

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

THURSDAY, MAY 11, 2017 ~ VOL. CCLXIX NO. 109

WSJ.com

★★★★ \$3.00

DJIA 20943.11 ▼ 32.67 0.2% NASDAQ 6129.14 ▲ 0.1% STOXX 600 396.45 ▲ 0.2% 10-YR. TREAS. ▼ 3/32, yield 2.414% OIL \$47.33 ▲ \$1.45 GOLD \$1,217.30 ▲ \$3.00 EURO \$1.0870 YEN 114.29

What's News

Business & Finance

Snap showed in its first quarterly report as a public company that it struggled to maintain strong user growth at Snapchat. Shares plunged 23% after hours. **A1**

◆ **Whole Foods** is reshaping its board after activist investor Jana urged the grocery chain to explore a sale. **A1**

◆ **AIG** plans to name Brian Duperreault, a one-time Greenberg lieutenant, as the firm's chief executive. **B1**

◆ **Power company Calpine** is exploring a sale and has attracted interest from private-equity firms. **B1**

◆ **Abercrombie & Fitch** is in talks with at least two interested buyers, including Express and American Eagle. **B1**

◆ **Verizon** will buy Straight Path for more than \$3 billion after beating rival AT&T in a bidding war. **B3**

◆ **Toyota** posted a 21% drop in profit for the year ended in March and forecast another decline in the current year. **B3**

◆ **U.S. import prices** rose 4.1% in April from a year earlier, their fifth consecutive monthly increase. **A2**

◆ **The ECB said** around 15% of eurozone workers are jobless or underemployed. **A8**

◆ **21st Century Fox** had costs of about \$10 million related to sex-harassment claims against Ailes for its latest quarter. **B6**

◆ **The Dow lost** 32.67 points to 20943.11, dragged down by Disney and Boeing. **B12**

◆ **DHX is acquiring** control of the Peanuts comic brand with a deal to buy Iconix's entertainment division. **B1**

World-Wide

◆ **Trump said** he fired Comey because the FBI chief "wasn't doing a good job," weighing in publicly for the first time on the ouster. **A1**

◆ **A federal probe** into potential collusion between Trump associates and Russia was escalating in the weeks before Comey's firing. **A1**

◆ **The Justice Department** moved to find a temporary successor to Comey. Sessions and his deputy interviewed five candidates. **A5**

◆ **Senate Democrats** indicated they would ratchet up pressure on Republicans for a special prosecutor. **A5**

◆ **Russia's Lavrov said** Trump didn't substantively raise the issue of alleged election interference during a White House meeting. **A6**

◆ **The U.S. is beefing up** joint antiterrorism efforts with Turkey, in an apparent bid to calm tensions over a plan to arm Kurds. **A7**

◆ **South Korea's new leader** began his presidency by declaring his willingness to go to North Korea under the right circumstances. **A10**

◆ **Republican efforts** to repeal an Obama administration environmental rule failed in the Senate. **A3**

◆ **Defense officials** said the U.S. will bolster its surveillance of Russia military drills in the Baltic region. **A7**

◆ **Brazil's ex-leader da Silva** vigorously defended himself during a court deposition. **A9**

◆ **Mexico rejected** a report that deemed the country the world's second-deadliest conflict zone in 2016. **A9**

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Trump Seeks to Mute Comey Outcry



Russian Foreign Minister Sergei Lavrov, left, and Ambassador Sergei Kislyak, right, share a laugh during a White House meeting with President Trump. The photo was taken by Russia's state-owned news agency TASS; Wednesday's meeting was closed to U.S. media.

Investigators Step Up Russia Probe

By SHANE HARRIS
AND CAROL E. LEE

WASHINGTON—In the weeks before President Donald Trump fired FBI Director James Comey, a federal investigation into potential collusion between Trump associates and the Russian government was heating up, as Mr. Comey became increasingly occupied with the probe.

Mr. Comey started receiving daily instead of weekly updates on the investigation, beginning at least three weeks ago, according to people with knowledge of the matter and the progress of the Federal Bureau of Investigation probe. Mr. Comey was concerned by information showing potential evidence of collusion, according to these people.

White House officials said

Fallout From FBI Firing

Gerald F. Seib:
Moderate GOP senators
pivotal after firing | **A4**

Search begins for new
chief as FBI reels | **A5**

Democrats, led by Sen.
Chuck Schumer, right,
ratchet up pressure | **A5**



Wednesday that Mr. Trump had for months been contemplating the possibility of removing Mr. Comey, and that the dismissal this week wasn't connected to the Russian probe.

Meanwhile, a congressional investigation into Russian meddling picked up steam as the Senate Intelligence Com-

mittee issued a subpoena Wednesday for the president's former national security adviser, Mike Flynn, to produce documents relevant to the investigation. And a federal grand jury in Northern Virginia has issued subpoenas for records tied to Mr. Flynn, according to a person familiar

with the matter.

FBI and Senate investigations into Mr. Flynn, which had been looking into the nature of his contacts with Russia before he joined the White House, expanded in recent weeks to include an examination of Mr. Flynn's tenure as Mr. Trump's chief security adviser, people familiar with the probe said.

Mr. Flynn was forced to resign as national security adviser for misleading Vice President Mike Pence about his contacts with Russian officials.

The Senate Intelligence Committee also has asked a Treasury Department office that investigates financial crimes for information related to Trump associates or people related to his campaign, said Sen. Mark Warner (D., Va.).

Please see PROBE page A6

President says FBI chief
wasn't doing a good
job; Democrats seek
special prosecutor

By MICHAEL C. BENDER
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump weighed in publicly for the first time on his firing of James Comey, saying on Wednesday that the FBI director "wasn't doing a good job."

His comments were part of an effort by the White House to explain and elaborate on the reason the president abruptly fired Mr. Comey on Tuesday, a move that has prompted the president's critics to claim he is seeking to interfere in a probe Mr. Comey was leading into possible collusion between Russia and the Trump campaign.

Democrats on Wednesday called for the appointment of a special prosecutor in that investigation, and in protest sought to slow the workings of Congress, while some senior Republicans also expressed unease with the timing of the action.

After an evening when the White House communications apparatus appeared caught off guard, officials gave more details into the President's rationale and the timeline of events.

But the explanations offered by officials at times didn't emphasize the same triggers that set off a decision that has rocked Washington. The stated reason given to Mr. Comey himself: his conduct during the investigation into Democratic candidate Hillary Clinton's use of a private email server while at the State Department, which ended without charges.

Other officials focused on Mr. Trump's increasing frustration after he had initially considered then declined to fire Mr. Comey during the transition.

The president's move
Please see TRUMP page A4

Whole Foods Overhauls Board; Vows Big Changes

By DAVID BENOIT
AND HEATHER HADDON

Whole Foods Market Inc. is dramatically reshaping its board in an effort to show it is open to change after an activist investor last month publicly urged the organic-grocery chain to explore a sale and speed up its turnaround efforts.

The Austin-based company on Wednesday named a new board chairman and said five directors would step down immediately, replaced by nominees with a broad range of retail and financial experience at companies such as Panera Bread Co. and Foot Locker Inc.

Whole Foods also expects more directors to retire before its next shareholder meeting, a spokeswoman told The Wall Street Journal. The company didn't name the departing directors.

"Our competitors are not standing still," Whole Foods co-founder and Chief Executive John Mackey told analysts on an earnings call Wednesday, adding that significant change is required at an accelerated pace.

Wednesday's board overhaul wasn't enough to appease Whole Foods' second-largest shareholder, activist hedge fund Jana Partners LLC, which on Wednesday raised the possibility of seeking a shareholder vote on more board changes as soon as this summer.

The shake-up comes during one of the rockiest periods in Whole Foods' nearly 40-year history. The company, with a total of 465 stores, is largely credited with making organic food into a multibillion-dollar market in the U.S.

But conventional grocers

Snapchat's Debut Quarter Turns Ugly

Aw Snap

Snap shares fell 23% in after-hours trading Wednesday



By GEORGIA WELLS

Snap Inc., in its first quarterly report as a public company, showed it struggled to maintain strong user growth at its Snapchat vanishing-messaging app, sending shares tumbling and sparking worries about its ability to challenge social-media titan Facebook Inc.

Snap, whose core business relies on selling advertising on the Snapchat messaging platform, reported 166 million daily users in the past quarter, up 8 million from the previous period and up 44 million from a year earlier—its slowest year-over-year growth rate in at least two years.

Meanwhile, Facebook's In-

stagram, a key competitor for Snap, last month said it has 200 million daily users of Instagram Stories, a feature of the photo-sharing app that mimics Snapchat's popular function.

"Everything for Snap starts with daily active users, because the more users Snap has, the more engagement Snap can have," said Ronald Josey, senior internet analyst with JMP Securities, who expected Snap to have faster user growth.

The Venice, Calif.-based company's shares plunged 23% in after-hours trading, hovering just above the \$17 threshold at which it went public in March.

"You can't miss out of the gate," said Michael Nathanson, senior research analyst at MoffettNathanson.

Investors have clamored for Snap since its initial public offering, the highest-profile tech listing in years. But the comparisons with Facebook and Twitter Inc.—its two biggest rivals—raise questions about whether Snap can elbow its way into a crowded social media market.

Snap's traditional core of users are teens and young adults, a valuable demographic that marketers are eager to

Please see SNAP page A10

◆ Heard on the Street: Snap fails first test..... **B12**

Your New Car's Best Tech Feature May Be the 'System Off' Button

* * * * *

Buggy software, touchy touch screens

baffle drivers; 'then the beeping started'

By CHRISTINA ROGERS

off simply by pressing one button."

Even so, Dr. Miller's complaints echo other drivers who long for the days when the only console controls were for the heater and radio. "This might be why I buy a used car in the future," Dr. Miller said.

Auto makers have come to rely on car tech for a disproportionate amount of profit. As they load up their vehicles with gizmos and gadgets, however, they're leaving some drivers dazed and confused—even driving them to attend two-hour demonstration seminars.

Ron Iseman, a retired Air Force intelligence officer living in Ormond Beach, Fla., quit using his Acura RDX's

Please see TECH page A10

Oracle #1 SaaS Enterprise Applications Revenue

#1

Oracle Cloud

14.5%

#2

Salesforce Cloud

12.4%

1,000+ Employees Segment, 2015

ORACLE®

oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size" doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Robots Aren't Killing Our Jobs Fast Enough

From Silicon Valley to Davos, pundits have been warning that millions of individuals will be thrown out of work by the rapid advance of automation and artificial intelligence. As economic forecasts go, this idea of a robot apocalypse is certainly chilling. It's also baffling and misguided.

Baffling because it's starkly at odds with the evidence, and misguided because it completely misses the problem: robots aren't destroying enough jobs. Too many sectors, such as health care or personal services, are so resistant to automation that they are holding back the entire country's standard of living.

"Robot" is shorthand for any device or algorithm that does what humans once did, from mechanical combines to dishwashers. In the long run these are good. By enabling society to produce more with the same workers, automation is a major driver of rising standards of living.

The doomsayers say this time is different, that technological change is so profound and so fast that millions of workers will end up on the dole or consigned to menial, minimum-wage mobs.

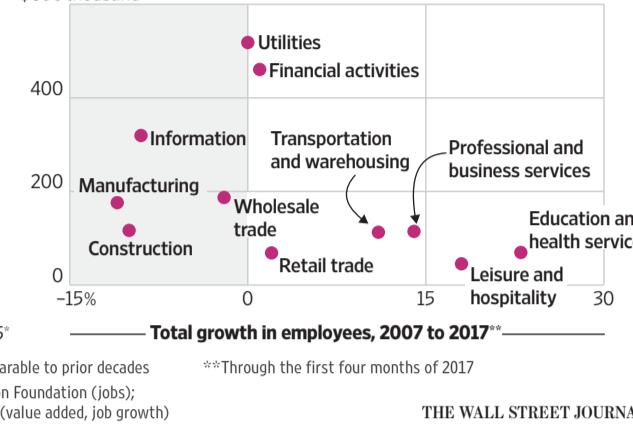
Automation Illusion

Job movement between occupations, a measure of technology-driven job change, is the lowest on record, and the fastest-growing sectors are the least productive.



*Churn rate from 2010-2015; not strictly comparable to prior decades
Sources: Information Technology and Innovation Foundation (jobs); Commerce Department and Labor Department (value added, job growth)

Value added per employee, 2016



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estimates of "full employment." Growing labor shortages have boosted the typical worker's annual wage gain to more than 3% now from 2% in 2012, according to the Federal Reserve Bank of Atlanta.

If automation were rapidly displacing workers, the productivity of the remaining workers ought to be growing rapidly. Instead, growth in productivity—worker output per hour—has been dismal in almost every sector, even manufacturing.

In a compelling study released this week, the Information Technology and Innovation Foundation demonstrates that the supposed gale of technology-driven job destruction is a myth.

Rob Atkinson, president of the industry-supported think tank, and researcher John Wu examined government data back to 1850 to measure jobs lost in slow-growing occupations and jobs created in fast-growing ones, their proxy for job creation and destruction driven by technology and

other forces. By this measure, churn relative to total employment is the lowest on record.

How can this be? An era that includes the shock of trade with China and the financial crisis ought to have rapidly shuffled workers throughout the employment deck. But we've forgotten how convulsive the past was. The authors note how in the 1800s and 1900s, agriculture, at the time the largest employer, was radically transformed by the end of slavery, the opening of the West, mechanization, and consolidation of small family-owned farms.

Technology is still destroying jobs—just more slowly. In part that's because American consumption is gravitating toward goods and services whose production isn't easily automated. William Baumol, an economist who died last week at the age of 95, long ago observed that societies would devote a growing share of their income to consumption in sectors where productivity was stagnant.

Dietrich Vollrath, an economist at the University of Houston, estimates "Baumol's cost disease" has stripped half a percentage point off U.S. productivity growth since the 1980s.

"Robots can replace a lot fewer things that go into GDP

than we think," he says. Medical breakthroughs mostly result in new, more expensive treatments, rather than cheaper, existing treatments. Child-care work has soared because parents won't take kids in the care of a robot.

Since 2007, low productivity sectors such as education, health care, social assistance, leisure and hospitality have added nearly seven million jobs. Meantime, information and finance, where value added per worker is five to 10 times higher, have cut or barely added jobs.

This calls for a change in priorities. Instead of worrying about robots destroying jobs, business leaders need to use them more, especially in low-productivity sectors. Someday robots may replace truck drivers, but it's more urgent to make existing drivers, who are in short supply, more efficient. Clean energy advocates boast of solar power job creation when they should be trying to reduce the labor, and thus cost, involved.

The alternative is a tightening labor market that forces companies to pay ever higher wages that must be passed on as inflation, which usually ends with recession. That is a more imminent threat than an army of androids.

Import Prices Rose 4.1% in April

BY SARAH CHANEY

WASHINGTON—Prices for foreign goods shipped to the U.S. rose for the fifth consecutive month in April, signaling broader-based inflation pressure even though oil prices have cooled.

Import prices increased 4.1% in April from a year earlier, the Labor Department said.

While the movement of import prices is heavily influenced by oil prices, Wednesday's report showed an increase driven by a broader base of goods.

Nonpetroleum import prices, up 1.1% from a year earlier, experienced the largest yearly increase since March 2012, driven by rising costs for industrial supplies such as building materials, metals and motor vehicles.

The data suggest an im-

proving global economy and stronger demand are putting mild upward pressure on inflation in the U.S.

A softer dollar, which is down 2.6% so far this year, could be one contributing factor.

The import-price index is one of several gauges the Federal Reserve studies to understand how quickly prices for products are rising in the U.S.

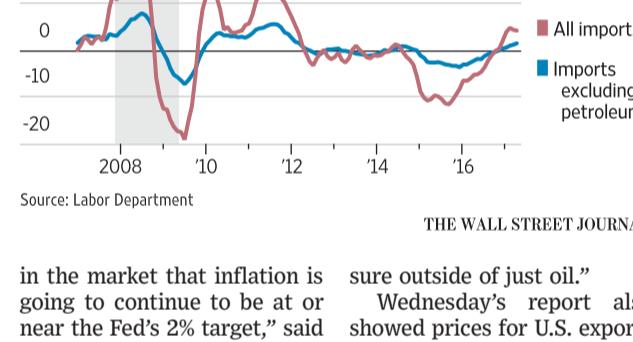
The Fed's preferred inflation gauge, the Commerce Department's personal-consumption expenditures index, advanced 1.8% year over year in March.

Signs of firming inflation give the central bank leeway to consider raising its benchmark rate. The Fed held interest rates steady at its latest meeting but is expected to lift rates two more times this year.

