parts I pulled out of a junkyard. I was just getting into photography, and I used that car to travel all over the country east of the Mississippi, photographing cars, boats, motorcycles, snowmobiles, anything that moved. That car made me a photographer. It had 19,000 miles on it when I bought it. I still drive it today and it has well over 200,000.

Saab was founded in Sweden 80 years ago this spring, as an airplane builder, and got into the car business just after World War II. What won me over to these vehicles was the driving experience. When you are in these cars, you feel like you're in the cockpit of an airplane. Where I live, there is a lot of snow, and there is no two-wheel drive car in the world better in snow than the Saab. Saab also makes cars for tall people, which I like. (I'm 6-foot-4.)

Saabs grew popular in the U.S.

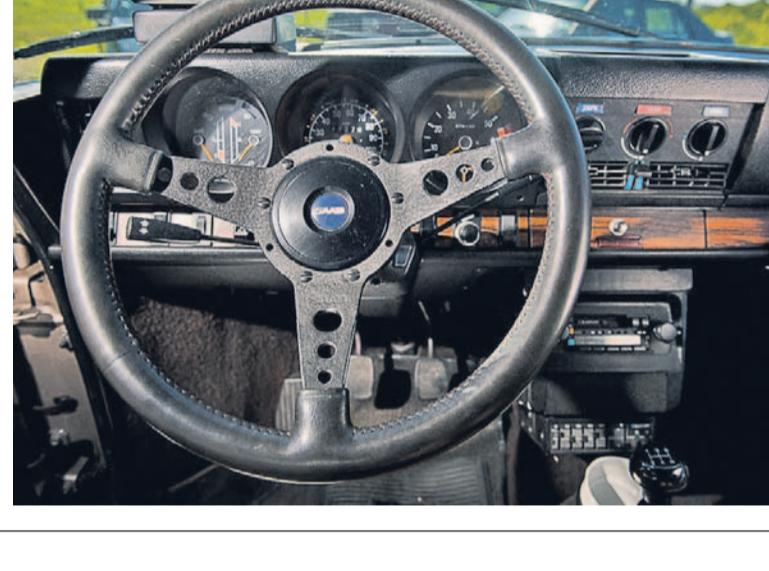


Rich Chenet with a handful of his roughly 40 Saabs, above. The steering wheel, right, of his favorite, the 1975 Saab 99 EMS.

in the 1980s with a car called the 900. I own 17 of them. In 1990, General Motors bought half of Saab's car division, and a few years after that, the brand began to lose its identity. Saab stopped producing cars altogether in 2011.

Next month, I will be traveling to Sweden for the world's largest gathering of Saab fans, at the **Saab Car Museum** in Trollhättan. Inevitably, the conversation will come up. Will Saab ever build cars again? You never know.

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



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LIFE & ARTS

MY RIDE | By A.J. Baime

He's Got a Soft Spot for Saabs



Rich Chenet with a handful of his roughly 40 Saabs, above. The steering wheel, right, of his favorite, the 1975 Saab 99 EMS.

in the 1980s with a car called the 900. I own 17 of them. In 1990, General Motors bought half of Saab's car division, and a few years after that, the brand began to lose its identity. Saab stopped producing cars altogether in 2011.

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LIFE & ARTS

ART REVIEW

A Panorama of Panoramas

BY JUDITH H.
DOBRZYNISKI

Los Angeles
COMPARED WITH the earlier glories of Renaissance and Baroque art, and later the high points of the 19th century and Modernism, 18th-century European art generally ranks low among art connoisseurs. The one category much loved by the public—those detailed cityscapes and architectural vistas by Canaletto, Giovanni Paolo Panini and other, mostly Italian, artists—was disdained by the academy. They were dismissed as the postcards of their day, souvenirs for travelers on the Grand Tour.

In "Eyewitness Views: Making History in Eighteenth-Century Europe," the J. Paul Getty Museum presents more than 40 of these "view paintings" and argues otherwise. Chosen because they depict not just topography but ceremonies, festivals, natural disasters and other historical events, they are, curatorially speaking, the best of these "vedute" works. Commissioned by kings, queens, popes and ambassadors, these paintings were bids by the artists to vault themselves into the ranks of history painters, who occupied the highest rung of the art-historical hierarchy.

In a sense, the artists were playing reporter, knowing that their works would influence the way the public construed contemporary events and later the memory of them. The nine painters in this exhibition, from three generations, precisely portrayed the settings, and they depicted recognizable people, too, though they were by



Canaletto's 'The Procession on the Feast Day of Saint Roch' (c. 1735), one of more than 40 'view paintings' in the exhibition.

no means skilled portraitists.

In "The Abdication of Charles III as King of Naples in Favor of His Son Ferdinand" (c. 1759), Antonio Joli shows when Charles, having just inherited the Spanish throne, turns over his lesser realm to his 8-year-old. Those two; a sad Queen Maria Amalia, who must leave her child as she moves with her husband to Spain; and the prime minister are all identifiable.

The painters were also bound to convey the perspec-

tive of their patrons. Another Joli work features a moment that occurred later that same day and was commissioned by Elisabeth Farnese, Charles's mother and the second wife of King Philip V of Spain. "The Departure of Charles III from Naples to Become King of Spain" (1759) is a sunny scene imparting two messages: Her son was beloved by the emotional crowd bidding him farewell, and his new kingdom came with a powerful navy, as rep-

resented by the 16-ship convoy carrying him to Madrid.

And Luca Carlevarijs, in "The Reception of the French Ambassador, Henri-Charles Arnauld, Abbé de Pomponne, at the Doge's Palace" (c. 1706-08), presents the ambassador, intent on dazzling Venice, arriving in a gilded gondola. Pomponne, who commissioned the painting, hoped to persuade Venice to take France's side in the War of the Spanish Succession.

While portraying great

events, these artists did not ignore sociology. The poor beg for alms in the foreground of Panini's "The Consecration of Giuseppe Pozzobonelli as Archbishop in San Carlo al Corso" (1743-44), a striking work populated by priests and nobles, including one lady whose striped dress stands out even in the ornate Roman church. Bedraggled children steal fruit, front and center, in Panini's "The Lottery Draw in Piazza de Montecitorio" (1743-44). Families

flee their homes in Hubert Robert's "The Fire at the Opera House of the Palais-Royal" (c. 1781). And the 1576 Venice plague is commemorated in Canaletto's beautiful "The Procession on the Feast Day of Saint Roch" (c. 1735).

Canaletto is also responsible for the gem of this exhibition, "The Giovedì Grasso Festival in the Piazzetta" (1763-66). This meticulous drawing, smaller than most other works here, shows a Venetian crowd awaiting the "Flight of the Angel," in which an acrobat descends on a rope from the top of Venice's Campanile to the loggia of the Doge's Palace. It's a shimmering marvel made with brown ink, gray wash and white gouache.

This exhibition takes us to weddings, regattas, balls, night processions, disasters—even the regular August flooding of Rome's Piazza Navona, intended to provide relief from the heat. Its scholarly catalog, by Getty curator Peter Björn Kerber, restores much of the meaning lost over the generations.

There lies the exhibition's one flaw: While anyone can appreciate these paintings aesthetically, viewers need the catalog to understand their layered meanings and slant. But that should keep no one away: The Getty has given the public a spectacular panorama of panoramas.

Eyewitness Views: Making History in Eighteenth-Century Europe

J. Paul Getty Museum, through July 30

Ms. Dobrzynski writes about culture for many publications.

WEDDINGS

Continued from page A13
three weeks apart. "But none of us wanted to push it out any longer."

When the dates were picked, there was an "oh dear moment," says Mrs. Fogarty. "I knew we would all pitch in." She was more taken by the thought of three daughters leaving home, nearly at once.

She is cooking some of the food for Juliette's rehearsal dinner and bringing it to South Bend, menu and location still undecided. Juliette was the only of her sisters to send out save-the-date notices. "I wanted to make sure everyone knew there was one last one at the end," she says.

On a recent weekend, Mrs. Fogarty and her five daughters attended a shower for Rachel on Saturday and hosted one for Juliette on Sunday. For Juliette's shower, one daughter hollowed out a pineapple and filled it with flowers—in line with Juliette's tropical theme—while another cut strawberries. The others arranged chairs and hung decorations. "My girls and I are machines," says Kathleen, who was also one of five daughters.

They helped her decide when she bought and tried on three mother-of-the-bride

dresses which to wear at each wedding. The long gown, they agreed, went with Kelly's 6:30 p.m. wedding. The three-quarter length sleeve went with Rachel's May wedding. The lightweight one was best for Juliette's July wedding. Mrs.

Fogarty says she labeled each to make sure she remembered which to wear to what wedding.

The sisters confer with each other, letting each other

know what songs they want to play for the dance with their fathers and their entrances, making sure not to pick the same one. All are going to be in each other's wedding and so too are their sisters Brigitte and Rose. Everyone will get a chance at being either a maid or matron of honor.

Rachel and Kelly decided to use the same bridesmaid's dresses and the same silk bouquets to help keep down costs. They wondered whether it would be too similar and then decided it didn't matter. "People know we are sisters and have the same taste," says Rachel.

Juliette consults her mother about logistics, seating arrangements, whether to have a DJ or a playlist with a really good sound system. "I call her daily," she says. "It will be hard for her when we all get married."

Kathleen Fogarty
at the shower she
hosted for her
daughter Juliette,
who is getting
married July 1.



It is going to be hard for their younger siblings, too. The other day, Kelly was at her parents' house and decided to leave notes on the bathroom mirrors of her younger brother, Nick, 19, and sister, Rose, 21, who still live at home, asking them to go on a big sister date. "As I was writing those, I got all teared up," she says. "It's a big change for all of us."

The Fogartys say they are happy their daughters are marrying men that they both respect and love. Mr. Fogarty thinks about what it will be like walking each daughter down the aisle. He suspects he will feel a mix of joy and other emotions. He doesn't plan on writing father-of-the-bride speeches, but will speak from the heart.



The eight Fogarty children in 1998 when the family lived in Bryan, Ohio. From left: Christopher holding baby Nicholas, Kelly holding Rose, David, Rachel, Brigette, Juliette.

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OPINION

The FCC Gets Set to Free Wireless

By Robert M. McDowell

The Federal Communications Commission this month is launching initiatives that will shape the fate of America's wireless industry. Last week it started to examine competition in the market, and this week it will propose taking Depression-era utility regulations off mobile broadband networks while protecting an open internet. This is only the beginning. The FCC is acting on a rare opportunity to correct its recent mistakes and restore the Clinton-era light-touch regulatory framework that will drive economic growth and job creation.

The mobile industry is experiencing an explosion of entrepreneurial brilliance, investment and falling consumer prices. Wireless carriers are knocking the stuffing out of each other to woo and keep customers. Most have unveiled new unlimited data plans, and smaller players are gaining on larger ones. T-Mobile added 8.2 million net new customers in 2016 at the expense of its two larger rivals. Last week's announcement that Comcast and Charter would enter the wireless arena portends even more competition.

Wireless prices have fallen 25% in the past decade, according to the Bureau of Labor Statistics. Last year alone they fell more than 10%, and another 7% between February and March this year. Only markets that are intensely competitive witness such price declines.

Consumers understandably have developed an unquenchable thirst for the freedom and empowerment that mobile broadband gives them. In 2016 consumers spent 900 billion hours using mobile apps world-wide, according to the business intelligence company App Annie. Three quarters of the companies in the global app economy are American,

Since 2009, the commission has refused to declare the market competitive.

according to the advocacy group CTIA. But the U.S. will lose its leadership if the FCC fails to officially declare the wireless market competitive and deregulate intelligently.

Intense consumer demand is tugging hard on wireless networks. America's wireless infrastructure builders have been responding massively. In the past seven years, more than \$200 billion has been invested in wireless infrastructure, \$26.4 billion in 2016.

Wireless companies built out 4G LTE services from scratch covering 98.5% of the population in 3½ years between 2010 and 2014.

The wireless industry is spending heavily on next-generation technologies, especially to prepare for the Internet of Things. CTIA projects that in the next seven years wireless companies will invest

more than \$275 billion to bring consumers best-in-the-world high-speed 5G services. This capital surge could create up to three million new jobs and boost America's annual economic output by \$500 billion, according to Accenture.

Yet since 2009 the FCC has ignored its own studies and refused to determine that the wireless market is competitive. That would have contradicted the rationale for its regulation binge, but new political and market realities make a fresh start possible.

The FCC should begin by liberating wireless from the heavy-handed rules of a 1934 law called Title II, which was created when phones were held in two hands. This antiquated law imposes powerful economic regulations on the internet, chilling investment in broadband. On Thursday the FCC will propose to unshackle the net from this millstone of a law. This would restore the bipartisan light-touch policies that nurtured the burgeoning internet Americans enjoy today.

During its latest spectrum auction, which ended in March, the FCC put up a block of television airwaves for sale. The agency tried to micromanage competition by forbidding AT&T and Verizon from bidding on potentially more valuable airwaves, keeping them from key parts of the auction.

More than 90% of auction revenues came from companies other than Verizon and AT&T. The former spent nothing, while the latter paid less

than \$1 billion out of nearly \$20 billion for all auction participants. The two companies effectively didn't participate even where they were allowed to bid. Clearly the set-aside blocks were not necessary. Worse, the intervention might have reduced auction participation and proceeds. Going forward, the FCC should avoid trying to outsmart such a dynamic market.

The FCC can take a few other discrete steps. It would accelerate the mobile revolution if it streamlined rules that slow the construction of wireless infrastructure—and deprive consumers of the benefits of next-gen technologies. The agency should also update rules that dictate how much of a particular radio frequency a carrier can own in a market. America's brilliant wireless engineers are inventing new ways to turn yesterday's junk frequencies into tomorrow's gold, rendering current regulations obsolete.

There has never been a better time to be a consumer of wireless services, but today's rules chain the fast-moving wireless industry to the past. If it's willing to be bold, the new FCC can brighten America's mobile future.

Mr. McDowell, a former FCC commissioner (2006-13), is a partner at Cooley LLP and chief public policy adviser to Mobile Future.

Holman W. Jenkins, Jr. is away.

Trump's Tanking Approval Numbers

POLITICS & IDEAS
By William A. Galston

President Trump is in trouble not only inside the Beltway but with his core supporters, who express doubt about his agenda and fitness for office.

Last week the NBC/Wall Street Journal survey found that 39% of Americans approve of the job Mr. Trump is doing, while 54% disapprove. Only 6% said that Mr. Trump's decision to fire FBI Director James Comey had made them more favorable toward the president, compared with 30% who said less favorable.

A poll from Quinnipiac University shows Mr. Trump's support sliding even among his base. His approval has dropped to 29% among independent voters, down from 38% in April; 47% among whites without college degrees, down from 57%; and 48% among white men, down from 53%. Connecting with the down and out is supposed to be Mr. Trump's strength. Yet only 34% of noncollege whites "approve strongly" of his performance, and 40% "disapprove strongly."

A majority of whites without degrees continue to see Mr. Trump as strong, intelligent and possessing good

leadership skills. But only 45% told Quinnipiac that he shares their values, just 44% view him as honest, and even fewer, 38%, think of him as level-headed. Twenty-one percent of these Americans say he has accomplished more than they had expected, but 30% say less. Fifty-five percent say he should stop tweeting, compared with 38% who want him to continue.

Seventy-four percent of whites without college degrees told Quinnipiac that the president and his aides often make statements without evidence to support them. This helps explain why 55% of these voters disapprove of the way Mr. Trump talks about the media. In a head-to-head confrontation, 41% think that the president is more likely to be telling the truth than the media, but 47% say the reverse. (In the country as a whole, 31% of Americans believe Mr. Trump, versus 57% for the media.)

On the economic front, a surprising 55% of noncollege whites told Quinnipiac that the economy is good or excellent, compared with 56% of all Americans. Forty-four percent of whites without degrees believe the economy is getting better, versus 15% who think it is getting worse. But President Trump isn't getting much of a boost from this assessment: Only 34% of these Americans think he is mainly responsible

for the state of the economy, compared with 57% who credit President Obama.

A second Quinnipiac survey tested the main items on Mr.

Trump's legislative agenda, and they seem unlikely to improve his standing with the Americans who gave him his margin of victory. Only 27% of noncollege whites favor a total repeal

do exactly that. And in a warning shot to the White House, fully 68% of whites without college degrees say that the effect of Mr. Trump's plan on his own personal and business taxes is important to them (49% say "very important"). Sixty-one percent of them want him to release his tax returns. Populism is not a taxi the president can leave whenever he chooses.

Although President Trump will not be on the ballot next year, his first four months in office, which 58% of voters regard as a failure, are not helping Republicans' chances. Nor is their own performance. Seventy-one percent of Americans disapprove of the job Republicans in Congress are doing, compared with 58% disapproval for Democrats. (White voters without college degrees disapproved of both in nearly identical numbers.)

Eighteen percent of voters say they are more likely to vote for a House candidate who supports Mr.

Trump, versus 43% who say less likely. Even noncollege whites view a candidate's support for the president as a negative.

Overall, only 38% of voters would like to see Republicans retain control of the House next year, compared with 54% who favor a Democratic takeover.

Republicans should be thinking hard about their current course.

Supporting the president in 2017 could prove costly for Republicans in 2018.

of ObamaCare. Even fewer of them, 25%, support the latest Republican plan to replace it, since only 14% believe it will lower their health-insurance costs. Twenty-three percent favor, while 73% oppose, giving states the flexibility to raise rates for people with pre-existing conditions.

The news on tax reform is no better. Only 21% of noncollege whites believe that President Trump should lower taxes for wealthy Americans, but 53% of them think that the wealthy would be his plan's principal beneficiaries.

Seventy percent of these Americans oppose a tax plan that significantly increases the budget deficit, but 55% think Mr. Trump's proposal would

Who Needs the Daily Press Briefing?

By Joshua Spivak

After another rough news week, President Trump suggested last Friday that he may cancel the daily White House press briefing. Although the comment caused some uproar, this appears to be another off-the-cuff remark that will later be abandoned. But the public shouldn't be so quick to dismiss the idea. Ending the daily briefing would bring real benefits to the country, and the only person who would really lose is the president.

Every new administration complains that the daily briefing is a charade that allows the media to batter the White House's policy. Yet no matter how badly the press secretary is doing, no president has gone so far as to cancel it. The reason is that the briefing is a powerful weapon against the opposition and Congress.

Over the course of the past century, as the presidency has become more powerful, the White House has gained a strong hand in guiding the

news to whatever subject the administration wants discussed. Official press conferences have always been tightly controlled. Jody Powell, President Jimmy Carter's press secretary in the days before the briefing was televised, once noted that he

Ending it would be good for everyone, except the president.

could break up a tense situation by calling on a reporter who would be guaranteed to change the subject.

That tactic no longer works so well now that the briefing has become a live TV event, but it remains a great tool. Every day the White House has a chance to monopolize the media's attention. Journalists mug for the cameras and try to ask tough questions. The public often assumes that whatever comes out of the press secretary's mouth is official policy.

Since Mr. Trump is willing

to serve as his own unfiltered spokesman, giving interviews and pecking out late-night tweets, he doesn't need the briefing to inform the world about the ever-changing presidential agenda. But the briefing still offers the White House a chance to control the political conversation and play out its chosen narrative: that unfair reporters are trying to bully an administration they don't like.

What's in it for the press?

Under Mr. Trump the briefings have become ratings dynamite, as journalists try to one-up each other and catch the White House in any contradiction. Still, there's no reason the media should make them such major events. The big stories aren't going to be broken in the briefing room, through an official statement or at a scheduled time. Instead of being stuck for an hour trying to ask a single pointed question to a harried and seemingly ill-informed spokesman, the White House press corps would be better off going out and looking for stories.

That, however, would be a much worse outcome for the administration. If Mr. Trump ended the daily briefing, the announcement would be followed by a storm of criticism about the White House's insularity and paranoia. But in reality the president would be shooting himself in the foot.

Right now, the briefing serves red meat for political partisans and guarantees a high-profile story each day to crowd out newsworthy competitors.

For the country as a whole, ending the briefing would be a positive step. It would help break the public's presidential obsession and free the press corps to pursue other stories. Without the distraction of a daily performance by the press secretary, Americans might learn more about what's happening in Washington beyond the briefing room.

Mr. Spivak is a public relations executive and a senior fellow at Wagner College's Hugh L. Carey Institute for Government Reform.

BOOKSHELF | By D.G. Hart

Worldly Divines

Protestants

By Alec Ryrie
(Viking, 513 pages, \$35)

In 1950, the historian Henry Steele Commager expressed a widely held view when he wrote that America, while no longer Puritanical in its religious beliefs, was nonetheless permanently shaped by the Puritans' values. To these Protestant forebears, Commager argued, we are indebted for America's individualism, respect for the authority of reason and "spiritual and moral democracy." In many respects, Alec Ryrie's "Protestants" picks up where Commager left off. Mr. Ryrie's "Protestants" picks up where Commager left off. Mr. Ryrie's thesis—and the book's subtitle—is that Protestantism is "the faith that made the modern world."

Protestants' emphasis on reading the Bible independent of church oversight, Mr. Ryrie argues, nurtured free inquiry and, in its anti-hierarchical, egalitarian spirit, democracy. Their desire for a faith liberated from state interference contributed to the ideal of limited government. These Protestant social conditions, in turn, produced climates where market economics tended to thrive. This contribution to modernity, Mr. Ryrie contends, makes the story of the Protestants relevant to everyone, regardless of creed.

If the lure by which Mr. Ryrie tries to hook readers with no personal attachment to Western Christianity sounds dubious, the concise and astute story he tells more than compensates. In the first third of "Protestants," he presents a lively account of Protestantism's emergence and survival. Martin

Luther, we learn, depended on a friendly prince to protect him from the Holy Roman Emperor. Protestants in France concocted theories of resistance against divine-right monarchs. The author, a historian at Durham University, shows how changing fortunes during the English civil wars influenced the flow of Protestant ministers and congregants to and from their New England exile. While Mr. Ryrie argues that Protestantism desires a church independent from the state, his early chapters show that religion is inseparable from political history.

He summons further evidence of the link between the worldly and divine in the middle section of his narrative, which chronicles Protestantism's more recent exploits and offshoots, such as Mormonism and Jehovah's Witnesses. This modern history includes epochal political battles in which Protestants often used faith toward dubious ends. Many Southern Protestants, for example, cited the Bible in their fervent support for slavery, influenced by an interpretation of their faith that provided "little more than a religious veneer" for keeping other men in bondage. During the Third Reich, some German Protestants enthusiastically sought to build a new church around Nazi ideology, while others simply prioritized their churches' independence and kept quiet to avoid inviting the Nazis' wrath. The "central and terrible fact of Protestantism in Nazi Germany," Mr. Ryrie writes, "is that most Protestants were either complicit or indifferent as unimaginable crimes unfolded around them."

A continuing struggle pits Protestants who want to be left alone by the state against others who want to impose religious ideals upon it.

At the same time, however, Protestants took stands at various times that placed them on the side of what we would now call progress. "Abolitionism," Mr. Ryrie writes, "was a religious movement first and last," despite the reluctance of institutional churches to enter the fray. It was aided especially by black Protestants and religiously motivated firebrand reformers. Pastor Heinrich Grüber was sent to Dachau for his efforts to aid German Jews; Lutheran minister Dietrich Bonhoeffer was executed for his involvement in a plot to assassinate Hitler. In Mr. Ryrie's mind, this duality points to a continuing struggle within Protestantism: a battle between the desire to be left alone and the urge to impose religious ideals on society.

In the last, and most compelling, section of his book, Mr. Ryrie takes Protestantism outside the West to the global South. He dedicates chapters to Protestantism in South Africa from colonization to the post-Apartheid era, the rise and growth of Christianity in Korea, and the remarkable vitality of Chinese churches. Of particular interest is his discussion of Pentecostalism, to which, he reports, "nearly a tenth of all humanity and more than a quarter of all Christians now belong." Rare is the historian who is as instructive about Christianity in Asia as he is about churches in the West, yet Mr. Ryrie manages both.

Mr. Ryrie is most successful when he describes the explicitly religious qualities of Protestantism—how believers thought about faith, set up churches and evangelized native peoples. The weakness of his narrative lies in the large claim made in his subtitle. Mr. Ryrie does show that the modern West was in some sense the culmination of Europe's response to the fallout of the Reformation. Less clear is the degree to which we can say that the specific teachings of Luther or Calvin have anything in common with the secular outlook—now taken to be the hallmark of the modern world—that has taken hold across broad swaths of society.

Today the legacy of Protestantism seems remote to the fortunes of modern liberal societies, which makes any historical account of the Reformation's significance 500 years later a challenge. Mr. Ryrie speculates on Protestantism's future in the book's epilogue, stressing its adherents' capacity for adaptation. This has generated churches that both oppose and support LGBT rights and gay marriage and are ambivalent about Islam and secularism. Protestantism is and will continue to be, Mr. Ryrie writes, "a whole family of squabbling identities that people define themselves by, hold to, fight for, and sometimes abandon."

In Mr. Ryrie's view, all of this geographical, chronological and cultural variety can comfortably fit under the Protestant tent of freedom, egalitarianism and individualism. And the faith's enduring promise of a direct encounter with God, Mr. Ryrie maintains, will allow Protestantism to continue to "change lives" and "the world." But for the first time since pollsters started asking the question, Protestants are now, according to the Pew Research Center, a minority among America's population (47%). Even though Mr. Ryrie's masterly history shows Protestantism's tent to be capacious, there is reason to believe it may soon be stretched too tight.

Mr. Hart teaches history at Hillsdale College. His latest book is "Damning Words: The Life and Religious Times of H.L. Mencken."

OPINION

REVIEW & OUTLOOK

Loose Lips Sink Presidencies

The state of the Trump Presidency has been perpetual turbulence, which seems to be how the principal likes it. The latest vortex is over Mr. Trump's disclosure of sensitive intel to the Russians—and whatever the particulars of the incident, the danger is that Presidencies can withstand only so much turbulence before they come apart.

The Washington Post reported Monday night that in an Oval Office meeting last week Mr. Trump relayed high-level "code word" classified material obtained from an ally to Russian Foreign Minister Sergei Lavrov and Ambassador Sergey Kislyak. Cue another Washington meltdown. The President took to Twitter on Tuesday morning to defend himself, claiming an "absolute right" to disclose "facts pertaining to terrorism and airline flight safety."

National Security Adviser H.R. McMaster put a finer point on it at a Tuesday press conference, though without denying key details. He said Mr. Trump's disclosure was "wholly appropriate" and didn't expose intelligence sources and methods.

Presidents sometimes share secrets with overseas leaders—even to adversaries such as the Soviets during the Cold War—if they conclude the benefits of showing what the U.S. knows will aid diplomacy or strategic interests. From media accounts and his tweets, Mr. Trump said something about Islamic State's laptop bomb threat to airlines. He may well have been trying to convince the envoys of the menace ISIS poses to Russian lives and foreign-policy goals, like the Russian airliner that exploded over Sinai in 2015.

Then again, the Post story has Mr. Trump boasting about how great U.S. intelligence is and divulging the info on impulse to prove it. National security officials also asked the reporters to withhold specifics about the item in question, presumably because further disclosure could undermine efforts to counter the threat or endanger the lives of human assets.

Reports emerged on Tuesday that the ally that gathered the material is Israel, and the revelation could endanger this and other intelligence-sharing relationships. The Israelis may hold back if they think their dossiers will be laundered through the U.S. to the Russians and then get passed to their Iranian and Syrian clients, and other foreign services may lose confidence in the U.S.

Lt. Gen. McMaster said he disputed "the premise" of the Post story, which was that Mr. Trump had done something wrong or unbecoming. He confirmed that Mr. Trump made the decision ad hoc "in the context of the conversation," not before the meeting. The problem is that even if the President's conduct was "wholly appropri-

ate," the story's premise is wholly plausible.

The portrait of an inexperienced, impulsive chief who might spill secrets to an overseas foe is one to which Mr. Trump has too often contributed. It was political mismanagement even to hold the Russian meeting, especially the day after he fired FBI Director James Comey amid the investigation of the Trump campaign's alleged Russian connection.

This eruption shows why a President's credibility is so important. If people don't believe Mr. Trump's words or trust his judgment, they won't give him the benefit of the doubt or be responsive if he asks for support. Last week the White House spent two days attributing Mr. Comey's firing to a Justice Department recommendation, only for Mr. Trump to insist in a TV interview that the pink slip came "regardless of recommendation."

News broke late Tuesday of Mr. Comey's contemporaneous notes that Mr. Trump asked him in February to "let this go," referring to the FBI probe of axed National Security Adviser Michael Flynn. The White House denied that account of the conversation, but that would be more credible if its previous statements were more reliable.

Mr. Trump's strife and insults with the intelligence community were also bound to invite blowback. The Post report is sourced to "current and former U.S. officials," which raises the question of how former officials are privy to "code word" information, defined as anything that could be expected to cause "exceptionally grave damage" to national security if disclosed. In that case the public leaks about Mr. Trump's actions, if true, will do more damage than whatever he said in private.

Mr. Trump is considering a White House shakeup, including cleaning out many of his top aides, but the White House always reflects the President's governing style. If Mr. Trump can't discipline himself, then no Jim Baker ex machina will make much difference.

Mr. Trump needs to appreciate how close he is to losing the Republicans he needs to pass the agenda that will determine if he is successful. Weeks of pointless melodrama and undisciplined comments have depleted public and Capitol Hill attention from health care and tax reform, and exhaustion is setting in. America holds elections every two years, and Mr. Trump's policy allies in Congress will drift away if he looks like a liability.

Millions of Americans recognized Mr. Trump's flaws but decided he was a risk worth taking. They assumed, or at least hoped, that he'd rise to the occasion and the demands of the job. If he cannot, he'll betray their hopes as his Presidency sinks before his eyes.

The Pebble Mine Victory

PA Administrator Scott Pruitt is wasting no time broadcasting that an era of law-

less environmental regulation is over. One of the best signals so far is the agency's agreement last week to let the Pebble Mine project in Alaska proceed through regular permitting and legal order.

The EPA and Northern Dynasty Minerals Ltd. announced a legal settlement Friday that finally gives the Pebble Limited Partnership the right to work with the federal government on an environmental analysis of its proposed mine. The Obama Administration stripped Pebble of that right in February 2014 when it issued a pre-emptive veto of what could be America's largest copper and gold mine. Pebble sued on solid legal grounds.

The Clean Water Act gives the Army Corps of Engineers the primary job of evaluating development projects. EPA can perform a secondary review and veto a project—though only with cause. The Obama EPA developed its own fictional model of a mine and then vetoed the project before Pebble had a chance to go

through the Corps's review.

Documents from freedom of information suits and legal discovery showed that EPA officials orchestrated opposition to the mine with environmental activists and native tribes. The other victim of this campaign was the state of Alaska, which owns the mine site but was cut out by the EPA.

The EPA's pre-emptive veto was the first in the history of the Clean Water Act, and a damaging precedent. It positioned the agency to become a superregulator able to kill any bridge, mine, pipeline or oil well before companies could make a case. Mr. Pruitt's reversal will unleash capital that has been on strike due to arbitrary regulation. No sane investor would risk years of financial and legal hardship in light of the federal treatment of Pebble, the Keystone XL pipeline or the Shell Arctic development.

The EPA agreement offers no guarantee that the Pebble Mine will be approved after state and federal reviews. But at least Alaska and Pebble stakeholders can get a fair hearing from a transparent federal process.

California's Runaway Train

Democratic Governors are demanding that Washington recognize their sovereign powers under the Constitution,

but their born-again federalism is often more convenient than principled. Consider California Governor Jerry Brown, who is importuning the White House to yield oversight of his state's bullet train.

On Friday the Governor sent President Trump a letter asking to "delegate to the state authority" under the National Environmental Policy Act. Mr. Brown cited an executive order by Mr. Trump directing the White House Council on Environmental Quality to identify "high-priority" public works and expedite procedures for "completion of environmental reviews and approvals for such projects."

The state high-speed rail authority has complained that construction is being delayed in part due to revisions by the Federal Railroad Administration to its environmental documents. The FRA has provided \$3.2 billion in seed funding for the 500-mile train, and an internal FRA analysis last November found that the first 118-mile stretch through the Central Valley was running 50% over budget and seven years behind schedule. Federal bureaucrats make nice scapegoats. But accord-

ing to the FRA report, the biggest delays have been caused by the California rail authority's late paperwork.

The state indulges in some environmental doublespeak.

Environmental litigation has also snarled construction, and the rail authority claims it need not comply with the California Environmental Quality Act (CEQA). In 2014 the federal Surface Transpor-

tation Board exempted the bullet train from CEQA, but a California appellate court subsequently held otherwise. The authority is now arguing before the California Supreme Court and Ninth Circuit Court of Appeals that federal environmental review pre-empts CEQA.

But wait—this appears to contradict Jerry's request that the feds cede authority over environmental reviews to the state. This would allow the rail authority to essentially grade its own homework. Everything is perfect, trust us.

California's rail authority has a history of cutting corners, and the Governor has helped it evade parental supervision. Last September Mr. Brown vetoed a bill passed unanimously by the state legislature that would have imposed increased accountability.

Meanwhile, the Governor is begging the Trump Administration for more federal cash to build the \$64 billion (and counting) boondoggle—but please, no strings attached.

OPINION

LETTERS TO THE EDITOR

Was Trump Right to Fire Director Jim Comey?

In your editorial "Comey's Deserved Dismissal" (May 10), you indicate that he "committed more than enough mistakes . . . to be dismissed for cause." That may be correct, but you err in concluding that he has forfeited his credibility with his 2016 interventions. In my prior career as a criminal defense attorney, I opposed Mr. Comey in one of his first trials as a young assistant U.S. attorney. Then, as throughout his legal career, his credibility and character were unquestionable by all who knew him, regardless of which side of the courtroom they were litigating. He demonstrated time and again that he could be trusted to do what he believed to be moral and correct in the pursuit of justice.

There is no doubt that his actions as the FBI director placed him in the middle of a political firestorm. However, no one has ever suggested, nor could they, that he acted based on political leanings or aspirations. In today's polarized Washington, D.C., that alone is a reason to commend and thank him for his efforts.

NOAH LIPMAN
Holmdel, N.J.

As Deputy Attorney General Rod Rosenstein's letter outlines, James Comey's controversial independent actions, lacking the direction of an attorney general or any real supervision for that matter, were just another example of the very poorly managed Obama administration.

ANDREA ECONOMOS
White Plains, N.Y.

The Comey firing immediately brought cries of "another Watergate." There is an analogy, but not the one the Democrats think. In my version Nixon (Hillary) destroyed the tapes (emails), Haldeman and Ehrlichman were granted immunity, and the media attacks George McGovern.

KEVIN CLARK
Franklin, Tenn.

President Obama should have fired FBI Director Comey last July when Mr. Comey usurped the power of the attorney general. Deputy Attorney General Rosenstein, who was confirmed 94-6 a few weeks ago, will establish order in the Justice Department regarding all things Russian. The sky is not falling.

EDWIN M. WAGNER
St. Charles, Mo.

We are asked to believe that President Trump, after having praised Mr. Comey numerous times for the way he conducted the Clinton investigation, decided to fire Mr. Comey for the way he conducted the Clinton investigation. All this just days after Mr. Comey decided to

ramp up the FBI investigation into the Trump campaign.

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New York

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FRANCIS G. KNIPE
Torrance, Calif.

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RICHARD PARKINSON
Provo, Utah

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PHILIP MCBRIDE JOHNSON
Fernandina Beach, Fla.

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We await the appointment of a courageous and brilliant FBI director who will ignore the rattling cages and discover and expose the truth.

VICKI SEMPEK
Omaha, Neb.

If making America great again means allowing the Russian media and not the American press into my White House, then I'll take the way it used to be ("Trump Seeks to Mute Comey Outcry," page one, May 11).

MIKE COCKING
Cedarburg, Wis.

As I recall, from January 1993 when President Clinton took office to January 1995 when the "Contract with America" Republicans took control of Congress, the stock market and the economy went nowhere. The growth started in 1995 when Republicans started pushing President Clinton to reform welfare, cut taxes, etc., and then the stock market and GDP took off.

The president may have the bully pulpit, but Congress writes the rules, decides on tax rates and what industries will be punished.

ILENE DAVIS, CFP, MBA
Cocoa, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Can't a guy offer a little constructive criticism about management style?"

LETTERS TO THE EDITOR

Was Trump Right to Fire Director Jim Comey?

In your editorial "Comey's Deserved Dismissal" (May 10), you indicate that he "committed more than enough mistakes . . . to be dismissed for cause." That may be correct, but you err in concluding that he has forfeited his credibility with his 2016 interventions. In my prior career as a criminal defense attorney, I opposed Mr. Comey in one of his first trials as a young assistant U.S. attorney. Then, as throughout his legal career, his credibility and character were unquestionable by all who knew him, regardless of which side of the courtroom they were litigating. He demonstrated time and again that he could be trusted to do what he believed to be moral and correct in the pursuit of justice.

There is no doubt that his actions as the FBI director placed him in the middle of a political firestorm. However, no one has ever suggested, nor could they, that he acted based on political leanings or aspirations. In today's polarized Washington, D.C., that alone is a reason to commend and thank him for his efforts.

NOAH LIPMAN
Holmdel, N.J.

As Deputy Attorney General Rod Rosenstein's letter outlines, James Comey's controversial independent actions, lacking the direction of an attorney general or any real supervision for that matter, were just another example of the very poorly managed Obama administration.

ANDREA ECONOMOS
White Plains, N.Y.

The Comey firing immediately brought cries of "another Watergate." There is an analogy, but not the one the Democrats think. In my version Nixon (Hillary) destroyed the tapes (emails), Haldeman and Ehrlichman were granted immunity, and the media attacks George McGovern.

KEVIN CLARK
Franklin, Tenn.

President Obama should have fired FBI Director Comey last July when Mr. Comey usurped the power of the attorney general. Deputy Attorney General Rosenstein, who was confirmed 94-6 a few weeks ago, will establish order in the Justice Department regarding all things Russian. The sky is not falling.

EDWIN M. WAGNER
St. Charles, Mo.

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OPINION

The Struggle Behind Oil's Ups and Downs

By Daniel Yergin

A great struggle is unfolding in the world oil market. On one side are forces pushing to rebalance supply and demand; on the other, those pulling to recalibrate the business so that it operates at lower cost. That tension explains why the price keeps jumping toward \$60 a barrel and then falling back near \$40.

Oil prices collapsed at the end of 2014 because supply and demand had gotten out of whack. That year global supply grew 2.5 times as fast as demand. The shale revolution in the U.S. was a prime cause of the imbalance; American supply grew by 1.4 million barrels a day in 2014—60% of the entire increase.

We likely won't see \$100 a barrel again. The industry has been recalibrated to a lower price level.

The expectation was widespread in 2014 that Saudi Arabia would cut its oil output to keep prices up. But Riyadh tried that in the 1980s, only to see its own market share shrink dramatically. "We will not make the same mistake again," then-Saudi oil minister Ali Naimi said two years ago. In particular, the Saudis made clear there would be no deal to cut output without participation by nonmembers of the Organization of the Petroleum Exporting Countries—especially Russia, the world's largest oil producer.

By the fall of 2016, lower prices had pushed supply down and stimulated demand, moving the two closer to balance. U.S. oil production had fallen by a million barrels a day. Around the world, spending on exploration and production for 2015–19 is 50% lower than what had been expected in 2014, before the price collapse. At the same time, demand grew in 2016 at almost double the 2014 rate.

Last December, oil-exporting countries took the action that had been beyond reach in 2014: They agreed to cut production. "Oil revenues are . . . the main reason," Saudi Deputy Crown Prince Mohammed bin Salman said earlier this month on a Saudi-owned TV station. Even Russia, whose rainy-day sovereign-wealth funds were depleting rapidly, signed on. It also brought 10 other non-OPEC countries to the table.

With the market heading back into balance, this expanded group concluded that total cutbacks of just under 1.8 million barrels a day would be sufficient to wear down the excessively large inventories overhanging the market. OPEC countries demonstrated remarkable compliance with quotas, in sharp contrast to previous efforts. By March, prices had rebounded 75% from their 2016 lows.

But since then, prices have fallen. Rebalancing is now colliding with the other force—recalibration of costs to a lower level of oil prices. This massive adjustment is reshaping the way the global oil industry works.

It first became evident in the U.S. The collapse in revenues, along with heavy debt burdens, led to multiple bankruptcies and the expectation that prices would be



STOCK

"lower for longer." Shale producers had no choice but to slash costs if they wanted to survive. In the process, they became more efficient, focused and innovative. A new well that might have cost \$14 million in 2014 now costs \$7 million. The gain in efficiency is so great that a dollar invested in U.S. shale today will produce about 2.5 times as much oil as a dollar invested in 2014, according to IHS Markit.

In 2014, many thought a drop in price to \$70 a barrel from \$100 would shut down U.S. production. It didn't. Today, new shale oil wells can be profitable at \$40 to \$50 a barrel, and some companies claim even lower. That makes possible a new surge in U.S. production—as much as 900,000 additional barrels a day over the course of this year.

By next year, the U.S. is likely to hit the highest level of oil production in its entire history.

This cost recalibration is happening everywhere, as a new analysis by IHS Markit shows. Canada's oil sands have always been among the highest-cost, yet some new projects can produce near \$50 a barrel. In Russia, costs have come down more than 50%. Even deep waters offshore can now produce at less than \$50. In March the CEO of the Norwegian company Statoil told the CERAWeek conference that owing to a wholesale redesign, a project in the North Sea that had originally required \$75 a barrel to be economical now needs just \$27 a barrel.

This recalibration will push up supply more than had been anticipated, at least in the next few years.

But there's a big question. How much of the cost saving is the result of innovation, efficiency and new ways of doing things? And how much is the result of dramatic cutbacks in spending, leading to headcount reductions and idle rigs and other equipment? What happens when the markets for people, equipment, and services tighten?

As activity goes up, so will oil-field costs. That's already evident in today's hottest area for drilling—the Permian Basin in West Texas and New Mexico. Companies large and small, along with private-equity investors, are piling in. They've realized that shale technologies may make the Permian, in terms of recovery, the second-largest oil field in the world.

The effects are already visible. As drilling increases, tightness and bottlenecks are starting to become apparent in terms of manpower, supplies and equipment. Costs in the Permian could increase by 15% to 20% this year, whereas they will remain flat in most of the rest of the industry.

As oil producers get back to business all over the world, some of the big cost savings will be given back, which will support rebalancing—so oil prices will rise. But the entire business has been recalibrated to a lower price level. An industry that had become accustomed a few years ago to \$100 oil now regards that as an aberration that will not recur absent an international crisis or a major disruption. The lessons about costs since the price collapse are not going to go away. They are too powerful to forget, and too painful.

Mr. Yergin, vice chairman of IHS Markit, is author of *"The Prize"* and *"The Quest."*

The Outsiders Who Were Behind the Boiling of Betsy DeVos



To say that President Trump's immediate predecessor had a dicey relationship with historically black colleges and universities, or HBCUs, would be putting it mildly.

President Obama's first budget proposal cut funds for black colleges, which mostly lack big endowments and depend on the government for a large share of their revenue. The Obama administration also stiffened eligibility requirements for loan programs that HBCU students, who tend to be low-income, are likelier to use. Following the changes, some 28,000 students at black colleges were denied loans and enrollment fell. Nevertheless, Mr. Obama and his education secretary, Arne Duncan, spoke regularly at black colleges without being booed or heckled.

This history provides useful context for events that unfolded on two HBCU campuses last week. At Bethune-Cookman University in Florida, Mr. Trump's education

secretary, Betsy DeVos, was repeatedly interrupted by hecklers as she attempted to give a commencement address. A few days later, an invitation to Republican Sen. John Cornyn to address Texas Southern University's graduating class was rescinded out of concern that the Texas lawmaker might encounter similar treatment—or worse.

"We got into some safety issues," Austin Lane, TSU's president, told me. "I got a sense the students were fine. Some of them would have protested, but that's a given. You're never going to find a speaker that makes everyone happy. The problem was this outside influence." Mr. Lane said the school got word "that people would be coming in and they were going to cause trouble. They contacted us, these black militant groups, these Black Lives Matter groups—official and unofficial. And then you had these white groups who were coming to protest the protesters. So it was no longer about a commencement."

Mr. Lane explained that the school holds the graduation ceremony in a public place and anyone can attend. No tickets are required, and he said the protesters planned

to take advantage of the arrangement. Without the security apparatus to handle what might ensue, TSU and Mr. Cornyn decided to err on the side of caution. "It was a mutual agreement that he not come," said Mr. Lane. "I'm glad I saw this coming because I don't want to embarrass my senator. I

Trump host black college presidents in the Oval Office, something Barack Obama never got around to.

feel terrible about what happened to Betsy DeVos. What an embarrassment it would have been if we knew that was going to happen with Sen. Cornyn and we still went ahead with it."

It's now clear that Bethune-Cookman was dealing with similar "outside influence." The recent HBCU protests are being portrayed in the media as more of the same kind of student-led campus agitation that's become so common in recent years. If fact, these black college protests are

being driven largely by professional pressure groups affiliated with well-funded national organizations that are pushing a partisan agenda often at odds with the well-being of HBCUs.

The petition that garnered more than 50,000 signatures opposing Mrs. DeVos's commencement address wasn't started by students and alumni but by the Florida affiliate of the National Education Association, the nation's biggest and richest teachers union. And it was a state chapter of the NAACP that hired lawyers for the effort and actively helped organize the protests. Both the teachers union and the civil-rights organization oppose Mrs. DeVos because she supports school choice. Never mind that large majorities of black families have long sided with the secretary on this matter, according to polls.

A Stanford study from last year put support for charter schools at 2 to 1 among low-income blacks.

Other research has shown that black students in charter schools learn more and are more likely to attend college than their peers in traditional public schools.

Moreover, HBCUs apparently agree with Mrs. DeVos's choice advocacy given

that several of them—including Howard University, Grambling State University, Texas Southern University and Florida A&M—have charter schools operating on their campuses.

Mr. Trump signed an executive order in support of HBCUs within 100 days of taking office and well earlier than Mr. Obama got around to it. The president also met briefly in the Oval Office with the collective presidents of HBCUs, something Mr. Obama never got around to doing in eight years and despite repeated requests. Mrs. DeVos's first visit to a college campus—any college campus—as secretary of education was to Howard, which is perhaps the country's best-known black college. And the secretary has personally and repeatedly expressed her support for HBCUs.

"I look at the things that have been done so far and the things that have been proposed, and I'm optimistic," said Mr. Lane when I asked him about the Trump administration's outreach. "We had a hot and cold relationship with the previous administration. Trump came out early and said, 'You're a priority.' I've noticed a difference."

In Iran's Election, Americans Should Root for the 'Hard-Liner'

By Reuel Marc Gerecht

In Washington there is a consensus that the re-election of Iranian President Hassan Rouhani is in the best interests of the U.S. Most find the self-avowed pragmatic cleric, who championed the 2015 nuclear deal, a less menacing choice than his "hard-line" opponent Ebrahim Raisi, who is rumored to be the preferred candidate of Supreme Leader Ayatollah Ali Khamenei.

But a victory for Mr. Rouhani, who appears destined to win unless Mr. Khamenei rigs the election in Mr. Raisi's favor, would be the worst possible outcome. Better than anyone, Mr. Rouhani can align Iran's factions

on major foreign-policy questions. Put another way, he is uniquely capable of fortifying the theocracy.

Mr. Rouhani and the supreme leader go way back. They worked together after the 1979 revolution to purge the Iranian army. Mr. Rouhani is also a founding father of the feared Iranian ministry of intelligence. He took the supreme leader's side in the brutal suppression of the pro-democracy Green Movement in 2009–10, which was probably the most dangerous time for the clerical regime since Saddam Hussein's invasion in 1980.

Despite the decades-old feud between him and Mr. Khamenei's praetorian, the Revolutionary Guard Corps, Mr. Rouhani has tried to

maintain amicable relations with senior officers, including Maj. Gen. Qasem Soleimani, the head of the expeditionary Qods Force and the overall commander of the foreign Shiite militias deployed to Syria and Iraq. Mr. Rouhani is as ardent a supporter of Iran's new Shiite imperialism as is Gen. Soleimani.

The supreme leader allowed Mr. Rouhani to run and win the presidential election in 2013 because he had confidence in him to keep down dissent, either through co-optation or oppression. Although Mr. Rouhani has hinted that he would like to release the leaders of the Green Movement, Mir-Hosein Mousavi and Mehdi Karroubi, from house arrest, he has studiously avoided the subject while in office. The supreme leader's preference for a muscular police state doesn't much trouble the president, although Mr. Rouhani would certainly prefer a more selective, less disruptive use of harsh methods.

Mr. Rouhani's big difference with the supreme leader has been over economics. The president has long been an advocate of Western investment. He has been explicit in his desire to play Europe off the U.S., and to use Western businessmen as lobbyists against renewed sanctions.

He has been ably aided in this effort by Javad Zarif, one of the most talented, polished and mendacious foreign ministers the Islamic Republic has ever deployed.

Mr. Rouhani appears to believe that the regime can implement a version of mainland China's success. Islamic authoritarianism can use foreign money in a more capitalistic system to strengthen the

state economically and militarily. He clearly doesn't believe Western investment necessarily breeds sedition. For him, theocracy and state capitalism aren't mutually exclusive.

Mr. Khamenei backed the last big wave of foreign investment in Iran, in the 1990s. As his own power has grown, he become fearful about the nexus between economics and culture. Although he backed Mr. Rouhani's plan in 2013 for a nuclear deal

The 'moderate' Rouhani has made it too easy for American officials to deceive themselves.

that puts temporary restraints on the regime's atomic aspirations in exchange for sanctions relief, his fear of insidious foreign influences has metastasized. Nonetheless, he continues to back the nuclear accord and commerce with Europeans.

Iran's ruling elite was purged after the near-cataclysm of the 2009 presidential election. Those in power have worldviews, especially about the projection of Iranian power abroad, that are more or less in sync. What unites them—fear of anticlerical populism, the Western-educated elite, and American power—is probably greater than what divides them. Though the 77-year-old Mr. Khamenei's phobia of Western culture and anxiety about his successor may well convince him to throw the election to Mr. Raisi.

It ought to be clear that Washington isn't better off with a more powerful Islamic Republic, the ultimate objective of Mr. Rouhani. The Revolutionary Guards' budget is going up 24% this year. Although enormously appealing to Western businessmen and politicians, the moderation-through-trade argument that President Obama advanced during the nuclear talks isn't historically sound. Mr. Rouhani's mentor, President Ali Akbar Hashemi Rafsanjani, opened Iran's economy to Western investment in the 1990s while also boosting Iran's support for terrorism. As Maxime Rodinson, the renowned French Marxist historian pointed out, Islamic despotism and capitalism can coexist.

Washington would be far better off if a "hard-liner" won the presidential contest. It would make it more difficult for Congress and the Trump administration to deceive themselves about Iran's intentions. It would increase the distance between the Iranian people and their overlords, improving the chances that the Revolutionary Guards, who had difficulty shooting demonstrators in 2009, will splinter.

Opposition to clerical dictatorship will erupt again—the sooner the better given the nuclear deal's temporary restraints. Mr. Rouhani's promise is an illusion for those weary of the Middle East. Like a mirage on the desert's edge, this mullah beckons fools.

Mr. Gerecht, a former Iranian-targets officer in the Central Intelligence Agency, is a senior fellow at the Foundation for Defense of Democracies.

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German Grocer Enters Wal-Mart's Turf

Discounter Lidl brings market-winning ways to U.S. at fraught time for food retailers

BY SARAH NASSAUER AND HEATHER HADDON

BENTONVILLE, Ark.—Here at the headquarters of the world's largest retailer, **Wal-Mart Stores** Inc. executives are bracing for the arrival in the U.S. of a European grocer with a track record of disruption.

Lidl, a German discount chain whose entrance in the U.K. in 1994 helped upend that country's

grocery sector, says it will open 20 stores in Virginia, North Carolina and South Carolina by summer, with some arriving in the next few weeks. Two hundred or more are planned in the coming years, according to real-estate analysts.

Ratcheting up the pressure: Another German discounter, **Aldi**, which entered the U.S. market in 1976, is fortifying its American business. It plans to spend \$1.6 billion to remodel 1,300 U.S. stores and build 650 more by the end of next year.

Wal-Mart executives have been laying the groundwork to compete, working to hone

store-brand product selection, lower some prices and get the basics right, like speeding up checkout lines, its chief executive, Doug McMillon, said in an interview last month.

Since Mr. McMillon became the company's fifth CEO in 2014, Wal-Mart has focused on making storewide improvements, moves that have helped boost sales. "The work that's been done to be positioned to compete started happening two years ago," he said.

With nearly \$100 billion in sales and about 10,000 European stores, Lidl, as well as Aldi, have eaten into large European grocers' territory and

and other local grocers' shares have fallen, according to market-research firm Kantar Retail.

Of the U.S. market, where Lidl sees an opportunity for inexpensive, high-quality groceries, William Harwood, a U.S. spokesman for the company, said: "We feel we'll be able to plug some key gaps that exist."

Lidl is working to build about 150 stores, according to Beitz and Daigh Geographics, a location analytics company that scans property transactions. Mr. Harwood declined to elaborate on the company's expansion plans or strategy, but said that in addition to the 20 stores in Virginia and the Car-

olinas, Lidl would open as many as 80 more stores on the East Coast by the summer of 2018. Lidl's U.S. chief executive, Brendan Proctor, was expected to discuss the timing of the store openings and its expansion during an event in New York City late Tuesday.

Lidl's arrival and Aldi's growth come at an already fraught time for the U.S. grocery industry. Food-price deflation has eaten into grocers' earnings for the past 17 months as of April, the longest stretch of year-over-year declines in retail food prices since 1956.

Though that trend could be

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Peter Lee dressing for different types of investors



Advisers to Millennials Dress Part

Wealth managers change approach—and clothes—to bridge a generation gap

BY VERONICA DAGHER

When financial adviser Peter Lee's assistants schedule his client meetings, they make sure he doesn't meet baby boomers and millennials on the same day. The reason: Mr. Lee doesn't want to bring a change of clothes.

The 38-year-old financial adviser knows that if he wears

a suit to meet most of his millennial clients, he will probably get a bit of side-eye.

"If we're meeting at a coffee shop and I'm dressed up and the client is in jeans and a T-shirt, it's going to make everyone feel uncomfortable," said Mr. Lee, founding partner of Summit Trail Advisors. He works in the firm's Chicago office.

Advisers who work with mil-

lennials say dress isn't the only way they may differ from older generations. Millennials—those born roughly between the early 1980s and the early part of the last decade—want their adviser to act more like a life coach and aren't usually interested in hearing advisers' predictions on how much they need to save now so they can retire later.

They also want advisers to be technology-savvy and to host exclusive events, such as parties with famous artists, so they can be treated like VIPs.

Delivering for them makes good business sense even if many don't have a lot of money now. Millennials are the nation's largest generation in history, supplanting aging baby boomers. They stand to

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the stock market, and the return of the average stock in the market, are nothing alike. Even though the stock market generates positive average returns over time, more than half of all stocks lose money over their lives as public companies, and the number of stocks that make big money is small.

As finance Prof. Hendrik Bessembinder of Arizona State University has shown, only 0.33% of all companies that were part of the U.S. stock market at any point over those nine decades accounted for half of all the wealth generated for investors. And fewer than 1.1% of all the stocks that existed created three-quarters of the

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SEC Rethinks Approval Of New Leveraged ETF

BY DAVE MICHAELS AND CHRIS DIETERICH

The Securities and Exchange Commission will reconsider its initial approval of a risky, first-of-its-kind exchange-traded fund that promises four times the daily price moves of S&P 500 futures contracts, according to people familiar with the matter.

The commission's decision means the earlier approval—given by the SEC's staff, not the politically appointed commissioners—has been put on hold and doesn't allow the ForceShares Daily 4X US Market Futures Long Fund and Short Fund to begin trading, the people said. The commis-

sion, which currently has three members, could reverse or uphold the staff's decision, but the move puts more scrutiny on a product approval that took many by surprise.

"I was surprised [the staff] let them go," said Amy Doberman, a partner at Wilmer Cutler Pickering Hale & Dorr LLP who was previously general counsel of ProShares, a leveraged ETF provider. "They are certainly not any less risky. I cannot imagine they are going to be any less susceptible to the impact of volatility that caused issues with the other [leveraged] funds."

The SEC's approval of the 4X funds on May 2 appeared to

Please see ETF page B2

INSIDE

Tests Show More American Workers Using Drugs

BY LAUREN WEBER

More U.S. workers are testing positive for illicit drugs than at any time in the last 12 years, according to data coming from **Quest Diagnostics** Inc., one of the largest workplace-testing labs in the nation.

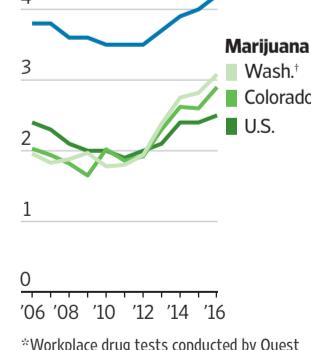
The number of workers who tested positive for marijuana rose 4%, while positive results for other drugs also increased. The rises come against a backdrop of more liberal marijuana state laws and an apparent resurgence in the use of drugs like cocaine and methamphetamine.

In 2016, 4.2% of the 8.9 million urine drug tests that Quest conducted on behalf of employers came back positive, up from 4% in 2015. It is the highest rate since 2004, when 4.5% of tests showed evidence of potentially illicit drug use.

Marijuana was identified in 2.5% of all urine tests for the general workforce in 2016, up from 2.4% a year earlier. Quest also tests people, such as bus drivers and airline pilots, in jobs that affect public safety. For these jobs, regular drug testing is mandated by federal

On the Rise

Percentage of U.S. workers who tested positive for drugs



*Workplace drug tests conducted by Quest Diagnostics
†Legalized recreational marijuana in late 2012; doesn't include safety-sensitive workforce
Source: Quest Diagnostics

THE WALL STREET JOURNAL



ERIK MCGREGOR/GETTY IMAGES

Marijuana remains among the most commonly used drugs in the U.S.

rose 11%; in Washington up 9%. The rates of increase in these states, the first to legalize pot, were more than double the increase nationwide in 2016.