"There has been this doubt

Imported Inflation

Change from a year earlier in prices of imported goods



in the market that inflation is going to continue to be at or near the Fed's 2% target," said Thomas Simons, a Jefferies economist. "[Wednesday's] import-price data give you some confidence there's some pres-

sure outside of just oil."

Wednesday's report also showed prices for U.S. exports increased 3% in April from a year earlier. From a month earlier, export prices were up 0.2%.

keep pushing for more change, a Jana spokesman said.

"We decided it made the most sense to let Whole Foods remove more than half of its underperforming board while maintaining all of our options going forward, rather than tying our hands now," he said. "We will now be watching carefully to see how they address the management issues at Whole Foods and to ensure that the board is seriously pursuing all avenues to maximizing shareholder value."

Whole Foods said it was disappointed by how the discussions were handled, but that the conversations are continuing.

Joining the board are Ken Hicks, former chairman and CEO of footwear retailer Foot Locker; Joe Mansueto, founder of investment research company Morningstar Inc.; Sharon McCollam, a former executive at electronics retailer Best Buy Co.; Scott Powers, a financial executive previously at trust bank State Street Corp.; and Ron Shaich, the founder of fast-casual restaurant Panera.

Gabrielle Sulzberger, a financial executive who has sat on the board since 2003, succeeds Dr. John B. Elstrott Jr. as the board's chairman.

"We embarked on aggressive search for the very best people to add to our board," Ms. Sulzberger said. "We recognized that significant and urgent change was required and we listened to shareholders' perspectives."

Neuberger Berman portfolio manager Charles Kantor welcomed the changes but said the reconstituted board needs to prove itself and determine if the strategy Whole Foods laid out Wednesday is the best course of action.

Whole Foods also announced it had hired a new

chief financial officer, former Kohl's Corp. executive Keith Manbeck, as the company seeks to add managers with more mainstream retailing experience to its leadership.

The retirement of departing CFO Glenda Flanagan was announced last year.

The overhaul accelerates changes Whole Foods announced to its board in December, when it promised to bring the average tenure of its directors more in line with other companies over the next three to five years.

Investors and proxy advisory firms have questioned the directors' independence and length of tenure, which averaged 14 years before the shake-up. In December, Whole Foods agreed to place 15-year limits on the service of newer board members beginning next year.

Mr. Heyman said on Wednesday that he believes he did nothing wrong. He said he was arrested after he repeatedly asked Mr. Price about whether domestic violence is a pre-existing condition under the Republican health-care proposals and got no response.

Mr. Heyman, a journalist for three decades and a Public News Service employee since 2009, said he was wearing a press badge and his questions were directed only at Mr. Price, not at Ms. Conway.

—Associated Press

BOARD

Continued from Page One have moved into the market, offering cheaper prices and cutting into Whole Foods' sales.

Whole Foods shares have dropped sharply since peaking at around \$65 in 2013, and the company's sales have fallen over the past 21 months, the longest stretch since going public in 1992. The stock closed at \$36.25 Wednesday, up some 17% since Jana announced its campaign.

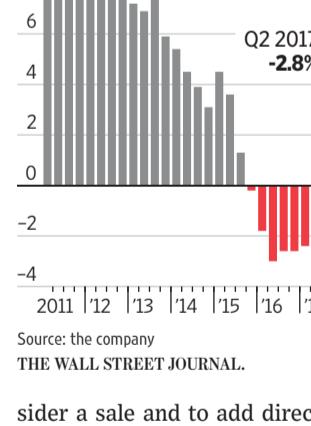
The company Wednesday reported same-store sales fell 2.8% for the second quarter of its 2017 fiscal year, slightly better than Wall Street analysts expected. It reaffirmed its outlook of sales continuing to drop by 2.5% for the rest of its fiscal year, and announced that growth would return by next year.

The company projected same-store sales would grow by at least 2% by 2020. Whole Foods also increased its dividend and stock buybacks and said it would slash \$300 million in operating expenses by 2020 through labor scheduling changes and attrition.

Whole Foods has detailed a nine-point plan for reviving its flagging sales.

Bottom Shelf

Whole Foods comparable store sales change from previous year



Source: the company

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sider a sale and to add directors with experience in retail operations, technology, finance and real estate. When it launched its campaign last month, Jana suggested three potential nominees.

Jana's aggressive stance shows just how bold activist investors have become in recent years. Activists have successfully pushed for major

leadership changes at a number of big companies this year, including Arconic Inc., American International Group Inc. and CSX Corp.

Whole Foods privately offered to take two of Jana's nominees for the board, but the hedge fund balked at the offer and the restrictions it would have imposed on its ability to

keep pushing for more change, a Jana spokesman said.

"We decided it made the most sense to let Whole Foods remove more than half of its underperforming board while maintaining all of our options going forward, rather than tying our hands now," he said. "We will now be watching carefully to see how they address the management issues at Whole Foods and to ensure that the board is seriously pursuing all avenues to maximizing shareholder value."

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—Associated Press

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U.S. WATCH

WEST VIRGINIA

Reporter Is Arrested Amid Price Encounter

Police in West Virginia's Capitol arrested a journalist who they said was trying "aggressively" to get past Secret Service agents and yelling questions at U.S. Health and Human Services Secretary Tom Price.

It happened as Mr. Price and senior White House aide Kellyanne Conway came to the state Capitol in Charleston on Tuesday to learn about efforts to fight opioid addiction.

Capitol police said in a criminal complaint that Daniel Ralph Heyman, 54, "was aggressively breaching the secret service agents to the point where the agents were forced to remove him a couple of times from the area" in a Capitol hallway. It says he was "causing a disturbance by yelling questions at Ms. Conway and Secretary Price."

Mr. Price and Ms. Conway later took reporters' questions at a scheduled news conference.

Mr. Heyman, who works for the independent Public News Service, was charged with willful disruption of governmental processes, a misdemeanor, and later was released on \$5,000 bond.

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—Associated Press

WASHINGTON STATE

Work Under Way to Stabilize Nuclear Site

Crews working at the Hanford nuclear-weapons site in Washington state began dumping truckloads of soil over a collapsed underground tunnel containing radioactive material in an effort to stabilize the site.

There has been no radiological contamination reported from the Tuesday collapse, U.S. Department of Energy officials said Wednesday. The incident prompted an emergency declaration, some workers on the site were evacuated, and others were ordered to shelter in place.

The collapse was the latest setback in the long, troubled cleanup of the Hanford nuclear-weapons site, which contains highly radioactive material from World War II and the Cold War.

The decommissioned complex has been undergoing a cleanup effort since 1989.

—Alejandro Lazo

TREASURY DEPARTMENT

U.S. Had \$182 Billion Surplus in April

The U.S. ran a budget surplus in April, masking broader trends toward a growing

U.S. NEWS

In Florida, a Rescue Mission for Manatees



GROUP EFFORT: Rescuers prepared to remove a mother manatee from a canal in New Port Richey, Fla., on Wednesday. A mother manatee and its weeks-old calf were trapped in a network of canals in a mobile home park.

Fury Over Sick-Day Payouts

For retiring college head, 1,250 unused days of leave equals \$266,060 payday

BY KATE KING

When the president of a Massachusetts community college retired in March, in addition to his pension, he received a one-time \$266,060 payment for 1,250 unused sick days earned over his 46-year career.

In Pennsylvania, a state police major who retired in October netted \$142,315 for 242 sick days he never used. And in Florida, 45,000 eligible state workers are due to receive a total of \$154 million in sick-leave payouts.

Liabilities for public workers' sick leave haven't drawn as much attention as hulking pension and health-care costs faced by states, but they still add stress to strained state and local budgets. In several states, giant payouts are prompting outrage and calls for changes from taxpayers and lawmakers.

Colleen Garry, a Democratic representative from Massachusetts, said she would like to see sick-day payouts eliminated for public workers earning more than \$100,000. "That is just greedy as far as I'm concerned," Ms. Garry said.

Public-worker advocates, however, say that large payments are generally limited to police and fire officials and top management, with most retirees receiving far more modest sums. "It's a small retirement benefit," said Hetty Rosenstein, New Jersey director of the Communications Workers of America, a union representing

State Lawmakers Look to Curb Costs

Governments often don't budget for sick-leave payouts, which can result in large, unexpected costs when longtime employees retire.

In Jersey City, N.J., officials issued \$25 million in special emergency notes in 2013 to 2015 to pay for retiring employees' unused sick and vacation leave.

Mayor Steven Fulop, who took office in 2013, has started contributing to reserves to cover the payouts, but the city's estimated \$116 million liability is only 14% funded.

Mr. Fulop, a Democrat, said the city is seeking to change its compensation policies

through collective bargaining negotiations, but once such rules are in place, "it's really hard to claw them back."

In 2010, New Jersey capped sick-day payouts for newly hired local and school employees at \$15,000. Later that year, Republican Gov. Chris Christie refused a bill that would have extended the cap to all public workers, saying he wanted to completely eliminate the perk.

State lawmakers are considering bills to restrict or eliminate the practice.

On Monday, Mr. Christie showed a willingness to compromise, and recommended capping sick-day payouts for police and fire employees at their current accumulated balances or \$7,500, whichever is greater.

—Kate King

public workers in the state.

Such compensation is a rarity in the private sector, where more than a third of workers aren't even eligible for paid sick leave, according to Thom Reilly, director of the Morrison Institute for Public Policy at Arizona State University.

"It just seems we've created this incredible, huge divide in the private and public sectors," Mr. Reilly said. "There needs to be some balance: less generous in the public sector and, for significant parts of the private sector, employees should have access to some type of sick leave."

It is difficult to quantify the scope and cost of sick-leave payouts nationally because states, towns and counties have different policies for awarding these benefits. Mr. Reilly surveyed 140 of the country's larg-

est city and county governments in 2014 and found that 77% had no cap on the amount of unused sick leave employees were allowed to accrue and, in most cases, be remunerated for at retirement.

Some states compensate unused sick days in ways other than cash payouts. Texas and Tennessee allow state workers to use sick leave to push up their retirement dates. Employees in West Virginia and Wisconsin can apply the unused days toward health-insurance coverage.

In North Carolina, public workers are allowed to convert sick days to retirement credits, and career employees often retire with 18 months to two years of accumulated sick time.

Michigan ended unused sick-leave compensation for new

state workers in 1980, but is still liable for nearly \$36 million for 1,200 employees hired before the benefit was cut.

In Massachusetts, the issue flared up in March when the longtime president of Mount Wachusett Community College, Dan Asquino, cashed out his unused sick days plus \$68,078 for 480 unused vacation hours for a total payment of \$334,138, according to the college.

The college said the payouts were mandated by the state. Mr. Asquino said his payout was fair given his responsibilities and tenure as president. "The public should demand the best and the brightest and for that they must be willing to compensate accordingly," he said in an email. "Otherwise, the public interest and safety is at peril."

Massachusetts Gov. Charlie Baker, a Republican, has proposed capping sick-leave accumulation at 1,000 hours for the state's 42,000 executive-branch employees, according to a spokeswoman. The changes would need to be negotiated through collective-bargaining agreements.

Kevin Preston, state director for the National Association of Government Employees union representing about 15,000 public workers in Massachusetts, said six-figure payouts are anomalies and for lower earning employees, the payouts help cover the bills after retirement.

The median payout per state employee in fiscal 2015 was \$2,264, according to a state analysis.

"People are getting very modest amounts at the tail end of their very long career," Mr. Preston said. "It's not a windfall by any stretch of the imagination, it's a hard-won benefit."

Methane Rule Survives Repeal Effort

BY NATALIE ANDREWS

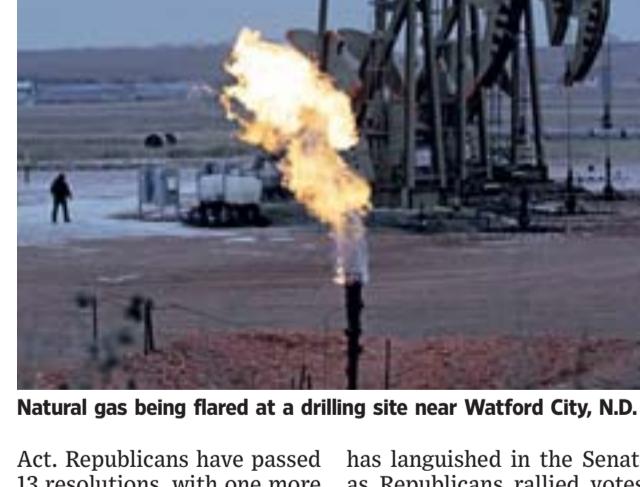
WASHINGTON—Republican efforts to quickly repeal an environmental regulation from the Obama administration failed Wednesday.

Three Republican senators and all 48 members of the Senate's Democratic caucus blocked a procedural vote on a bill to quash a regulation issued by President Barack Obama to cut the oil-and-gas industry's emissions of methane on federal lands. The Obama administration issued the rules in November, after the presidential election.

Sen. John Barrasso (R., Wyo.) said he would urge Interior Secretary Ryan Zinke to withdraw the rule. "This truly was a midnight regulation, very expensive, billions of dollars in cost," he said.

Federal agencies have broad discretion to withdraw or amend regulations without lawmakers' approval. That process, however, can be lengthy because it requires time for public comment.

Pulling the rule was part of a larger effort by Republicans to revoke some late regulations issued by Mr. Obama using the Congressional Review



Act. Republicans have passed 13 resolutions, with one more waiting for President Donald Trump's signature. The law gives Congress about 60 days to vote by a simple majority to overturn rules, a lower-than-usual threshold to pass legislation in the Senate, where 60 votes are often needed.

Thursday is largely seen by regulation experts as the deadline to use the Congressional Review Act.

The effort to pull back the so-called methane rule passed the House in February, but it

has languished in the Senate as Republicans rallied votes. The vote on Wednesday was always expected to be close, and Vice President Mike Pence was at the Capitol and could have broken a tie if needed. It was the first time in the congressional session that started in January that a vote has failed on the floor.

The Obama administration said methane has a warming impact on the planet 25 times that of carbon dioxide, though it lasts not nearly as long in the atmosphere. With the on-

set of the energy boom, some companies have taken to flaring or venting gas, emitting the methane straight into the atmosphere, if pipelines or other infrastructure aren't immediately available to transport and process it. The rules require energy companies to capture the methane and ship it as fuel.

Democratic Sen. Tom Udall of New Mexico led the fight from the left to keep the Bureau of Land Management regulation. "Until the BLM's rule was implemented late last year, \$100 million in taxpayer-owned natural gas was lost each year from oil and gas wells operating on federal public lands in New Mexico," he said in a statement.

Republican Sens. John McCain of Arizona, Susan Collins of Maine and Lindsey Graham of South Carolina all voted no on the measure. Both Mr. Graham and Mr. McCain objected to using the Congressional Review Act to quash the rule because its usage prevents a similar rule from being created.

Ms. Collins's objection was about the impact on the environment.

—Kristina Peterson contributed to this article.

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FBI DIRECTOR FIRED

Moderate GOP Senators Pivotal After Firing



CAPITAL JOURNAL

By Gerald F. Seib

Amid the controversy over the firing of the head of the Federal Bureau of Investigation, the key players in Washington suddenly are a small group of moderate and independent-minded Republican senators whose support, or lack thereof, now becomes the crucial factor for President Donald Trump.

Those senators—perhaps fewer than 10 in all—will, more than anyone, determine whether the probe of Russian interference in the 2016 presidential election now moves toward an independent counsel or some other independent body. They also will determine whether or not a new FBI director can be confirmed without a deal being struck on a new path

But the key for Mr. Trump actually lies within his own party, and especially in the Senate, where his Republicans hold 52 seats, a slim majority. The comparisons to Watergate are easily overdrawn at a moment like this, but it is worth remembering that the Watergate inquiry turned from a manageable problem to fatal crisis for Richard Nixon when Senate Republicans began to turn on him. Remember Howard Baker.

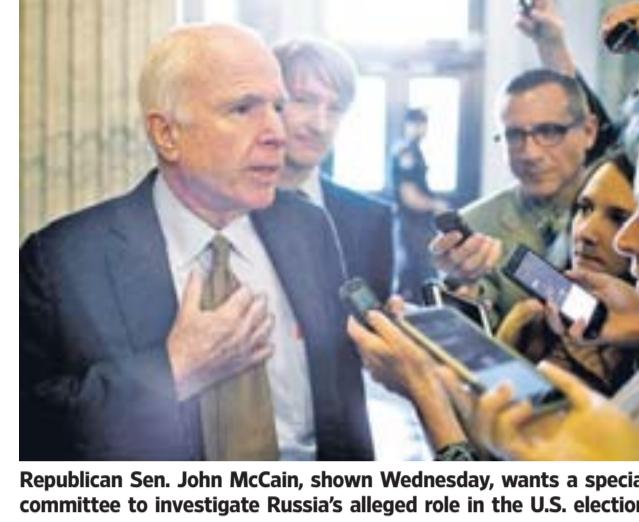
So the people to watch in coming days are Sens. Bob Corker and Lamar Alexander of Tennessee, John McCain

for that Russia inquiry.