In prior years, trends in those states tracked what was happening across the U.S.

Employers in Colorado and

Washington can fire or choose not to hire someone who tests positive for marijuana despite the state laws. More recent statutes in states like Maine would give employers less leeway for punishing workers with traces of pot in their urine.

Drug use appears to be

higher among the broader American population compared with just workers and job applicants subject to testing. In 2015, 6.5% of Americans ages 26 and older admitted on a government survey that they had used marijuana or hashish in the prior month, according to the National Institutes of Health's most recent analysis of drug use. Among those 18 to 25 years old, the share climbs to 19.8%.

Another concern for employers is the continuing rise in cocaine positives, particularly in drug tests conducted after workplace accidents. Of U.S. workers tested by Quest, traces of cocaine were found in 0.28% of tests. The share of positives from postaccident tests was more than twice as high as the rate from pre-employment assessments.

"While a test can't tell you whether or not the use of cocaine is what caused that incident, it certainly raises the level of concern that cocaine may have had some impact," said Barry Sample, senior director of science and technology for Quest's employment-testing unit.

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BUSINESS NEWS

Teen Retailer Rue21 Files for Bankruptcy

Plan is to re-emerge swiftly with fewer stores, revamped balance sheet

BY PEG BRICKLEY

Teen-apparel retailer **Rue21** filed for bankruptcy Monday, having already begun the process of closing many of its 1,179 stores to survive a rapidly changing retail landscape.

Months of planning went into Rue21's strategy of tackling more than \$1 billion in debt and coming out of chapter 11 swiftly and in one piece, minus hundreds of stores and an unknown number of employees.

With some 800 outlets and a revamped balance sheet, Rue21 believes it can survive the sector shakeout that erased the Wet Seal, American Apparel, Limited and Sports Authority chains, according to bankruptcy court papers.

The "general downturn in the retail industry, decreased sales and increased operating costs" are to blame for the cash crunch that forced the Warrendale, Pa., company into chapter 11 bankruptcy protection, said Todd Lenhart, the company's acting chief finan-

cial officer, in a declaration filed with the court.

Getting a judge to grant preliminary approval of bankruptcy loans that refinance the company's existing debt and offer \$50 million in fresh credit will be a priority for the company at a U.S. Bankruptcy Court hearing Wednesday in Pittsburgh.

Rue21 has \$3 million in cash and borrowing power of \$17 million—amounts "significantly below" what it needs to stay in operation, according to court papers.

Bankruptcy financing was negotiated as part of the balance-sheet cleanup that is supposed to get the 37-year-old company into competitive shape and ready to exit bankruptcy within months.

Many of the lenders that rank at the top of \$832 million in financial debt have agreed to go along with Rue21's survival plan.

A new wave of pain is on the way to landlords, suppliers and other business partners that operate in the retail industry. Many vendors had tightened terms on Rue21 in recent months, as the company bargained with lenders over a reorganization or sale of the business.

With 396 stores already in



Actress-singer Liz Elias, center, meets fans at teen apparel retailer Rue21 in Miami last year.

Unsecured Creditors Back Survival Bid

Included in the ranks of Rue21's unsecured creditors are investors that own some \$239 million of bonds as well as companies like Canada's **Mark Edwards Apparel, Inc.**, which is owed more than \$21 million, court papers show.

Some 60% of the unsecured bond debt is held by investors who have pledged to support Rue21's bid for survival, court papers say. Rue21's chapter 11 exit strategy has nearly unanimous support among senior creditors. If Rue21's unsecured creditors vote down the chapter 11 reorganization plan, they will get nothing, court papers say.

Rue21 declined to give an estimate of how much it will owe trade creditors.

Unsecured creditors are being offered 4% of the equity in a reorganized company, as well as the right to pursue certain legal actions.

—Lillian Rizzo
and Soma Biswas
contributed to this article.

the process of being shut down—and more closures possible—major landlords are dispatching lawyers to Wednesday's court session with Judge Gregory L. Taddeo.

According to court papers,

Rue21 was paying about \$118 million a year to rent retail spaces and seeing diminishing returns. Advisers sifted out stores suffering from declining mall traffic and began the process of liquidating them.

In broad strokes, Rue21

plans to pay off some top-ranking loans with cash raised by emptying the shelves at stores that didn't make the cut, while other top-ranking debt will be swapped for most of the equity in a trimmed-down company.

vate-label offerings, and last month introduced a compression-apparel brand called Second Skin in addition to its existing Calia by Carrie Underwood women's apparel line.

Last year, Dick's acquired Sports Authority's intellectual property and more than two dozen store leases, allowing the chain to expand into new regions like California. As of its April-ended fiscal first quarter, Dick's operated 691 stores in 47 states, up from 647 a year ago.

Dick's net income rose 2.3% to \$58.2 million. Revenue grew 10% to \$1.83 billion.

Dick's Sporting Goods Pulls Back on Store Openings

By SARA GERMANO

Dick's Sporting Goods Inc.'s sales results fell short of forecasts and the chain said it plans to scale back new store openings, highlighting the challenges besetting sporting-goods retailers.

The Pittsburgh-based chain said sales at stores open more than a year rose 2.4% for the quarter ended April 29, well below expectations of 3.5% by analysts polled by FactSet.

Dick's shares fell nearly 14% in trading Tuesday, with UBS downgrading the stock to

"neutral" from "buy" on the downbeat results.

Dick's Chief Executive Edward Stack, in a call with analysts, said the company plans to open 15 to 20 stores in 2018 as it waits for real-estate prices to come down, and possibly as few as 5 to 10 in 2019, compared with 43 this year. He added that the company could consolidate stores or choose not to renew leases as they come up over the next few years.

He said the company has cut about 160 jobs and would record a pretax charge of \$7 million in its current quarter for

severance and other employee-related costs. The retailer had roughly 14,600 full-time employees and 25,900 part-time associates as of January, according to a filing.

Over the past few years, Dick's has faced a cascade of retail woes. The plummeting golf-equipment market forced a merchandising upheaval in 2014, followed by the rise of athleisure and a slew of sporting-goods bankruptcies, most notably chief rival Sports Authority last year. Dick's has navigated the challenges by reconfiguring its product assortment, acquiring intel-

lectual property and dozens of store leases from rivals, and broadening its store footprint—making it one of the few large-store national retail chains to do so of late.

Still, hurdles remain. On Tuesday, Mr. Stack said the pending liquidation of rival Gander Mountain would likely hurt Dick's sales of firearms and hunting equipment through the next two periods.

The liquidations and "a challenging retail environment" are weighing on the chain's outlook for the rest of the year, he said. Dick's ex-

pects full-year same-store sales to rise 1% to 3%, compared with a 3.5% increase in 2016. "I think the market is going to get a bit more competitive before everything shakes out," Mr. Stack said.

The lower-than-expected sales come amid a slate of changes at Dick's, which last week said that operations chief André Hawaux will retire and chief marketing officer Lauren Hobart has been promoted to company president.

Dick's previously said it would drop one-fifth of the brands it carries. It has expanded its pri-

Where work* happens.

* at large, fast-moving companies like yours

slack.com/enterprise

 slack enterprise grid



TECHNOLOGY

WSJ.com/Tech

Hard at Play at the Global Gaming Expo



NEXT MOVE: Competitors strategize over a game of Sic bo at a machine at the Global Gaming Expo, or G2E, at the Venetian Macau resort and casino in Macau, China. The gaming expo runs through Thursday at the resort operated by Sands China Ltd.

Web Retailers Shift Gears

Mattress seller Casper, in deal with Target, is latest to turn to physical stores

By ELIOT BROWN

Casper Sleep Inc. rattled the mattress industry with a bed-in-a-box that is sold only online, shipped free and comes with a 100-night guarantee.

But after three years of robust sales as it lured customers through Facebook ads and podcast sponsorships, Casper is finding it can no longer shun the storefront. The startup is turning next month to Target Corp. to sell pillows, sheets and other accessories—though not yet beds—in 1,200 stores nationwide.

The New York company is among several specialty web retailers shifting to brick-and-mortar stores after finding the pool of online buyers is only so deep.

"You have to start with digital," said Philip Krim, the chief executive and co-founder of Casper. Now that more people

have learned about the brand, "offline distribution—that's where you're really able to get a lot of scale."

Target, which said the deal came together after about a year of talks, has yet to sell mattresses in stores, and the Minneapolis retailer has walked away from or ended some e-commerce efforts over the past 12 months to focus on in-store sales. But Casper said it would become the exclusive mattress of Target.com and is discussing the possibility of bringing the bed into stores.

Casper is joining several other web-retail startups that first targeted millennials online with slick video ads and are now expanding onto store shelves.

The turnaround might seem counterintuitive for startups that trumpet low prices by cutting out the middleman. But they are discovering that maintaining customers and finding new ones online is more challenging than expected. Retail stores allow them to lower their advertising and marketing budgets and limit pricey returns.

Harry's Inc., which started out four years ago selling discount razors online through subscription plans, last summer announced a similar deal with Target to put its blades and cartridges in retail stores. Within weeks, the New York company gained a 50% market share at Target for razor handles, according to Nielsen data.

Harry's and Warby Parker also are tapping brick-and-mortar customers.

Harry's co-founder Jeffrey Raider said the profit margins from online sales ended up being similar to those from stores. "If I had a crystal ball I'm not sure I would have predicted it," he said, adding that the future of retail is a mix of online and in-store sales.

The same is true for hip eyeglass maker Warby Parker, a

seven-year-old company that challenged conventional retailers with \$95 glasses mailed, and with free returns. It opened its own store in 2013, and experienced better sales than anticipated. Today the New York company has more than 50 stores, with a total of 70 expected by year's end, and co-founder Dave Gilboa said he thought online and physical-retail sales could be even in a few years.

"E-commerce is taking share but it's doing so more slowly than I think we thought when we launched," Mr. Gilboa said. "If we were just to focus on online at this time, we'd only be able to address about 3% of the overall eyewear market."

And as more e-retailers have entered the space and fought for ads directed at similar customers, rates have jumped.

Ben Lerer, an early-stage investor in retailers including Casper and Warby Parker, said that three to five years ago there was a "gold rush" of direct-to-consumer companies that bought cheap online ads. "Now it's gotten harder," he said.

Twitter Co-Founder Returns to Coop Amid Departures

BY GEORGIA WELLS

Twitter Inc. co-founder Biz Stone is rejoining the micro-messaging company to focus on its culture, in an attempt to revive morale amid many executive departures and slumping growth.

In his new role, Mr. Stone will also aim to convey elements of Twitter's culture externally, he said in a blog post Tuesday. Mr. Stone said he isn't replacing anybody at Twitter and he will work with Twitter's Chief Marketing Officer Leslie Berland.

"Twitter has woven itself into the fabric of our global society," Mr. Stone wrote. "The world needs Twitter, and it's here to stay."

"Excited to have Biz's energy and heart back at Twitter!" Chief Executive Jack Dorsey tweeted. Mr. Stone left Twitter in 2011, when it was still privately held.

A spokeswoman for Twitter confirmed Mr. Stone's return to the company. Twitter shares rose 1.4% on Tuesday.

Mr. Stone helped launch Twitter in 2006 along with Mr. Dorsey, Ev Williams and Noah Glass. He focused on the creative side of the company's business. In recent years, though, Twitter seems to have lost its mojo. In its most recent earnings report, revenue slid for the first time since Twitter's public offering in late 2013. User

growth has stalled.

Many Twitter employees have jumped ship. Since January last year, Twitter has lost a stream of executives, including COO Adam Bain and CTO Adam Messinger, senior vice president of product Kevin Weil, vice president of diversity and inclusion Jeffrey Siminoff, chief human resources officer Renee Atwood, and vice president of partnerships Ali Jafari.

Mr. Stone continued to advise Twitter, he said in an interview with The Wall Street Journal in 2014. At the time, he said he retained "significant equity" in the company, whose share price has fallen by more than 50% since the IPO. Twitter declined to comment on his current equity holding.

In 2012, he teamed up with Mr. Williams to start publishing platform Medium Corp. After Medium, Mr. Stone co-founded Jelly Industries, which allows users to answer other users' queries. The number of connections that people make on social media gave Mr. Stone the idea for Jelly, he said in the 2014 interview, because he started wondering what the point was of amassing so many online connections.

Jelly, however, never really took off. Image-discovery company Pinterest Inc. acquired Jelly earlier this year, prompting Mr. Stone to wonder what his next move would be.



Biz Stone will focus on Twitter's culture. User growth has stalled.

TECHNOLOGY WATCH

KKR

Sale of Visma Stake Under Consideration

Private-equity giant KKR & Co. is eyeing the sale of its 31% equity holding in **Visma Group**, Norwegian software company, in a deal that could fetch about €1 billion (\$1.1 billion), according to people familiar with the matter.

Visma offers web-based services that allow businesses and governments to manage payrolls and other administrative needs. In 2016, the company increased its earnings before interest, taxes, depreciation, and amortization, a commonly used profit measure, by 27% to 1.91 billion Norwegian kroner (\$225.1 million) on revenue growth of 21%.

Potential bidders couldn't be learned. But the low cost of capital and long-term investment horizons of pension or sovereign-wealth funds could give them a bidding advantage over traditional private-equity firms.

KKR shares its Visma ownership with two other private-equity firms—**HgCapital** and **Cinven**—each of which also own a 31% stake. Management controls the rest.

—Ben Dummett

SEARS HOLDINGS

Hong Kong Supplier Faces Craftsman Suit

The target of **Sears Holdings** Corp.'s lawsuit against the supplier of its Craftsman-branded products is a Hong Kong company responsible for some of the best-known brands in power tools and household appliances in the U.S.

Techtronic Industries Co. is the brand owner and manufacturer of Hoover and Dirt Devil vacuums and Milwaukee and AEG power tools. Through a unit, One World Technologies Inc., it makes the Craftsman power tools sold by Sears.

In its suit, Sears accused One World of trying to change the

terms of their supply agreement so One World could cut back the number of tools it makes for Sears. The move came after Sears raised doubts about its ability to continue as a going concern in a regulatory filing. The language spooked suppliers such as Techtronic, which are often the last to be paid after retailers go bankrupt.

A spokeswoman for Techtronic said the company didn't have an immediate reply to a request for comment. Earlier this year, Sears sold its Craftsman brand to **Stanley Black & Decker** Inc. to shore up the Chicago retailer's balance sheet.

—Wayne Ma

COMPUTER SECURITY

Bitcoin Holds Risks For Cyberattackers

The hackers behind the massive WannaCry cyberattack have succeeded in extracting some ransom payments from people locked out of their computers. But they don't yet have dollars to show for it.

The cyberthieves took payment for their so-called ransomware in bitcoin, the digital currency that has become a popular tool for moving money across borders quietly—about \$66,000 worth. Now comes the hard part: converting that bitcoin into cash with the whole world watching their every move.

Here's the setup: The WannaCry thieves have infected computers around the world with malware that locks the computers. Victims are instructed to send \$300 worth of bitcoin to online accounts in exchange for a key to unlock their computer.

Once the bitcoins are deposited, the thieves have to figure out a way to turn the bitcoins into cash or something else of value. The risk: Once they do anything that touches the "real world," the hackers are potentially exposing themselves to being caught.

—Paul Vigna

Facebook Fined by French Watchdog

By NATALIA DROZDIAK

France's privacy watchdog on Tuesday slapped Facebook Inc. with a €150,000 (\$165,616) fine on allegations the social media giant's privacy policy breaches French law. The action marked the latest setback for the company in Europe, where it is hounded by multiple legal and regulatory battles.

The size of the fine is comparatively small for Facebook, which brought in \$27.6 billion in revenue last year—almost all of which came from advertising. More important, however, the watchdog's decision could force changes to the way the company operates.

France's Commission Nationale de l'Informatique et des Libertés, or CNIL, accused Facebook of compiling massive amounts of personal data for targeted advertising without granting users the option of objecting, the watchdog said. The regulator also accused Facebook of collecting data on users' browsing activity on third-party websites without their knowledge.

"We are disappointed with today's news and respectfully disagree with the CNIL's findings," said a Facebook spokesman, adding the company was pleased, however, that the watchdog had taken into consideration information provided by Facebook during the investigation.

Facebook first sent Facebook a formal notice about its concerns in January 2016 and held a hearing about the issue in March 2017, before deciding to impose the fine.

At issue in the regulator's allegations of web tracking is the use of a cookie, known as a "datr" cookie.

Facebook has previously acknowledged that it does collect data on users' internet browsing even when they aren't logged in, through a snippet of computer code called a cookie that it places within an individual's web browser if they have visited the Facebook.com website. That



The company was accused of compiling personal data for ads without offering the option of objecting.

Company Issues Refunds to Some Of Its Advertisers

Facebook Inc. is issuing refunds to some advertisers after discovering a bug in its system that led it to overstate clicks on marketers' websites, a disclosure that comes as Madison Avenue is demanding better and more transparent measurement from the social network.

In a blog post published Tuesday, the social network said the discrepancy was minor. It occurred when users visited the

site on mobile browsers—not in the Facebook app or on desktops—and clicked on its "video carousel" ad formats to expand them in size. Those clicks were inadvertently registered as website clicks. The carousels allow advertisers to place multiple images, videos and text within one ad unit, which users can swipe across to view. Facebook said the bug affected advertisers specifically paying for ads that resulted in clicks to their websites. Over the period Facebook was monitoring, 0.04% of all impressions on the social network were affected, the company said.

Carolyn Everson, Facebook's

vice president of global marketing solutions, said the bug was uncovered as part of a recently introduced review process and the company is "committed to transparency" with its partners.

Facebook has now acknowledged on five separate occasions since September that it overstated or understated the metrics

advertisers and publishers use to get a sense of the effectiveness of their posts and ads.

Until now, none of these publicly

confirmed errors affected billing,

though Facebook had issued some refunds to individual ad-

vertisers for reporting bugs.

—Lara O'Reilly

to users didn't allow them to understand that their data was being collected as soon as they navigate to a third-party website.

The massive data collection

carried out via the "datr" cookie, is unfair due to the

lack of clear and precise information," the CNIL said.

Facebook, along with other

U.S. tech companies, is bat-

tling a broadside of other legal

and regulatory measures in

Europe that could threaten the

way it does business here.

In Germany, for instance, antitrust authorities are investi-

gating whether Facebook abuses

its dominance as a social network to harvest personal information. Officials there are also considering new laws that would require social media platforms to remove hate speech and fake news from their platforms within 24 hours.

The French watchdog's de-

cision on Tuesday is the latest

display of swagger for Eu-

rope's national data-protection

authorities, which have been

empowered to take on Face-

book and other big tech firms

by a series of European court

decisions and new EU-wide

privacy rules to take effect

next year.

The French watchdog's de-

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display of swagger for Eu-

rope's national data-protection

authorities, which have been

empowered to take on Face-

book and other big tech firms

by a series of European court

decisions and new EU-wide

privacy rules to take effect

next year.

BUSINESS NEWS

AB InBev's Marketing Draws Scrutiny

Massachusetts says brewer's giveaways to bars and retailers break industry rules

BY JENNIFER LEVITZ

BOSTON—A battle is brewing in Massachusetts between state regulators and **Anheuser-Busch InBev** NV over allegations the beer giant has provided nearly \$1 million in unlawful giveaways to entice retailers and bars to push Budweiser over rivals.

The state's Alcoholic Beverages Control Commission has issued a report detailing investigators' findings and set a June hearing in Boston on the matter. The report alleges a subsidiary of AB InBev gave out bar equipment as incentives to hundreds of Massachusetts businesses in violation of a state law meant to keep beer companies from squeezing out competitors.

Sales representatives "offered the refrigeration equipment to the retailers at no cost, provided the equipment was only utilized for Budweiser products," investigators said in the report.

While financial arrangements for visibility are common in some industries, such

as the grocery business, they are forbidden in the alcohol sector in most states. That ban harkens to post-Prohibition laws aimed at preventing any one large beverage maker from controlling the chain of manufacturing and sales.

AB InBev said in a statement that it has been working with the alcohol commission since Massachusetts first raised questions. "We believe that we lawfully provided branded point-of-sale items to retailers and plan to contest these allegations," the company said.

The scrutiny comes at the same time that mainstream beer manufacturers and the craft-beer segment are increasingly jostling for customers, creating unprecedented tension in the industry nationwide, said beer consultant Bump Williams. "Shelf space is limited; display space is limited; cooler space is limited," said Mr. Williams. "Getting that share of mind and getting that share of wallets is intense as I've ever seen it."

U.S. shipments of craft beer have soared in the last decade, hitting 23.4 million barrels in 2016, up from more than 7.7 million barrels shipped in 2006, according to industry tracker Beer Marketer's Insights. During the same period,



The brewer says it stands by its practice of providing bar equipment free of charge.

domestic shipments of mainstream beer—including brands like Budweiser—fell nearly 13% to 151 million barrels.

California leveled similar charges against AB InBev, alleging that the company fully or partly paid for refrigeration units, televisions and draft

systems at Southern California retailers. In March, the state announced AB InBev agreed to pay \$200,000 and further train staff to settle the case.

"We have fully cooperated with the California Department of Alcohol and Beverage Control and have addressed is-

sues in a timely manner," AB InBev said, adding that its increased training goes beyond what is required in the agreement with the state.

According to Massachusetts investigators, AB InBev's exclusive distribution subsidiary in the state handed out free

equipment, ranging from coolers worth up to \$5,700 each to "Budweiser signature draft towers"—flashy red and chrome stand-alone brew dispensers—valued at up to \$3,500 each, to 441 retail outlets in 2014 and 2015.

In general, giveaways in the industry still affect competition and hurt access to the market, said Rob Burns, the co-founder of Night Shift Brewing in Everett, Mass., and president of the Massachusetts Brewers Guild, an industry advocacy group. For example, if a bar has 10 draft lines and a distributor buys half of those, a new entrant has a smaller chance of getting its beer to customers, he said. "Right away your ability to sell into that account is gone because someone bought lines."

In Massachusetts, such concerns bubbled up in 2014 after a local brewer took to Twitter to denounce Boston as a pay-to-play city where distributors paid retailers to push certain beers. Following an investigation, the state in 2016 slapped a \$2.6 million fine on Craft Brewers Guild, the largest distributor of craft-beer brands in the state, for "kickbacks" to certain Boston-area retailers. Craft Brewers Guild is contesting the fine and didn't respond to a request for comment.

BUSINESS WATCH

HOME DEPOT

Housing Lends Boost

Home Depot Inc. Tuesday posted sales and profit growth in its first quarter, as the housing market continues to grow.

The Atlanta-based company has reported rising sales as Americans become more willing to spend on home improvement.

In all, Home Depot reported a profit of \$2.01 billion, or \$1.67 a share, up from \$1.8 billion, or \$1.44, a year prior. Revenue climbed 4.9% to \$23.89 billion.

—Austen Hufford

JACK IN THE BOX

Strategic Review

Jack in the Box Inc. says it has begun a strategic review of its struggling Qdoba fast-casual Mexican chain.

The company says it has retained **Morgan Stanley** to conduct the review and help it find other ways to enhance shareholder value.

The announcement, which was part of its earnings report after the market closed on Tuesday, came just after **Corvex Management** disclosed a stake in the chain. **Jack in the Box** shares rose nearly 10% after hours.

—Julie Jargon

A Bill of Rights for Air Travelers



JUSTIN TANG/THE CANADIAN PRESS/ASSOCIATED PRESS

NO BUMPS: Travelers pick up luggage at a baggage carousel at the Ottawa Airport. Canadian airlines won't be able to bump passengers against their will under a new passenger bill of rights.

CLIENT

Continued from page B1

benefit from an estimated \$30 trillion wealth transfer over the next few decades, some of which has already started to occur. While millennials are more likely than older clients to have student debt, many are saving in their 401(k)s and even in 529 college-savings plans for their children.

Jessica Wilson is a millennial who wanted an adviser's help partly so she could get a better handle on her cash flow. But every time the Atlanta 35-year-old met with advisers they used financial jargon. They often pitched various investment products such as annuities that seemed to be geared to older, wealthier clients who were closer to retirement.

She had all but given up on finding an adviser when, through a friend, she met Brandon Hayes, a financial adviser at OXYGen Financial Inc., a firm that caters to millennial and Generation X clients.

Mr. Hayes helped her create a plan to save more and spend less. She said he spoke in plain language, took time to answer her questions and didn't judge her lack of financial knowledge.

Evan Schmidt, a financial adviser in Kirkland, Wash., finds that many millennials would like to take a year off

from work. The vice president of Schmidt Financial Group Inc. helps them make a financial plan so they can take a sabbatical.

"Millennials don't want to wait until they're retired to live out their dreams," he said.

Matt Matros, a 37-year-old entrepreneur, said most of the advisers who approached him were predictable. Many would connect with him via a generic LinkedIn request.

He started working with Mr. Lee, the Chicago adviser, formally four years ago, in part because he didn't seem "stuffy" or "salesy" like other advisers. Mr. Lee had been a regular customer at Mr. Matros's business, Protein Bar, a quick-serve health-food chain.

Mr. Matros is happy that

Mr. Lee doesn't talk to him about saving for retirement constantly like other advisers did. While he encourages Mr. Matros to save, Mr. Lee is focused on introducing him to other entrepreneurs and helping him expand Limitless Coffee & Tea, a business he co-founded recently.

Mr. Matros also likes that he can text Mr. Lee with questions and enjoys attending exclusive client events. He recently attended a small party with Hebru Brantley where Mr. Matros not only met the artist but also other like-minded entrepreneurs.

"It was really cool," he said, "unlike the chicken dinner seminars in hotel conference rooms that some of those other advisers would invite me to."

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THE PROPERTY REPORT

Property Empire Feud Ends

Feil siblings decide the pain of a breakup after years of infighting isn't worth the gain

BY PETER GRANT

A prominent New York real-estate family that controls a multibillion-dollar empire of office, residential and retail properties has settled a bitter internal battle after more than eight years of fighting and tens of millions of dollars in legal costs, according to legal documents and people familiar with the matter.

Developer Jeffrey Feil and his sisters, Marilyn Barry and Carole Feil, have decided to compromise in part because the financial pain for both sides would have been enormous if they had decided to break up the portfolio, the people said.

Lawsuits that were being waged in three different courtrooms in New York and Louisiana have been dismissed at the request of family members on both sides. "The parties have amicably resolved all of their disputes out of court and look forward to the continued growth of the business," said a spokesman for the siblings.

Mr. Feil and his sisters began fighting over will-related matters in a New York Surrogate's Court soon after their mother, Gertrude Feil, died in 2006. The sisters also filed a lawsuit against their brother in Louisiana accusing him of unfairly depriving them of cash. Mr. Feil, who was in charge of the family business, countered that he was running it as his late father would have wanted.

Under a settlement hashed out by their legal teams, Mr. Feil agreed to a new formula for distributing the profits of family properties that include such Manhattan trophies as the Fred F. French Building on Fifth Avenue as well as the



The Feil family's portfolio includes the Fred F. French Building on Fifth Avenue in New York.

Lakeside Shopping Center in the New Orleans area, people said.

"The parties have agreed on set distributions from the business over the next few years and have agreed on a new distribution policy there-

Jeffrey Feil
will cede some
control under
the real-estate
empire's new
structure of
governance.

after," the spokesman said.

Experts put the value of the property the family owns and manages—more than 26 million square feet in about 10 states—at more than \$7 billion.

Just as important, the family has agreed to a new governance structure with a board of directors made up of family and nonfamily members, the spokesman said. Mr. Feil will stay in control, but the board will have information rights

and very limited approval rights.

Under the former system, Mr. Feil had much more power than his sisters, although ownership was split among them evenly.

Mr. Feil will get to name his successor, but the board will have more power over the successor than it will have over him. The successor "reports to the board," the spokesman said.

That doesn't mean the animosity is gone. The harsh words and tactics over the years left wounds that will take a long time to heal, people familiar with the matter said. But staying together is better than the financial repercussions of Mr. Feil buying out his sisters, which would have been the most likely result of the litigation continuing, the people said. If that had happened, the tax consequences for Ms. Barry and Ms. Feil could have been enormous.

For Mr. Feil, buying out the 75% stakes in the properties owned by his siblings would have been tough because it is

unlikely he would have been able to afford it himself. He might have had to take on partners who might not have given him full value because they perceived him to be in a distress situation.

Splitting up can be painful because breakups typically involve sales that can trigger big tax bills. Smaller real-estate businesses also tend to be less efficient. And when families sell properties in such situations, they often don't get top values—just like couples going through a divorce might sell houses at distressed prices.

Louis Feil built much of his fortune after World War II. Jeffrey Feil was groomed by his father to take charge of the family business, but his sisters charged in court papers that he abused this trust and didn't give them sufficient access to records.

Mr. Feil said in court papers that his sisters were given proper access to records, including an accounting report showing that the proceeds were used to repair and improve the properties.

Mall Owners Turn Up Pressure on Creditors

BY ESTHER FUNG

Landlords who owe millions of dollars on struggling shopping malls are finding they have serious bargaining power.

At a time when retailers are closing thousands of stores across the U.S., some lenders are deciding to renegotiate loans backing malls—and suffer guaranteed losses—rather than run the risk of being stuck owning or operating the malls themselves.

Shopping-mall owner **Washington Prime Group** last June defaulted on an \$87.3 million loan backing Mesa Mall in Grand Junction, Colo., and turned the keys over to creditors.

Rather than operate the mall, the creditors quickly sold the property—right back to Washington Prime—at a lower price.

Late last month, Washington Prime told investors it had repurchased the mall and secured a discounted payoff of the original loan for \$63 million.

While the creditors, a collection of bondholders such as insurers and other institutional investors, took a write-down of \$24.3 million, they avoided having to own or operate the mall themselves.

"It was just overleveraged," said Lou Conforti, chief executive of Washington Prime, during a recent earnings call.

The class B mall still shows promise, analysts and mall experts said. Anchored by Sears, **J.C. Penney** and **Best Buy**, the property is seen as the only game in town, with the nearest competition 250 miles away in Salt Lake City and Denver.

"There's a lot of upside here," said Butch Knerr, executive vice president and chief operating officer of Washington Prime. "It's a great asset

that we want to own under right conditions."

The Columbus, Ohio, real-estate investment trust over the past two years has returned the keys of at least three malls to lenders, mostly bondholders who hold the mortgages that have been bundled into securities.

Mesa Mall is the first mall for which Washington Prime said it has secured a discounted payoff.

When it defaulted on the debt last June, the loan was transferred to **C-III Asset Management**, a special servicer that manages distressed commercial mortgages. C-III declined to comment.

The Mesa Mall deal is among the first known instances of mall landlords securing discounted payoffs

\$1.85B

Losses on 318 retail-property loans in past 12 months

rather than walking away entirely, but more such deals could be in the offing.

In the past 12 months, 318 loans backing retail real estate suffered losses totaling \$1.85 billion, with the percentage of lost principal reaching 43.3%, according to data from Trepp LLC, a real-estate data provider.

In some cases landlords have bargained for concessions on their loans.

In recent months, owners of Greenbrier Mall in Chesapeake, Va., the Algonquin Center in Algonquin, Ill., and the Alpine Commons Shopping Center in Wappingers Falls, N.Y., all have obtained extensions on their debt repayments, with current balances totaling \$121 million.

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Intu Properties bought the Xanadú shopping center, above, in Madrid for \$580 million in March.

U.K. REITs Look Abroad

BY OLGA COTAGA

A couple of British real-estate investment trusts are swimming against the current by taking on more debt and expanding abroad.

As REITs such as **Land Securities Group PLC** and **British Land PLC** sell properties to slash their debt, shopping-center owners **Intu Properties PLC** and **Hammerson PLC** are buying properties outside the U.K. and borrowing more money to do it.

In March, Intu bought Xanadú, a shopping center in Madrid, for €530 million (\$580 million), getting a €263 million loan for the purchase. The REIT paid a little more than what the shopping center was valued at in February.

Hammerson, meanwhile,

bought the Dundrum Town Center in Dublin for £650 million (\$838 million) last June in a joint venture and funded it in part with debt.

Hammerson then bought four shopping centers across Europe for £145 million in November.

U.K. property values reached a peak last year after a long run-up. Uncertainty that had begun to build amid implications of the country's June referendum on leaving the European Union has heightened concerns that property values will decline further.

While the climate has made many real-estate companies more defensive, some are going on offense in a hunt for better returns.

David Fischel, Intu's chief

executive, and David Atkins, Hammerson's boss, cited the growing economies of Spain and Ireland as a main reason for the expansions.

While Intu and Hammerson are pure retail players, Land Securities and British Land have other properties, such as offices, which have been the most underperforming asset class in the past several months due to worries banks could shift operations to continental Europe.

With the Xanadú acquisition, Intu now owns three of Spain's top 10 shopping centers. The company also has four shopping-center developments sites in the country.

"The sites Intu has will probably do well," Mr. Kotak said. "They have a good team on the ground."

Research: More Stores Need to Shut

Department-store retailers announced worse-than-expected earnings for the first quarter, and there could be more store closures than expected ahead, including some in higher-tier malls, according to real-estate research firm Green Street Advisors.

In April 2016, Green Street said roughly 800 stores should be closed to bring the companies back to a level in which sales per square foot is in line with 2006 levels, a period considered normal.

Now the research firm is raising the tally.

"Just a year later, the 800 number looks much too light on a strict sales productivity standpoint and is much lower than what will ultimately be

needed as the industry will likely need to massively rationalize its store count as it reinvents its business model," Green Street said in a report.

"The era of a mall anchored by four department stores is coming to an end. One or two such stores per mall is the most likely future," it said, adding that subsequent store closures could also occur in higher-tier malls.

—Esther Fung

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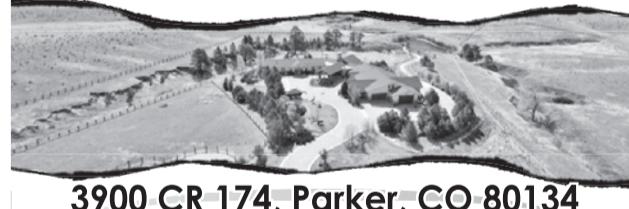
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INTERVIEW WITH TOM MCGEE

The ICSC President & CEO answers questions on today's retail real-estate industry

By Joseph Dobrian

What are the top trends facing the retail real-estate industry?

Public policy, technology and changing consumer expectations: each impacts the industry differently, but all three play an integral role in the future of retail and retail real estate.

Why is public policy so important to retail real estate?

Whether at federal, state, or local regulation level, public policy issues impact every facet of retail real estate. The industry builds communities, fuels economies and inspires innovation, which means that changes to laws or regulations can alter the ability to support a community.

E-fairness, tax reform and modifications to the Americans with Disabilities Act (ADA) are three significant issues with which ICSC is currently involved. Taxing online sales not only supports local communities, but also levels the playing field between e-commerce and brick-and-mortar retail. Changes

INTERNATIONAL COUNCIL OF SHOPPING CENTERS



Tom McGee says this industry builds communities and fuels economies.

to the tax code could impact how real-estate transactions occur, and if done improperly could have dire consequences. And simple changes to the ADA could save local business owners thousands of dollars in legal fees.

The local nature of the industry provides substantial resources to communities and affects the scale of investment that can be made.

Simpler regulations help foster growth and provide sustainability.

What aspects of technology have most impact on the industry?

Consumers want access to information and services through mobile devices and tablets, and they want it to be a part of their in-store experience. Further, technology creates innumerable

opportunities for retailers to better reach and convert customers. Collecting data about a shopper's specific buying habits can create a healthier connection, drive more store visits and forge a stronger bond.

"The two biggest drivers of change are technology advancements and the rise of an experience economy."

make a purchase, and then picked it up in-store. Online-only retailers are recognizing this, and are opening physical locations to expand their brand presence and reach a larger audience.

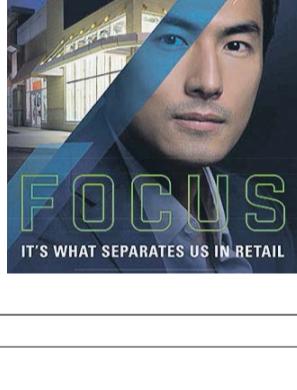
What are consumer expectations for retail and retail real estate?

Baby boomers are beginning to spend less as they age, but the millennials are entering their prime spending years, creating new opportunities for retailers. This younger—and even bigger—generation depends on technology, but is also looking to have a personalized and social experience when shopping. This shift in demographics is an opportunity to engage consumers both online and in person.

Beyond retail, consumers are looking for dining and entertainment experiences as well. We are seeing a wider variety of dining options catering to the desire to experience different cultures and dining styles. Additionally, the movie theater experience is changing and drawing in customers who can dine while watching a movie.

What other trends are you seeing? For the first time ever, U.S. restaurant sales have eclipsed grocery store sales. This increase in the popularity of dining out gives the industry an opportunity to add diversity and vitality to retail real estate.

The two biggest drivers of change in the industry are technology advancements and the rise of an experience economy, which has been fueled by millennials but adopted by all generations.

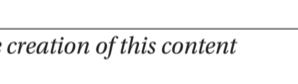


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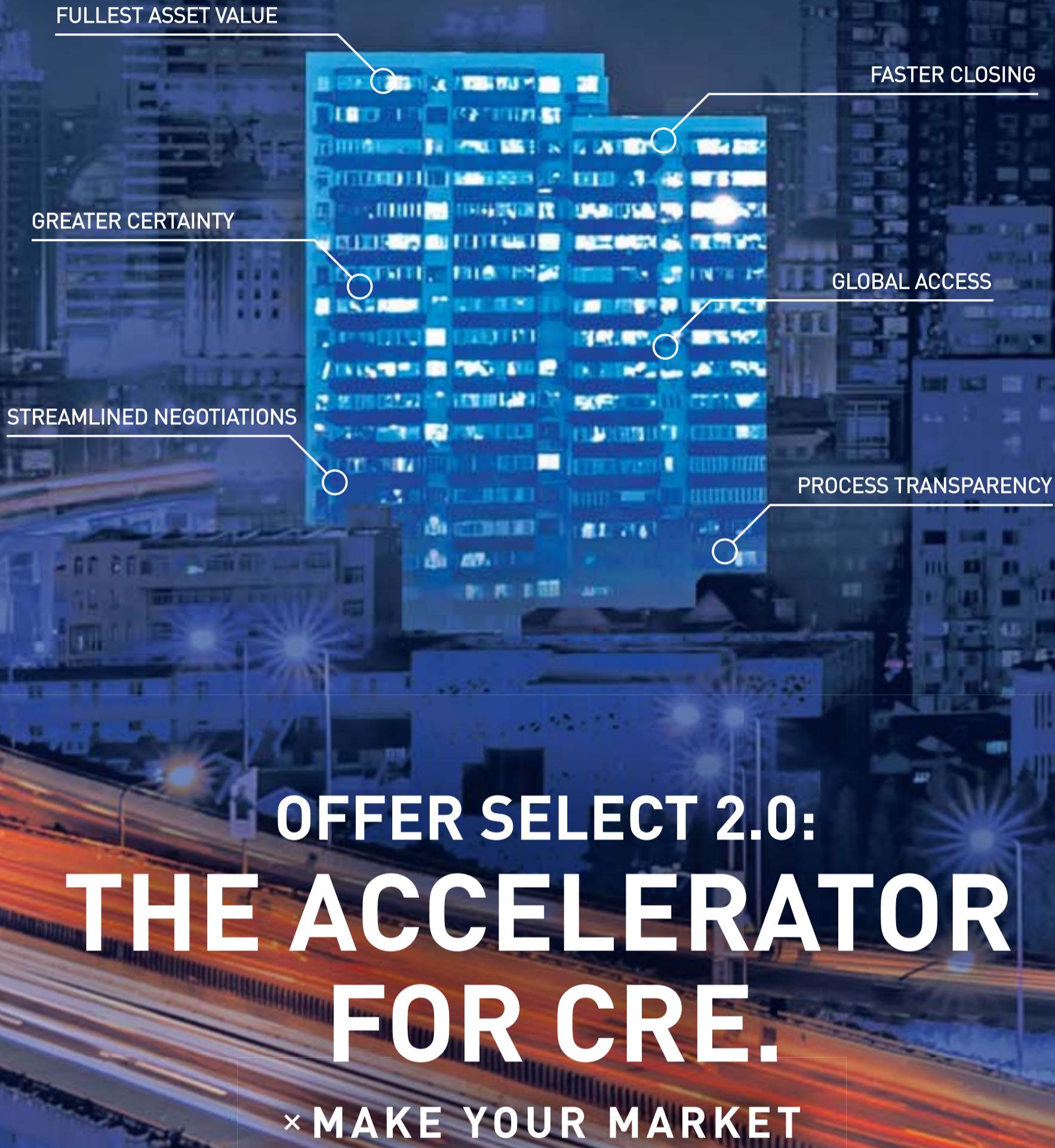
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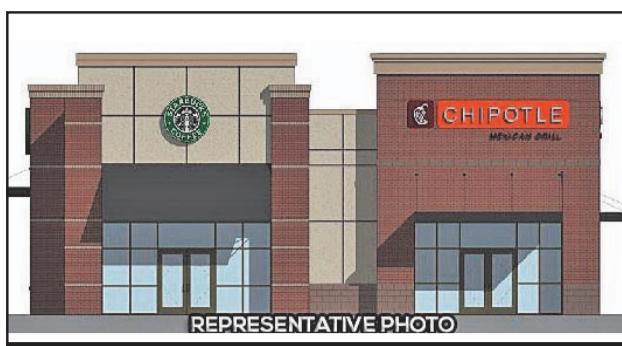


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ICSC RECon
2017 PREVIEW

FOOD AND BEVERAGE SECTOR GAINS GROUND IN SHOPPING CENTERS

Good news for owners and retailers: dining where we shop is a major trend

By Joseph Dobrian

Food and beverage (F&B) retailers have become more important players in shopping centers world-wide. This is a welcome development for many owners and tenants, because restaurants build foot traffic and add excitement to the overall experience. But the increase in inline space devoted to food service does present challenges.

DINING EXPERIENCE

"We see two dovetailing trends in the shopping center industry," says James Cook, director of retail research at Chicago-based JLL. "First, the department store is less a central part of shopping. Three hundred department stores recently announced closures for a variety of reasons. People want specialty stores: they're less interested in one store for everything. At the same time, what can't be recaptured online is the experience of dining, so F&B becomes more prominent."

"The right shopping center can use F&B to drive traffic in the



F&B is estimated to account for 50% of retail growth in shopping centers; almost 20% more than in 2010.

same way they used to use department stores. Quick-service restaurants are doing a bit better than others; 'fast-casual' provides a compromise in which you pay a little more for higher-quality food, but you pay less because there's no table service. In some shopping centers, we expect an

increase in the percentage of inline space devoted to F&B, and shopping-center owners need to have the staff that know how to work with those retailers.

"It's a whole different deal, negotiating with an F&B company as opposed to some other retailer. You need someone on staff who

has experience with that world."

Michael T. Lanning, Kansas City, Mo.-based senior vice president at Cushman & Wakefield and president of the Institute for Real Estate Management (IREM), says no retail category comes close to F&B for growth in shopping centers. It accounts for half of retail growth today, he estimates; in 2010 it was one-third.

INFRASTRUCTURE

"F&B creates foot traffic and benefits other retailers," he says. "But it can present challenges. If a restaurant is going into a strip center, sometimes the infrastructure is challenged as to heating, ventilation and air conditioning (HVAC), restrooms, plumbing,

and parking. IREM members who manage these centers say that additional restaurants will require a good design team that will address mechanical systems and exterior parking. Parking is very important, and you have to address it with expansion or redesign of the lots."

"F&B accounts for half of retail growth today."

Robert Futterman, chairman and CEO of RKF, a retail leasing, sales and consulting firm based in New York, says retail in general is in a bit of a slump. Not many fashion tenants are opening new stores, because rents are often prohibitive.

"Quick-service restaurants and food stores are the only categories that are expanding," he says. "We're seeing new concepts in F&B which provide foods that are traceable from market to table."

"Everyone in our industry is seeking the Internet-proof experience—and food is probably the greatest experience of all," concludes Deborah Butler, president of Butler Enterprises in Gainesville, Fla. "Research from the U.S. Department of Agriculture shows that millennials spend 44% of their food dollars on eating out. Our new Butler Town Center at Stengel Field will offer an innovative, chef-curated food hall when it opens in 2018."

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ICSC RECon
2017 PREVIEWICSC HEADS EFFORT
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TAX LAWS

By Joseph Dobrian

Late last month, the Marketplace Fairness Act, which was passed by the Senate in 2013 but never came to a vote in the House of Representatives, was re-introduced. At the same time, a similar bill, the Remote Transactions Parity Act, was introduced in the House. Both bills would allow individual states to mandate collection of sales tax by online retailers, even if they have no physical presence in a customer's state. Meanwhile, judicial action in the state of South Dakota could make it easier for states to implement taxation of online sales. Several other states have adopted legislation calling for the collection of those taxes. Significantly, one of the top online retailers recently began voluntarily collecting state and local sales taxes.

"Many industry observers hope for federal legislation that would facilitate online sales tax collection."

Other online retailers will probably follow its lead. However, this will take time; the legislation won't be uniform; enforcement and auditing mechanisms will be difficult to work out. The International Council of Shopping Centers (ICSC) continues to work with its members and with government to make progress on the issue.

Supporters of these bills, who come from both sides of the aisle, make the point that as long as sales taxes aren't being exacted on online purchases, the consumer in effect is paying a premium for supporting local brick-and-mortar retailers.

Many industry observers continue to



Online retailers seek clarity on tax laws.

hope for federal legislation that would facilitate online sales tax collection. They're also watching efforts to appeal a recent court ruling that a certain remote sales tax statute is unconstitutional, because it goes against a 1992 U.S. Supreme Court decision that retailers with no physical presence in a state are not subject to that state's sales tax laws.

The ICSC is still pursuing federal legislation that would make the online sales tax enforcement process more uniform, less porous, and easier to monitor. It also hopes that the current makeup of U.S. Supreme Court might be inclined to overturn its previous decision, or at least modify it.

One way or another, greater collection is inevitable in the long run. Many online retailers want to comply with collection and remittance laws, but are hoping for a simplified system for doing so, fearing the expense of dealing with such a variety of regulations and auditing requirements. They're also concerned that various state requirements could compete with each other and lead to large-scale confusion. The ICSC will continue to not only advocate for federal legislation, but will advocate for uniform and simplified processes to facilitate compliance with existing and future laws.

Joseph Dobrian is a freelance writer specializing in real estate matters.

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MANAGEMENT

Consumer Demands To Bolster U.S. Jobs

BY MAYUMI NEGISHI

The rise of tech-savvy and demanding consumers, enabled by online retail, will help bring jobs back to the U.S., said the chairman of one of the world's biggest factory middlemen.

"There's a revolution going on, driven by consumers," said Victor Fung, group chairman of Hong Kong-based Fung Group, at The Wall Street Journal CEO Council in Tokyo on Tuesday.

Instead of the 10 months that manufacturers used to have from the time of design and conception, they are now pressed to deliver within weeks, if not days, he said.

The need to meet consumer demands quickly may ultimately mean a shift that would bring the final assembly process to the U.S., although components may still be supplied globally, he said. "That's what's going to drive change, not a group of politicians."

The new face of the consumer is one that Fung Group has been studying closely. The 111-year-old group rose to prominence as a conduit between Western retailers and China's factories. That business model is under siege as retailers work directly with their suppliers and as e-commerce undercuts the middleman.

Slow to adapt to the transformation brought by online retailing, Fung Group's Hong Kong-listed sourcing company, **Li & Fung Ltd.**, logged its third straight annual decline in both revenue and profit in 2016, with revenue falling to its lowest since 2009. The group is now betting big on information technology to create a digital supply chain to help clients better compete against online retailers.

Mr. Fung attributed 80% of the impact from globalization, including job losses, to technology, rather than the spread of the supply chain overseas.

Political concerns aside, companies need to be more aware that over the long term, the main growth in consumption will come from Asia, Mr. Fung said. Younger Chinese shoppers, who spend four to five hours online a day, are forcing supply chains to become faster, he said. "They are the sweet spot."

Spicing Up American Food Brands

Kraft Heinz CEO Bernardo Hees on reshaping Jell-O and Oscar Mayer, cost-cutting and Oprah

By ANNIE GASPARRO

Kraft Heinz Co. Chief Executive Bernardo Hees is tasked with reshaping iconic American brands like Jell-O and Oscar Mayer hot dogs at a time when changing tastes have resulted in factory closures and deep job cuts at the company and sluggish sales growth across the industry.

While at the helm of the world's fifth-largest food-and-beverage company, Mr. Hees has shaken up the management ranks and implemented the signature cost-cutting of leading shareholder **3G Capital Partners LP**.

Some industry executives and analysts have argued that such moves can come at the expense of sales growth and morale.

Kraft Heinz's operating profit margin rose to 23% last year, from 16.5% a year earlier, on a pro forma basis. Its share price has risen around 26% since the July 2015 merger of Kraft and Heinz, which was valued at about \$49 billion.

The 47-year-old Brazilian native, who is also a partner at 3G, has led several of the Brazilian private-equity firm's investments, including Burger King and Heinz.

Earlier this year, Kraft Heinz made an unsolicited \$143 billion offer for Unilever PLC, which was swiftly rejected by the Anglo-Dutch company. Unilever, whose brands include Ben & Jerry's ice cream, Dove soap and Axe deodorant, said a deal didn't make strategic sense given the companies' different business models.

In an interview with The Wall Street Journal, Mr. Hees discussed leadership, difficult decisions and the overuse of email. Here, edited excerpts:

WSJ: Why did you go after Unilever, and what would you do differently if you could do it again?

Mr. Hees: We saw there was an opportunity where both companies, put together, could be stronger, where two plus two was more than four.

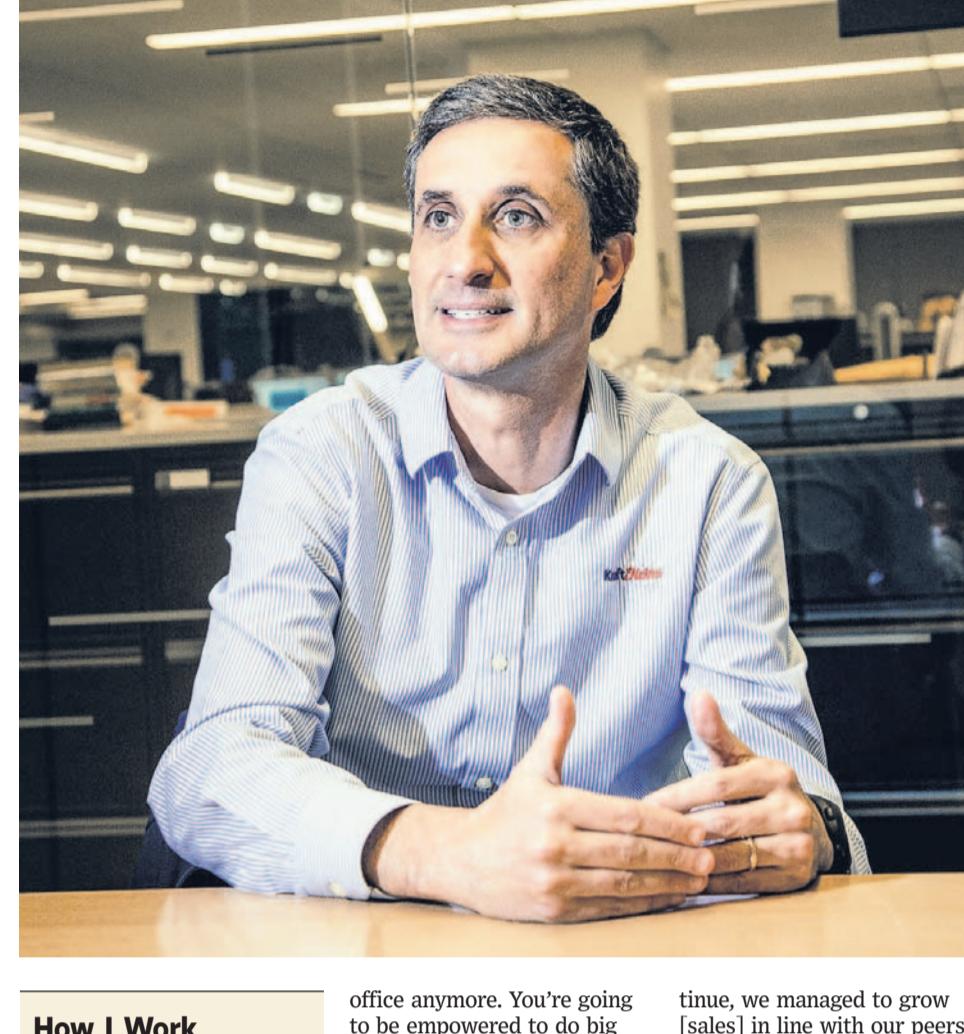
WSJ: What was the hardest thing to get right in merging Kraft and Heinz?

Mr. Hees: This has been one of the best integrations we ever did. It doesn't mean we didn't have mistakes. But a lot of the missteps we took at Heinz, we did correct here. Our communication has been better. I talked to over 500 people individually. We always have some people that want to resist change. We came early on and said: "Look, this will be a high-performance company.... You're not going to have an

office anymore. You're going to be empowered to do big things. You don't need to ask so many layers to take a decision." Sometimes they say: "Hey, that's not for me."

WSJ: What about criticism that 3G Capital's practices improve profitability but don't generate sales growth?

Mr. Hees: We are known as very good and efficient operators. The part that's not so well described is that we have much more of a balanced approach: a love for brands, a reinvestment behind the business. We are renovating brands. Even with the integration, with some of the businesses we decided to discon-



from growing up in Brazil in a hyperinflation environment that creates for us a lot of respect for the use of capital. One thing that is funny, in Brazil or Europe or the U.K., when you need to call someone, you get the phone, you call them. Here, you send an email: "Can I call you?"

WSJ: What types of acquisitions would make sense for Kraft Heinz?

Mr. Hees: We believe we have a plan for profitable growth, and we are going after that with all the steps we need to take. At the same time, there are opportunities that...we are always going to be willing to look at that in the U.S. and internationally. We definitely like brands that cannot only be in a specific market, but can be traveling and can be creative platforms. Unilever or not Unilever, it doesn't mean anything.

WSJ: What's the latest on your partnership with Oprah Winfrey?

Mr. Hees: The products are coming in [the third quarter]. It's the first round. More will come down the road. But the proposition makes us excited to partner with Oprah, to really get her recipes and get nutritious and tasty food.

WSJ: Kraft Heinz stock is outperforming the industry, yet your compensation is lower than your peers. Are you underpaid?

Mr. Hees: It's always difficult. Every time you need to take jobs, those are the toughest decisions you ever need to make. It's looking at what's the right thing to do for the long-term value of the business and really having the resources to invest behind growth.

WSJ:

What perspective do you bring as a non-American leader?

Mr. Hees: I think I bring a lot

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What do you put on a hot dog? **Heinz organic ketchup.**

Once it became clear that they didn't see that as an opportunity to be a friendly approach, we withdrew the offer. It's as simple as that.

WSJ: What was the hardest thing to get right in merging Kraft and Heinz?

Mr. Hees: This has been one of the best integrations we ever did. It doesn't mean we didn't have mistakes. But a lot of the missteps we took at Heinz, we did correct here. Our communication has been better. I talked to over 500 people individually. We always have some people that want to resist change. We came early on and said: "Look, this will be a high-performance company.... You're not going to have an

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tinute, we managed to grow [sales] in line with our peers.

WSJ: Thousands of jobs have been lost during your tenure. How do you decide who and what to cut?

Mr. Hees: It's always difficult. Every time you need to take jobs, those are the toughest decisions you ever need to make. It's looking at what's the right thing to do for the long-term value of the business and really having the resources to invest behind growth.

WSJ: What perspective do you bring as a non-American leader?

Mr. Hees: I think I bring a lot

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DB USA Core Corporation seeks an Assistant Vice President, Technology-PVM IT in Jersey City, New Jersey to participate in Business Meeting and Business Requirement Document Review process. Requires a Bachelor's degree in Computer Science, Information Technology, or related field or equivalent and five (5) years of progressively responsible experience contributing to complete Software Development Life Cycle (SDLC) and deliverable analysis. Must include at least five (5) years of progressively responsible experience contributing to coding, build, unit testing and deployment processes of applications; building data warehouses, including setting up servers and schemas, and loading Star schema; developing reports using Active and Open Reports; developing Informatica workflows to load data between files and databases; developing Control-m smart folders for scheduling jobs; developing Shell scripts and PowerShell scripts for project requirements; developing web services including REST; and preparing and reviewing Low Level/High Level design documents, requirement traceability matrices, architecture diagrams, unit test plans, and project timelines. Apply to www.db.com/careers and search by professionals, keyword GS0417.

VP, Softw Engr

Morgan Stanley Services Group Inc. seeks Vice President, Software Engineer in NY, to be involved in design & dvlpmnt of Morgan Stanley's next generation cross-asset risk & Profit & Loss calculation infrastructure. Req's Master's in Info Sys Mgmt, Comp Engg, or closely rel field of study & 2 yrs exp in position offered or 2 yrs exp as Softw Engt, Softw Dvlpr, or rel occupation. Will accept any amount of exp w/ following skills: medium to large scale Scala & Java multi-threaded apps; Java/Scala performance tuning; JProfiler & VisualVM tooling; heap dump analysis; byte code analysis; fixed income derivatives; math model integration; fin'l risk calculation & mgmt sys'; & Linux shell scripting. To apply, visit us at <http://www.morganstanley.com/about/careers/careersearch.html> scroll down & enter 3090348 as "Job Number" & click "Search jobs." No calls please. EOE

Vice President

Morgan Stanley & Co. LLC seeks Vice President in NY, to perform data analysis & modeling expected losses & capital structures on Commercial Real Estate (CRE) loans that CRE desk originates & subsequently securitized or holds in its books. Req's Bachelor's in Stats, Applied Math, Fin'C, Bus. Admin., or rel field & 2 yrs exp in position offered or 2 yrs exp as Analyst, Associate, or rel occupation. Will accept 3-4 yrs exp. Req's Master's in CRE or 2 yrs exp w/ forecasting/time series modeling prog in KDB/Q & R; & Unix platform. To apply, visit <http://www.morganstanley.com/about/careers/careersearch.html> scroll down & enter 3091057 as "Job Number" & click "Search jobs." No calls please. EOE

Indiana Biosciences Research Institute in Indianapolis seeks first SVP, Development & Partnerships. Requires excellence in fundraising, collaboration, presentations, and experience in corporate partnerships and start-ups.