The firestorm that erupted when the president fired James Comey, the man leading an investigation into whether the president himself received covert election-season help from the Kremlin, appears to have been more intense than the White House expected. If Mr. Trump thought Democrats' anger at how Mr. Comey handled the inquiry into Hillary Clinton's use of a private email server would mute their reaction to Mr. Comey's dismissal, he was sorely mistaken. Instead, the Democratic reaction was instant, angry, and intense—and seems likely to stay that way.

But the key for Mr. Trump actually lies within his own party, and especially in the Senate, where his Republicans hold 52 seats, a slim majority. The comparisons to Watergate are easily overdrawn at a moment like this, but it is worth remembering that the Watergate inquiry turned from a manageable problem to fatal crisis for Richard Nixon when Senate Republicans began to turn on him. Remember Howard Baker.

So the people to watch in coming days are Sens. Bob Corker and Lamar Alexander of Tennessee, John McCain



Republican Sen. John McCain, shown Wednesday, wants a special committee to investigate Russia's alleged role in the U.S. election.

JOSHUA ROBERTS/REUTERS

and Jeff Flake of Arizona, Lindsey Graham of South Carolina, Susan Collins of Maine, Chuck Grassley of Iowa, Lisa Murkowski of Alaska and Ben Sasse of Nebraska—senators whose support for Mr. Trump is no sure thing.

They can't on their own create an independent counsel to look into possible Russian collusion with Mr. Trump's team in 2016. But if they jump on that bandwagon, they could generate decisive pressure on Deputy Attorney General Rod Rosenstein to take that step. Mr.

Rosenstein, new to the job, wrote the memo that was the key to Mr. Comey's firing. The question of whether to appoint an independent counsel now falls to him, because his boss, Attorney General Jeff Sessions, has recused himself from any Russia inquiry.

Because of the Republicans' thin margin in the Senate, those senators have powerful leverage, not only over how the Russia inquiry proceeds and how the FBI vacancy is filled, but also over the rest of Mr.

Trump's agenda.

None of them has called for an independent counsel. But going forward, it is worth remembering that two members of that small group of senators—Messrs. Corker and Flake—are up for re-election next year. Their political antenna will be highly sensitive.

Thus it was noteworthy that those two sounded particularly dubious about the firing Tuesday night. Mr. Flake tweeted: "I've spent the last several hours trying to find an acceptable rationale for the timing of Comey's firing. I just can't do it."

And Mr. Corker—who hails from Mr. Baker's home state of Tennessee—said in a statement that Mr. Comey's "removal at this particular time will raise questions. It is essential that ongoing investigations are fulsome and free of political interference until their completion, and it is imperative that President Trump nominate a well-respected and qualified individual to lead the bureau at this critical time."

Mr. McCain renewed his call for a special congressional committee to investigate Russia's role in the election. "The president's decision to remove the FBI director only confirms the need and the ur-

gency of such a committee," he said. A special congressional committee is a step short of an independent counsel, but such a body would have a much higher profile than the Senate and House intelligence committees now leading the congressional inquiry.

Mr. Sasse called Mr. Comey "an honorable public servant, and in the midst of a crisis of public trust that goes well beyond who you voted for in the presidential election, the loss of an honorable public servant is a loss for the nation."

Ms. Collins, on the other hand, dismissed the idea that Mr. Comey's departure was designed to block a thorough FBI probe: "Any suggestion that today's announcement is somehow an effort to stop the FBI's investigation of Russia's attempt to influence the election last fall is misplaced."

Similarly, the unpredictable Mr. Graham, whose relationship with Mr. Trump runs hot and cold, actually praised the Comey move: "Given the recent controversies surrounding the director, I believe a fresh start will serve the FBI and the nation well." That was one reaction that must have heartened the White House.

From New on the Job To Spotlight's Glare

BY ARUNA VISWANATHA AND JOE PALAZZOLO

The relationship between James Comey and Deputy Attorney General Rod Rosenstein got off to a seemingly normal start.

The Federal Bureau of Investigation director met his new boss fresh on the job that Mr. Rosenstein started on April 27, to tell him about the investigation into Russian meddling in the 2016 election. "His first day in office I briefed him on where we are," Mr. Comey told lawmakers last week.

They met on May 1, each with their own staff member, to discuss a range of department business, according to agency officials.

But the next week, on May 7, Mr. Rosenstein was in President Donald Trump's office with Attorney General Jeff Sessions, saying he had concerns about Mr. Comey's leadership at the FBI. Mr. Trump asked Mr. Rosenstein to put his concerns and recommendations in writing.

The memo, and the firing that followed, thrust Washington into chaos. The White House said Mr. Trump had considered replacing Mr. Comey for some time, but made a final decision Tuesday.

The move has cast a harsh spotlight on Mr. Rosenstein, who is less than two weeks into a job that he reached with bipartisan Senate support.

He is in charge of the Russia probe because Mr. Sessions recused himself after his role as a supporter and adviser for Mr. Trump's campaign.

Democrats say Mr. Rosenstein now must remove himself from the probe. "Serious doubt has been cast on Mr. Rosenstein's impartiality," Senate Minority Leader Chuck Schumer (D., N.Y.), said on the Senate floor on Wednesday, calling for the appointment of a special prosecutor for the Russia probe.

Mr. Rosenstein served as the U.S. attorney in Maryland in President George W. Bush's administration, and he stayed in the job through President Barack Obama's two terms.

Mr. Rosenstein's acquaintances were absorbing the news of Mr. Comey's firing on Wednesday and reconciling it with the deputy attorney general's reputation for steering clear of politics.

"No one questioned his integrity—ever," said Robert Ehrlich, who was the Republican governor of Maryland for part of Mr. Rosenstein's tenure as U.S. attorney.

TRUMP

Continued from Page One marked the second time that the White House injected itself into the Russia probes. An inquiry from the House Intelligence Committee was sidetracked in April, with its chairman, Rep. Devin Nunes (R., Calif.), stepping down in part because of concerns that he has become too close to the administration.

A review from the Senate Intelligence Committee continues, with a hearing scheduled for Thursday that will feature Mr. Comey's successor, acting FBI Director Andrew McCabe.

The Senate committee's chairman, Sen. Richard Burr (R., N.C.), on Wednesday expressed concern over Mr. Trump's dismissal of Mr. Comey. "The timing and reasoning incites people to believe that something is being covered up," Mr. Burr said.

From the campaign trail, Mr. Trump had lavished praise on Mr. Comey at one point for his handling of the Clinton investigation.

Early in his administration, Mr. Trump's top advisers were split over what to do about Mr. Comey.

In the White House, there is often only room for one person in the media spotlight, and the director's demonstrative performance in a series of congressional hearings, combined with his refusal to clear Mr. Trump's campaign of any wrongdoing, put the president over the edge, a senior administration official said.

By the time Mr. Comey testified last week before a Senate panel about his handling of the Clinton email probe, saying he would make the same choices again even though it made him "mildly nauseous" to think he might have affected the election result, Mr. Trump was "strongly inclined to remove him," a White House official said.

Then, on Monday, Rod Rosenstein and other Justice Department officials visited the White House on business unrelated to Mr. Comey, White House deputy press secretary Sarah Huckabee Sanders said.

On the job for less than two weeks, the deputy attorney general raised the issue of the director's performance with White House officials, she said. Soon, Mr. Rosenstein was in front of the president.

Ms. Sanders said the president didn't ask for the meeting. Once Mr. Rosenstein laid out his view, Mr. Trump asked him to put his recommendation in writing, which was delivered to the Oval Office the next day.

Wary of leaks, the president wanted to make a decision quickly, a senior administration official said.

Mr. Trump huddled with a small circle of advisers that included Jared Kushner, his son-in-law and senior adviser; Mike Dubke—about Mr. Comey's firing until after he



Former FBI Director Sparked Lots of Talk

James Comey earned kudos and daggers from power brokers on the national stage

his reputation...What he did was the right thing."

—Mr. Trump, then a presidential candidate, speaking in October after Mr. Comey reopened the probe into Mrs. Clinton's email.

"FBI Director Comey was the best thing that ever happened to Hillary Clinton in that he gave her a free pass for many bad deeds!"

—Mr. Trump, writing on Twitter last week

CHUCK SCHUMER

"I do not have confidence in him any longer...To restore my faith, I am going to have to sit down and talk to him and get an explanation for why he did this."

—Mr. Schumer, the Senate Democratic leader, told Bloomberg in November after Mr. Comey reopened the probe

"If the administration truly had objections to the way Director Comey handled the Clinton investigation, they would have had them the minute the president got into office."

—Mr. Schumer on Wednesday

KELLYANNE CONWAY

"Astonished by the all-out assault on Comey by Team Clinton...Suggesting he is a partisan interfering with the election is dangerous & unfair."

—Ms. Conway, then Mr. Trump's campaign manager, writing on Twitter in October

"President Trump wants an FBI director who is impartial, who's not politicized and who has the confidence in the bureau, of Republicans and Democrats...And [Comey] had lost that."

—Ms. Conway (above), a White House official, on Wednesday

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had made his final decision, a White House official said.

The action was taken after Tuesday's briefing, where Mr. Spicer told reporters he had no reason to believe the president had lost confidence in his FBI director.

On Wednesday, as Capitol Hill absorbed the news, Mr. Trump stoked Democratic

Some senior Republicans expressed unease with the timing of the action.

fury by meeting with Russian Foreign Minister Sergei Lavrov and Russian diplomat Sergei Kislyak at the White House.

It was an undisclosed conversation with Mr. Kislyak last year that led the White House to force the ouster of former National Security Adviser Michael Flynn. A private meet-

ing with the ambassador last summer forced now-Attorney General Jeff Sessions to recuse himself from matters related to a probe.

The White House said the presidential election and Russia's alleged role in tampering with it wasn't discussed during their meeting, while the Russian state media took photographs during it.

Senate Republicans seemed to share a private resignation that the Russia controversy isn't going away and could imperil their legislative agenda.

"The sense up here is that the president just made Russia the left's Benghazi," one senior GOP Senate staffer said. "There is enough fuel to keep the engine of controversy running, but not enough to do anything about it. It will go on forever with no identifiable end state other than political carnage."

—Eli Stokols contributed to this article.

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CHICAGO: Woodfield Mall, 600 N. Michigan Avenue
DALLAS: NorthPark Center • **DENVER:** Cherry Creek Shopping Center
LAS VEGAS: Grand Canal Shoppes at The Venetian
NEW YORK: Roosevelt Field • **ORLANDO:** Disney Springs
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FBI DIRECTOR FIRED

Interviewing Starts for Job As FBI Reels

The Justice Department moved to find a temporary successor to fired FBI Director James Comey, as Attorney General Jeff Sessions and his top deputy on Wednesday interviewed five candidates amid continuing fallout over the controversial dismissal.

By Del Quentin Wilber,
Brett Forrest
and Rebecca Ballhaus

Some agents at the Federal Bureau of Investigation said in interviews that they were shocked and demoralized, with several saying that while they didn't agree with all of Mr. Comey's actions, they respected him and were startled by his firing on Tuesday.

Mr. Comey's turbulent removal also has left the nation's top law-enforcement agency in the midst of a volatile probe into Russian meddling in the 2016 presidential election without a long-term leader.

The five candidates for the temporary post, all current FBI or intelligence officials, began appearing at the Justice Department for their interviews before 10 a.m. Wednesday, less than 24 hours after Mr. Comey's unexpected removal. They included FBI supervisors in Richmond, Va., and Chicago, as well as Mr. Comey's former deputy, Andrew McCabe, who became acting FBI director after Mr. Comey's firing.

Whoever is named interim director will take control of an agency of 13,000 agents and 35,000 employees, and could serve in that position for months until a permanent successor is named and confirmed by the Senate. The temporary chief will find himself at the epicenter of the politically

fraught investigation into potential collusion between Donald Trump's presidential campaign and the Kremlin.

Mr. Comey said in a farewell note to colleagues he had "long believed" a president could fire an FBI director "for any reason, or for no reason at all." In the letter, which was reviewed by The Wall Street Journal, he said, "It is done, and I will be fine."

The change in the FBI command was immediately evident, as the Senate Intelligence Committee announced that Mr. McCabe would replace Mr. Comey at a hearing Thursday on Russian interference in the 2016 election.

The panel instead asked Mr. Comey to testify in a closed-door hearing on Tuesday, likely to be the first major congressional scrutiny of the controversial firing.

Justice Department officials said they expected the temporary director to be picked in the next two days.

Among those interviewed for the FBI position were Adam Lee, who heads the FBI's Richmond office, and Michael Anderson, who heads the Chicago office, a Justice Department official said. Paul Abbate, a senior FBI official who oversees criminal and cybercrime issues, was also interviewed.

The candidates also include William Evanina, an FBI agent who is now serving as an executive overseeing counterintelligence at the Office of the Director of National Intelligence.

Those close to Mr. Comey said he was blindsided by his dismissal, which he saw on TV while in Los Angeles.

Mr. Comey's associates also denied the claim made by Mr. Trump, in his letter firing Mr. Trump, in his letter firing Mr.



Former FBI Director James Comey, who kept a low profile the day after his firing, walked outside his home in McLean, Va., Wednesday. SAIT SERKAN GURBUZ/ASSOCIATED PRESS

Comey, that the director told him on three occasions that he wasn't under investigation. They said Mr. Comey never gave Mr. Trump any such guidance, which would violate longstanding policies.

The fallout inside the Bureau was palpable Wednesday as agents worried the news could undermine public trust in their agency. Several agents said Mr. Comey was a reliable defender of the FBI. "This is crazy," said a top agent. "We will keep working, obviously, but this could do some real damage."

"Many people within the organization are shocked that the director was fired," said Dave Johnson, a former top supervisor at FBI headquarters who retired in December. "In particular, they were not pleased with how it was handled, saying it was perhaps on the unprofessional side."

—Aruna Viswanatha
and Byron Tau
contributed to this article.

Who Will Head The Agency?

Candidates to serve as interim FBI director include agents who head major offices of the agency, as well as other top officials. Trump aides hope to name someone in days, with a nomination for a permanent director to come. Here are candidates for the interim job:



ADAM LEE
Agent in charge of the Richmond, Va., FBI office



MICHAEL ANDERSON
Agent in charge of the Chicago FBI office



PAUL ABBATE
FBI official in charge of criminal and cybercrime issues



WILLIAM EVANINA
FBI agent serving as a counterintelligence executive at Office of the Director of National Intelligence



ANDREW MCCABE
Deputy FBI director under James Comey, now serving as acting director

Ouster Fans Partisan Flames In Already-Divided Congress

WASHINGTON—The firing of Federal Bureau of Investigation Director James Comey thrust a debate over the appointment of a special prosecutor to the forefront of the Senate agenda, complicating an already halting effort to pass a health-care bill and a tax overhaul this year.

By Kristina Peterson, Byron Tau and Natalie Andrews



Senate Majority Leader Mitch McConnell (R, Ky.), center, dismissed calls for a special prosecutor in the Russia investigation.

Mr. Comey's ouster by President Donald Trump further inflamed the high levels of partisan grievance and rekindled Democrats' demands that the Justice Department appoint a special prosecutor to oversee the FBI's probe into Russian interference in last year's election, as well as any possible ties with the Trump campaign.

Senate Democrats outraged by the firing indicated that they would seek to ratchet up pressure on Republicans to demand a special prosecutor.

"If there was ever a time when the circumstances warranted a special prosecutor, it is right now," Senate Minority Leader Chuck Schumer (D, N.Y.) said on the Senate floor.

While in the Senate's minority, Democrats still hold some procedural leverage, and they used it to tie up some hearings Wednesday.

Under a rarely invoked Senate rule, committees may not convene after the Senate has been in session for two hours unless all 100 senators agree. The Democrats' maneuver forced some afternoon hearings to be postponed, irritating Republicans.

Sen. Ron Wyden (D, Ore.) said Wednesday evening that he would try to tie up the confirmation of a Treasury Department nominee until the department provides two Senate panels with requested information and documents related to Russia's financial dealings with Mr. Trump and his associates.

"It is nothing new in this Congress that Senate Demo-

crats are opposed to working together productively on pretty much anything," said Sen. Ted Cruz (R, Texas).

The political fallout from Mr. Comey's firing is likely to consume the Capitol in the coming weeks, complicating the relationship between congressional Republicans, who have raised questions about the dismissal, and administration officials. Mr. Trump will have to submit a new nominee

Senate Democrats are likely to ratchet up pressure to appoint a special prosecutor.

to lead the FBI for confirmation in the Senate.

That confirmation process could become contentious if Mr. Trump nominates someone seen as partisan, a move Senate Republicans said they were advising against.

Meanwhile, Senate Republicans are working on legislation to roll back and replace parts of the Affordable Care Act after the House passed its own bill last week following weeks of vote-wrangling. Republicans in both chambers also hope to pass an overhaul of the tax code this year and

will have to agree on new spending before the federal government's funding expires in October.

The legislative agenda becomes only more challenging after Mr. Comey's firing, Chris Krueger, strategist at Cowen & Co., wrote in a note Wednesday. "Any momentum from the House health-care passage last week just went up in smoke," he said.

Senate Majority Leader Mitch McConnell (R, Ky.) dismissed calls for a special prosecutor, arguing the Senate Intelligence Committee could adequately handle the probe.

A new investigation "could only serve to impede the current work being done to not only discover what the Russians may have done, but also to let this body and the national security community develop the countermeasures and warfighting doctrine to see that it doesn't occur again," Mr. McConnell said on the Senate floor.

Senate Democrats argued that the week's events left the administration no choice but to appoint a special prosecutor to oversee the investigation.

Mr. Schumer said Wednesday that the selection of the special prosecutor should be up to a career civil servant, not Deputy Attorney General Rod Rosenstein or another political appointee.

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U.S. NEWS

Trump and Russian Minister Meet

BY FELICIA SCHWARTZ
AND PAUL SONNE

WASHINGTON—President Donald Trump didn't substantively raise the issue of Russia's alleged interference in the 2016 U.S. election during an Oval Office meeting on Wednesday with Russian Foreign Minister Sergei Lavrov, who dismissed the hacking charges as "not serious."

The meeting came amid a political furor over Mr. Trump's decision to fire Federal Bureau of Investigation Director James Comey in the midst of a probe into whether

associates of Mr. Trump colluded with the Russian government to influence the election.

A White House official said "the issue was referenced, but there was no substantive discussion" in the meeting between Messrs. Trump and Lavrov.

"President Trump and I spoke about concrete things," Mr. Lavrov said. "Neither of us touched on this bacchalia."

Mr. Lavrov spoke to reporters at the Russian Embassy after his meetings Wednesday with Mr. Trump and Secretary

of State Rex Tillerson.

Mr. Trump, speaking to reporters in the Oval Office, where he was meeting with former Secretary of State Henry Kissinger, said he and Mr. Lavrov had a "very, very good meeting" and that both sides want to end the "horrible, horrible killing in Syria as soon as possible and everybody is working toward that end."

Afterward, the White House said Mr. Trump and Mr. Lavrov discussed working together to end the conflict in Syria, abiding by cease-fire agreements in Ukraine and

looking to work together to solve conflicts in the Middle East.

"The president further emphasized his desire to build a better relationship between the United States and Russia," the White House said.

There was no mention of any discussion of Russia's alleged interference in the 2016 election.

Russia's ambassador to the U.S., Sergey Kislyak, also was present in the meetings with Mr. Trump in the Oval Office on Wednesday, according to the Russian Embassy. Mr. Kislyak is the official who

spoke several times with former White House national security adviser Mike Flynn during the transition, and Mr. Flynn's misleading statements about those contacts led to his dismissal.

Mr. Lavrov said Mr. Trump expressed a desire to improve relations with Moscow and "solve the problem" existing between the sides.

He said Mr. Trump and Russian President Vladimir Putin will meet on the sidelines of the summit of the Group of 20 leading nations in July.

—Thomas Grove
contributed to this article.

WASHINGTON WIRE

EDUCATION

DeVos Is Jeered At College Graduation

Education Secretary Betsy DeVos faced jeers and turned backs during her commencement address at Bethune-Cookman University in Daytona Beach, Fla., on Wednesday, kicking off a graduation season expected to lay bare political divisions on campuses nationwide.

Students, alumni and audience members loudly protested the Trump cabinet official and school-choice advocate's selection to address members of the historically black college.

The crowd also booed each time President Donald Trump's name was mentioned. Omarosa Manigault, a senior adviser to Mr. Trump, was also on stage at the ceremony and was booted early in the event.

"One of the hallmarks of higher education and of democracy is the ability to converse with and learn from those with whom we disagree," said Mrs. DeVos, who also received an honorary doctorate at the ceremony. "Let's choose to hear each other out."

Intermittent shouts continued throughout Mrs. DeVos's address and gained intensity when she said she planned to visit the home and gravesite of school founder Mary McLeod Bethune.

The rough greeting comes as campuses have been riven by incidents in which appearances by controversial speakers—many of them conservative—have either been canceled or met with violent protest.

—Melissa Korn

ANTITRUST ENFORCEMENT

Nominee: Politics Won't Play Role

Makan Delrahim, President Donald Trump's nominee to be the Justice Department's antitrust chief, said Wednesday that politics would play no role in his enforcement of U.S. competition laws, even if the White House has made comments on a pending merger.

Mr. Trump caused a stir during last year's presidential campaign when he criticized AT&T Inc.'s proposed acquisition of Time Warner Inc. and pledged to block it.

It would be highly unusual for a president to attempt to intervene in a Justice Department decision on whether to challenge a merger. The department is continuing to take a close look at the AT&T deal, a level of scrutiny that was expected given the size, complexity and importance of the transaction.

Antitrust enforcement investigations "should be free from any political influence. They will be free if I'm fortunate enough to be confirmed," Mr. Delrahim said during his nomination hearing before the Senate Judiciary Committee.

—Brent Kendall



President Donald Trump met with Russian Foreign Minister Sergei Lavrov on Wednesday, seen in this Russian government photo.

Democrats and Republicans that Mr. Trump's White House was interfering with the FBI probe.

"That's a big investigation the FBI is doing, and they are well into it," said Sen. Dianne Feinstein of California, the top-ranking Democrat on the Senate Judiciary Committee. "As you know now, subpoenas are being requested."

Sen. Richard Burr (R., N.C.), chairman of the Senate Intelligence Committee, said Tuesday he was "troubled by the timing and reasoning of Director Comey's termination."

Mr. Trump was asked during an Oval Office appearance Wednesday why he fired Mr. Comey. "Because he wasn't doing a good job," he said.

White House spokeswoman Sarah Sanders said the White House wants the investigation to continue.

Senate Intelligence Committee investigators have

grown alarmed as they reviewed intelligence reports, according to people familiar with the investigation.

To date, the inquiry has produced no "smoking gun," these people said, but some investigators are persuaded

The former FBI chief was increasingly occupied with the Russia investigation.

that the evidence will show more than just casual contacts. One area of particular interest for the committee is Mr. Trump's business dealings. The Senate Intelligence Committee has asked for information from the Financial Crimes Enforcement Network, or Fin-

CEN, a division of the Treasury Department.

The goal of the financial inquiry is to understand the nature of any financial ties Mr. Trump may have to foreign interests, including Russia, and to determine to what extent, if at all, Mr. Trump or his associates have investments that may be tied to the Russian government, people with knowledge of the inquiry said.

There currently are 11 congressional staff working on the Senate probe, a number that some lawmakers have said publicly isn't enough to handle the voluminous intelligence reporting and leads that have been generated by the Central Intelligence Agency and the National Security Agency.

Those reports comprised the bulk of information used to craft a public report earlier

this year blaming the Russian government for hacks against the Democratic National Committee, Hillary Clinton's campaign manager, and other political organizations. Russia has denied involvement in the hacking.

The committee's review, which could take from 18 to 24 months to complete, is focused on several tranches of information, according to people with knowledge of the investigation.

Investigators and committee members have examined intelligence reports, including those from the NSA and the CIA, and committee staff have interviewed the analysts who helped craft the public document attributing the campaign-season hacking to Russia.

—Paul Sonne, Byron Tau, Del Quentin Wilber and Kristina Peterson contributed to this article.

By RICHARD RUBIN

WASHINGTON—The Trump administration says a middle-class tax cut is at the center of its tax plan. But doing the math to figure out what families would pay is close to impossible.

President Donald Trump's plan is silent so far on crucial details, including the personal exemption and the size of the tax brackets, that Americans need to calculate their tax bills.

Mr. Trump's plans have become less clear since the presidential campaign. Back in September 2015, his tax plan was a model of simplicity for middle-income households.

Individuals making under \$25,000, single parents making under \$37,500 and married couples making under \$50,000 wouldn't pay any federal income tax at all.

What Mr. Trump proposed then was expanding what experts call the 0% tax bracket, a central way the U.S. makes its tax system progressive. Under that plan, 63% of Americans would pay no income tax compared with 44% in 2016, according to the Tax Policy Center, a project of the Brookings Institution and Urban Institute.

The president's latest plan for middle-income households, however, has left tax experts

puzzled. That is because his one-page tax outline released in April is mum on essential details, including treatment of the personal exemption that reduces taxable income depending on family size. It sets tax brackets of 10%, 25% and 35% without establishing the income levels that divide them.

Under current law, exemptions subtract \$4,050 per person in a family from income.

The standard deduction falls into one of three buckets: \$6,350 for a single filer; \$9,350 for someone with head-of-household status, which is often single parents; and \$12,700 for married couples filing jointly.

It is pretty easy to calculate how much income goes untaxed. If you are a single person, that is one standard deduction and one personal

In the April plan, Mr. Trump proposed doubling the standard deduction, which would increase the amount of income shielded from taxes. However, the plan says nothing about how personal exemptions or head-of-household filing status would be treated, and the White House and Treasury declined to clarify.

His campaign proposals included the idea of eliminating personal exemptions, a move that could actually increase taxes on millions of households.

"You're left using a microscope and a calculator to figure out whether middle-class people will get a small tax cut or actually have their taxes increased," said Gene Sperling, a top economic-policy aide to former presidents Bill Clinton and Barack Obama. "It's kind of shocking."

Completely repealing the personal exemption would generate about \$2 trillion for the government over a decade, according to the Tax Policy Center's analysis of Mr. Trump's campaign plan.

Days after the administration rolled out its tax outline, Gary Cohn, director of Mr. Trump's National Economic Council, went on CBS and walked viewers through an example of a married couple making \$56,000 a year. His math didn't include

the personal exemption and he cited a \$24,000 standard deduction for the couple, which is less than double the current \$12,700.

"I really am confused why people don't understand what we're doing here," Mr. Cohn said before seeming to call the standard deduction the personal exemption. "You could end up with a very marginal single-digit tax rate, to no taxes whatsoever. That to me is a middle-income tax cut."

If the personal exemption is eliminated and the standard deduction for married couples is set at \$24,000, that household would actually pay more in tax under Mr. Trump's plan, according to calculations by David Kamin, a New York University law professor and ex-Obama aide. The household's total income-tax bill would go up by \$68 to \$1,200.

If the standard deduction were fully doubled, to \$25,400, the family would get a \$73 tax cut. But a couple with three children making \$56,000 would pay \$60 in income taxes rather than getting a \$475 net refund under current law.

"I'm not sure exactly where we are now," said Alan Cole, an economist at the right-leaning Tax Foundation who has tracked various iterations of Mr. Trump's tax agenda. "Basically, they don't say."

Calculating the Impact

How income taxes break down for a married couple with two children making \$56,000 under the current law and two possible versions of President Donald Trump's tax plan.

Current law	Trump plan: No personal exemptions	Trump plan: Personal exemptions preserved
Income \$56,000	\$56,000	\$56,000
Standard deduction \$12,700	\$24,000	\$24,000
Personal exemptions \$16,200	\$0	\$16,200
Taxable income \$27,100	\$32,000	\$15,800
Basic taxes (Based on current marginal tax rate of 15%) \$3,132	\$3,200 (Based on a tax rate of 10%)	\$1,580 (Based on a tax rate of 10%)
Two child tax credits \$2,000	\$2,000	\$2,000
Tax bill \$1,132	\$1,200	-\$420 (refund)

Sources: WSJ calculations; NYU law professor David Kamin

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"I'm not sure exactly where we are now," said Alan Cole, an economist at the right-leaning Tax Foundation who has tracked various iterations of Mr. Trump's tax agenda. "Basically, they don't say."

WORLD NEWS

U.S., Turkey Boost Antiterror Cooperation

Joint effort comes as Trump is set to arm Kurdish group in Syria opposed by Ankara

The U.S. is beefing up joint intelligence efforts with Turkey to help that government better target terrorists in the region, according to U.S. officials, in an apparent bid to alleviate Turkish anxieties as the Pentagon implements a plan to arm Kurdish forces operating inside Syria.

By Gordon Lubold,
Julian E. Barnes
and Margaret Coker

The U.S. is increasing the capabilities of what is known as an "intelligence fusion center" in Ankara to help Turkish officials better identify and track the Kurdistan Workers' Party, or PKK, a network that both the U.S. and Turkey have designated a terrorist group.

The plan, which isn't completed, could end up doubling the capacity of the fusion center, adding more U.S.-provided intelligence assets such as drones and other capabilities, the U.S. officials said.

The expanded intelligence sharing would deliver on an important national security priority for Turkey, which has been fighting a decadeslong battle against the PKK and its goal of establishing a Kurdish autonomous zone that could include parts of Turkey, Syria, Iran and Iraq.

Still, the U.S.-Turkey intelligence agreement highlights a deep contradiction in U.S. policy. The PKK has close ties to the Kurdish group in Syria that



OZKAN BILGIN/ANADOLU AGENCY/GETTY IMAGES

Turkey has been fighting the Kurdistan Workers' Party for decades. Above, a military operation in Hakkari in December.

the U.S. will be arming, and Turkish officials say the groups are analogous.

Critics of U.S. policy, including Turks, question why the U.S. would arm one branch of the group in Syria while stepping up a war against another branch of the group in Iraq and Turkey.

The U.S. doesn't publicly recognize the relationship among the various Kurdish groups, although many officials have privately acknowledged the ties.

U.S. officials for more than a year have discussed arming

the Peoples' Protection Units, the Kurdish group in Syria known as the YPG. President Donald Trump approved a Pentagon plan on Monday to provide small arms, ammunition and machine guns to the YPG to help those Kurdish fighters encircle Islamic State extremist group's de facto capital of Raqa in northern Syria.

That announcement comes just a week before Mr. Trump hosts his Turkish counterpart, Recep Tayyip Erdogan, in Washington. The White House formally announced Mr. Erdogan's visit on Wednesday, saying

the May 16 visit would allow the two leaders to "further strengthen our bilateral relationship and deepen our cooperation to confront terrorism in all its forms."

Turkish officials acknowledge they expected the U.S. decision on arming the YPG but are angry about its timing.

Initial Turkish reaction to the decision has been muted, and U.S. officials briefed on calls between Washington and Ankara say they believe the Turkish fury will pass.

Speaking to reporters in Lithuania, Defense Secretary

Jim Mattis said he wasn't worried about the relationship and that the U.S. and Turkey "will work out any concerns."

Officials in Ankara are debating how the YPG decision will affect discussions with the White House on other national security issues key to Turkey,

including its demand that the U.S. extradite the Pennsylvania-based Turkish cleric accused by Mr. Erdogan of trying to overthrow him.

The officials are trying to calibrate their approach to the coming meetings, as they want to strengthen, not damage,

what Mr. Erdogan sees as his most important strategic alliance.

Turkey's long fight against the PKK has cost tens of thousands of lives among Turkish civilians as well as its military. PKK-linked terror offshoots regularly bomb and attack positions inside Turkey.

Fusion centers are used around the world to allow U.S. and host countries to cooperate on intelligence gathering. In Turkey, U.S. forces provide satellite and other intelligence to the Turkish military to allow their pursuit of PKK elements across the rugged, mountainous Turkish-Iraqi border. That cooperation has existed since 2007.

Improvements to the fusion center are coincidental, according to a U.S. official, and not directly related to the decision to arm the YPG. Instead, it is being done to show the U.S. is serious about terror threats to Turkey, while also showing Ankara the U.S. remains a strong ally. "It is the right thing to do," the official said.

The timing may be coincidental, but the intelligence expansion was part of the discussions the U.S. was having with the Turks, according to former U.S. officials who were familiar with those talks.

Turkey argues that the PKK has honed its military tactics with the help of Kurdish fighters with experience in the Syrian war.

Some of those fighters have returned to Turkey with new tactics as well as weapons, Turkish military and intelligence officials claim.

—Yeliz Candemir contributed to this article.

U.S. to Step Up Scrutiny Of Russian Baltic Sea Drill

BY JULIAN E. BARNES

VILNIUS, Lithuania—The U.S. will bolster its ability to observe Russia's military in the Baltic Sea region ahead of a major exercise by Moscow, U.S. defense officials said.