<http://www.huntbridge.com/ibri/>

BIGGEST 1,000 STOCKS

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, ISYE 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.
 i-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 H-Does not meet continued listing standards.
 If-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-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 16, 2017																							
Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
NYSE																							
i ABB	ABB	25.18	0.40	BCE	BCE	44.68	-0.11	CenterPointEner	CNP	27.19	-0.23	EmersonElectric	EMR	58.60	0.14	RoyalScotland	RBS	6.86	0.07	GBOE Holdings	CBOE	83.93	-1.50
AES	AES	11.32	-0.08	BHP	BHP	36.09	0.39	Enivco	IVZ	32.18	0.14	Index	IDEX	17.51	-0.18	NVR	NVR	226.66	29.41	MerckAdLibre	MELI	297.22	0.98
Aflac	AFL	73.74	0.01	BHPBilliton	BBL	31.27	0.38	Enbridge	ENB	39.64	-0.36	IllinoisToolWks	ITW	137.72	0.03	RoyalCaribbean	RCL	107.34	-0.78	MicrochipTech	MCHP	81.63	1.50
AT&T	T	38.19	-0.12	BP	BP	36.24	-0.52	Encana	ECA	11.15	-0.17	InfoSys	INFY	15.26	0.14	RoyalDutch	RDS/A	56.16	0.51	MicroTech	MU	29.02	0.19
AXIS Capital	AXS	38.19	-0.12	BakerHughes	BHI	57.50	-0.11	EnelAmericas	ENIA	9.82	-0.28	IngersollRand	IR	88.81	0.28	RoyalDutch	RDS/B	58.45	0.69	Microsemi	MSCC	69.60	0.13
AbbottLab	ABT	43.69	-0.35	BancOneBancr	BVA	80.81	0.03	EnelGenChile	EOCC	55.20	-0.03	Ice	ICE	59.00	-0.29	RoyalDutchProp	NNN	36.72	0.91	Microsoft	MSFT	69.41	1.37
Avgte	AEG	5.02	0.00	BancOneBancr	BVA	81.60	0.03	Engen	ETE	18.82	-0.21	InterContinent	IHG	55.50	0.53	S&P Global	SPGI	139.02	0.64	Middleby	MIDD	133.25	-1.91
AvgteProp	ASX	6.25	0.05	BancOneBancr	BVA	81.60	0.03	EnergyTffEquity	ETE	23.28	-0.07	IronGred	INGR	118.20	-0.82	UnitedContinental	UAL	79.00	1.27	Middleby	MIDD	133.25	-1.91
AvgteProp	ASX	6.25	0.05	BancOneBancr	BVA	81.60	0.03	EnergyTffEquity	ETE	23.28	-0.07	Investment	INCY	13.01	...	UnitedRental	URS	111.72	-2.11	Middleby	MIDD	133.25	-1.91
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AvgteProp	ASX	6.25	0.05</td																				

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

20979.75 ▼2.19, or 0.01%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.42 18.74
P/E estimate * 17.72 16.93
Dividend yield 2.34 2.55
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775

21500
21000
20500
20000
19500
19000
18500

Session high
DOWN UP Close
Close Open
Session low

65-day moving average

Feb. Mar. Apr. May

Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2400.67 ▼1.65, or 0.07%

High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.83 23.82
P/E estimate * 18.45 17.62
Dividend yield 1.97 2.20
All-time high 2402.32, 05/15/17

2400
2370
2340
2310
2280
2250

65-day moving average

Feb. Mar. Apr. May

Nasdaq Composite Index

6169.87 ▲20.20, or 0.33%

High, low, open and close for each trading day of the past three months.

Trailing P/E ratio *26.09 21.72
P/E estimate * 21.02 18.15
Dividend yield 1.10 1.31
All-time high: 6169.87, 05/16/17

6070
5950
5830
5710
5590
5470
5350

65-day moving average

Feb. Mar. Apr. May

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400				
20979.75	-2.19	-0.01	20979.75	-2.19	-0.01	21115.55	17140.24	19.7	6.2	8.4
9062.85	-4.38	-0.05	9062.85	-4.38	-0.05	9593.95	7093.40	19.1	0.2	4.9
697.21	-5.27	-0.75	697.21	-5.27	-0.75	720.45	625.44	6.5	5.7	9.0
24861.47	-16.88	-0.07	24861.47	-16.88	-0.07	24878.35	20583.16	18.1	6.8	8.2
641.65	0.70	0.11	641.65	0.70	0.11	643.82	491.89	26.7	6.7	8.3

Nasdaq Stock Market

Nasdaq Composite	6170.16	6139.10	6169.87	20.20	0.33	6169.87	4594.44	30.8	14.6	14.7
Nasdaq 100	5724.71	5699.41	5724.44	19.96	0.35	5724.44	4201.05	32.4	17.7	16.9

Standard & Poor's

500 Index	2405.77	2396.05	2400.67	-1.65	-0.07	2402.32	2000.54	17.3	7.2	8.5
MidCap 400	1733.07	1719.86	1729.52	-1.61	-0.09	1758.27	1416.66	20.2	4.2	8.5
SmallCap 600	845.73	838.04	843.88	-0.52	-0.06	863.08	670.90	25.5	0.7	9.7

Other Indexes

Russell 2000	1396.35	1384.82	1394.68	0.76	0.05	1419.43	1089.65	27.1	2.8	8.1
NYSE Composite	11642.85	11594.82	11606.49	-7.75	-0.07	11661.22	9973.54	13.2	5.0	3.1
Value Line	522.55	519.14	520.82	-1.07	-0.21	529.13	435.06	16.7	2.9	2.8
NYSE Arca Biotech	3691.58	3659.79	3690.00	24.42	0.67	3690.00	2818.70	23.7	20.0	13.8
NYSE Arca Pharma	524.91	521.69	523.26	-0.09	-0.02	554.66	463.78	3.5	8.7	1.0
KBW Bank	92.76	91.97	92.69	0.43	0.47	99.33	60.27	39.4	1.0	11.5
PHLX® Gold/Silver	86.03	85.30	85.78	0.62	0.73	112.86	73.03	-5.7	8.8	-1.2
PHLX® Oil Service	151.49	148.69	149.96	-0.33	-0.22	192.66	146.14	-8.2	-18.4	-19.0
PHLX® Semiconductor	1077.05	1061.45	1076.85	15.80	1.49	1076.85	638.89	68.6	18.8	23.2
CBOE Volatility	10.67	10.18	10.65	0.23	0.21	25.76	9.77	-31.6	-24.1	-5.0

\$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	3,662.2	239.76	-0.32	-0.13	240.20	239.71	
Comcast Cl A	CMCSA	3,516.1	38.83	0.01	0.03	38.83	38.72	
Pfizer	PFE	2,247.0	32.54	-0.06	-0.18	32.61	32.51	
Bank of America	BAC	2,146.0	24.00	0.01	0.04	24.04	23.97	
iPath S&P 500 VIX ST Fut	VXX	2,111.2	13.67	0.07	0.51	13.67	13.58	
Microsoft	MSFT	2,100.4	69.35	-0.06	-0.09	69.54	68.99	
PwrShrs QQQ Tr Series 1	QQQ	1,731.2	139.51	-0.11	-0.08	139.62	139.13	
WisdomTree Japan Hdg Eqty	DXJ	1,606.0	51.91	0.01	0.02	51.98	51.87	

Percentage gainers...

Company	Symbol	Red Robin Gourmet Burgers	RRGB	194.9	67.45	9.45	16.29	67.90	57.99
Flexion Therapeutics	FLXN	7.1	19.97	1.90	10.51</b				

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.	2,5465	2,5155	2,5445	0.0115	2,315				
May 2,5210	2,5280	2,5530	2,5220	0.0115	121,625				
Gold (CMX) -100 troy oz.; \$ per troy oz.									
May 1230.40	1237.30	1230.40	1235.00	6.40	33				
June 1230.80	1239.10	1230.00	1236.40	6.40	212,983				
Aug 1234.40	1242.40	1233.60	1239.70	6.30	127,504				
Oct 1237.70	1245.20	1237.40	1243.10	6.30	7,048				
Dec 1240.80	1249.00	1240.70	1246.50	6.40	63,436				
Feb'18 1248.00	1252.20	1248.00	1249.80	6.40	8,432				
Palladium (NYM) -50 troy oz.; \$ per troy oz.									
June 795.75	807.85	785.85	792.00	-5.00	27,508				
July 801.85	801.85	790.10	791.80	-4.75	4				
Sept 794.70	806.50	785.50	791.55	-4.50	9,730				
Dec 805.55	805.55	797.00	791.30	-4.50	271				
June'18 801.70	801.70	790.50	793.45	-4.50	...				
Platinum (NYM) -50 troy oz.; \$ per troy oz.									
June 931.00	940.50	930.80	936.50	8.30	55				
July 920.80	943.50	929.80	937.00	8.30	66,023				
Silver (CMX) -5,000 troy oz.; \$ per troy oz.									
May 16,580	16,810	16,580	16,693	0.132	83				
July 16,630	16,865	16,610	16,747	0.144	163,554				
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.									
June 48.82	49.34	48.17	48.66	-0.19	273,731				
July 49.12	49.69	48.51	49.00	-0.16	573,423				
Aug 49.35	49.89	48.81	49.29	-0.11	152,291				
Sept 49.60	50.14	49.10	49.55	-0.06	174,805				
Dec 50.03	50.57	49.65	50.11	0.04	307,302				
Dec'18 49.80	50.28	49.60	49.98	0.17	152,371				
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.									
June 1,5101	1,5151	1,5031	1,5164	0.068	82,757				
July 1,5181	1,5374	1,5099	1,5230	0.068	102,786				
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.									
June 1,5960	1,6150	1,5898	1,6043	0.089	81,523				
July 1,5900	1,6128	1,5873	1,6015	0.079	112,684				
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.									
June 3,359	3,369	3,216	3,230	-0.19	165,150				
July 3,436	3,449	3,305	3,315	-0.14	260,867				
Aug 3,465	3,473	3,340	3,349	-0.10	122,629				
Sept 3,442	3,449	3,322	3,332	-0.10	130,599				
Oct 3,457	3,464	3,340	3,352	-0.09	190,480				
Jan'18 3,688	3,694	3,584	3,592	-0.091	104,097				

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
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Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.								
July 367.25	368.75	365.25	367.75	...	731,454			
Dec 384.75	386.50	382.75	385.50	.25	277,858			
Oats (CBT) -5,000 bu.; cents per bu.								
July 233.50	233.50	227.00	229.75	-.50	5,006			
Dec 222.00	222.00	217.75	219.00	-1.00	1,100			

Soybeans (CBT) -5,000 bu.; cents per bu.								
July 964.75	977.25	964.00	976.25	11.00	357,803			
Nov 960.00	968.25	958.75	967.75	.70	187,231			
Soybean Meal (CBT) -100 tons; \$ per ton.								
July 312.50	317.50	311.60	317.00	4.50	199,144			
Dec 314.40	318.40	313.00	318.10	3.90	79,762			

Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
July 33.04	33.38	32.93	33.01	-.01	208,013			
Dec 33.44	33.76	33.33	33.40	-.01	90,017			
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
July 1066.00	1070.00	1052.00	1062.50	-.50	8,358			
Sept 1092.00	1092.50	1079.00	1087.00	-.50	717			

Wheat (CBT) -5,000 bu.; cents per bu.								
July 423.25	426.00	420.25	424.25	1.00	270,091			
Dec 459.00	461.00	456.50	459.50	.75	70,786			
Wheat (CBT) -5,000 bu.; cents per bu.								
July 428.50	429.00	421.00	424.50	-4.00	151,630			
Dec 469.50	470.25	463.00	466.25	-3.50	37,750			

Wheat (MPLS) -5,000 bu.; cents per bu.								
July 538.75	544.00	537.50	539.75	-.25	30,091			
Sept 547.00	551.50</							

EQUITIES



Technology stocks in the S&P 500 rose 0.5% Tuesday and are up 19% for the year. Above, a Microsoft Build conference last week.

Tech Fuels Nasdaq New High

BY AKANE OTANI AND MIKE BIRD

Shares of technology companies climbed, sending the Nasdaq Composite to a record in an otherwise downbeat session.

The tech-heavy index has outperformed both the S&P 500 and the Dow Jones Industrial Average in 2017, as investors have piled into the shares of companies they expect to benefit from U.S. economic growth.

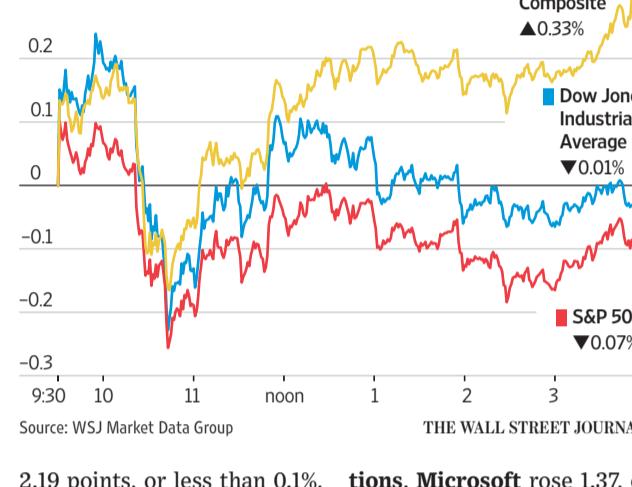
That has left the Nasdaq Composite up 15% this year, while the S&P 500 has gained 7.2% and the Dow industrials have risen 6.2%.

Still, some investors and analysts caution that technology stocks, which have risen 19% in the S&P 500 in 2017, could be vulnerable to a pullback. Global fund managers say betting on the Nasdaq has overtaken wagers on a stronger U.S. dollar as the most crowded trade, Bank of America Merrill Lynch found in a May survey of 213 investors.

The Nasdaq Composite rose 20.20 points, or 0.3%, to 6169.87 on Tuesday, posting its 33rd record close of the year. The Dow industrials fell

Diverging

Gains in technology shares on Tuesday helped the Nasdaq Composite outperform its peers.



especially if it appears to reduce the chances of tax cuts, which many hope will boost earnings. Bets on lower tax rates under the Trump administration had helped U.S. stocks rally after Election Day.

"In terms of potential implications for the markets, finding support in Congress for fiscal measures may prove even more difficult for President Donald Trump if the latest reports undermine his relationship with the Republicans," said Piotr Matys, foreign-exchange strategist at Rabobank, referring to claims that the president shared sensitive intelligence obtained from Israel with Russia's foreign minister and ambassador.

Government bonds ticked higher Tuesday, with the yield on the 10-year U.S. Treasury note falling to 2.329%, from 2.338% Monday. Yields fall as bond prices rise.

Elsewhere, the Stoxx Europe 600 finished down less than 0.1%. Early Wednesday, Japan's Nikkei Stock Average was down 0.5%. The Shanghai Composite was flat after posting four consecutive sessions of gains.

AHEAD OF THE TAPE | By Steven Russolillo

Sense of Security Could Lift Cisco



Cybersecurity is giving investors a new reason to look at an old tech giant,

Cisco Systems Inc.

Cisco was one of several stocks that jumped Monday following a malware attack dubbed WannaCry that has affected more than 150 countries. It might seem odd to lump Cisco together with cybersecurity stocks as it is known for selling networking gear. But Cisco's security business, growing at a double-digit percentage rate, is one of its few bright spots.

Expect more good news when the tech giant reports earnings on Wednesday.

Granted, Cisco's fiscal third-quarter results probably won't be great overall. Analysts polled by FactSet estimate earnings for the period ended in April of 58 cents a share, up a penny from a year earlier. Revenue is expected to have slipped 0.8% to \$11.9 billion, which would be a sixth consecutive quarterly decline.

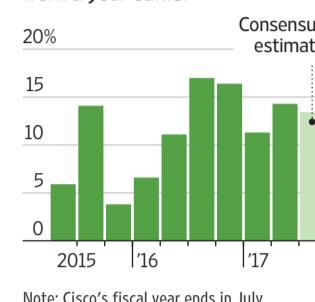
But security is garnering more attention as growth stagnates in Cisco's larger, more established segments. For example, networking, responsible for 83% of revenue when the tech bubble peaked in 2000, is at just 45% today.

Security is still small on a relative basis, generating about \$2 billion in annual revenue, or about 4% of Cisco's total. But that still makes Cisco one of the world's biggest security vendors.

Analysts say its exposure could increase if the Trump administration implements a repatriation tax holiday that would free up some of Cisco's offshore cash stock-

On the Right Route

Cisco's security revenue, change from a year earlier



Note: Cisco's fiscal year ends in July.

Source: FactSet

THE WALL STREET JOURNAL.

pile. Some \$62 billion of Cisco's \$72 billion in cash and cash equivalents is held overseas.

Unlocking some of that money could help Cisco further diversify. Its \$3.7 billion acquisition of AppDynamics earlier this year was its largest in five years. Analysts at Credit Suisse say a repatriation holiday may help Cisco transition away from networking, boost growth and make its revenue stream more recurring. They highlighted Palo Alto Networks Inc., a fast-growing security company, as well as Splunk Inc. and ServiceNow Inc. as three top potential acquisition targets.

Cisco shares have been lagging behind the Nasdaq Composite Index over the past one, three, five and 10 years. But, as Monday's security-inspired trading showed, that could change if the market starts valuing Cisco more as a cybersecurity firm. Splunk, ServiceNow and Palo Alto Networks all command valuations many times higher than Cisco does.

It is about time for investors to reconnect with this tech stalwart.

Etsy Stock Soars After TPG Discloses Stake

BY MATT JARZEMSKY AND MAUREEN FARRELL

Shares of Etsy Inc. soared by more than 20% Tuesday, a day after buyout giant TPG disclosed a 4.3% stake in the struggling online handmade-and-vintage-goods marketplace and asked it to discuss "strategic alternatives."

In the case of Brooklyn-based Etsy, TPG teamed up with **Dragoneer Investment Group**, which late Monday disclosed that it holds a 3.7% stake.

Etsy shares shot up \$2.41, or 21%, to \$13.73 on news of the investments and a statement from Etsy's chairman that its board will "carefully consider all options to enhance shareholder value."

TPG's approach illustrates how it and other private-equity firms are increasingly borrowing a page from the

playbook of shareholder activists, which typically purchase small stakes in public companies and lobby for sales and other big changes.

Such moves fall short of the full takeovers traditionally associated with private-equity firms, which have eschewed hostile bids to avoid alienating corporate executives they would rather have as partners. But frothy equity valuations are making attractively priced buyouts harder to find.

TPG's and Dragoneer's emergence follows a proper activist showing up at Etsy: Earlier this month, Etsy replaced its chairman and chief executive hours after **Black-and-White Capital LP**, which owns about 2% of Etsy, released a letter criticizing aspects of Etsy both big and small—from its "horrendous search functionality" to "historical pattern of ill-advised spending."

RD Legal Hedge Fund Posts Losses

BY ROB COLEMAN

For years, hedge fund **RD Legal Capital** steadily reported identical annual gains to its investors. Now the firm is disclosing losses following accusations that it deceived some of its clients, the police officers and firefighters who responded to the Sept. 11, 2001, terror attacks.

The losses were revealed in an investor letter earlier this month from founder Roni Dersovitz, who faces two lawsuits from state and federal agencies over the firm's business practices.

The letter doesn't specify an exact decline, but one RD Legal investor said the firm's main offshore fund dropped about 10% in December alone and nearly 20% for last year as a whole. The offshore fund is in liquidation, but RD Legal hasn't specified exactly when or how much money will be repaid in the end, people close to the firm said.



RD Legal purchased victims' claims tied to a \$1.8 billion court judgment in the 1983 bombing of a Marine barracks in Beirut, above.

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

RD Legal specializes in litigation finance, meaning it bankrolls lawsuits and settlements in the hopes of collecting when damages are paid. It was the subject of a series of Wall Street Journal articles about its unusual investment and accounting practices.

RD Legal purchased victims' claims tied to a \$1.8 billion court judgment against Iran for the 1983 bombing of a Marine barracks in Beirut and separately lent to first responders after the Sept. 11 terrorist attacks and to former National Football League players who suffered head injuries.

A February lawsuit from

New York's attorney general and the Consumer Financial Protection Bureau alleged RD Legal charged police and firefighters usurious interest rates that in at least one instance exceeded 250% annually. RD Legal has said its funding practices were legal and an attorney has said the allegations were "outrageous and without merit."

Last year, the SEC alleged in a separate lawsuit that the firm misled investors about the composition of its portfolio and artificially boosted the values of certain holdings to collect higher fees. RD Legal denied those charges, and litigation is ongoing.

Roughly half the loss identified in Mr. Dersovitz's letter this month to investors came from "a reduction of the [general partnership] account balance," according to the letter. The general partnership in most hedge funds refers to the amount of money that the firm's owners and partners keep in the fund.

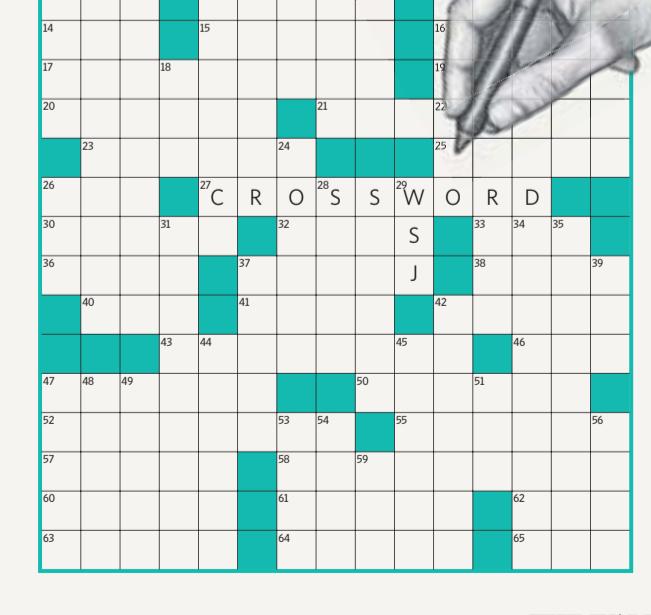
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CREDIT MARKETS

Dollar Falls to Lowest in 7 Months

BY IRA IOSEBASHVILI

The dollar slipped to its lowest level in seven months Tuesday amid political uncertainty in the U.S. and weak economic data.

On Tuesday, the ICE Dollar Index, which gauges the U.S. currency against a basket of six others, fell 0.7% to 98.21, its lowest level since early November.

Investors worry that a string of controversies may make it more difficult for President Donald Trump to push through pledged tax cuts and infrastructure spending.

Fueling their concerns were reports late Monday that Mr. Trump divulged sensitive

Weaker-than-expected housing data also weighed on the U.S. currency.

intelligence information to Russian officials, potentially compromising a U.S. ally. Last week, Mr. Trump fired Federal Bureau of Investigation Director James Comey, another controversial move.

Hopes for stimulus have steadily deteriorated over 2017, as a series of crises erode the administration's ability to focus on passing fiscal legislation, said Omer Esiner, chief market analyst at Commonwealth Foreign Exchange.

Weaker-than-expected housing data also weighed on the U.S. currency. U.S. new-home construction in April declined modestly for the third time in four months, the Commerce Department said Tuesday.

The euro rose 1% to \$1.1083. The dollar was down 0.6% to ¥113.1240.

Beijing Acts to Boost Confidence

Central bank pumps funds into financial system in wake of regulatory crackdown

BY SHEN HONG

SHANGHAI—China's central bank made its biggest one-day cash injection into the country's fragile financial markets in nearly four months. The move is a fresh sign that Beijing is trying to mitigate the damage to investor confidence inflicted by its recent campaign to tamp down speculative investing fueled by debt.

The People's Bank of China pumped a net 170 billion yuan (\$24.7 billion) into the financial system via its daily money-market operation, the largest amount since just before the Lunar New Year holiday in January.

The provision of cash follows comments from Chinese officials in recent days suggesting they are concerned that recent moves to tighten market regulation have caused too much disruption.

President Xi Jinping's call for financial stability ahead of a major leadership shuffle later this year led regulators to unleash a blitz of new rules. The banking regulator under new chief Guo Shuqing has cracked down on speculative investment practices that relied on borrowed money. It has also imposed sharply higher fines for irregularities.

But the new regulations, alongside tighter monetary conditions in China, have proved hard for investors to absorb. The Shanghai Composite Index has dropped 5.4% in just over a month, while yields on Chinese government bonds have risen to the highest levels in more than two years. Yields rise as bond prices fall.

The central bank's move appeared to have an immediate effect. The Shanghai Composite ended 0.7% higher Tuesday, having earlier fallen by nearly 1%. The yield on China's 10-year government bond fell to 3.62% from 3.64%.

"The timing of PBOC's move does point to an intention to appease investors," said Ding Shuang, an economist at Stan-



Chinese Premier Li Keqiang has stressed 'striking a balance' between maintaining stability, 'gradual deleveraging' and stabilizing growth.

dard Chartered Bank.

Signs of Beijing's desire to soften its tone first emerged last Friday, when the central bank said in its latest monetary-policy report that regulators should carefully handle the timing and pace of introducing their policies and solve financial risks in an orderly manner. The central bank pledged to provide necessary liquidity to ensure "reasonable" credit growth.

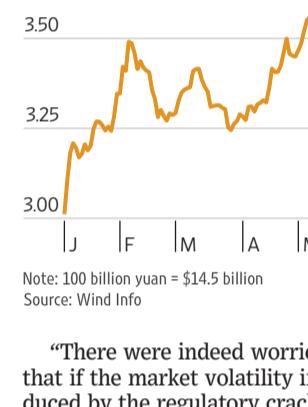
Also Friday, China's banking regulator said in a briefing that it was trying to "avoid creating new risks in the process of resolving existing risks" and that it would give banks time to adapt, applying tougher standards only on new investment products while allowing existing ones to expire intact.

On Sunday, an editorial from the official Xinhua News Agency urged financial regulators to refrain from turning the recent campaign of risk prevention into a fresh risk itself. The same day, Chinese Premier Li Keqiang stressed at a cabinet meeting the importance of "striking a balance" between maintaining financial stability, "gradual deleveraging" and stabilizing economic growth.

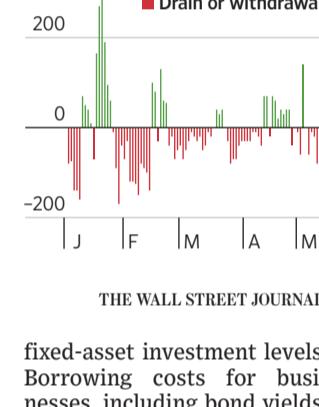
Cash Injection

China's central bank poured the most money into markets in one day since January.

10-year Chinese government bond yield



PBOC's daily injection/draining, in billions of yuan



cient but politically influential state-run enterprises. Chinese companies have raised a total of 674 billion yuan via bond issuance so far this year, down from 1.8 trillion yuan during the same period a year ago.

Losses in China's stock markets have worried securities regulators, prompting them to issue secret and usually verbal instructions, known as window guidance, to market participants, to avoid large amounts of selling in recent weeks.

Such covert market intervention reached a climax on Friday, when brokerages and fund managers received fresh warnings from securities officials against placing large sell orders ahead of an important international summit in Beijing.

—Yifan Xie and Grace Zhu contributed to this article.

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	\$164,233,850,200
Accepted bids	\$55,000,010,200
*noncompetitively	\$379,533,800
* foreign noncompetitively	\$100,000,000
Auction price (rate)	99.945944
(0.69%)	7.07%
Coupon equivalent	7.28%
Bids at clearing yield accepted	912796LE7
Cusip number	The bills, dated May 18, 2017, mature on June 15, 2017.

The bills, dated May 18, 2017, mature on June 15, 2017.

COMMODITIES

Elliott Revises Attack On BHP

BY ROBB M. STEWART

MELBOURNE, Australia—Activist investor Elliott Management Corp. refined its attack on BHP Billiton Ltd., calling for an independent review of its petroleum business and deflecting earlier criticism by proposing the company retain a main stock listing in Australia.

The revised proposals still take aim at unlocking value and halting underperformance in the stock but have shifted following feedback from other shareholders canvassed over the past few weeks, since the public release of Elliott's plans for BHP.

The changes also appear to address opposition by the Australian government to any attempt to have BHP trade around a main listing in London, which Australian Treasurer Scott Morrison said would be considered a criminal offense.

In a letter to BHP's directors, Elliott said its talks with a number of shareholders found broad support for restructuring the petroleum business, agreement that there would be clear benefits to unifying the dual-listed structure and a shared view that there should be a renewed focus on capital returns.

BHP said it would review the plans and respond but rejected suggestions it was misleading in its response and that it wasn't open to suggestions.

Chief Executive Andrew Mackenzie briefed investors including Elliott at a conference in Barcelona on Tuesday on growth plans he said could lift the value of the company by up to 50% and almost double its return on capital in the coming years. BHP had rejected the earlier proposals as too costly.