The officials said the Defense Department would enhance its surveillance ability, including by moving ships into the Baltic Sea and taking over North Atlantic Treaty Organization air-policing duties while the Russian exercises occur in September. The U.S. could temporarily deploy a Patriot missile-defense battery in the region, officials said.

Defense officials said the Russian drill, known as Zapad, or West, will showcase some of Russia's newest and most-advanced weaponry, and will be a chance for the U.S. to gather fresh intelligence.

They said Russia could use the exercise to upgrade its military equipment in the area, leaving behind some of the advanced systems after the exercises conclude.

Defense Secretary Jim Mattis, speaking to reporters Wednesday, said U.S. support for Baltic air defenses would be discussed in Brussels at coming NATO meetings. "We

will deploy whatever capability is necessary here," Mr. Mattis said, while visiting the Lithuanian training ground where the German-led NATO battle group is based.

Mr. Mattis visited with NATO troops and a U.S. tank company to highlight the steps being taken to deter any potential military moves by Russia on NATO's eastern flank.

"We are here in a purely defensive stance," Mr. Mattis said in an earlier appearance

Ahead of the Russian exercise, which will take place in Belarus, the U.S. is considering moving a Patriot missile defense battery into the Baltic states region as part of its own allied drills in July, defense officials said.

The U.S. could keep the battery in the region longer, for the duration of the Zapad exercise, but officials have said they don't intend to place a Patriot unit there permanently.

Defense officials said they believe the Zapad exercise could involve between 70,000 and 100,000 troops. Russia has said there will be only a few thousand involved, below the number requiring international observers.

Russia conducts a large military exercise every year, but the drills are moved between military regions. The last large Zapad exercise was in 2013, before the annexation of Crimea.

The return of the maneuvers to the Baltic region has put officials here on edge.

Allied officials have also been worried about Russia's move to upgrade its weaponry in the region, including the deployment of nuclear-capable Iskander missile systems in Kaliningrad, a Rus-

sian exclave bordering Poland, in a move Western officials have criticized.

"Any kind of buildup like that is simply destabilizing," Mr. Mattis said.

Shipping Out

Troops from 15 North Atlantic Treaty Organization member countries have contributed to the battle groups deploying to the Baltic region.

Approximate number of NATO troops deployed in:

Poland	1,270
Latvia	1,138
Estonia	1,100
Lithuania	1,022

Note: Troop deployment was approved last July by NATO.

Forces began flowing in February and are nearing full strength.

Source: NATO

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sian exclave bordering Poland, in a move Western officials have criticized.

"Any kind of buildup like that is simply destabilizing," Mr. Mattis said.

The U.S. and NATO allies

this year deployed roughly 4,000 troops to Poland and the Baltic states.

Mr. Mattis toured a display of tanks and greeted soldiers from Germany, Belgium, the Netherlands, Lithuania and

the U.S.

U.S. Army First Sgt. William Staun, a member of the tank brigade that is rotating to Europe, said despite the small size of the alliance forces, it should be clear that they can amount a real defense.

"Yeah, it is a small battle group, but when you combine it with two brigades of Lithuanians plus Lithuanian militias you are a much larger force," he said.

"NATO's ability to move battle groups and mass forces is really where the strength and deterrence is," Sgt. Staun added.

Russian officials have repeatedly criticized the NATO buildup as misguided and having eroded regional security.

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WORLD WATCH

CHINA

Consumer Prices Rose Mildly in April

Consumer inflation remained mild in April, edging up on higher costs for rent, education and other nonfood items, while producer prices rose at a slower pace, in a sign of weak underlying demand.

The consumer-price index was up 1.2% from a year earlier, the National Bureau of Statistics said on Wednesday, accelerating from 0.9% in March and slightly outpacing the 1.1% forecast of economists polled by The Wall Street Journal. Producer prices decelerated for a second consecutive month, to 6.4% from March's 7.6% and below expectation.

"Although the CPI picked up a bit, it's still very weak," said

Macquarie Group Ltd. economist Larry Hu. "Even as the Chinese government is busy deflating asset bubbles in the financial system, it should be careful of the implications for the real economy."

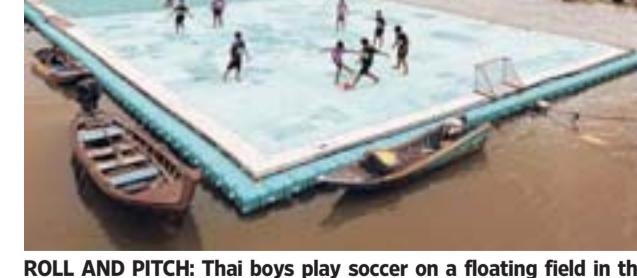
Beijing in recent months has selectively tightened short-term interest rates in the interbank market and nonbanking parts of the financial system, as concerns grow over speculative property markets and rising debt.

But April's weak price data suggest that tightening policy too quickly could worsen the economic outlook, economists said.

"The real economy is still quite weak" and "already past its peak for this year," Mr. Hu added.

"We're moving from tailwind to headwind."

—Mark Magnier



ROLL AND PITCH: Thai boys play soccer on a floating field in the fishing village of Koh Panyee in Phang Nga province, Thailand.

NARONG SANGNAV/EUROPEAN PRESSPHOTO AGENCY

botka asked the president last week to dismiss the finance minister for his unexplained business dealings, especially accusations he hadn't properly addressed allegations that he avoided paying taxes.

Mr. Babis has denied wrongdoing and declined to resign. He owned two major national newspapers, a radio and the Agrofert conglomerate of some 250 companies before he transferred them to a fund this year after a new law limited the business activities of government ministers.

Mr. Zeman has declined to fire his ally.

—Associated Press

CZECH REPUBLIC

Allegations Spark Widespread Protests

Tens of thousands of people rallied in the capital and other

major Czech cities against President Milos Zeman and Finance Minister Andrej Babis.

The protesters gathered in Prague to demand Mr. Babis's firing and Mr. Zeman's resignation, after Prime Minister Bohuslav So-

sloven executing a civilian lying face down in the street with a shot to the back of his head.

The video's circulation Wednesday was quickly followed by condemnation and pledges from the defense department to determine its authenticity and the attorney general's office to investigate the May 3 events in the town of Palmarito.

The security-camera footage first published by Diario Cambio purportedly depicts part of the military's encounter with fuel thieves that the government said left 10 dead in the central state of Puebla.

Fuel theft has long plagued Mexico, but is generating more violence lately as federal authorities crack down. The treasury secretary said Tuesday the practice costs the country \$780 million to \$1 billion each year.

—Associated Press

MEXICO

Video of Shooting Provokes Outrage

A video released by Mexican media outlets appears to show a

WORLD NEWS

ECB Spots 'Slack' in Labor

BY TOM FAIRLESS

FRANKFURT—Around 15% of eurozone workers are unemployed or underemployed, according to the European Central Bank, suggesting that wages and inflation in the 19-country bloc are unlikely to pick up for some time.

The estimate comes amid a tense debate over how quickly the ECB should start reducing its massive monetary-stimulus program. Recent data indicate the eurozone economy grew faster than the U.S. in the first quarter.

Top officials in Germany, Europe's biggest economy, have been calling for months for Frankfurt to start unwinding aggressive stimulus policies that include €60 billion (\$65 billion)-a-month of bond purchases and subzero interest rates. But in a study published Wednesday, the ECB warned that the region's labor market was far from healed.

While the unemployment rate has fallen to an eight-year low of 9.5% in March, broader measures have been slower to decline, the ECB said. These measures of labor-market "slack" take into account workers who are no longer seeking a job but would like one and those working part time who would like more hours.

The ECB said that by these measures, around 18% of eurozone workers were unemployed or underemployed. Subtracting those workers who



Job seekers gathered at a national employment agency in Toulouse, France, in January.

had been out of the labor force for a very long time, and allowing for time spent at work by part-time workers, it arrived at an estimate of 15% slack in the labor force.

"Labor markets in most euro area countries—with the notable exception of Germany—appear to still be subject to a considerable degree of underutilization," the ECB said. "This is likely to continue to contain wage dynamics."

The central bank has been watching closely for a pickup in wages, because they form a significant part of overall inflation.

ECB President Mario Draghi said in March that wage growth was the "linchpin of a self-sustained increase in inflation."

The bloc's inflation rate has surged in recent months, reaching 1.9% in April, within the ECB's target range of just below 2%. However, core inflation—which excludes volatile food and energy prices—remains weak, suggesting inflation could fall back again.

Mr. Draghi and top ECB officials have pushed back against German demands for a policy reversal, arguing that a large dose of stimulus is still needed

if inflation is to remain on track.

In its report, the ECB said broader measures of unemployment had continued to increase in France and Italy and remained above precrisis levels in countries like Spain.

Other major central banks, including the Federal Reserve, also look at broader measures of "slack" when assessing the economy. In the U.S., the official unemployment rate has fallen to just 4.4%, but the U-6 unemployment rate—which includes discouraged workers and part-time workers who want more hours—is still at 8.6%.

said Pieter Omtzigt, a member of the center-right Christian Democratic Appeal.

Mr. Draghi strongly defended the ECB's decisions, which he said had helped support households throughout the region, including in the Netherlands. He also brushed off calls for a swift exit from QE.

"It is too early to declare success," Mr. Draghi said. "Maintaining the current very substantial degree of monetary [stimulus] is still needed for underlying inflation pressures to build up."

The ECB is accountable to the European Parliament in Brussels, but Mr. Draghi occasionally travels to national parliaments to defend the bank's actions—most recently he went to Berlin in late September. That trip helped to soothe German lawmakers as the ECB prepared to extend its stimulus again.

This year, the bloc's economic outlook looks far more rosy. Eurozone growth outpaced that in the U.S. during the first quarter, according to the European Union's statistics agency, while inflation has rebounded to 1.9%, within the ECB's target range.

Global Growth Expectations Are Tempered

BY PAUL HANNON

A significant pickup in global economic growth has become less likely this year as the outlooks dim for the U.S., U.K. and China, according to leading indicators released by the Organization for Economic Cooperation and Development.

The Paris-based research body's gauges of future activity, based on data for March,

pointed to faster growth in Germany and Canada, but steady expansions in other large developed economies. They include the U.S. and the U.K., for which leading indicators were pointing to pickups as recently as February.

The leading indicators also pointed to steady growth for China, having previously pointed to an acceleration. Of the world's major economies,

only India is set to see a turn for the better; it is no longer likely to slow and should instead record steady growth.

The stalling of the OECD's leading indicators is the latest setback for hopes that 2017 would mark a breakout year for the global economy, after a long stretch of disappointingly weak expansions. At the turn of the year, investors, business people and policy makers had

expected to see a series of spending increases and tax cuts from the new U.S. administration that would deliver a boost to U.S. and global growth. But those expectations are being reassessed.

The OECD's composite leading indicator for its 34 members was steady at 100.1 in March. A reading below 100 points to growth that is slower than normal.

Central Bank Chief Defends Stimulus Policy

BY TOM FAIRLESS
AND TODD BUELL

European Central Bank President Mario Draghi clashed with Dutch lawmakers over the ECB's monetary stimulus, underscoring mounting pressure for a policy change from Frankfurt as the region's economy heats up.

Mr. Draghi's rare visit to The Hague on Wednesday comes at a sensitive time for the ECB, which is considering when to start winding down its bond-purchase program, known as quantitative easing. The program is due to run at least through December.

Tempers occasionally flared during a two-hour hearing in the Dutch parliament, as politicians probed Mr. Draghi on the ECB's record of transparency, and attacked policies they said subsidized Southern European countries and harmed Dutch pensioners.

"You still believe this [QE program] is fully within [the ECB's] framework and you have not been doing any government financing, even though you [will have] bought €2.5 trillion [\$2.7 trillion] of debt by the end of the year?"



ECB chief Mario Draghi at the Senate in The Hague on Wednesday.

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Don't forget to register for Women Rock on October 21, part of Hackensack Meridian Health's Lyrics for Life.



WORLD NEWS

Mexico Rejects Conflict Report

BY JUAN MONTES

MEXICO CITY—The Mexican government repudiated as unfounded and irresponsible a report that portrayed Mexico as the world's second-deadliest conflict zone in 2016, after the publication caught the attention of U.S. President Donald Trump.

The report by the International Institute for Strategic Studies, a London-based think tank, said Mexico's drug wars between rival cartels claimed 23,000 lives last year, second only to Syria where a civil war left some 50,000 people dead, and more than conflicts in Iraq and Afghanistan.

On Wednesday, Mr. Trump retweeted a Twitter post by the Drudge Report linking to a news article about the IISS's armed-conflict survey. Mr. Trump has repeatedly said Mexico is unable to control its drug cartels, whose members he has referred to as "bad hombres," to justify a tougher stance on border security.

The existence of criminal groups in Mexico, or the use of armed forces against the cartels, isn't enough to talk about a noninternational armed conflict in the country, Mexico's Foreign and Interior Ministries said in a joint statement Wednesday. They added that not all murders in Mexico are a result of turf wars between drug cartels and that the homicide rate remains low compared with other countries in the region, such as Venezuela and Brazil.

"The report is treating nations with completely different situations, which are neither comparable nor measurable against each other, in a similar fashion," the statement said.

The International Institute for Strategic Studies didn't return calls seeking comment.

Ex-Leader's Testimony Grips Brazil

Former President Lula da Silva deposed by crusading judge over charges of corruption

BY LUCIANA MAGALHÃES

CURITIBA, Brazil—Former President Luiz Inácio Lula da Silva vigorously defended himself in during a court deposition here Wednesday, denying that he had a role in a monumental corruption scheme being investigated by a judge who has become popular for his crusade against graft.

In a show of defiance to Judge Sergio Moro, Mr. Lula repeated his intention to run for the presidency next year, implying that the investigation wouldn't stop him from returning to office and thereby putting him into a position where he would be immune from charges.

"I want to say, clearly, that I want to be president again," Mr. da Silva said.

After five hours answering questions, Mr. da Silva then addressed thousands of his supporters who had gathered in a public square, portraying himself as an innocent target of overzealous prosecutors.

"History will show that never before in the history of Brazil was someone so persecuted, so massacred, as I've been these past years," he said. "If it weren't for you all, I wouldn't be able to cope with what they are doing to me."

Brazilian prosecutors allege that Lula, as most Brazilians call him, was the "chief commander" of a yearslong corruption scheme that stole billions of dollars from state-controlled oil giant **Petrobras**.

Mr. da Silva's first testimony to Mr. Moro in the so-called Car Wash investigation drew tens of thousands of demonstrators, most supporting the popular leftist leader's but some backing the probe.

"I'm here to help protect Lula's legacy," said Modesto



Supporters of Luiz Inácio Lula da Silva and other Workers' Party officials demonstrating on Wednesday against the popular former leader's deposition in Curitiba, the southern Brazilian city where he arrived, below, to submit to a hearing before Judge Sergio Moro.

Ferreira, a farmer who traveled 15 hours by bus to back Mr. da Silva. "There is an elite movement against Lula, but I don't think there's another politician in the world with as many supporters as he has."

The deposition was seen as an encounter that could define the lineup for the country's 2018 presidential election. Pollster Datafolha published a recent poll showing the former Workers' Party leader would emerge as one of the two winners in a first round of voting, with 30% support.

But Mr. da Silva would be banned from running if he is found guilty in any of the five trials he faces this year in cases centering on how construction companies overcharged Petrobras on projects, with the illegal funds then channeled to politicians. Mr. da Silva has been indicted on charges of corruption, influence-peddling



and money-laundering charges.

In a video recording released by the court, the former president declared he is innocent of the accusations. Mr. da Silva, 71 years old, who finished his two terms with record approval ratings in January 2011, was questioned in a small room in Curitiba's main

courthouse about allegations that he and his wife received \$1.2 million—mainly in construction upgrades to a luxury beachfront apartment—from a company that did business with Petrobras. The former president says the apartment never belonged to him and was renovated by a construc-

tion firm in hopes of persuading Mr. da Silva to buy it.

Asked a series of detailed questions about the ownership of the apartment and improvements made by the construction company targeted by the Car Wash investigation, Mr. da Silva denied ownership or having asked the firm for costly upgrades. He said his wife would have known the answers to some questions, but she died in February.

Mr. da Silva's lawyers say that the investigation amounts to a political witch hunt.

Mr. Moro, who has convicted powerful businessmen and politicians since the Car Wash probe started in 2014, said he is a neutral investigator acting on the evidence.

"The interrogation is an opportunity for the former president to defend himself, and is a normal act of the [legal] process," Mr. Moro said.

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WORLD NEWS

President Moon Offers to Visit North Korea

BY JONATHAN CHENG
AND MIN SUN LEE

SEOUL—South Korea's newly elected leader Moon Jae-in began his presidency by declaring his willingness to go to North Korea under the right circumstances, while appointing two top aides with long histories of interaction with Seoul's nuclear-armed neighbor.

At the same time, Mr. Moon appeared to soften his language on a U.S. missile-defense system whose deployment in South Korea he has criticized.

"Strong security is made possible with mighty defense capabilities," he said in a short inaugural address, adding that he would work to strengthen the U.S.-South Korea alliance.

Mr. Moon's first speech as president Wednesday followed a swearing-in ceremony that inaugurated a single five-year term, hours after the country's election committee certified his victory.

President Donald Trump on a phone call Wednesday congratulated Mr. Moon, who accepted an invitation to visit Washington "at an early date," the White House said. The two leaders discussed the U.S.-South Korean alliance, the White House said.

A White House statement didn't mention North Korea, seen as a potential threat because of its nuclear-weapons

program. Trump administration policy relies on strenuous military pressure and diplomatic isolation, while Mr. Moon during his campaign called for engagement with the North.

In his address, Mr. Moon

drew a contrast with his scandal-dogged predecessor, the impeached Park Geun-hye, with a promise of a clean and just administration.

Mr. Moon's North Korea approach is also a contrast. The conservative Ms. Park took a hard line on Pyongyang and its nuclear and missile programs. Mr. Moon, a liberal, has called for a return to the "Sunshine Policy" of economic cooperation and humanitarian aid that was pursued under two liberal presidents but abandoned a decade ago.

Mr. Moon on Wednesday nominated as head of the National Intelligence Service the man who helped arrange two inter-Korean summit meetings held in Pyongyang, in 2000 and 2007. Mr. Moon's pick for chief of staff, Im Jong-seok, meantime, was jailed for organizing a high-profile unauthorized trip to North Korea in 1989.

But Mr. Moon also appeared to dial back some of the tougher campaign rhetoric he had aimed at the U.S., when he said that South Korea needed to learn to say "no" to Washington and criticized the process under which the deploy-



South Korea's new president, Moon Jae-in, center left, and first lady Kim Jung-sook, waved outside the National Assembly in Seoul.

ment of the U.S. missile-defense system had been decided.

In his address, Mr. Moon didn't mention a review of the system, known as Thaad, and said that he would speak with both Washington and Beijing to resolve tensions over Thaad.

Mr. Moon's first-day actions appeared meant to underscore his spoken messages of security and unity. After a briefing from the Joint Chiefs of Staff and a visit to the national cemetery, he stopped by the offices of the four major rival parties he defeated in the race.

—Carol E. Lee
contributed to this article.

New Leader Plans Stimulus Package To Boost Economy

SEOUL—Among the immediate tasks facing South Korea's new President Moon Jae-in:

keeping alive a fragile recovery in Asia's fourth-largest economy.

South Korean exports grew at a faster pace than expected in the first three months of this year after two years of decline. But weighing on the economy is the specter of U.S.

protectionism, a declining population, a standoff with its biggest trading partner, China, and the role many economists say that South Korea's conglomerates have in holding back growth potential.

Mr. Moon's economic policies, though still preliminary, place a greater emphasis on the role of the government in boosting soft domestic demand and reversing high youth unemployment.

Center stage is Mr. Moon's pledge to create 810,000 new public-sector jobs over the course of his single five-year

term, in part by hiring more firefighters, policemen and social workers. To help accomplish that, he has pledged to raise taxes and unleash a \$9 billion fiscal stimulus package.

This blueprint faces an uncertain fate in the National Assembly, where his ruling Democratic Party falls short of a majority. Both tax increases and additional budget spending would require lawmakers' approval, which would need support from politicians outside his party to succeed.

—Kwanwoo Jun

FROM PAGE ONE

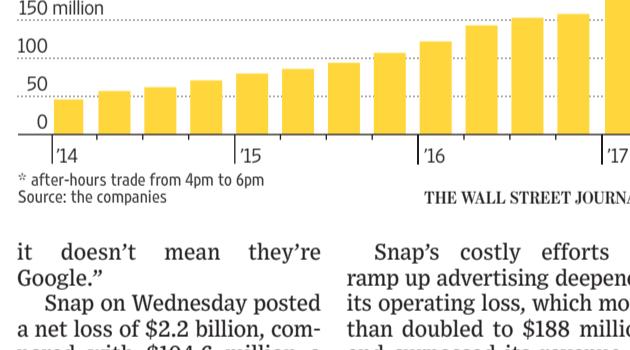
SNAP

Continued from Page One

Network Effect

How Snap stacks up against older rivals in their first quarters as listed companies

	Q1 2017	NET LOSS	STOCK REACTION
Snap	REVENUE \$149.6 million	▼ \$2.2 billion	▼ 23%
Twitter	REVENUE \$242.7 million	▼ \$511.5 million	▼ 23%
Facebook	REVENUE \$1.18 billion	▼ \$157 million	▼ 14%



it doesn't mean they're Google."

Snap on Wednesday posted a net loss of \$2.2 billion, compared with \$104.6 million a year ago, due to a \$2 billion one-time hit from stock-compensation expenses related to its March IPO.

Snap's costly efforts to ramp up advertising deepened its operating loss, which more than doubled to \$188 million and surpassed its revenue of \$149.6 million. While revenue in the quarter nearly quadrupled from a year earlier, it failed to exceed Snap's fourth

quarter revenue of \$165.7 million.

Snap's research and development costs jumped to \$78 million in the quarter, as it worked on new products such as an ad-buying platform that automates purchases, an approach used by Google and

Facebook.

The average user spent over 30 minutes a day on Snapchat during the quarter, and 3 billion snaps, or disappearing messages, were created every day on its app.

Snap has focused on users in more developed markets

with the most ad dollars, leaving global ubiquity to the other social media giants to chase. That increases the pressure to make more money per user. In the first quarter, it rose to 90 cents, from 32 cents during the same period a year ago. As a comparison, Facebook made \$4.23 per user globally in the first quarter.

Snap said 30% of new users during the quarter are on Android, Google's operating system that Snap has de-emphasized in favor of iPhones.

In one area, Snap's numbers stand out: stock compensation. Tech companies often have high stock compensation tied to their initial listings because that is when many of the awards are triggered. But Snap's \$2 billion payout surpassed its annual revenue by a wide margin. Twitter and Facebook, for example, paid out compensation equal to a fraction of their revenue at the time.

Despite the doubts over its growth, Snap resisted pressure to lift sentiment by pumping up its prospects. Mr. Spiegel said Snap wouldn't resort to "growth hacking" methods, such as push notifications.

TECH

Continued from Page One
built-in navigation system after it told him to take a left turn at a red light—into a pond. Imagine, he said, "if it had been night and the light had been green."

While not a hazard, the voice-controlled car radio often snubs his requests, Mr. Iseman said: "I'll say play Elton John and it will bring up a list for Three Dog Night and Foreigner." He disabled the car's lane-keep assistance feature, which beeps when drivers stray from their lanes, after the warning turned into a nag.

Third-party researchers say a lot of drivers kill this feature even though it helps prevent crashes.

"We will continue working diligently to enhance the usability and functionality of these in-demand technologies," Acura said in a written statement.

The new safety-infotainment industrial complex is intended to reduce risk and make drivers' lives easier—a good idea when it all works.

Ford Motor Co.'s MyFord Touch infotainment system was so buggy when first introduced that Chairman Bill Ford, Henry Ford's great-grandson, was stranded roadside after the software crashed, accord-



Mary Louise Seldenfleur said people unfamiliar with technology can get lost navigating a new car.

ing to a class-action lawsuit filed in 2013 against the company alleging such flaws posed a safety risk. Ford declined to comment on the litigation.

MyFord Touch was revolutionary when it launched in 2010, a Ford spokesman said, and "like all new and complex software, continuously evolved and improved after its initial release."

T.G. "Terry" Barrett and his wife, Janet Nickles, of Pine Top, Ky., bought matching Honda Civics last year loaded with a full complement of digital features.

Soon after, the touch

screens on Mr. Barrett's car went haywire, scrolling wildly and shutting on and off untouched, he said.

Then the beeping started. Constant beeping, he said, with no way to stop it. His wife's car chimed in with its own beeping.

The local Honda dealership rebooted the system several times, updated the software and replaced the entire touch panel. Still, the beeping. "This has been going on for more than a year now," Mr. Barrett said.

He was told another software upgrade wasn't quite

ready. Car makers, he said, are "moving too fast and want to sell things before the bugs are worked out."

Honda said in a written statement: "The screen supplier has corrected the issue in new production, and there will soon be a software update" for existing vehicles.

AutoTrader.com, a car-buying website, polled more than 1,000 car owners recently about car tech and more than a third said they wanted only standard features.

A similar study by Deloitte found advanced dashboard apps to help find parking

spaces or connect with other smartphones were among a vehicle's least useful features.

Many American consumers believe the inability to deliver reliable dashboard features casts doubt on the auto industry being able to engineer self-driving cars that won't crash, the Deloitte study found.

The learning curve for new models seems to steepen every year, along with driver complaints. Getting customers up to speed "is one of the biggest challenges we have," said Bill Fay, the Toyota brand's U.S. chief, whose work follows him home. His wife, he confessed, struggles with new features.

"I'll show her and she says. I still don't know how to work this," he said. "Eventually, we make progress."

On a rainy night in Topsham, Maine, a dozen new-car owners huddled in the service garage of Lee Toyota for a 90-minute tutorial. Lured by free sandwiches, they heard about dashboard controls and crash-prevention features.

"It's not designed to drive the car for you," service manager Eric Muchmore warned, though Toyota's new lane-keep assistance feature in fact steers the car back into the lane when drivers stray.

For backup sensors to work in the winter, he advised, you should brush snow off the tiny circular indentations on the

bumper. Some jotted notes; one woman knitted.

"If you aren't a person who uses technology at home, you are just lost," said Mary Louise Seldenfleur, 80 years old, who bought a 2017 Toyota Camry.

At Mercedes-Benz of Fairfield, in Fairfield, Calif., product experts spend as much as two hours reviewing gadgetry with new buyers, said General Manager Mo Ayubayar. The dealership offers home visits from so-called product concierges.

Once upon a time, Mr. Ayubayar recalled, "I'd say, 'Here are the keys. Call me if you have any questions.'" Now, tech specialists supplement the sales team.

Doug Cooper, a rancher north of Casper, Wyo., refuses to buy a new truck, training or not. He mostly uses his pickup on dirt roads and muddy fields, no place for finicky sensors or fancy electronics that balloon the sticker price.

Backup cameras are particularly vulnerable on the range, he said. Mr. Cooper once tried to help a friend load an elk into the truck bed, he said, and had trouble removing the tailgate because of all the camera wiring.

"One doesn't paint the house in a little black dress," he said. "Detroit is trying to make us work in a tuxedo."

—Chester Dawson
contributed to this article.

GREATER NEW YORK



A body discovered in Central Park was removed Wednesday. Police saw no link between this body and another one found Tuesday.

Second Body Found in Park

BY ZOLAN KANNO-YOUNGS

The last time a body was found in a body of water in Central Park was in 2015. This week two were discovered in as many days.

A parks employee spotted the second of the two corpses, a man in his 30s, floating in Swan Lake near 59th Street and Fifth Avenue around 7:30 a.m. Wednesday, Chief of Detectives Robert

Boyce said in a press briefing.

"It does not appear that body has been in water for any more than a week or two at the most," he said.

Chief Boyce said there were no obvious signs of trauma, except for damage to the man's eyes, likely caused by turtles in the lake.

On Tuesday, another parks employee found "a badly decomposed body of a man,"

Chief Boyce said. That man appeared to be in his 20s or 30s but because of the body's condition, police couldn't obtain a fingerprint. Chief Boyce said that body was likely in the reservoir for a long period.

He said there was no connection between the body in Swan Lake and the one in the reservoir.

"There's no criminality right now to show either way

that this is anything more than a coincidence," Chief Boyce said. "It is unusual for this park, though."

A spokeswoman for the New York City Department of Parks and Recreation said for the majority of the year there are 18 Parks Enforcement officers and 10 aides who cover the entirety of Central Park from 7 a.m. to midnight.

—Melanie Grayce West contributed to this article.

Democrats Urge Return of Tolls In Connecticut

By JOSEPH DE AVILA

Democrats in Hartford say bringing back tolls to Connecticut is inevitable, but it won't happen without a fight.

House Speaker Joe Aresimowicz said the state needs to invest more in roads and bridges but is hampered by a fiscal crunch. Connecticut faces a \$2.3 billion budget shortfall for the coming fiscal year, and a special transportation fund financed with fuel taxes and other fees is drying up.

"I think tolls are the answer," Mr. Aresimowicz, a Democrat, said Wednesday.

Republican lawmakers remain opposed to tolls. They have called them a tax on middle-class residents, who would bear the brunt more than motorists driving through from other states.

"It would be a direct cut to their paycheck every week," Republican state Sen. Toni Boucher said.

Connecticut eliminated tolls in the 1980s after a tractor-trailer collided with cars waiting in line at a toll plaza in Stratford on Interstate 95. If the state reinstates tolls, it wouldn't bring back the booths. Instead, the state could install overhead electronic tolling structures, similar to E-ZPass that don't require drivers to stop.

A transportation panel appointed by Democratic Gov. Dannel Malloy said in 2015 that adding tolls to the state's highways could raise \$18.3 billion over 20 years. The panel also noted it would take seven

years to pass the legislation to get federal approval and to build the tolling infrastructure.

If lawmakers approve tolling this year, Mr. Aresimowicz said Wednesday, it "can be up and running fairly quick." The Connecticut Transportation Department would be charged with creating and implementing a tolling system for the state, he said.

Senate Republican President Pro Tempore Len Fasano said it is unlikely that tolling could be implemented fast enough to be included in the budget for the next two fiscal years. The

\$18.3B

Estimated revenue over 20 years from tolls on state's highways

feasibility of reinstating highway tolls and how much money they could generate requires more study, he said.

"To argue that tolls are a panacea or a factor that we should be looking at is misleading the public at best," Mr. Fasano said.

Democratic House Majority Leader Matt Ritter countered that tolls could play a vital role for improving the state's transportation system to attract new residents.

"We have to look at our infrastructure," Mr. Ritter said. "That's how we sell Connecticut."

Builder Indicted in Fatal Brooklyn Accident

BY CORINNE RAMEY

A construction-company owner was indicted in the death of a worker at an excavation site in 2015, the Brooklyn district attorney's office said Wednesday.

Michael Weiss, 47 years old, was charged with manslaughter, criminally negligent homicide and other crimes, prosecutors said. His companies, RSBY NY Builders Inc. and Park Ave Builders Inc., also were charged in the incident.

Susan Necheles, an attorney representing Mr. Weiss, said her

client did nothing wrong. "He feels deep sorrow over the death of a worker...but the allegations that he was responsible for that death of a worker or injuries to others is not true," she said.

City officials contend an escalating real-estate market has incentivized construction that uses untrained workers and improper safety precautions.

"We cannot allow the robust housing market and development market to come at the cost of workers' safety and their lives," Acting Brooklyn District Attorney Eric Gonza-

lez said at a news conference.

During the summer of 2015, Mr. Weiss was directing construction at a site on Myrtle Avenue in the Bedford-Stuyvesant neighborhood, where workers were replacing a one-story fruit store with a five-story building. Mr. Weiss ordered some employees, using shovels and hand tools, to excavate in an area where he wasn't authorized to do that work, according to prosecutors.

The workers repeatedly asked Mr. Weiss for lumber to shore up the walls, and said

the conditions in the pit, which was more than 6 feet below the adjacent building's foundation, were unsafe, Mr. Gonzalez said.

On Sept. 3, 2015, the wall of the adjacent building collapsed and masonry blocks and debris fell on three workers, killing a man identified by the Brooklyn district attorney's office as 18-year-old Fernando Vanegaz, and injuring two others, prosecutors said.

Mr. Vanegaz, who broke his legs and had severe head trauma, went into cardiac arrest and died at the site, they

said. A second worker suffered a spinal injury, and a third fractured his nose and skull, according to prosecutors.

Mr. Weiss faces up to 15 years in prison if convicted on the manslaughter charge.

In New York City in 2016, there were 597 construction-related injuries and 12 deaths, according to the city's Department of Buildings. While criminal charges in construction-related deaths are uncommon and difficult to prove, prosecutors have pursued similar cases in recent years.

Newark Teachers to Vote on Accord

BY LESLIE BRODY

Newark teachers plan to vote Thursday on a new contract that, if ratified, would keep the controversial merit pay provisions that were part of a landmark 2012 deal.