In the run-up to the production cuts, OPEC pumped so much oil that storage levels increased. The al-Shuaiba oil refinery in southwest Basra, Iraq.

Oil Glut May Persist in Face of OPEC Cuts

BY SUMMER SAID

OPEC and its oil-producing partners may have to do more than merely extend their petroleum-output cuts to achieve their goal of rebalancing global supply and demand, the International Energy Agency said Tuesday.

At its meeting May 25, the 13-member group, the Organization of the Petroleum Exporting Countries, is expected to renew its decision to pare output by more than one million barrels a day for the rest of the year. Russia, which is among 11 non-OPEC producers that are also cutting, joined Saudi Arabia on Monday in calling for the cuts to be extended through March 2018.

The efforts are part of a plan to bring global supply and de-

mand back into balance, largely by cutting enough supplies from the market that oil buyers start using up the record levels of oil in storage—a reserve traders consider a proxy for the glut. OPEC wants storage levels to fall to the five-year running average.

But the IEA, a global energy adviser to governments, warned Tuesday that more work may have to be done, implying longer cuts are needed to drain excess inventories. In the run-up to the cuts, OPEC pumped so much oil that storage levels rose, delaying the rebalancing.

Even if the OPEC and non-OPEC reductions are extended into the second half of 2017, the IEA said, "stocks at the end of 2017 might not have fallen to the five-year average, suggest-

ing that much work remains to be done in the second half of 2017 to drain them further."

Still, the IEA said stockpiles in the most industrialized countries fell by about one million barrels a day in March.

"Rebalancing is essentially here and, in the short term at least, is accelerating."

Doubts about the effect of OPEC production cuts have weighed on the market. Resurgent production from U.S. shale producers also has helped blunt OPEC's efforts.

On Tuesday, oil prices ended

lower after initially rising on

hopes for further production

cuts. The U.S. crude-oil benchmark lost 19 cents a barrel to \$48.66. ICE Brent crude, the global benchmark, fell 17 cents to \$51.65 a barrel.

The IEA said it has increased

its expectations for U.S. shale production in 2017. It now expects total crude production in the country to be 790,000 barrels a day higher by the end of this year, compared with the level at the end of 2016.

The IEA said it expects its projections for U.S. shale to continue to change this year.

"Such is the diversity of dynamism of the U.S. shale sector," the agency's monthly report said.

There were also warning signs for supply outside the U.S., the IEA said.

The overall outlook for the non-OPEC countries, 11 of which are voluntarily cutting production to support OPEC,

shows growth in 2017 of nearly 600,000 barrels a day, up from last month's forecast of 490,000 barrels a day.

The IEA also flagged increasing oil supplies coming from OPEC members like Libya and Nigeria, which were exempted from any obligation to cut output because of production issues.

Oil output also rose in OPEC's biggest producer, Saudi Arabia, where supply was up 50,000 barrels a day in April compared with March to 9.98 million barrels a day.

The increase in supply forecasts underscores the dilemma faced by OPEC as its members start debating an extension to their cut agreement.

Russia and Saudi Arabia—the world's two biggest crude-oil producers—said the cuts should be extended to reach the producers' goal of reducing global oil inventories to the five-year average.

MARKETS

Bond Investors Uneasy on Fed Tightening

Treasury-yield bets indicate belief that higher rates may slow the economy

By MIN ZENG

The U.S. bond market is sending a note of caution to the Federal Reserve, which is on track to raise interest rates in June.

Hedge funds and money managers have built up the biggest net wagers since 2008 betting that long-term Treasury yields will fall. At the same time, wagers betting on an increase in short-term interest rates are near the highest level since 1993.

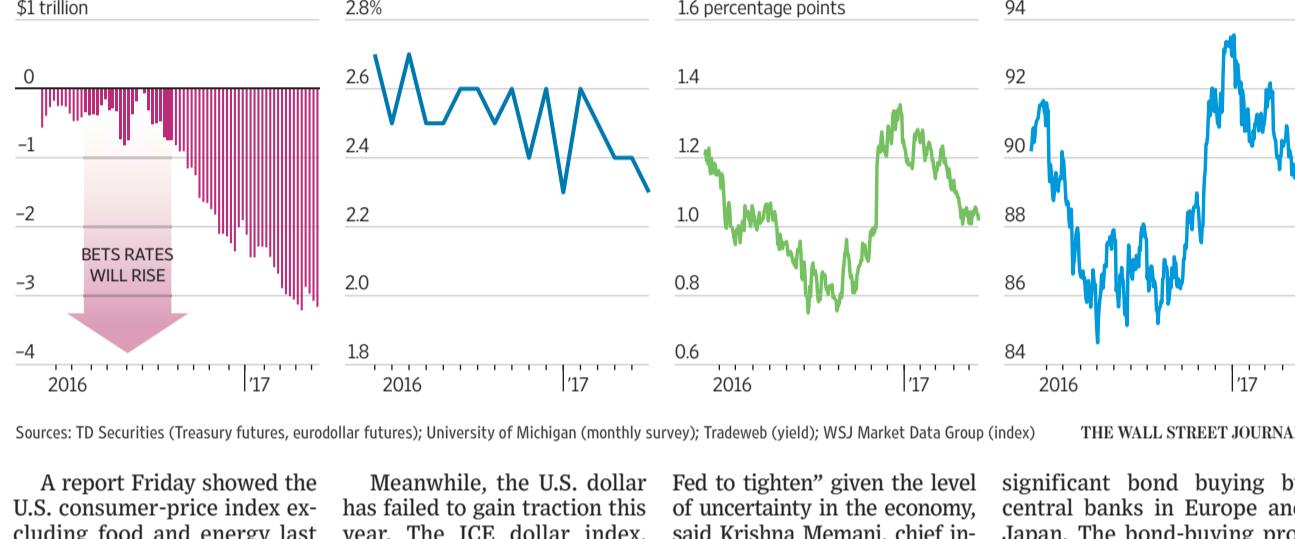
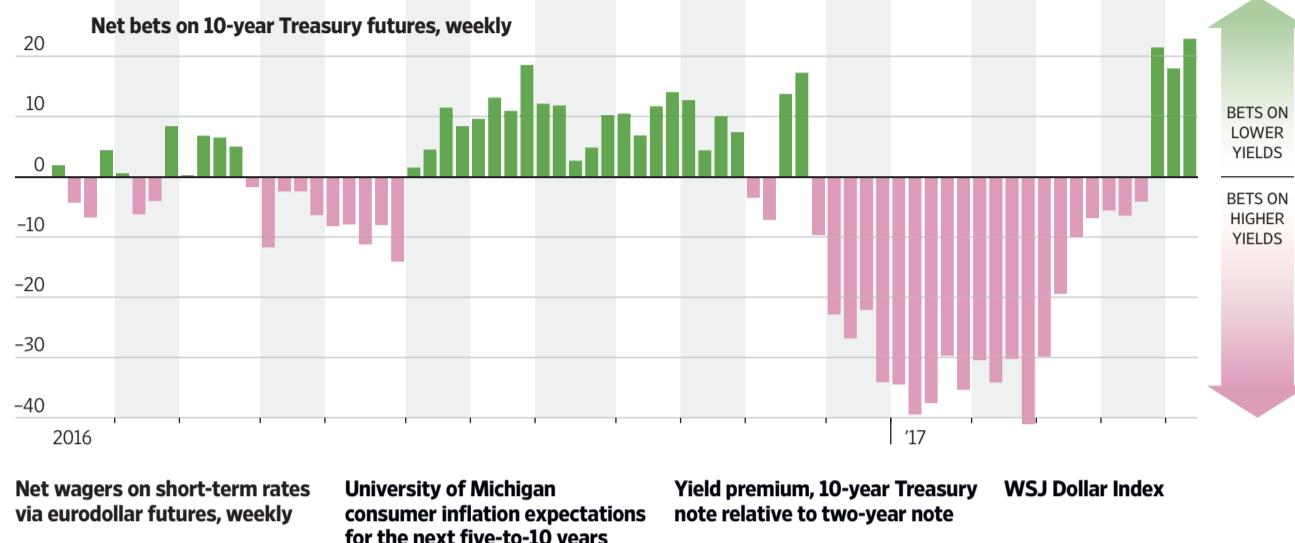
This divergence is happening as the yield premium on the 10-year Treasury note relative to the two-year note has been shrinking. In the bond world, this is known as a flattening yield curve and is a development that traders see as a sign of waning confidence in the growth outlook. A widening premium, or a steepening yield curve, is taken to indicate momentum in the economy.

Both the wagers and flattening yield curve suggest investors are bearish on short-term debt and are migrating cash into long-term government bonds. This type of allocation is typical when investors anticipate that tightening monetary policy may slow the economy. The Fed could err by increasing rates when signs have emerged that inflation pressure is decelerating, some analysts and investors say.

"The Fed has cited growing inflation as one of the remaining catalysts to continue its rate normalization," said Kevin Giddis, head of fixed-income capital markets at Raymond James. "In absence of that data being confirmed, I believe that they run the risk of tightening too much. In essence, choking off the recovery in the process."

Signs of Caution

Investors increased net wagers that 10-year Treasury yields will fall, while also boosting bets that short-term rates will rise. This coupled with a shrinking yield premium signals worries the Federal Reserve will raise rates too quickly. But softness in the dollar should give officials room to tighten policy, many analysts say.



Sources: TD Securities (Treasury futures, eurodollar futures); University of Michigan (monthly survey); Tradeweb (yield); WSJ Market Data Group (index)

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A report Friday showed the U.S. consumer-price index excluding food and energy last month fell below the Fed's 2% target for the first time since October 2015. A closely watched survey from the University of Michigan showed consumers this month expected an inflation rate of 2.3% during the next five to 10 years, the lowest level since the survey started in 1979.

Meanwhile, the U.S. dollar has failed to gain traction this year. The ICE dollar index, which measures the dollar against major counterparts, fell on Tuesday to the lowest since November. This gives the Fed some breathing room when it comes to tightening policy, said Ken Taubes, U.S. chief investment officer at Pioneer Investments.

"There is no reason for the

Fed to tighten" given the level of uncertainty in the economy, said Krishna Memani, chief investment officer at OppenheimerFunds. "While June sounds like a done deal, further signs of a slowdown in inflation or growth are likely to push the Fed to delay its tightening plan."

Some analysts also say investors shouldn't overplay signals from the bond market, which may be distorted due to

significant bond buying by central banks in Europe and Japan. The bond-buying programs have helped drive down global yields to historic lows.

But net bets wagering on higher prices, or lower yields, via 10-year Treasury futures hit \$22.9 billion in the week ended May 9, the highest since January 2008, according to TD Securities.

That is a reversal from February, when net bets

wagering on the opposite—higher yields—soared above \$40 billion. The shift marks a sharp departure from the consensus trade earlier this year that yields would extend their postelection climb and thus reflect stronger growth and higher inflation.

Fed officials signaled in their interest-rate statement earlier this month that they expect the economy to rebound after a soft patch in the first quarter. But some investors are skeptical that growth will accelerate and President Donald Trump will be able to push through fiscal stimulus. Mr. Trump's firing FBI Director James Comey also injected a fresh layer of uncertainty.

Net bets wagering on a rise in U.S. short-term rates via eurodollar futures climbed to \$3.16 trillion in the week ended May 9, according to TD Securities. That is close to the level reached in early April, when wagers were the highest since data started in 1993, according to Cheng Chen, U.S. strategist at TD Securities.

The 10-year yield was 2.329% Tuesday, down from 2.446% at the end of 2016. Yields fall as bond prices rise. The yield on the two-year note, highly sensitive to the Fed's policy outlook, was 1.299%, near the highest since 2009, and up from 1.159% at the end of last year.

Few investors expect the yield curve to invert—when the two-year note's yield rises above that on the 10-year note. An inverted yield curve has predicted recessions in the past, including the one following the 2008 financial crisis.

Colin Robertson, managing director of fixed income for Northern Trust Asset Management, said he sees only a 10% probability that the U.S. economy would slip into a recession in the next two years. But if the yield curve continues to flatten, that would cause him to doubt the Fed will continue to raise rates in September, after one increase in June, he said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Dividend Hunters: Try Vodafone

Income-hungry investors worried about upheaval in the U.S. telecom market should cast their eyes across the Atlantic. The fat dividends paid by European mobile leader **Vodafone Group** look secure, and could grow.

The challenges now facing **Verizon Communications** and **AT&T**—competition from budget mobile operators and the convergence of telephony with broadband and TV—have dogged the European market for years. Vodafone responded by investing heavily in its 4G network and a series of small cable companies.

Vodafone on Tuesday reported solid results for three of its four big European markets in the year through March. The exception was the U.K., where performance has been hit by billing problems. The logic of a deal with the local cable arm of John Malone's **Liberty Global** remains as clear as ever, but there is no hint of a breakthrough.

The other problem market is India. Aggressive new entrant Reliance Jio forced Vodafone to slash prices and form a joint venture with rival operator **Idea Cellular**.

Yet the big picture is that Vodafone is sufficiently diversified that such local challenges don't throw the business completely off course. Even including a collapse in India, adjusted earnings before interest, taxes, amortization and depreciation rose 2.5% year over year for the six months through March, and a tripling in cash flows underpinned the dividend.

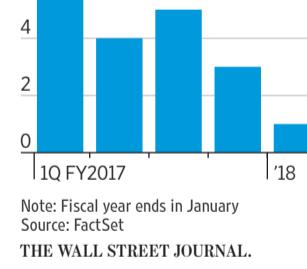
Vodafone has found ways to eke growth out of the ultracompetitive, converging landscape with which U.S. telecoms are now grappling.

—Stephen Wilmot

TJX Tarred by Retailers' Crash

Safety Store

TJX same-store sales, change from a year earlier



Note: Fiscal year ends in January
Source: FactSet

THE WALL STREET JOURNAL.



RICHARD B. LEVINE/NEWSCOM/ZUMA PRESS

A T.J. Maxx store New York

The worry is that TJX and its off-price rival **Ross Stores** won't be able to rely on the discards from shrinking department stores for as much of their inventory.

TJX says manufacturers, not retailers, are its primary source of inventory, and it buys from around the world. But manufacturers may also cut back on production if buying from full-price retailers wanes, capping TJX's ability to grow.

If TJX's biggest worry isn't having enough inventory to meet demand, then it is in an enviable position compared with its peers. And while the bad-weather excuse may have rung a bit hollow, any effects of department-store liquidations on TJX sales growth should be temporary.

Most important, as long as consumers still enjoy the treasure hunt for discounted high-end goods, TJX's turf should remain relatively **Amazon-free**.

—Miriam Gottfried

OVERHEARD

Ever since Brazil, Russia, India and China were united under the BRIC umbrella, emerging markets have been a source of acronyms. The latest: "MUMS," says **Colin Ellis**, chief credit officer for Europe, the Middle East and Africa at Moody's. That stands for "more uncertain markets."

Mr. Ellis had a point to make at a conference in London Tuesday: It is difficult to find a universal defining characteristic for the group of countries categorized by investors as emerging markets. But investors tend to receive a risk premium for uncertainty around economic, policy and institutional developments in emerging markets.

Investors have spent a good deal of time more recently wrestling with uncertainty around politics and monetary policy in developed markets. As **Mauro Leos**, of Moody's Latin American sovereign team, told the conference: "For me, uncertainty means the White House."

Intel Should Watch Out: Nvidia Is Moving In on Its Turf

Vision Quest

Forward price/earnings multiple



Source: FactSet

cessing units, or GPUs, which are designed to render graphics and images.

GPUs are most frequently used in high-end personal computers designed for videogaming. But they are also well suited to many of the types of tasks required for the machine learning that makes artificial intelligence possible. They also can accelerate the performance of CPUs of the type made by Intel.

This gives GPUs a growing role in data centers. Analyst Patrick Moorhead of Moor Insights & Strategy says "the importance of non-CPU computer engines is increasing," with GPUs driving "incredible" performance in the training functions of ma-

chine learning.

This has played out nicely for Nvidia so far. The company's sales to its data-center segment topped \$1 billion for the 12-month period ended April 30—more than triple from the same period last year but still a fraction of Intel's \$17 billion in data-center sales. Nvidia's shares had already more than tripled in the year leading up to its fiscal first-quarter report last week; they have soared a further 30% since.

Nvidia's growing role in the data center could pose a threat to Intel, as more GPUs sold for machine learning could mean less demand for Intel's offerings. But it would be wrong to count the chip giant out at this point. It

controls more than 98% of the server chip market now and already embeds its own GPU technology with its CPU chips. Also, Intel has made acquisitions to further its data-center lead, including its \$16.7 billion purchase of Altera and a small but promising outfit called Nervana.

The winner, if there is one, is a long way away. Google, Microsoft and Amazon are still in the early days of building their artificial intelligence networks—and none is taking the exact same approach. Google, in fact, has designed its own chips to boost machine learning. That leaves plenty of room for new fortunes to be made—or lost.

—Dan Gallagher

C-SUITE STRATEGIES

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THE WALL STREET JOURNAL.

Wednesday, May 17, 2017 | R1

Introducing
The Journal
Report Podcast
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'You want to protect the First Amendment, obviously, but it isn't absolute.'

Morton Schapiro
President,
Northwestern University

R8

'If you're a woman and the product is targeted to you, it all looks diet-oriented.'

Angie Bastian
Co-Founder,
Angie's Boomchickapop
At WSJ.com/
Leadership Report

'More than 70% of consumers engage with digital in some part of their journey.'

Camillo Pane
CEO, Coty
R4

'The strategy is to provide a reason for consumers to use Yelp more often.'

Jeremy Stoppelman
Co-Founder and CEO, Yelp

R9

'2017 is about building momentum and scaling beyond the markets we're in.'

Melissa Waters
CMO, Lyft

R9

'The data we get from patients' prescription behaviors is key.'

Stephen J. Gold
CIO, CVS Health

R6

'If you saw where we were in Fairfield County, it was a morgue.'

Jeffrey Bornstein
CFO, GE

R5

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When the CEO is the lone insider, trouble can ensue

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Beware the CEO Who Doesn't Win an Award

A study finds they may pursue less-than-stellar deals

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The Danger of Assertive Advertising

Telling consumers what to do is a turnoff, study shows

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JOURNAL REPORT | C-SUITE STRATEGIES

The Post-Scandal Marketing Playbook

How Wells Fargo is using data analytics to rework its ad messages after its sales-practices fiasco

BY EMILY GLAZER

WHEN WELLS FARGO & Co. Chief Marketing Officer Jamie Moldafsky launched a recent new ad campaign for the bank following its sales-practices scandal, it was a mix of art and science.

Wells Fargo was already investing in how to better understand its customers and potential customers, but it stepped up the work in September, after the San Francisco bank paid a \$185 million settlement for opening up as many as 2.1 million accounts using fictitious or unauthorized customer information. It has since faced two congressional grillings, a slew of management changes, large clawbacks of executive compensation, and a spate of investigations.

The bank intensified its efforts to use polls and focus groups to gauge sentiment about the brand among consumers, information it has used to help guide its marketing. Ms. Moldafsky recently spoke with The Wall Street Journal about what the bank has been doing to repair its brand, dive deep into data to get a better sense of what its customers want and experiment with new marketing channels.

Here are edited excerpts of that conversation.

A better overview

WSJ: Last September was a

busy month, not just with the sales-practices scandal but also with backlash from an earlier advertisement promoting the bank's "teen financial education day" program suggesting teens should choose careers in science over artistic fields. A number of well-known artists voiced objections over Twitter.

MS. MOLDAFSKY: The world of social media has fundamentally changed the way all of us do our jobs.

We do exhaustive research, more than we've ever done—literally daily, weekly, monthly—around understanding our customers, our prospects and the environment and how people feel about us, and which messages are resonating. But that can change in a minute if somebody tweets something with a different perspective or point of view that nobody had contemplated. That world is accelerating. It isn't a lack of control; the control has shifted to the marketplace.

Our first lesson learned on that was that things are going to happen in the market that can take off in a way that is unexpected or bad. You have to get much better at reading into all the different possibilities.

We did centralize marketing; that was completed in October. That's enabled us to have a much more holistic view of all our messaging, all our communications, and of our customers.

WSJ: After the settlement, the bank began its "Commitment" campaign in digital, print and television in efforts to explain actions it had taken following the sales scandal and to repair its brand.

MS. MOLDAFSKY: Clearly people were getting the message that we made mistakes and had done things wrong, but they hadn't heard the message that we felt badly about it. We're apologizing. We are committed to making it right.

WSJ: The bank halted its usual ad campaigns to focus on its apology and what it was changing. How does that impact customer relationships or new account openings?

MS. MOLDAFSKY: We knew there really isn't business as usual when you're in this sort of position. There's definitely data and insight behind that, but it's also intuition. You want to be careful not to hurt the brand. The right thing to do here may be to understand that we might have slightly lower results for a little bit but that we are actually building the brand back for longer-term viability and strength.

Focus on analytics

WSJ: How are you making use of data?

MS. MOLDAFSKY: Starting with September onward, we do daily polling. You see trends both on an immediate basis but also over time. And we've used that to understand things like favorability and people's



JOHN KRAUS

'There really isn't business as usual when you're in this sort of position.'

JAMIE MOLDAFSKY

perceptions of Wells Fargo as well as to actually test new creative content and new messages.

We can actually get pretty discrete on different segmentations [of the population to see how] different segments sometimes view things very differently.

WSJ: Where are you getting your data from?

MS. MOLDAFSKY: Qualitative [research]. Polling is often online panels that we commission. And then we have focus-group research that we do. We do very specific advertising testing and messaging testing.

This campaign, for example, we went through multiple rounds of different concept testing to see which messages resonate, which messages make people feel positive, which messages make people feel negative. It provided a lot of direction for us.

WSJ: How are you using data and analytics?

MS. MOLDAFSKY: Best examples, if you're looking for a house on Zillow, Wells Fargo serving you a checking account may not be relevant, but serving you a preapproved

mortgage may be.

WSJ: How else are you using artificial intelligence?

MS. MOLDAFSKY: Most people who close their bank accounts, as an example, don't really just close their bank accounts. They just over time use them less, they open one somewhere else. We're using artificial intelligence to look at all those underlying dynamics, how the behavior people have indicates that they may be someone who wants to deepen their relationship with Wells Fargo or is potentially someone who wants to lessen their relationship.

You can then communicate differently. It's a way to use that data on more of a predictive basis.

New platforms

WSJ: How do you think about a new marketing platform?

MS. MOLDAFSKY: One of the tenets, especially with social media, is to test and learn. When you're an established brand that's been there for 165 years, that comes with a lot of really strong positives, but it also comes with guardrails of what you can or cannot do.

WSJ: Like what?

MS. MOLDAFSKY: Virtual reality is a great example. Our agency and some third parties came to us. We thought about the best first use around sponsorships like Major League Soccer. We actually had, set in the old West, a stagecoach virtual-reality [station set up at soccer games]—that was relevant to the brand and appropriate to the brand and didn't seem like some strange stretch.

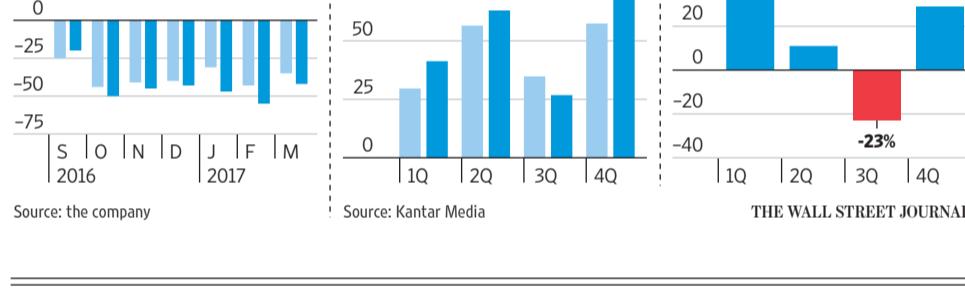
WSJ: What else are you working on?

MS. MOLDAFSKY: The area of financial health, how you serve that up to make it appetizing. And certainly the connected home. For example, today what [the Nest smart thermostat] will tell you is you can save money if you lower your temperature. But if you could automatically have the savings that were generated from turning your thermostat down 5 degrees a day generated into your children's college fund, wouldn't that be cool?

Ms. Glazer is a reporter for The Wall Street Journal in New York. Email her at emily.glazer@wsj.com.

Damage Control

New consumer accounts (changes from a year earlier) and advertising spending at Wells Fargo



Source: Kantar Media

WSJ: How are you using data and analytics?

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my nightmare experience with your retail clerk. But I can't: I've reached the end of the survey without encountering a single text box that allows me to elaborate on an answer or make additional comments.

I know: Open-ended questions are a hassle to work with. But the thing I learned from reading all those survey responses was that they have a ton of value even if you don't categorize or code them. Those survey responses were the source of the best quotes for my final reports, the best inspiration for future surveys, and sometimes, the source of genuine insight.

When you don't ask me a single open-ended question, it's like saying I don't have any insight to share. And that hurts my feelings.

8. Do you work alone?

I mean alone! I have to ask, because I find so many typos and grammatical errors in surveys. So I have to wonder: If you don't care enough to proofread your own survey, or hire somebody to proofread your survey if you're a one-person show, then why should I take my time to answer it?

9. Don't you want me to love your brand?

When I take your feedback survey—you know, the one that pops up as soon as I visit your website—I get a whole other message than the one I got just a second before. That ugly interface is a world away from the rest of your shiny, image-filled site.

Your surveys and feedback forms are part of your customers' experience. So just as you agonize over what your stores should look like or your reception area should feel like or what color your shopping bags should be, you should think about your surveys as part of your customers' experience of your brand.

The last thing you want to do is ask your customers what they think of you—at the very moment you're making them miserable.

Ms. Samuel, a frequent contributor to Journal Reports, is a technology researcher and the author of "Work Smarter With Social Media." She can be reached at emily.samuel@wsj.com.

Nine Survey Questions for People Who Create Survey Questions

BY ALEXANDRA SAMUEL

I HAVE A MESSAGE for the survey creators of the world: I'm tired of answering your questions. In particular, I'm tired of online surveys that are too complicated, too cumbersome and too annoying.

I'm especially annoyed because it doesn't have to be this way. You could easily fix a lot of these surveys in a way that makes the experience better for those of us answering the questions—and make it more likely you're going to get the information you need.

I should know: In my previous life as a market researcher, I designed nearly as many online surveys as I've taken. I've thought a lot about being on both sides of the screen, and about how to make online surveys smarter, more meaningful, more fun to take—and ultimately, more useful.

So in the spirit of making surveys more enjoyable for the takers and useful for the companies that write them, I've decided to turn the tables and create a survey just for the people who create them. If market researchers can answer these questions, I believe we're all going to be much happier.

1. Why are you sending me a survey?

If you can't answer this question, please end your survey now.

Seriously. You should be crystal clear on why you're creating this survey, what you're going to learn from it, and how it's going to change the way you do business. And you need to tell me, the survey taker, right at the beginning of your survey. After all, I have to decide whether it's worth my time to take it.

I'm not talking about sharing specifics in a way that might skew results or tip off competitors about what you're looking into. But perhaps something like, "The results of this survey will help us identify the kinds of products our customers would like to see from us in the future."

For bonus points: Please follow up with me after you've made whatever decision or business change this survey inspired. I'd love to know how my time let you serve me better. It will make me even more likely to take your survey the next time I'm asked.

2. Don't you know this already?

You just asked me my gender and birth year, even though I logged into your survey platform with Facebook. Then you asked me how often I shop at your store, even though I told you my answer when I took



ISTOCKPHOTO/GETTY IMAGES

your last survey. Why do you keep asking me questions you should be able to answer yourself?

It's your job as a market researcher to use readily available technology to fill in the answers you already have. It's my job as your generous survey taker to fill in the remaining gaps.

3. Would you be able to answer this question?

"How many boxes of cereal do you buy each year?" "What do you look for in a restaurant?" "How often do you watch reality television?"

Umm...somewhere between 10 and 1,000? Food? And do I have to answer that?

If you can't answer a question yourself, easily—or if you're not willing to answer it honestly—then please don't expect me to answer it.

4. Can't this be more fun?

When I take a BuzzFeed quiz, I get to find out what cake I am, which "Friends" character I am or which Victorian ghost is haunting my house. When I take a typical online survey, I get 10 minutes of boredom.

The world now contains more ways to ask questions than a simple yes or no or five-point scale. How about letting me interact with a virtual version of your product or store? How about letting me pick the emoticon that represents how I feel? How about BuzzFeed-style quizzes, for that matter?

The bottom line is that online surveys should—and can—be fun.

5. Have you ever used a mobile phone?

I'm only asking because I tried to take one of your surveys on mobile—after all, it's how I spend an awful lot of my time online. But the survey looked crazy on my tiny phone screen, almost as if it never occurred to survey creators that people connect to the internet on their phones.

6. Why are you showing this question to me?

Three questions ago, you asked me about which kinds of music I liked, and I told you that I only listen to show tunes. But now you're asking me which kinds of rock concerts I go to, which rock stations I listen to, and what kind of venue I prefer when I'm seeing one of my favorite bands. Which part of "I'm a big musical-theater nerd" did you not understand?

There's a simple solution to this problem: It's called skip logic. That means programming your surveys to skip questions that are irrelevant to people who've already answered earlier questions in a certain way.