Newark district and union officials said that under the tentative four-year agreement, teachers must still be deemed effective to climb up the salary ladder, and those rated highly effective would still get a bonus of \$5,000.

Five years ago, those provisions marked a departure from the usual system of automatic annual raises for experience and pay increases for advanced degrees. At the time both Gov. Chris Christie, a Republican, and Randi Weingarten, president of the American Federation of Teachers, hailed the contract as an ex-

ample of how they could work with political adversaries.

The bonuses were initially paid for by the foundation started by Facebook's Mark Zuckerberg. Chris Cerf, superintendent of the state-operated district, said that for the first time the bonuses would come from district funds, showing this model is sustainable.

"We think this is a good deal for the district, teachers and especially for the students," Mr. Cerf said.

Newark Teachers Union officials said about 200 teachers a year got a bonus. According to district data, in recent years, 15% to 18% got ratings less than effective.

Unions often argue that pay-for-performance can undermine the collaboration that teachers depend on, but supporters say it adds incentives and helps recruit quality staff.

John Abeigone, president of the Newark Teachers Union, backed the deal but said he would prefer to have the district spend more on school resources and professional development, rather than bonuses.

"Those members who receive it are fine, of course they don't complain about receiving it," he said. "We still believe all people across the board should be given the same resources, and the same circumstances under which to teach, so they can all be highly effective."

The union said members would receive an annual average salary increase of 2.43% from the 2015-16 school year through the 2018-19 year.

The deal also shortens the school year for teachers to 188 days from 191, and cuts it for students to 182 days from 185.

Gala's Comeback Fizzles Out



CUT OFF: The Manhattan Cocktail Classic's planned return on Thursday after a three-year break has been canceled, organizers said Wednesday. Above, the event in 2014, the last time it was held.

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History Preserved—On the Face of It

Developers buff facades and gut the rest as more buildings get landmark protection

By JOSH BARBANEL

THE intricate limestone bow fronts of three 19th-century townhouses on West 86th Street in Manhattan have been carefully restored, but everything else, including all interior walls and floors, are long gone.

Developers PROPERTY Joseph Cohen and Jody Kriss of East River Partners LLC tore out the interiors last year, supporting the facade and side walls with a temporary latticelike steel structure.

In their place, a six-story condominium has been constructed at 272 W. 86th St. with seven modern family-size apartments, some with townhouse-busting living rooms 30 or 40 feet wide. The work cost about \$30 million.

Two of the new condos have 30-foot-wide backyards. Prices range from \$4.795 million for a three-bedroom, while a duplex penthouse extending above the original roof line with 180 linear feet of terraces is listed at \$9.95 million.

This is part of a growing trend in adapting historic properties, in this case a row of 1895 houses designed by C.P.H. Gilbert, a prominent designer of mansions and houses in Manhattan and Brooklyn in the late-19th and early-20th centuries.

To the anguish of many

preservationists, the city's landmark law doesn't extend to private interiors of individual properties or buildings within historic districts, creating a blank slate for developers beyond the facade.

The commission often has allowed rooftop expansions and extension into rear yards, where the additions aren't easily visible from the streets.

"My favorite thing about this project is that we literally preserved nothing but three walls of the original buildings," Mr. Kriss said. "The entire building is brand new except the three walls."

"Facade-ism" is what Andrew S. Dolkart, a professor of historic preservation at Co-

lumbia University, calls it.

"You can see this all over the Upper East Side," he said. "It has become the biggest issue in Greenwich Village and Chelsea, where early houses are being completely destroyed with interiors gutted, roof lines expanded and rear yards removed."

The issue is coming up more often because so many New York City properties have been designated as landmarks or included in historic districts designated by the city's Landmarks Preservation Commission.

In a study, the Real Estate Board of New York found that as of 2013, 28% of Manhattan properties had landmarks

protection, including at least 70% of properties in Greenwich Village and the Upper West Side.

Messrs. Kriss and Cohen specialize in adapting and restoring historic buildings. They recently won an award from the Victorian Society New York for the adaptive reuse of a synagogue at 415 East Sixth St. in the East Village, in which two apartments were added on top of the existing synagogue.

At the townhouses on West 86th Street, Messrs. Kriss and Cohen stepped in after another developer tried and failed to demolish them and create a larger apartment building on the site.

There were holdout tenants, however, and before a deal could be completed the first developer was foreclosed on. Then, in 2012, the buildings were included in an extension to the Riverside-West End Historic District.

Because the buildings could no longer be demolished, East River Partners acquired them in 2013 for \$14.3 million, less than half of the face value of the debt on the property at the time of the foreclosure.

Some preservationists were pleased with the outcome.

"I couldn't believe how beautiful it looked," said Melissa Elstein, a founder of the West 80s Neighborhood Association, which pushed to include the houses in the historic district. "It really shines now."

PROPERTY WATCH

NEW YORK CITY

Permits Show Surge In Home Building

Residential building in New York City rose sharply in the first quarter after an agreement was reached on a new property-tax abatement to replace one that expired last year.

U.S. Census Bureau figures show there were 6,343 permits filed for apartments and houses in New York City in the quarter, the highest first-quarter total since 2007. Most of the increase occurred in January, which had

3,464 permits filed, the most in at least 17 years.

"For those anxious that the boom times in the residential-construction sector might have ended in 2015, the data from the first three months of 2017 should elicit a huge sigh of relief," said Carlo A. Scissura, president of the New York Building Congress, which issued a report on permit filings.

In January, Gov. Andrew Cuomo said he had reached an agreement with the real-estate industry and construction unions to set minimum wages for some projects receiving abatements.

MANHATTAN

Couple in Penthouse Denied Break on Rent

A New York judge denied a request for a rent rollback by a couple paying \$7,250 a month for a penthouse in the financial district, in a case closely watched by downtown renters and owners.

After the landlord demanded a large rent increase, Joel Roodman and Jill Tafrate argued they were entitled to be treated as rent-stabilized tenants because the building owner was

receiving a property-tax abatement under a program established to encourage the conversion of office buildings to apartments.

But in a ruling last week, Justice Shlomo Hagler of State Supreme Court in Manhattan found that the owner of a converted office building at 85 John St. had properly deregulated the apartment because the rent exceeded a threshold for the deregulation of luxury apartments with high rents.

The plaintiffs are considering an appeal, their lawyer said.

—Josh Barbanel

Former Dancer Will Lead Juilliard

By CHARLES PASSY

The Juilliard School named former New York City Ballet principal dancer Damian Woetzel as its new president, effective July 2018.

Mr. Woetzel will succeed Dr. Joseph Polisi, who has a nearly 34-year tenure, the longest in Juilliard's history.

The school, which is based on the Lincoln Center campus, is considered one of the world's foremost conservatories and has more than 800 students. It offers programs in music, theater and dance, and has a long list of distinguished alumni, including the opera star Renée

Fleming, violinist Itzhak Perlman, composer Philip Glass and actor Kevin Kline.

Mr. Woetzel, who is 49 years old, comes to Juilliard after a 20-year career as a dancer and a post-performance career as an arts administrator, director and producer. He is currently director of the Aspen Institute Arts Program and artistic director of the Vail Dance Festival.

He might be deemed a surprising choice to take over Juilliard in that his background is primarily in dance, while previous Juilliard presidents have largely come from the musical world. But Mr. Woetzel has col-

Damian Woetzel, 49, will become president of the Juilliard School in July 2018.

laborated on programming with artists ranging from jazz great Wynton Marsalis to the cellist Yo-Yo Ma and even was involved in an arts salute to the physicist Stephen Hawking held at Lincoln Center.

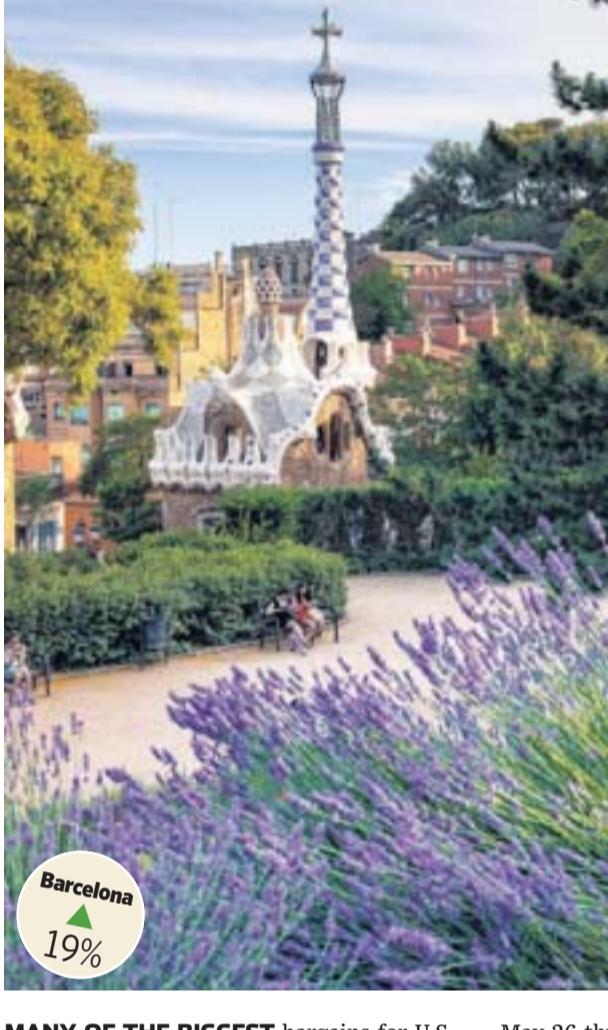
"He's blessed with a very wide capacity to advance multiple forms of art," said Juilliard

board chairman Bruce Kovner. Juilliard has a roughly \$110 million annual budget, according to school officials, and a \$1 billion-plus endowment. Among the school's recent initiatives is a plan to add a campus in China, slated to open in 2019.

Mr. Woetzel said he was attracted to the job not only because of Juilliard's pre-eminence in the cultural world, but also because of its growing emphasis on promoting the arts in relation to society as a whole, an approach championed by Dr. Polisi.

"It's an extraordinary opportunity," Mr. Woetzel said of the position.

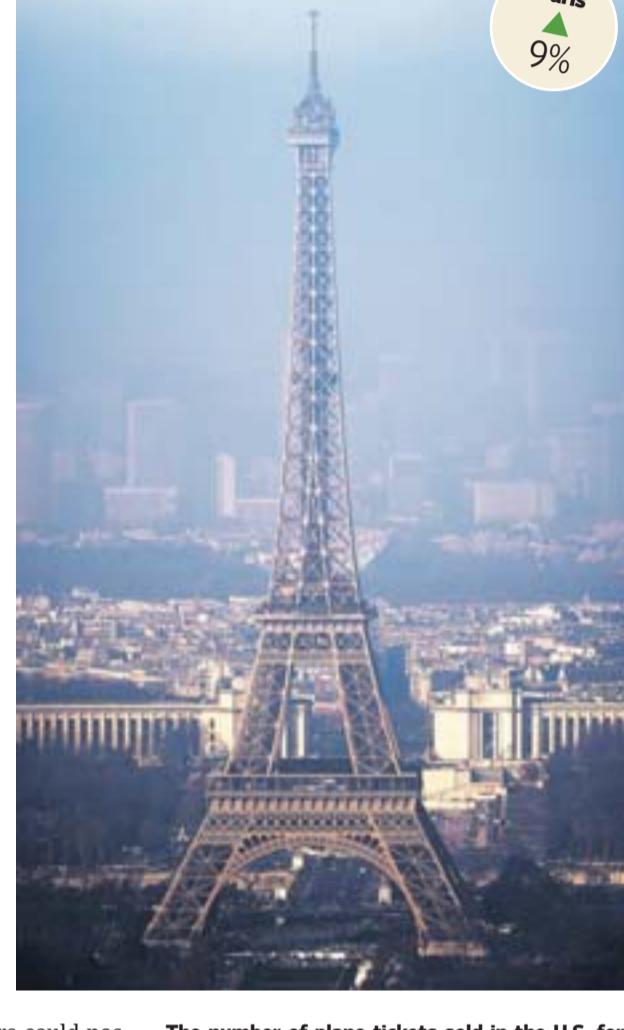
LIFE & ARTS



THE MIDDLE SEAT | By Scott McCartney

Where the Summer Deals Are

Bargains abound overseas, but you'll likely spend more in the U.S.



ISTOCK (LONDON); GETTY IMAGES (5)

MANY OF THE BIGGEST bargains for U.S. travelers this summer will require a passport. But while international fares are dropping for the coming months, domestic fares are rising.

The dollar remains strong, airlines are adding lots of seats and the Trump travel ban and terrorism fears have crimped international travel. The average price of air tickets sold so far for summer travel to Europe is down 15% compared with the same buying period last year, according to Airlines Reporting Corp., which processes tickets booked through travel agencies.

It is a turbulent summer for travel, with new factors to navigate, such as a ban on laptops in cabins of some flights and political threats to possibly require visas for Americans in Europe. Domestic hotel rates are also rising as more Americans stay stateside.

Airlines Reporting Corp., or ARC, studied 11 million airline tickets purchased through travel agencies before April 20 for travel

May 26 through Aug. 31 and found the average price was down 2% to \$613. The number of purchased tickets was about the same as a year earlier.

Within that, prices for domestic trips were up almost 5% and prices for Europe fell to an average \$1,069, down from \$1,263 a year earlier. Discount European airlines are having a huge impact on prices, as established competitors cut fares to compete, along with reduced demand from Europe for tickets to the U.S.

Global events and politics are affecting travel significantly this year. The **State Department** issued a Europe travel alert on May 1 urging caution due to a continuing terror threat that could target large tourist crowds this summer.



Travelers could possibly face changes in visa requirements by other countries in retaliation to Trump administration travel changes. In March, the **European Union's** parliament urged ending visa-free travel within Europe for U.S. citizens. Then in April the U.S. said it was considering ending visa-free travel for Europeans.

Tensions escalated with the executive order banning entry for travelers from six majority-Muslim countries that is blocked by courts; reports of extreme vetting by U.S. officials at border checkpoints; the southern border wall plan; and laptop restrictions on some flights from Africa and the Middle East that could possibly be expanded.

"If you're willing to take whatever risk you perceive of traveling internationally,

The number of plane tickets sold in the U.S. for summer trips to tourist destinations in Europe and elsewhere is up compared with the same time in 2016.

there are some incredible deals that you can get this year," says Patrick Surry, chief data scientist at fare-tracking firm Hopper.

Many travelers are taking advantage of bargains. The number of tickets sold in the U.S. for trips to Europe is actually up 26%, ARC says. Ticket volume for London is up 19%, Rome 15%, Paris 9%, Barcelona 19% and Athens 41%.

On the other side of the Atlantic, travelers are not reciprocating. Tickets purchased in Europe to the U.S. increased only 1.7%.

A slowdown in foreign tourism into the U.S. tempers domestic price increases and opens up hotel rooms, restaurant tables and spots in amusement-park lines.

But it's still too early to say just how much impact there will be. Last week, the

Please see SUMMER page A12

TELEVISION

A TALKING DOG'S STAR TURN



In 'Downward Dog,' Ned plays Martin and Allison Tolman plays Nan, his owner.

BY JOE FLINT

IN THE FIRST EPISODE, Martin complains that Nan isn't paying enough attention to him. She's ignoring his needs and taking him for granted. While acknowledging that these are "first-world problems," he stares into the camera and says, "I just think we have a

little work to do."

Another romantic comedy about busy millennials trying to make love work? Not exactly. Martin is a dog and Nan is his owner. And, yes, Martin talks—to himself anyway.

Premiering May 17 on ABC, "Downward Dog" is about a self-obsessed, somewhat melancholy mutt with thoughts viewers can hear and a distracted but loving

owner. The series took an unusual route to its television debut, starting as web series made for laughs for friends and ending up debuting at the Sundance Film Festival.

The show has generated buzz from the web series and four episodes of the ABC series that were screened at Sundance. "I had genuine love and affection for it right out of the gate," said ABC Entertainment President Channing Dungey.

Creators Samm Hodges and Michael Killen didn't have grand ambitions for "Downward Dog" when they started making webisodes to pass the time between shooting commercials at Mr. Killen's Pittsburgh-based production and visual-effects company Animal Inc.

"It was just for fun," said the 33-year-old Mr. Killen, who helped develop Taco Bell's talking Chihuahua commercials.

The webisodes caught the eye of manager Jimmy Miller, whose clients include Judd Apatow. Mr. Miller signed the duo and struck a deal with television and movie production company Legendary Entertainment. He started setting up meetings with networks and streaming services, much to the surprise of Messrs. Hodges and Killen.