7. Do you really care what I think?

I've answered your yes-or-no questions and rated all your products. Now I just want to tell you more—why your product is the best purchase I've made all year, or share

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◆ "What Kind of Breaks During the Day Work Best?" with Journal contributor Heidi Mitchell. Surprisingly, the answer isn't scheduled breaks. Instead, research shows that short spurts of unexpected downtime can actually improve worker productivity.

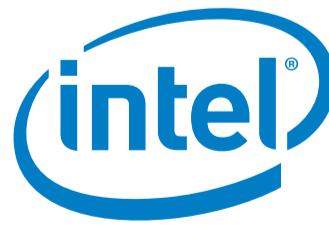
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JOURNAL REPORT | C-SUITE STRATEGIES

The Trick to Selling Beauty Products Online

The CEO of Coty—seller of CoverGirl, Clairol, Sally Hansen and other brands—talks about how new digital apps are changing the shopping experience

BY ELIZABETH HOLMES

WHEN IT COMES to e-commerce, beauty products are one of the tougher sells. After all, who would shell out money for a lipstick shade they haven't seen, a perfume they haven't sniffed or a nail polish they haven't swiped?

Camillo Pane, the new chief executive of **Coty Inc.**, is hoping to change that, in large part by stepping up his com-



'YouTube beauty searches are now overtaking Google searches.'

CAMILLO PANE

ment from followers, known as micro-influencers, and at user-generated content—photos and text posted by shoppers.

WSJ: How much of your marketing spend do you see shifting to digital?

MR. PANE: We moved from 21% to over 30% globally in just six months.

You really cannot make a one-size-fits-all strategy. It's important we look at data before making decisions and understand where consumers are spending their time. It's quite a crowded market, so it's important to stand out. TV, for some of the large brands, continues to be the relevant choice to create awareness, especially when you launch a product.

But overall, as an average in the new Coty, we clearly made a big statement by moving quite a big part of spending from traditional to digital.

We did it through social listening, trying to understand better the way our users want to see CoverGirl.

WSJ: What types of content are effective in the digital realm and what is the role of celebrities?

MR. PANE: Celebrities can be a catalyst for communicating to consumers and reaching a large audience. But by no means are they the only way of communicating. I'm keen to look at smaller or lesser-known online personalities with high levels of engagement.

WSJ: Who is the beauty consumer today and how has she changed?

MR. PANE: She is either a digital native or her exposure to digital has changed quite a lot.

If you think about beauty users 10 years ago, she was looking for expertise from the shop assistants. Now, the

beauty consumer has hundreds of thousands of influencers and videos and blogs and posts that speak directly to her.

YouTube beauty searches are now overtaking Google searches. Before, messaging was informed by content, which was in a written form, and now it's all about images and videos.

WSJ: What is the role of the store employees in today's digital landscape?

MR. PANE: It is important that we have beauty advisers who make sure you can smell and sniff the fragrance before purchasing. Let's face it, people might smell there with the sales assistant but then they might buy online or repeat the purchase later on.

Beauty advisers in makeup are more about advice. To create a total look three or four years ago, you were using two to three products maximum. Now, you use between eight and 10, if you think about the brows, the different types of foundation, the primers. Some shoppers might not be as explicit in saying it, but definitely when they go to stores they would love to have the help.

WSJ: How do you sell products online that shoppers want to touch and feel and smell?

MR. PANE: More than 70% of consumers engage with digital in some part of their journey. They might check a brand on their phone while in stores in front of the shelf. It's quite important that we make sure we have an in-store and online offering that is consistent.

We can also give advice to consumers through technology. We changed the imagery re-

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Rimmel London [a Coty-owned cosmetics brand] has the Get the Look app that allows you to take any look from a friend, a family member, a celebrity in a magazine, and see what it looks like on your face. The app, using your cellphone camera, matches the colors or effects from the other image and applies them to a real-time image of your face. It also suggests what products and techniques you'll need to get the same look. Another app we launched is MyShade by Clairol. It asks a series of questions to select the best hair-color products for your hair type and color and lets you test different shades via an uploaded photo. We have the same with Sally Hansen, ManiMatch, where you can try all possible nail color polishes as you look at your hand through the camera in real-time, or by uploading a picture.

WSJ: What is the bulk of beauty purchasing still happens in stores. What potential do you see for e-commerce?

MR. PANE: No doubt, the majority is still made in stores. [A company spokesperson added that e-commerce accounts for 7% of sales.] But we are seeing a shift, and it's quite a rapid one. It's an area of focus for me, trying to transform and convert a lot of this consumer engagement that we do digitally into sales. In general, the growth rates are much higher than what we see in brick and mortar.

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Beauty advisers in makeup are more about advice. To create a total look three or four years ago, you were using two to three products maximum. Now, you use between eight and 10, if you think about the brows, the different types of foundation, the primers. Some shoppers might not be as explicit in saying it, but definitely when they go to stores they would love to have the help.

WSJ: How do you sell products online that shoppers want to touch and feel and smell?

MR. PANE: More than 70% of consumers engage with digital in some part of their journey. They might check a brand on their phone while in stores in front of the shelf. It's quite important that we make sure we have an in-store and online offering that is consistent.

We can also give advice to consumers through technology. We changed the imagery re-

'YouTube beauty searches are now overtaking Google searches.'

CAMILLO PANE

Rimmel London [a Coty-owned cosmetics brand] has the Get the Look app that allows you to take any look from a friend, a family member, a celebrity in a magazine, and see what it looks like on your face. The app, using your cellphone camera, matches the colors or effects from the other image and applies them to a real-time image of your face. It also suggests what products and techniques you'll need to get the same look. Another app we launched is MyShade by Clairol. It asks a series of questions to select the best hair-color products for your hair type and color and lets you test different shades via an uploaded photo. We

JOURNAL REPORT | C-SUITE STRATEGIES

Why Your Pharmacy May Be Texting You

Stephen J. Gold, CIO of CVS, says its customer data is crucial to improving patient health

BY SARA CASTELLANOS

SINCE STEPHEN J. GOLD was appointed executive vice president and chief information officer of **CVS Health** Corp. in 2012, getting the company to push the boundaries of innovation has been a top priority.

Among other things, he has opened an innovation lab in Boston and is overseeing the deployment of a so-called health-engagement engine that uses data analytics to provide clinical advice on pharmacy care to patients. Mr. Gold also is in charge of creating and deploying digital tools, such as those that send text messages to patients about coming prescription refills. About 28 million people, or 30% of the company's customer base, are currently using the text-messaging platform for pickup and refill.

Mr. Gold, the former CIO of Avaya Holdings Corp., spoke with The Wall Street Journal about the opportunities and technological challenges that come with managing an \$80 billion pharmacy-benefit-management and drugstore business. Edited excerpts follow.

Interventions

WSJ: What have you done since 2012 to ensure that CVS Health is innovating to improve patient care?

MR. GOLD: Some of it is technological, some of it is process, and some of it is people and culture. At the tip of the spear would be what we're doing in our innovation labora-

tory in Boston, where the goal is to basically operate in a mode that mimics a startup. A mind-set of experimentation, iteration, rapid testing and failure is part of the process. This laboratory is focused on bringing new digital products and services to market. One example of an innovative idea coming out of the lab is Fast Mobile Prescription Pickup. It uses a bar code or unique number to ensure fast, private and easy pickup at the pharmacy counter or drive-through. The real value for patients is that they no longer have to provide their name or birth date when picking up a prescription. They simply have the bar code scanned or have the pickup number entered.

WSJ: What sources of data do you have, and what opportunities do you see in it related to patient health?

MR. GOLD: The data we get from patients' prescription behaviors is key. It's the patient's profile, their gender, their age, any allergies they may have, any disease state. All the information that is needed to appropriately care for the patient. We also have a proprietary platform that we call the health engagement engine, which is basically a very sophisticated, clinically focused customer-relationship management system that allows us to transform health-care data into actionable interventions that improve outcomes and reduce costs. We're constantly expanding the number of interventions and use cases that

can be delivered through this platform.

WSJ: Can you describe a scenario where this health-engagement engine is put into practice?

MR. GOLD: If we've noticed that based on our calculations it appears a person isn't taking his or her medications as prescribed, we could deliver a message on the importance of adherence.

For patients with diabetes, it could be a reminder about blood-glucose testing. We can identify when such a test hasn't been done by looking at claims records from health plans. We can set up our systems to identify that and create a message in the health-engagement engine. When that patient is next seen at our pharmacy or a MinuteClinic, the pharmacist or nurse practitioner can encourage the patient to get the test done. The nurse practitioner at MinuteClinic can actually do the test, and send the results to the patient's primary-care physician and to the insurer.

Another example of a potential intervention could be a patient who comes in for one medication and receives a reminder to fill another medication that has lapsed, or a patient who is eligible for a vaccination gets reminded about that.

WSJ: Do you have any concerns that patients don't want to hear such reminders from their pharmacy?

MR. GOLD: Almost never. Many



SIMON SWANSON FOR THE WALL STREET JOURNAL

'Consumers are taking more responsibility for managing their health-care dollars.'

STEPHEN GOLD

consumers see CVS Pharmacy as the "front door of care," and they expect us to help them better manage their health care.

Ahead of the curve

WSJ: Can you describe some of the challenges you've experienced as it relates to the massive amounts of data being generated about patients?

MR. GOLD: I don't think of them as challenges. I think of them as opportunities, and our biggest opportunity is to continue to stay ahead of the innovation curve. Health care is complex to begin with, and now we have a rate of change that is unprecedented. This is being driven by the consumerization of health care, where consumers are taking more re-

sponsibility for managing their health-care dollars, combined with the rapid adoption of technology by patients. This convergence provides us with a unique opportunity to develop and deliver innovative tools that help our clients and patients save money and keep patients on a path to better health.

The use of data analytics to help identify the most cost-effective treatment for each patient will play a very important role in the future of health care. This is one of the fundamental reasons we opened the innovation lab—to help accelerate the delivery of these digital solutions to our customers.

WSJ: What are some examples of digital tools you've helped

deploy that are gaining traction among consumers?

MR. GOLD: People use multiple doctors and they have medications that aren't on the same schedule, so they wind up having to make multiple trips to the pharmacy. ScriptSync is a digital tool that allows them to synchronize all of these prescriptions. Patients can make one trip to the pharmacy and pick up all medications. In addition to convenience, we see an adherence benefit. The data show that our prescription benefit management members who are using ScriptSync have improved their adherence anywhere from 6% to 10%. And statistics show that if the national adherence rate was increased by just 1 percentage point, it would generate \$6 billion of health-care savings a year.

We also have refill reminder programs. We monitor the time that it has been since you filled your last prescription, and aligned with the plan rules and appropriate safety and compliance rules, we'll send an email or text that says your prescription that begins with these three letters is available for refill.

We're able to geotarget those text messages in advance of storms, to let our patients know they've got a prescription coming due and they might want to get it early because of the potential storm.

Ms. Castellanos is a Wall Street Journal reporter in New York. Email her at sara.castellanos@wsj.com.

Leaders Say They Want Nonconformist Employees. They Sure Don't Act Like It.

BY FRANCESCA GINO

ASK MOST CORPORATE leaders what kind of employees they want, and the answers will be nearly uniform: They crave creative workers who think outside the box, who speak truth to power, and who are always looking for better ways to get the job done.

That's what they say, anyway. What they do, however, tells a whole different story.

Across industries and jobs, employees report feeling pressured to follow established norms and practices in their organizations. They tell of being frustrated by the lack of opportunities to speak their minds, to be the best versions of themselves, to bring their ideas to the table or to suggest ideas for changing the status quo for the better.

The sad truth is that early in our careers, we are taught to conform, both to the status quo and to the opinions and actions of others. The more power and status we acquire as we climb the organizational ladder, the greater this pressure to conform.

Once we take on positions of leadership, conformity has been so hammered into us that we do just the opposite of what we should be doing: We perpetuate it rather than putting a stop to it, and keep modeling it for others. Unfortunately, this pattern is costly to both workers and their organizations, decreasing engagement, productivity and innovation.

Every so often, however, I run across a very different kind of company. In these places, employees say that from the moment they joined the company, the message from its leaders was clear: Bring your perspective to the table. We don't have all the answers. We want to hear what you have to say.

What did the leaders of these companies do differently? After all, pretty much all leaders think they are sending a message of desiring nonconformity. But it's the rare company where employees are actually receiving such a message.

Here are three strategies that seem simple, but in fact few leaders follow them:

1.

Express nonconformist ideas—and be proud of it.

It's hard to overestimate the importance of modeling nonconformist behavior. Employees look at their leaders and bosses and wonder whether they are "walking the talk."

As a result, perhaps the most basic strategy is for executives to wear their nonconformity on their sleeve, and encourage others to follow their lead. For starters, they should act in ways that seem to defy common expectations for

the role they have. For instance, one famous chef who I studied is the first one to pick up a broom and clean the streets outside of his restaurant or to wait for the produce-delivery trucks to arrive. His choices surprise customers and employees alike and show that roles don't have to box people in.

Similarly, in brainstorming meetings, a leader might say, "This may be a crazy idea" as a way to invite other people to share their own "crazy" ideas, without fear of judgment. In meetings where a leader is the only voice on an issue, he or she might highlight it explicitly by saying, "It's a bit lonely dangling on this branch alone, but I feel strongly about this issue." This way, leaders make it clear they know they're taking a risk, and are willing to stand out, giving others permission to do the same. In fact, these are statements a leader I studied uses regularly, with much success in modeling nonconformity for others. Another well-respected executive I've studied casts doubt on the quality of his own ideas so as to inspire others to do the same and bring out theirs.

The key here is that leaders don't just model nonconformity, but also make it clear that others should follow their lead. Too many leaders run meetings that subtly stifle nonconformity. They may boldly speak their minds and even identify themselves as mavericks, but they dominate the conversation or create an environment where people don't feel safe enough to bring out their perspective and know that doing so is actually valued.

2.

Point out conformity, negatively.

Modeling nonconformity is half the battle. The other half is antimodeling conformity. If executives notice people automatically agreeing with others' opinions during meetings or in email chains, they should draw attention to it—and not as a positive thing.

An inspiring leader I met who works in financial services told me that when she sees this happening, she refers to a **Dunkin' Donuts** commercial from years ago, which showed "Fred the Baker" waking up early day after day and saying, in a monotone, "Time to make the doughnuts." When this leader feels that team members are repeating something without questioning it, she says, "We're making doughnuts." People grasp her meaning—and suddenly start expressing their views.

3.

Play to your strengths—and encourage employees to do the same.

We all possess signature strengths

that we use naturally. We also all have a drive to do what we do best and be recognized accordingly. We may be the person in the organization who has a particular ability to focus on hard tasks for long stretches of time, or the person who has remarkable social or communication skills.

Yet, as I learned over the years in my research, too often in our need to conform, we hide our true selves, our strengths, at work. It means that our true preferences, attitudes and beliefs lay buried, as well as all of the innovative ideas we have for doing our jobs better. This happens because we feel pressure to behave in certain ways—because the accepted behavior seems to be different from the one that would bring out our strengths or because our boss doesn't seem to appreciate hearing new voices or ideas.

Many leaders I met over the years are good at being aware of what their strengths are, and they are also good at applying them. But they are dominating and controlling and they don't offer their employees opportunities to reflect on their own strengths. They also don't give them opportunities to discover how to best apply their strengths.

To foster nonconformity and innovation, that has to change. Some of the most successful companies I have studied hire smart individuals and then, regardless of the job openings available at the moment, gather information about their talents and strengths to create a job tailored to the candidate.

Discovering employees' strengths can take time and effort. Some leaders in successful organizations address this issue by asking new employees to rotate through different jobs for at least a few months to give leaders and their team enough time to figure out how best to tailor jobs to the newcomers' strengths. In this manner, they ensure that employees land where they fit best.

Tailoring the job to the person may not be as difficult as it sounds. Take the service industry, where jobs often come with a script. Rather than giving people a precise script they need to follow, leaders who take this strategy to heart explain what needs to be accomplished and what type of message should be delivered. But how the message is actually crafted and delivered (through humor, say, or more of a serious tone) is up to the individual.

When employees feel their jobs are playing to their strengths, when they feel their unique skills and ideas are valued, they are much more likely to leave the pressure to conform behind. If so, they—and the companies they work for—stand to gain.

Ms. Gino is the Tandon Family Professor of business administration at **Harvard Business School**. Email her at reports@wsj.com.

THE BENEFITS OF MINDLESS BREAKS

BY HEIDI MITCHELL

Most people need at least some breaks at work. But studies show that when people get back to work after a break, they're a lot less effective.

Is there any way to get the benefits of a break without suffering a loss in effectiveness? A team of researchers think they've found the answer: Change the kind of break people take—and they'll be more productive when they return.

In the fields

The researchers, from the University of North Carolina at Chapel Hill and **Harvard Business School**, studied the effects of two kinds of breaks in routine—planned and unplanned—in two locations: the farmlands of California, and an office.

Paul Green, a doctoral candidate at Harvard Business School, and his colleagues looked at 212 tomato pickers across 820 fields and 9,832 shifts. The workers got three types of breaks: planned 20-minute breaks; unexpected breaks when equipment failed and workers had to go to fix-it mode; and unexpected breaks when workers had to wait for an empty truck to arrive.

Mr. Green and his colleagues found that when workers came to the end of a planned 20-minute break, they had trouble getting back into the flow of work and so tended to pick fewer tomatoes. The same thing happened when workers got back to their regular routine from fixing equipment ("errors," in operational parlance).

Why? Taking a planned break from routine—or a break where you have to do an unexpected work-related task—means that you're changing your mental focus to another activity. Changing it back to your regular job isn't easy.

For instance, Mr. Green says, "when you have a planned break, you shift your focus and attention to do whatever it is you want to do—talk about sports, eat a snack," Mr. Green says. "That involves a restart cost, when you have to get back into the flow of things, and that takes a little while."

But, the researchers found, workers didn't pay the same kind of "restart cost" when they had to unexpectedly wait for an empty trailer, not knowing when it would arrive. Because they hadn't been planning to wait around, and didn't know how long they'd have to wait, they didn't get caught up in another activity and could return to work more easily.

And they were more productive. These short, unexpected "mindless breaks," which lasted around 10 minutes, brought an average productivity gain of 12.8% right after the breaks.

"We found that these unplanned breaks are not 'errors' but opportunities to recharge, as long as laborers don't know how long the breaks will start and end," says Mr. Green.

Lessons from a screen

For the second part of the research, researchers looked at more than 500 participants performing office tasks. One group had scheduled breaks, while the other was interrupted by frozen computer screens at random intervals. The latter reported more accuracy and productivity—of about 15% to 20%—right after they returned to work. "The critical point is that they didn't turn their focus, that they kept their minds on standby," says Mr. Green.

Ideally, it would be helpful to build those kind of unexpected events into the workday. The team hasn't figured out how to do that. But Mr. Green speculates that workers may get the same boost in productivity if they simply don't focus on anything when they break routine.

"Our theory is, you can get the benefits of rest without the element of surprise," says Mr. Green. Companies can encourage employees to maximize their potential by taking random breaks, but to be mindful of where their thoughts are going. "The key is to not engage. They need to act like they're in a scene from 'The Walking Dead.'"

Ms. Mitchell is a writer in Chicago. Email her at reports@wsj.com.

JOURNAL REPORT | C-SUITE STRATEGIES

How a Chief Executive With Dyslexia and ADHD Runs His Company

Selim Bassoul of Middleby Corp. tries to focus on the big picture

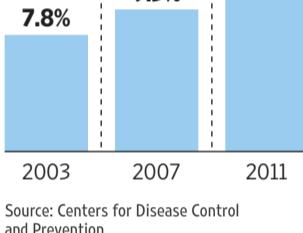
BY RACHEL EMMA SILVERMAN

LEADING A COMPANY without using email, reading memos or going to endless meetings sounds like a pipe dream. But it's a reality for Selim Bassoul, chief executive and chairman of **Middleby Corp.**, the Elgin, Ill., kitchen-supply maker with such popular brands as Viking and Aga Rangemaster.

Mr. Bassoul, 60, has dyslexia and attention deficit hyperactivity disorder (ADHD), conditions that weren't diagnosed during his childhood in Lebanon, when he initially struggled in school. Years later, when he was a graduate student at **Northwestern University**,

On the Rise

Percentage of U.S. children age 4 to 17 who have ever had an ADHD diagnosis by a health-care provider, as reported by parents:



Source: Centers for Disease Control and Prevention

THE WALL STREET JOURNAL

versity's Kellogg School of Management, a professor suggested he get tested, he says. Eschewing distractions such as email, Mr. Bassoul says, helps him avoid bogging down in the details of running a company with 7,500 employees and a market cap of \$7.8 billion. It also buys him hours every week, which he uses to visit with staff and customers and to help lead the **Bassoul Dignity Foundation**, which funds vocational training programs and efforts to help refugees.

In an interview, Mr. Bassoul, who started at Middleby in 1996 as a division president, explains how having dyslexia and ADHD has affected the way he runs the company.

"I want to be able to give hope to children or parents of children with dyslexia and ADHD that they can be successful," he says. Edited excerpts follow.

WSJ: What are some ways that having dyslexia and ADHD affects your leadership style?

MR. BASSOUL: Dyslexia has forced me to be quite conceptual, because I'm not good with detail. I think in general rather than in specific [terms]. That allows me to step back and take in the big picture rather than get bogged down in details. Because of my weaknesses and handicaps, I've learned other ways to accomplish the same goal at faster speed.

As a dyslexic you have no choice but to rely on others for help with detail and tactical tasks. You become a great judge of character. You have to select the best team around you.

Then you have ADHD, which makes you restless but it can also be a huge motivator for action. It prompts you to go out of the office and into the field. You find yourself constantly on the front line. I don't like to be confined to the office. I hate meetings. I am constantly visiting customers, our field offices, our manufacturing plants. I know the operations of my customers better than them, which helps create solutions for them prior to them knowing what they need.

WSJ: How has it impacted your communication style?

MR. BASSOUL: I do very little emailing, no Facebook, no LinkedIn. I've seen that some CEOs expect to spend 50% to 60% of their days sunk into meetings, email, memos, reading reports. I can't imagine the number of requests that they get from all kinds of people to which they have to reply. Over half of their hours are completely wasted.

WSJ: How do you manage teams?

MR. BASSOUL: We are highly decentralized. If it were all centralized on me, I would die. It would fail.

I don't manage groups in the traditional way. I focus on individual players on the team, working on individual skills, one on one. I empower them to do a lot of things, and they get it done.

The data show that 98% of our employees have stayed with us. There must be something working.

WSJ: How do you get key information, if you aren't reading emails or memos?

MR. BASSOUL: I'm always going out in the factory, or with our sales people, or in the customer's backyard and I see a lot of things that they don't see.

If people know that you're not an email guy, people don't send you email anymore. It's that simple. From time to time I use the phone. The phone is a good thing. But it is almost always one-on-one. I do a conference call on our earnings release, but that's it.

We are very performance driven. We have a goal. I say, we need to meet that goal and then go do it. It's one goal—Ebitda growth [earnings before interest, tax, depreciation and amortization, a measure of a company's operating performance.] That's it.

WSJ: Does a trusted deputy funnel information to you?

MR. BASSOUL: The one thing I get on a weekly basis is [a report on] cash from our treasurer and CFO. I don't see the orders, I don't see the income. I see cash. Cash doesn't lie.

WSJ: How do you handle board meetings?

MR. BASSOUL: Our board meetings are usually four hours or less. Our CFO does the presentation and sends them a lot of data in advance. The meeting is mostly focused on strategy, on acquisitions, on the big picture of where we are going, and corporate governance. It is very clear.

The board has been able to work with me, given my restlessness and my dyslexia. It puts things in perspective that you don't get bogged down in the details. We have checks and balances throughout, but I am very focused on the big picture.

WSJ: What prompted you to avoid most meetings?

MR. BASSOUL: I haven't always been the leader. I was at one point a staff member who had to go to meetings, and I saw that in the majority of meetings, the agendas weren't set correctly. And people take days and days to prepare for the meeting and then they prepare for another meeting. There is no conclusion. I didn't see that as productive. So I swore to myself, the day I became a leader, I wouldn't let the company be like this.

WSJ: Have you ever faced any problems in the workplace because of your disabilities?

MR. BASSOUL: I am restless and tend to be impatient. That could sometimes create friction with some of my subordinates, colleagues or peers when I was rising as a manager.

I always attracted specific people who liked the speed I was working at, and the fact that it basically had no paperwork. Just "let's go get it done."

When I came to Middleby, early on there were people who left and couldn't stand to work with this guy. Today, the people who have stayed with me have been with me a long time. It is transparent. It is known that I am high-speed and impatient.

WSJ: Have you heard from employees with dyslexia or ADHD?

MR. BASSOUL: Some people have come to me and [we work on] how to restructure the work. It is hard to say no to things. It is sometimes better not to jump into action. Email

forces people to respond to an email sent. People sometimes feel overwhelmed. You don't need to respond to everything.

I want to give people hope that there is an alternative way of managing. That someone like me can be successful and accepted.

Ms. Silverman is a writer in Austin, Texas. She can be reached at reports@wsj.com.



'I do very little emailing, no Facebook, no LinkedIn.'

SELIM BASSOUL

KYLE HANCOCK FOR THE WALL STREET JOURNAL

There will be more than nine billion people to feed by 2050.

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JOURNAL REPORT | C-SUITE STRATEGIES

In Defense of University Safe Spaces on Campus

Northwestern President Morton Schapiro says it isn't about coddling students. It's about creating an environment for learning.



'I'm with students all the time. I see what they struggle with.'

MORTON SCHAPIRO

BY DOUGLAS BELKIN

THE PRESIDENTS of the two academic powerhouses on either end of Chicago's Lake Shore Drive have very different perspectives on a host of campus issues that have made headlines this year: free speech, safe spaces and microaggressions.

Last year the administration of University of Chicago President Robert Zimmer sent incoming freshmen a letter telling them to expect discomfort—not safe spaces—on his campus.

Northwestern President Morton Schapiro takes a gentler approach. He believes that because learning is frequently uncomfortable, students need safe spaces—which for him means places where people

who share an identity can retreat, relax and recuperate. That might mean sharing a meal with students who are all of the same color or religion or watching a movie in a house designated for students from a certain background. Microaggressions—small acts of bias, intentional or not—are real, he believes. They leave scars. At least they have on him, he said in a recent interview.

Edited excerpts follow.

WSJ: You've said that you remember every microaggression you've ever heard. Can you provide an example—and tell me how it has affected your understanding of why safe spaces are important?

MR. SCHAPIRO: I was at a university in a very high-level position. It was a university that wasn't known for having a lot

of leaders who are Jews. We were at a major event. It was before a big football game. The marching band was performing. One of the wives of one of the leaders of this place turned to me and she said, "Morty, you must really enjoy this music." I looked at her and said, "Yeah." I must have had a puzzled look on my face. What was it about me that you would think I was particularly loving the marching band? She said, "Because your people are such musical people."

I thought, did I just hear that? It all of a sudden occurred to me I was the Jew. Even though I was near the top of the administration, at least some people just thought of me as a Jew.

People say microaggressions don't exist, but that just opened my eyes. Your people

are such a musical people. Not only is that insulting, but that's about the stupidest statement I've ever heard.

WSJ: People can be stupid and insensitive everywhere. But the military and large corporations exist without safe spaces. Why are they necessary on college campuses?

MR. SCHAPIRO: At many levels of a hierarchy, you don't have the same diversity, or backgrounds, rural and urban and international, that you have on college campuses. So, I think we're trying to do something that's pretty unusual on our campuses. Frankly, we struggle how to do it right.

Now, it is very tempting to take an absolutist view that we can never coddle our students. We have to prepare them for the world. We never do anything that undermines the brilliance of the First Amendment. That isn't the real world on college campuses. You want them to feel safe and protected so that they voluntarily engage in uncomfortable learning. That prepares them for the world.

You want to protect the First Amendment, obviously, but it isn't absolute. I'm with the students all the time. I see what they struggle with. These are tough issues, and to just say, "My campus doesn't do safe spaces".... Maybe some people take comfort in that, but I don't. My job as a leader is to draw that line.

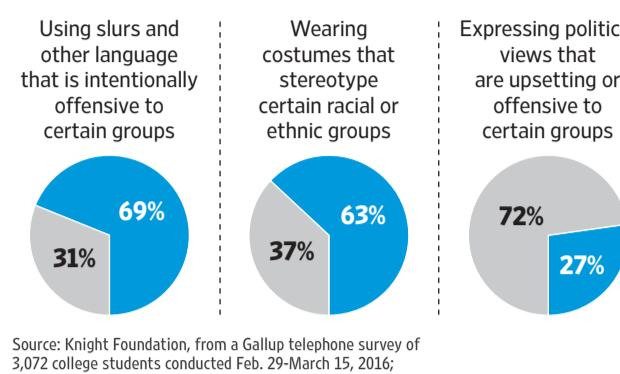
WSJ: Can you give me an example of drawing that line?

MR. SCHAPIRO: It was Holocaust Remembrance Week. I was president of Williams. There were some very in-your-face posters and pictures of Auschwitz. This lady decides to redo them [with a "Happy Birthday Hitler" message] and replace the Jewish star with a symbol for cannabis. It was absolutely disgraceful.

I'm not a lawyer, but I have some friends who are, and I

Speech Police

Percentage of college students who think colleges and universities should or shouldn't be able to restrict the following types of speech or expression on campus:



Source: Knight Foundation, from a Gallup telephone survey of 3,072 college students conducted Feb. 29-March 15, 2016; margin of error: +/-3 percentage points

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I belong to a golf club. I know that when I'm out playing golf maybe the course isn't safe, because I'm such a bad golfer, but it is a safe space for me. Nobody comes up to me and says, "Hey, idiot, you're rejecting my granddaughter." They just leave me alone when I play golf.

So, I have safe spaces. I think a lot of people have safe spaces, but they just don't recognize them in their lives.

WSJ: There were recent incidents at Middlebury and Berkeley, preventing Charles Murray and Milo Yiannopoulos from speaking. Would you be comfortable having either man speak at Northwestern?

MR. SCHAPIRO: You don't really protect a community if you shut down dialogue. There's a legal framework in which we operate. It isn't absolute. It would be on a case-by-case basis. But again, the Constitution and Bill of Rights have served this country extremely well, and you better have a really good reason to interfere with freedom of speech.

WSJ: Isn't part of your school's mission to encourage students to find safety in diversity?

MR. SCHAPIRO:

People aren't

voluntarily going to engage in uncomfortable learning unless there's someplace where they feel safe. It's as simple as that.

Mr. Belkin is a Wall Street Journal reporter in Chicago. Email him at doug.belkin@wsj.com.

The Problem With Independent Boards



BEWARE THE CEO WHO DOESN'T WIN AN AWARD

BY ROBIN SIDEL

There's nothing like a little jealousy to make a chief executive spend a lot of money on a bad deal.

That's the gist of a recent study that found that CEOs whose rivals win awards often rev up their acquisition activity and pursue purchases that may not help their companies.

The study, published in the Strategic Management Journal, examined the acquisition activity of more than 4,000 CEOs who competed with more than 200 "superstar" CEOs—who had won awards from publications like Businessweek, Forbes and Harvard Business Review—between 1996 and 2010.

It found that CEOs who didn't win awards made 22% more acquisitions in the four years after a rival won an award than they had made in the previous four years. It also found that the post-award acquisitions had a more negative financial impact on the buyers' return on assets and prompted a more negative stock-market reaction than acquisitions made before the awards. They were also more expensive: On average, a firm that spent \$100 million on acquisitions in the pre-award period spent \$256 million in the post-award period.

"Basically, they do the acquisitions in order to gain visibility and they may not be paying a lot of attention to strategic fit," says study author Wei Shi, an assistant professor of management at Indiana University's Kelley School of Business. He conducted the research with Yan Zhang and Robert E. Hoskisson, both of the Jesse H. Jones Graduate School of Business at Rice University in Houston.

"Runner up" CEOs—those nonwinners who seemed to have had the best chance to win an award, based on several criteria in a model the researchers created—were associated with the biggest increases in the number and value of acquisitions, the study found.

The study doesn't identify the CEOs who were examined or cite examples of deals that were pursued after a rival CEO won a prestigious award.

Dr. Shi says he got the idea for the study after hearing CEOs complain when a rival CEO won an award. "These CEOs pay a lot of attention" to awards that are dispensed in their industries, he says, noting that award-winning CEOs may earn more money, assume additional board seats and write books as a result of the attention.

The grumbling made Dr. Shi start thinking about whether such CEOs would take action in an effort to improve their visibility and social standing among their peers. "Big acquisitions mean you manage a bigger company and you will attract more attention from the mass media and other stakeholders," he says.

Ms. Sidel is a writer in Jersey City, N.J. She can be reached at reports@wsj.com.

BY JIM COMBS AND DAVE KETCHEN

THE CONVENTIONAL wisdom couldn't be clearer: The more independent a company's board is, the better. The presence of any company employees, other than perhaps the company's CEO, can only bring trouble.

The conventional wisdom couldn't be more wrong: Boards that are too independent invite trouble. According to our research, it can lead to lower profits, excessive CEO pay and more financial fraud.

In other words, when it comes to the independence of corporate boards, there can be too much of a good thing.

This will no doubt surprise a lot of people. Boards where the CEO is the lone insider—what we call "lone-insider boards"—have been growing in popularity. Today, in fact, the CEO is the lone board insider at more than half of S&P 1500 firms.

Boards used to look much different. Before the accounting scandals of the early 2000s, many corporate boards were dominated by insiders. Often the result was a rigged system that gave CEOs excessive influence and undermined boards' ability to monitor executives' behavior. Following the demise of firms such as Enron and MCI WorldCom, the NYSE and Nasdaq stock exchanges adopted rules forcing listed firms to have a majority of independent outside directors. The move clearly strengthened corporate governance.

This is where too much of a good thing comes in. While the drive toward greater indepen-

dence was an important improvement, removing all insiders except the CEO takes independence to an extreme that wasn't dictated by exchange rules—or by good corporate governance.

That's because having one or more additional inside executives on the board provides two important benefits.

First, other insiders provide critical information. A CEO's job is complex and largely hidden from outside directors' view. Inside directors are immersed in day-to-day operations and directly observe the CEO's actions, so they can provide outside directors with detail and context they wouldn't otherwise possess.

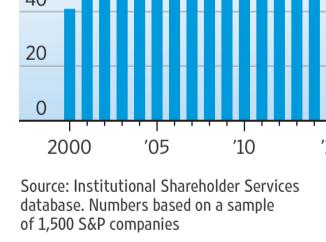
In the absence of other board insiders, CEOs have an easier time shifting blame when performance slides or taking more credit than deserved when performance excels. In contrast, the presence of insiders who know the behind-the-scenes story can help outside board members better assess CEO performance and set appropriate CEO pay.

The second benefit of placing other key executives on the board is that it reduces the risks associated with CEO turnover. When non-CEO executives serve on the board, outside board members get to know them and are able to assess their leadership skills. Knowing that competent internal candidates are available makes it easier to challenge the current CEO. When a need for change becomes apparent, the board might still look externally for a new CEO, but at least the bench strength of the current executive team will be well understood.

Given that other insiders are

Lone Insiders

Percentage of S&P 1500 company boards where the CEO is the only non-independent director



Source: Institutional Shareholder Services database. Numbers based on a sample of 1,500 S&P companies

THE WALL STREET JOURNAL.

an important source of information and reduce succession risks, we investigated whether the shift toward board independence might have gone too far. In a study to be published in the Strategic Management Journal, we used data on S&P 1500 firms from 2003 to 2014 to examine the consequences of lone-insider boards.

We found that lone-insider boards pay CEOs excessively. On average, lone-insider CEOs received roughly 81% more pay a year than their peers. That's an additional \$4.6 million a year. CEO pay at lone-insider boards was also disproportionate to other executives' pay. In our sample, the average CEO made \$4.4 million a year more than the average of the next four highest-paid executives in the company. However, for CEOs who were lone insiders, the gap grew an additional \$2.99 million, meaning they made \$7.39 million more than the average of the

other top executives.

We also found that companies with lone-insider boards were 27% more likely to commit financial misconduct and that their profits were roughly 10% lower on average.

The obvious antidote to the negative consequences of lone-insider boards is to invite one or two key executives to join the board. Every company has unique governance needs, of course, but our data show that firms with two or three insiders on the board don't suffer any of the executive-compensation and performance problems endured by firms with lone insiders.

As to whom to tap, we find that boards often default to putting the chief financial officer on the board if they want a second insider. But that may not be the preferred route every time. Instead, boards should focus on personal characteristics rather than titles. An executive who asks hard questions, values candor and has strong potential as a future CEO would be a wise choice—whatever his or her title.

Dr. Combs, the Dr. Phillips Chair in American free enterprise at the University of Central Florida, and Dr. Ketchen, Lowder eminent scholar at Auburn University, can be reached at reports@wsj.com. Also contributing to this article: Michelle L. Zorn, an assistant professor of management at Auburn University; Christine Shropshire, an associate professor of management at Arizona State University; and John A. Martin, an assistant professor of management at Wright State University.

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JOURNAL REPORT | C-SUITE STRATEGIES

Yelp Looks to Reach Beyond the Stars

CEO Jeremy Stoppelman on how—and why—the company is getting into the transactions business

BY TOMIO GERON

YELP, THE COMPANY known for its 5-star-ratings system for businesses, is adding to its roster of services in a bid to uphold its own popularity.

The San Francisco-based company started out by giving users a way to see what others have said about a business or what dishes are most popular at a restaurant. Since its founding in 2004, Yelp has amassed some 127 million reviews in areas such as retail, restaurants, home and local services and beauty in more than 30 countries.

Now, pressed by rivals such as **Google**, which includes its own ratings system for local businesses in its search results, Yelp has expanded the services it offers. Users can now make restaurant reservations, get price quotes from businesses, hold a place in line for a restaurant, get food delivered and earn cash from a loyalty program.

Each of these tools—some acquired, and some developed internally—are designed to

strengthen the relationship between Yelp and its users, says Yelp co-founder and Chief Executive Jeremy Stoppelman.

The company charges for these services in different ways. For its reservation system it charges restaurants a flat monthly fee, while fees for its NoWait service depend on subscription type. For Eat24 food deliveries, it charges transaction-processing fees to restaurants. Request a Quote is free but offers paid ads for businesses to be listed as a "similar business."

Last week, Yelp reported weaker-than-expected retention of local advertisers and cut its full-year revenue outlook as a result. Its shares fell sharply. Yelp blamed the problem on a move to a different ad system and the fact that it had more smaller customers, who have higher turnover. Yelp said it has addressed the issues and has seen performance improve.

The Wall Street Journal spoke with Mr. Stoppelman about the challenges his company faces in broadening the services it offers while main-

taining its core business of reviews, search and ads. Edited excerpts follow:

WSJ: Why have you evolved from your original focus?

MR. STOPPELMAN: We got our start with reviews and content to help consumers decide what the best business for them might be. We had a lot of success with that. What does the consumer do next? Typically the consumer wants to transact. This is about how to make their life a little easier.

Part of the strategy there is to make Yelp an indispensable tool for consumers to contact and engage with businesses they care about.

WSJ: How do these transaction services affect your revenue and business?

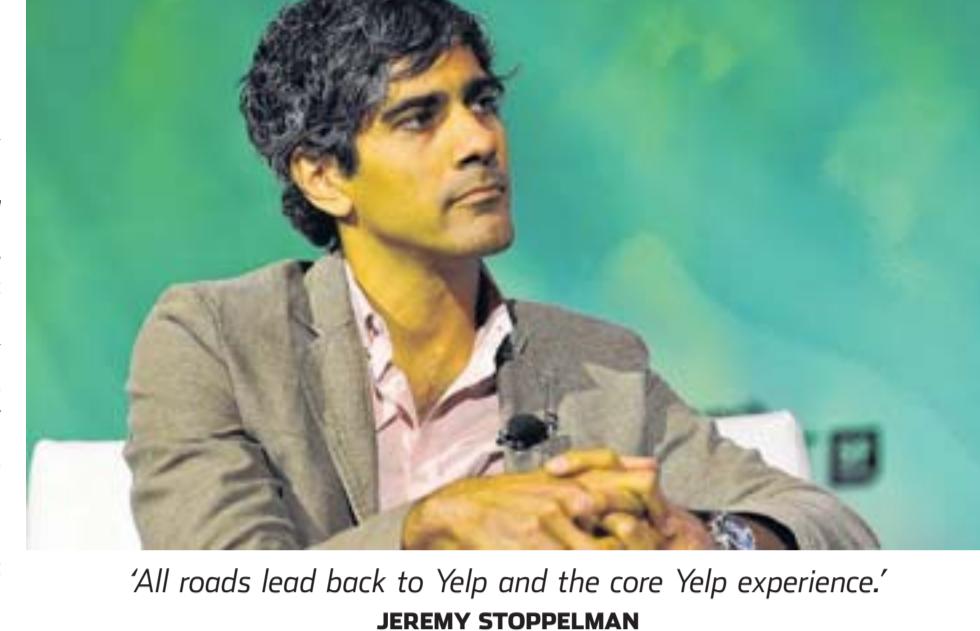
MR. STOPPELMAN: We haven't had a revenue focus as a primary reason for doing this. There is a nice revenue component to Eat24, which we acquired. It has seen a lot of growth.

If you're a fan of the Yelp app and you can book a table through the Yelp app, that's a smoother, better experience. Similarly, if your favorite brunch spot says, "Do you want to add yourself to the waitlist and we'll notify you 10 minutes before?" that's a "wow experience."

Not to say there isn't a revenue component to these businesses, but the Yelp ad business is enormous and won't be eclipsed by these additions any time soon. All roads lead back to Yelp and the core Yelp experience.

WSJ: How do these services generate revenue?

MR. STOPPELMAN: The strategy is to provide a reason for consumers to use Yelp more often and to allow them to take the next step after business discovery. It's also to provide services to businesses that take advantage of Yelp's large con-



'All roads lead back to Yelp and the core Yelp experience.'

JEREMY STOPPELMAN

STEVE JENNINGS/GETTY IMAGES

sumer distribution.

WSJ: How do you remain ob-

jective in terms of handling re-

views for consumers, given

that you are getting paid for

restaurant reservations, etc.?

MR. STOPPELMAN: Reviews and advertising, or any of our paid products, are completely separate. Businesses can't pay to manipulate their reviews on Yelp. It's crucial to maintaining consumer trust to keep reviews and advertising separate.

Reviews are recommended to consumers by software that is impartial to advertisers or any other commercial relationship.

In addition, we have a user-sup-

port team that reviews con-

tent for violations of our ter-

ms of service.

WSJ: If a restaurant that uses the Yelp reservation system gets bad ratings, does that af-

fect how or whether you work

with them?

MR. STOPPELMAN: No. Yelp helps consumers choose a res-

taurant based on rating, re-

views, photos and other infor-

mation. Yelp Reservations

simply allows users to make a

reservation at the restaurant

of their choice directly

through the Yelp platform at

the moment of decision.

WSJ: Has anything changed in

your relationship with Google?

MR. STOPPELMAN: We continue to see Google as a competitor in the local space with their Google Places product. We continue to have concerns around how they leverage their monopoly.

When regulators come to us, we haven't been shy about our perspective. That said, we're not standing around and complaining about Google.

WSJ: Has anything changed with how you handle fake re-

views?

MR. STOPPELMAN: We've always been a pioneer and tip of the spear tackling this problem.

One of the things we de-

veloped in February 2005, just

after the launch of the product,

was the first version of our recommendation algo-

rithm. That decided which re-

views are most useful for con-

sumers and most helpful and

which aren't. At this stage of

the game we're using the

fancy technology you've heard of, like machine learning.

We have a team focused on

doing sting operations. They

pose as people who love to sell

reviews on the internet. When

we have smoking-gun evidence [that a business has paid or tried to pay for positive reviews], we're able put out a consumer alert [on the Yelp page of the business involved]. We want consumers presented with the evidence.

WSJ: How has your review-dis-
play algorithm changed or im-
proved with machine learning
or new technology?

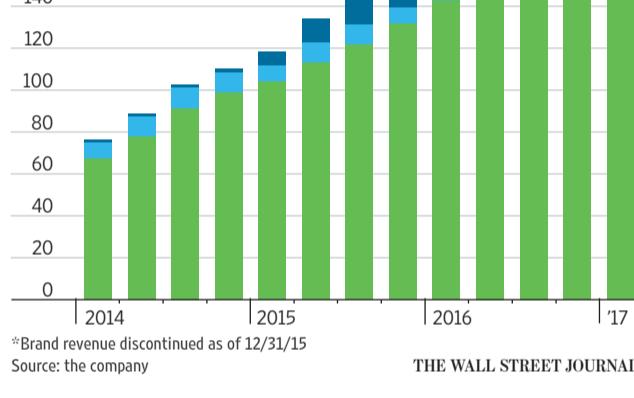
MR. STOPPELMAN: Our recom-
mendation software has defi-
nitely evolved and improved over time as it has more data to
process. It incorporates what we know about each review and reviewer, and uses
pattern-recognition and other
machine-learning techniques to
protect consumers.

We've recently tuned the al-
gorithm to increase its focus on
solicited reviews because that's an increasing problem in
the online-review industry. We
think that soliciting biases reviews,
and our policy is that businesses
should not ask for reviews, and definitely not pay
for them or give freebies in
exchange.

Mr. Geron is a Wall Street
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Small Portion

Transaction revenue is growing, but it still accounts for only a fraction of Yelp's total revenue, by quarter



*Brand revenue discontinued as of 12/31/15

Source: The company

READ THIS STORY! OR RATHER, PLEASE READ THIS STORY.

BY ALINA DIZIK

Some advertisers like to tell consumers what to do. Buy this. Do this. Don't do this.

But marketers should beware of being too assertive.

That's because consumers don't like being told what to do, especially by brands they love, says Yael Zemack-Rugar, assistant professor of marketing at the University of Central Florida and one of three authors of a paper about assertive ads forthcoming in the *Journal of Consumer Psychology*.

"We have this innate need to feel like we are making our own choices," she says. "That's a huge problem for marketers who tend to tell consumers what to do."

Assertive ads can be especially damaging to companies' relationships with their most valued customers, says Dr. Zemack-Rugar. "This effect is much worse for the consumers that tend to be the most loyal," she says.

Spending is affected

The researchers showed magazine advertisements to a total of more than 1,000 participants in a series of seven studies; 72% of the advertisements used assertive language. Responses measured how much people enjoyed the ads, their opinion of the brand and their spending intentions. The participants included consumers who felt committed to liking particular brands and others who didn't.

In one experiment, participants were asked how much of a \$25 gift card they would spend on a brand in one of the ads. Those who saw an assertive ad chose to allocate \$7 of the gift card to the brand on average, compared with \$14 for those who saw a nonassertive ad. The best purchasing results came from ads that were "informative and hint at action" by the consumer, Dr. Zemack-Rugar says.

Sensitivity is high

It doesn't take anything extreme to alienate consumers, Dr. Zemack-Rugar says. "We're not talking about smack-you-in-your-face aggressive language," she says. For example, "buy now" may not seem overly assertive but still has the negative effect associated with telling consumers what to do, she says. On the other hand, "now is a good time to buy"—a simple tweak—mitigates the effect, she says. Some companies try to soften their messages with politeness, using language like "please buy now," but the researchers found that this didn't help, Dr. Zemack-Rugar says.

For companies, this can mean rethinking how they present their messages not only in advertisements but also in email communications, on their websites and even in face-to-face pitches by salespeople, she says.

Much assertive messaging is so commonly used—for example, "Like us on Facebook"—that companies mistakenly assume that consumers are no longer paying attention to it, Dr. Zemack-Rugar says. The study found that a "Like us on Facebook" tagline increased the pressure that consumers felt to comply with the ad and as a result diminished how much they liked the ad. "We're not immune" to assertive messages just because they're common, Dr. Zemack-Rugar says. "They still evoke a reaction."

Ms. Dizik is a writer in Chicago. She can be reached at reports@wsj.com.

An Advertising Shift at Lyft

CMO Melissa Waters says her goal is to build awareness of the Lyft brand in new markets

BY ALEXANDRA BRUELL

LYFT INC. WASN'T first to the ride-hailing phenomenon, but the company is creeping up on larger rival **Uber Technologies Inc.**, which has been reeling from a series of missteps and negative headlines.

Since debuting as a challenger in 2012, San Francisco-based Lyft has expanded into more than 300 cities in the U.S., taking on its competition on the road and in its marketing. In one ad, three men in suits from a rival presumably resembling Uber sit around a boardroom table, laughing at Lyft features such as a driver-tipping function. "Why would they do that?" asks one man.

"They use the extra money to buy gifts for their families," responds another. Evil laughter ensues.

Now, under new Chief Marketing Officer Melissa Waters, who joined Lyft from Pandora over six months ago, the company is shifting gears in its advertising. It plans to focus less on the competition and more on building awareness of the Lyft brand in regions that aren't as familiar with it.

The Wall Street Journal spoke with Ms. Waters about the new approach, which will

include messages about Lyft's founding values. One of those values is encouraging drivers and passengers to treat each other well. Ms. Waters also discussed the ad environment more broadly, including what can be learned from recent controversies such as the **Pepsi** spot featuring Kendall Jenner at a protest handing a police officer a **Pepsi**.

Edited excerpts follow.

WSJ: What did Lyft accomplish by going after a rival?

MS. WATERS: We saw a great uptick in installations of our app and rides, and strong performance in the campaign. But because we were really focused on the product differentiations between us and the competition, it didn't afford us the ability to really tell our story. We were talking with markets familiar [with our brand], and now we're going out to markets that aren't.

WSJ: What's your main marketing focus at the moment?

MS. WATERS: In the early days, we were trying to get a foothold with our user base. In 2016, we closed out really strong; 2017 is about building momentum and scaling beyond the markets we're in. I'm here to focus on brand build-



'We as a brand have an opportunity to let folks know who we are as an organization.'

MELISSA WATERS

ing. My job is to take our message and story out to the masses and ensure that people understand who we are.

WSJ: What's different about that message now? How do you plan on raising awareness in new markets?

MS. WATERS: We take for granted in Silicon Valley that everyone knows what Lyft is. We know for a fact that isn't true. People make a choice about ride-sharing, and they want to feel good about the choice they're making. There's more of a story to tell about a company that puts people first, a company that focuses a lot on experience and making sure we demonstrate how we treat drivers and passengers really well.

WSJ: That sounds like a big shift from aggressively taking on the competition in ads. Will you ditch that approach?

MS. WATERS: In this industry, you have two main players. It's natural for the conversation to revolve around the comparison. I think we have also been a little bit guilty of that. But instead of focusing on the comparison to our competition, we as a brand have an opportunity to let folks know who we are as an organization.

WSJ: As you focus more on formats like video, how do you approach advertising on platforms like Google, where brands realized their ads were appearing next to content deemed unsafe?

MS. WATERS: We've been clear about removing our ads from Google and YouTube and various places while they figure out how to ensure that ads show up in a way that we feel good about. We're a value-driven organization that believes strongly in being in places that are in line with our values, where we feel we can run ads without needing to audit that at all times.

WSJ: There's an uptick in brands taking on politics and social activism in their ads. What can you learn from Pepsi's recent ad flub?

MS. WATERS: You learn that you have to stay true to who you are. As soon as you try to chase after

JOURNAL REPORT | C-SUITE STRATEGIES

The Incivility in the Air

Southwest Air's CEO talks overbookings and more

BY MELANIE TROTTMAN

IN RECENT MONTHS, Southwest Airlines' chief executive officer has lobbied to modernize the U.S. air-traffic control system, stopped overbooking passengers amid public outcry about the practice, and watched a brawl between passengers on his airline go viral on social media.

With the industry in the hot seat of public opinion lately—partly for things it can't control, like bad weather, and partly for admitted mistakes—Southwest CEO Gary Kelly spoke with The Wall Street Journal about driving change in an industry that faces increased scrutiny, and how airlines can make traveling easier. That includes expanding terminals and runways at airports that have the space and modernizing air-traffic control so that airlines can add flights and curb delays.

"People want to fly and the question becomes: For the next generation, how will we meet the needs of increasing travel demand?" Mr. Kelly said. "We need to make sure we have adequate capacity on the ground and in the air."

Below are edited excerpts from the interview.

Booking changes

WSJ: The recent video of a passenger being dragged off a United Airlines flight by authorities after refusing to give up his seat created a firestorm about overbooking. United settled with the passenger and changed its policy. How did that incident drive change at Southwest?

MR. KELLY: As soon as that event happened, we looked at all our procedures to make sure that we mitigate any risk of us making those kinds of mistakes. We pulled our overbooking research out and updated it. We made the decision to stop overbooking. We believe we can do it and it's the

right thing to do.

WSJ: But you've overbooked passengers as a practice for years. Why?

MR. KELLY: Because we were trying to keep our fares low. We've had significant bookings where the customer doesn't show up.

Before, we just felt like it was too much money to leave on the table, but the number of no-shows on Southwest has gotten lower and lower, to the point that I feel comfortable in terms of serving our shareholders that we can cease that practice.

We won't eliminate the risk of an oversale by 100%—we might have an emergency situation where we have to get a pilot from point A to point B—but we'll have far fewer situations where we have to ask for volunteers because we don't have enough seats.

Focus on civility

WSJ: This month two of your passengers had a violent fight on one of your planes. Do you have a broad sense of why this sort of disruption is happening now and how to mitigate it?

MR. KELLY: We carry nearly 125 million passengers a year and

have about 55,000 employees. Our company and customers reflect the broader society. So it's a very high-profile industry, social media is at an all-time high, and things happen with the general public—and there's nothing new about that.

What is perhaps new is that information is so readily available to everyone instantly [through social media]. I think it's that, more than anything else, with one caveat: I am concerned that our broader society is getting more coarse. You just witnessed the political environment over the last couple of years.

We want to be famous for hospitality at Southwest. We want to encourage a refreshed look at civility among our people and try to set that example. But I think all of us worry about whether our society is getting less civilized, and I think a focus on civility is the right thing to do.

I don't have any evidence that things are getting worse. What was interesting is that recent statistics for the airline industry show that it was the best customer-service year ever and best customer-satisfaction year.

WSJ: After that very publicized fight on your airline, was there anything you did internally or externally?

MR. KELLY: No. This is not new. In a given year, we have all kinds of things happen on our airplanes and in our airports, so our people are very well trained, very skilled at de-escalating conflict. We know the protocol, we know when to call law enforcement. That incident didn't reveal anything we needed to revisit.

WSJ: Some of the conflict occurring is between passengers and employees. There are rules on planes and in airports that sometimes provide the framework for how an employee responds to a passenger. Might



'I am concerned that our broader society is getting more coarse.'

GARY KELLY

those policies conflict with civility?

MR. KELLY: What we try to do at Southwest is have policies and procedures for our employees that will make them proud. That's why we don't like to charge bag fees, that's why we have stopped overbooking, that's why we don't charge flight-change fees. We try our best to take all the pain points for customers that we possibly can and eliminate them from the travel experience, and I'm sure we haven't covered all of them yet, but that is the ideal that we are pursuing.

To me the character of a person or a company is how they deal with conflict. It's easy to be civil when things are going swimmingly, when everybody agrees with you. I think where civility plays a role philosophically is when you're at opposite ends and dealing with conflict. When we have conflict we can disagree in a respectful way.

Improving traffic control

WSJ: What can we expect in the future of the airline industry? What things might surprise us?

MR. KELLY: The airline industry is finally healthy, healthier than ever and as a consequence extraordinarily competitive. I think the airline industry will continue to improve and continue to have

an increased focus on the individual airlines' view of customer service—and you've got a wide variety of those.

We need to make sure we have adequate capacity on the ground and in the air. I'm confident we'll have it on the ground but not confident we'll have the air-traffic control modernization that we need. That is the single biggest issue that we face over the next generation: making sure we have the capacity to efficiently and cost-effectively meet the demand.

WSJ: How can things be improved in the air?

MR. KELLY: The air-traffic control system is owned and operated by the federal government and requires an act of Congress for the funding on an annual basis. I think there is a more efficient way of operating it. Today we're still using ground-based radar for the majority of the flights in terms of guiding airplanes from point A to point B. We're not taking full advantage of satellite-delivered GPS navigation techniques. If we can improve the efficiency, it creates capacity and helps keep the cost of flying under control.

We are lobbying the administration and Congress to change the governance of the Federal Aviation Administration and the oversight of the FAA so that it allows it to op-

erate a lot more efficiently. We need to separate the air-traffic management into a not-for-profit corporation. That should enable the FAA to expedite the modernization of the air-traffic control system.

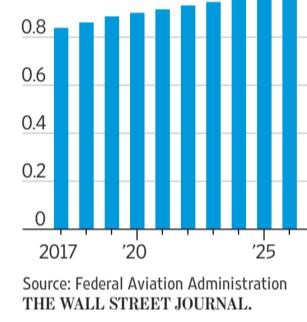
WSJ: How is the need to improve infrastructure affecting airlines and passengers?

MR. KELLY: In many cases it restricts the amount of supply airlines can offer customers, so they don't get an array of flights to choose from, in effect restricting competition, which means it's going to cost consumers more. In the air, it makes their trips longer and longer. A flight today from New York to Dallas is significantly longer for scheduled flight times than it was 20 years ago, and that's true for city pairs across the U.S. When we experience these longer flight times, we change the schedule so that they're no longer "delayed" according to the schedule, but now all you've done is you've built in the delay time into the schedule, and I just fear that as time goes by over the next generation that there's a limit to how much you can simply increase the flight times before you just reach gridlock.

Ms. Trottman is a writer in Washington, D.C. She can be reached at reports@wsj.com.

Crowded Skies

The FAA expects steady growth in the number of passengers boarding U.S. commercial airlines over the next 10 years. Revenue passengers boarded:



Source: Federal Aviation Administration
THE WALL STREET JOURNAL.

BOUNLESS INNOVATION

SOME STATES WILL PROMISE YOUR BUSINESS THE MOON.
WE CAN ACTUALLY DELIVER IT.

Florida is the place where technology, creativity and exploration converge. Known as the world's premier gateway to space, we're also home to over 30,000 high-tech companies. And when you consider 28,000 new STEM graduates enter our workforce every year, it's easy to see that Florida isn't just ready for the future; we are the future. Discover what a future in Florida means

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