"We never wrote the web series to be a TV show," said Mr. Hodges, 32, adding, "It's challenging to write for a protagonist with no thumbs that can't do anything."

The web series, where episodes ran only a few minutes, focused primarily on the dog and his owner. For a TV show, the pair added an on-again, off-again love

interest for Nan as well as a job as a creative director in an advertising agency, ensuring that the show would be more than just Martin's deep thoughts.

"The dog is a lens for human life," said Mr. Hodges, who also voices Martin's inner dialogue.

HBO, Showtime and Amazon Prime expressed interest but Mr. Miller also wanted to shop it to broadcast networks. That seemed a longshot to Messrs. Hodges and Killen since the character of Martin wasn't being played for laughs

Ned, the dog who co-stars as Martin, was rescued from a shelter and has no understudy.

and hijinks. The dog doesn't ride a skateboard, drive a car or prance around on two legs.

"It was an interesting new way in presenting a talking dog with a lot of personal angst, something a commercial entity wouldn't necessarily want," Mr. Killen said. Ned, the dog who plays Martin in the ABC series, is a rescue animal with such distinctive eyes and appearance, the producers can't turn to a backup dog to stand in for Ned in any scenes.

ABC ended up aggressively bidding for the project and although the two executives who had championed acquiring it—Entertainment

President Paul Lee and comedy head Samie Falvey—subsequently left the network, it found new supporters in Ms. Dungey and Ben Sherwood, president of Walt Disney Co.'s Disney/ABC TV unit.

"The 'Downward Dog' pilot stood out as an incredibly heartfelt, emotionally true and memorable piece of television," Mr. Sherwood said. "It feels different from the start and not just because there is a thinking dog in it."

Mr. Sherwood wouldn't predict if the show will click with viewers but noted, "there are 70 million to 80 million dogs in the U.S. and we hope they're watching with their owners."

Convincing an actor to co-star with a dog was no easy task. Allison Tolman, best known for her portrayal of Molly in season one of the FX drama "Fargo," questioned her agent's sanity when she heard the pitch.

"I was like, 'What, are we that desperate that we're looking at talking dog shows?'" recalled Ms. Tolman, who plays Nan. "My first reaction was not great, that's for sure."

After reading the script and watching the episodes online she was sold, in part because the show felt so real.

"This is a really big sell that this dog can talk so everything else has to be super realistic and very natural," Ms. Tolman said.

She has bonded with Ned but will only go so far for her co-star. Cleaning up after him, she said, "is definitely not in my contract."

LIFE & ARTS

PHOTOGRAPHY

Meet the Family's New Photographer

Children as young as age 4 are using smartphones and picture-editing apps to create memorable images

BY ALINA DIZIK

NEED HELP TAKING a great selfie? Just ask your child.

Thanks to smartphones and a crop of editing apps, children as young as 4 are taking pictures—with surprisingly professional results.

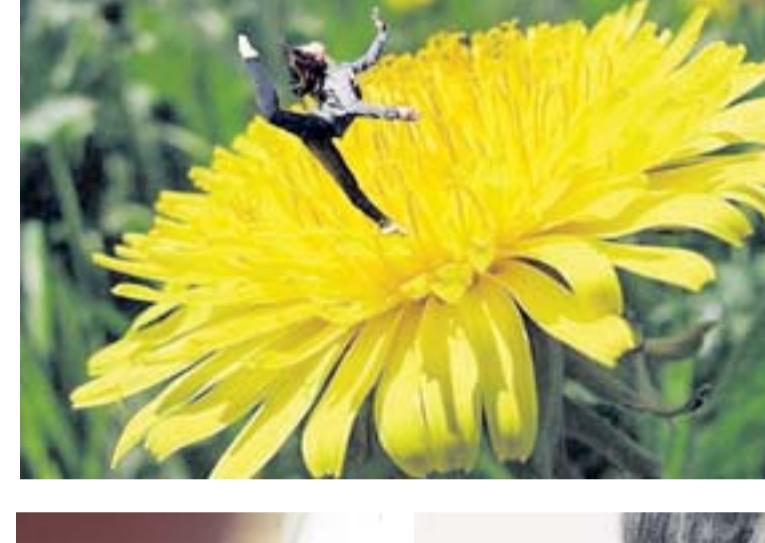
Photo-taking now is commonplace among youngsters once kept far from chemical-laden darkrooms and delicate equipment, says Michelle Dunn Marsh, executive director of Photographic Center Northwest, a Seattle-based photography nonprofit. "The tools of photography have become very simple and very good," she says. "We're not seeing a 5-year-old who is setting up a lighting environment."

Erin Stewart, 41, lets her older daughter Natalie be the official photographer on family vacations and at parties. But results can vary. On a trip to Paris more than a year ago, Natalie photographed the carousel near the Eiffel Tower but skipped the landmark. And rather than capturing her younger brother blowing out his birthday candles, Natalie opted to photograph a nearby friend eating a snack. "What interests them is sometimes different," says Ms. Stewart, a stay-at-home mother of three in Orinda, Calif. Natalie, now 10, uses apps to add a grained look to photos. She likes capturing images in black-and-white, which Ms. Stewart isn't crazy about because it makes her daughter look older.

Children as young as 10 can take a course on mobile photography and video for social media as part of a four-week or seven-week program at Usdan Summer Camp for the Arts in Wheatley Heights, N.Y. The course allows students to take photos using "what's most familiar to them" and is now one of the most popular, says instructor Michael Barraco.

The class is great for younger students, because it doesn't involve pricey equipment that's often part of a more traditional photography course, Mr. Barraco says. Instead, participants use affordable smartphone-compatible macro and wide-angle lenses. They also figure out how to store and share images that they accumulate on their phones. "They take as many photographs as possible, but there's not always a lot of thought of what's going to become of those images," he says.

After completing the course at Usdan last year, Teryn Hickson, now 11, says she takes fewer selfies



Clockwise from top left: A child's photo illustration with the Enlight app; 9-year-old Becca Bojia shows off a family photo; the Stewart sisters' selfie; Peter Stewart takes a shot.

feature. "Kids at a younger age have started to look for adult technology," says Jennifer Eiselein, vice president of marketing.

App developers say they also are seeing younger visitors using their offerings. Last month, Anita Wong emailed the makers of Enlight, an iPhone editing app launched in 2015, on behalf of her 11-year-old daughter Lindsay. Ms. Wong needed directions to help Lindsay figure out how to overlay a selfie in a dancer's pose on an image of a dandelion. The makers replied within a day, and Lindsay now uses the app to adorn her selfies with anything from mermaid tails to fairy wings.

"There's almost a narcissistic element," says Ms. Wong, an attorney who lives about an hour's drive from Toronto.

Photographs by children often bring a fresh vantage point, says Yadesa Bojia, a musician and artist in Shoreline, Wash. His children, 7-year-old Isaiah and 9-year-old Becca, borrow his smartphone to take pictures. Becca's moving shot of her father watching TV news about his native Ethiopia became the cover image for his latest album because it "captured me in a very candid way," Mr. Bojia says.

Three years ago, he was surprised to learn that Isaiah's picture of him bending down to his son's eye level was chosen for a photography exhibit developed by Ms. Dunn Marsh of Photographic Center Northwest. "You could see he just snapped [the photo] and ran away," he says.

and more close-up shots of landscapes and family. This year, the fifth grader from Amityville, N.Y., says she has been the photographer at her brother's college basketball games, often switching lenses to capture on-court shots. At school, friends turn to her for help recreating images she posts on her social media accounts, including pictures of loved ones who look as if they are flying, thanks to careful posing and some post-photography editing. But she's reluctant to disclose all her tricks, especially her arsenal of editing apps: "Some of them I keep secret."

Entrepreneurs are stepping in to fill the gap between toy cameras and breakable digital ones.

The Pixlplay, a \$30 case that turns old smartphones into 35mm-type cameras and can be safely handled by 3-year-olds, will be in stores in June. "Smartphones have made photographers out of the youngest of kids," says JP Stoops, a former toy-company merchandiser and founder of Pixl Toys.

This year, Mr. Stoops launched a Kickstarter campaign for the Pixlplay. He raised \$64,000—more than twice his original goal—to produce a case that allows parents to convert a smartphone to a kid-safe camera without the risk of a shattered screen and with the option to turn off browsing. The Pixlplay includes an app, which makes it simple to edit and transport

photos, Mr. Stoops says.

Toy companies have long sold kid-friendly cameras. Vtech Electronics North America, of Arlington Heights, Ill., started offering the Kidizoom camera, a 1.3-megapixel camera in 2007. They added the Kidizoom Action Cam in 2015 and a Kidizoom Smartwatch in 2014. Both products can take pictures, which is their most-used

SUMMER

Continued from page A11

U.S. Travel Association reported that international travel to the U.S. in March grew 3.6% compared with a year earlier. That's the slowest growth in 11 months, U.S. Travel says.

The strong dollar, which makes the U.S. more expensive to foreigners, plays a role. Since most overseas trips are planned about two months in advance, the impact of Trump travel changes wouldn't show up fully until April results are tallied, U.S. Travel says.

The modest pace of international inbound travel

growth represents a dramatic slowdown, and portends a potential decline in the months to come," says David Huether, senior vice president of research at the non-profit promoter of travel to the U.S.

Travel companies expect a busy summer season. The U.S. economy is growing and financial markets have been strong. Airline capacity in May was up about 5% in the U.S. and 8% world-wide from the same time in 2016, according to consulting firm Oliver Wyman's PlaneStats database.

Travel agents say customers are booking longer trips, taking advantage of the Fourth of July falling on a Tuesday to create four- and five-day weekends.

But growth in summer travel does appear to be slowing. Adobe's Insights division, which tracks data from major airline, hotel, car-rental and cruise-line booking sites, says online summer travel spending will be up 5% this year



More U.S. tourists are planning to go to Hawaii, above, and Miami, left, this summer.

rebound this year. The number of trips booked to Barbados for June-August travel dates is up 15% this year over summer 2016. ARC says airfares are up to Miami.

But political tensions are impacting travel even from strong tourism partners.

Virtuoso Travel, a network of luxury travel agencies, says it has seen reduced bookings for Mexican clients coming north. "The demand for travel has not changed. But people will switch where they go," says CEO Matthew Upchurch.

At the same time, he notes Virtuoso has clients who like to go to places right after incidents and mass cancellations, like Paris. Prices are cheaper, prime tables are available at the best restaurants and locals are appreciative of tourists. "There's a price elasticity to fear," Mr. Upchurch says.

One big winner in 2017, indicative of stronger domestic demand: The number of tickets to Hawaii purchased this year for summer travel jumped 16%, according to ARC.

Expedia says areas hit in 2016 by the Zika virus are showing a strong

but grew 15% last year.

A study for the American Society of Travel Agents found 55% of consumers surveyed this spring said the travel ban would make them feel less welcome when traveling abroad. "There's a little bit of trepidation," says Zane Kerby, ASTA's chief executive.

One big winner in 2017, indicative of stronger domestic demand: The number of tickets to Hawaii purchased this year for summer travel jumped 16%, according to ARC.

Expedia says areas hit in 2016 by the Zika virus are showing a strong

TRAVEL IN THE AGE OF TRUMP

Traveling these days requires some additional considerations.

Here are some suggestions for U.S. summer vacationers heading abroad.



An airport staffer informs a traveler on a March flight from Casablanca to New York of carry-on bans for laptops, tablets and cameras.

Be ready in case of an expanded cabin electronics ban.

The Trump administration has banned laptop computers, tablets and cameras from carry-on bags on nonstop flights to the U.S. from eight countries in the Middle East and northern Africa. Homeland Security says expansion to flights from Europe is being considered. You might want to consider traveling without your laptop—checking computers in luggage can lead to theft and damage. Protect sensitive information if it's going to be out of your control.

Be ready for more intensive examinations entering the U.S.

Some companies have urged employees to remove sensitive information and contacts from devices like phones that could be subject to inspection. A simple step: Plan more time between connections in case lines are long or you end up in an interrogation.

Stay in touch.

Vacations are about escape, but it makes sense to watch headlines. Use STEP, the State Department's Smart Traveler Enrollment Program, a free service that links you to the nearest embassy or consulate. Make sure you have phone or computer access to communicate with relatives back home.

Consider using a well-connected travel agent.

Having someone to find hotel rooms or help reroute you in a travel disruption, rather than just relying on airlines for rebooking, could prove very valuable.

Consider travel insurance.

But remember, you can't buy insurance for events that have already happened. Check to see if you'll be covered at your destinations. Many policies have restrictions. "Cancel for any reason" insurance provides less reimbursement and is more expensive, but can be quite useful.

LIFE & ARTS

ART REVIEW

A Dubious Giacometti Makeover

A timely retrospective attempts to turn him into something he's not.



The newly restored plaster 'Women of Venice' (1956), above, on view for the first time in 60 years, and the bronze 'Woman With Her Throat Cut' (1932), below

BY ERIC GIBSON

London

THERE IS MUCH to celebrate in the Giacometti retrospective that opened Wednesday: its comprehensiveness and the inclusion of so many rarely or never seen works, in particular the newly restored plaster "Women of Venice" (1956) on view for the first time in 60 years. All this makes it a must-see event—the more so since, given the fragility of many of the plasters, it's one unlikely to be repeated.

It's a pity, then, that this revelatory exhibition is marred by the effort by the curators—Frances Morris and Lena Fritsch of the Tate Modern and Catherine Grenier and Mathilde Lecuyer of the Fondation Alberto et Annette Giacometti, Paris—to make Giacometti into an artist he wasn't, and by the ensuing distortions of the historical record.

Born in Borgonovo, Switzerland, Alberto Giacometti (1901-1966) briefly studied art in Geneva before moving to Paris in the early 1920s. There he produced abstract and semi-abstract sculptures in a Surrealist vein on themes of sexual violence, such as "Woman With Her Throat Cut" (1932).

Work making lamps and other decorative objects at the same time for a furniture designer provoked a crisis around 1935. Giacometti felt there was no difference between those objects and his sculptures. So beginning in the 1940s he returned to first principles, abandoning the invented language of modernism to copy what he saw. The aim was to



represent the human figure as it appeared to the eye, frontally from a specific distance and within the space that surrounded it.

Thus resulted his signature images: tall, slender, almost hallucinatory figures that "read" only at a distance, and which at close range devolve into scabrous agglomerations of matter. The task was, as he often said, "impossible," yet it occupied him for the rest of his life.

The central premise of the exhibition, which consists of more than 250 sculptures, paintings and graphic works, is that Giacometti was far more ad hoc in his approach to materials and techniques than previously thought. A sculpture in plaster is traditionally an intermediary stage on the way to the "final" stage in bronze. Giacometti looked on it as artistically equal, continuing to model the plaster after a bronze had been cast, even

painting or drawing on it.

This point is vividly made through telling juxtapositions, such as that of two 1962 busts, the bronze and plaster versions, of his wife, Annette. The play of light and shadow across the plaster brings out the lumps, gouges and other traces of the artist's hand, making us almost eyewitnesses to Giacometti in the studio.

Unfortunately, such insights come at a price: the show's "repositioning" of Giacometti as an artist relevant to the present moment. Thus at the press preview, Ms. Morris drew parallels between Giacometti's "nonhierarchical" approach to materials and current artistic practice. She goes further in the catalog, taking a slap at earlier writers who have "tended to collude in isolating the artist from his context" and instead arguing for him as "a man who was fiercely involved in

politics, embedded in a brilliant artistic community filled with poets and writers...and who absorbed everyday life from the ringside of the café"—in other words, just like one of today's politically committed, network-savvy artists.

This leads to some pretty strange turns. Evidently to align Giacometti with contemporary taste that sees no distinction between "high" and "low"—fine art, popular culture and straight kitsch—the wall text informs us that "Giacometti did not think of his design works as insignificant, and on several occasions they influenced his practice as a sculptor, and vice versa." The crisis of the '30s goes unmentioned, an astonishing airbrushing of history.

And presumably to paint him as socially engaged, the curators have dredged up the old saw about Giacometti's isolated, ravaged-looking figures being emblems of post-World

War II Existential angst. This nostrum was first promulgated in a 1948 essay on the artist by Jean-Paul Sartre, who knew nothing about art.

Worst of all, Giacometti's singular aesthetic is all but written out of the presentation, with scarcely any attempt to explain to the visitor why his work looks the way it does—why some figures are minuscule and others life-size, why in the later works the torsos are massive and lumpy but the heads disproportionately small and finely wrought. To understand what Giacometti was really up to, ignore the spurious "repositioning" wall texts and watch the documentary showing the artist working and talking in his studio that runs on a continuous loop toward the end of the exhibition.

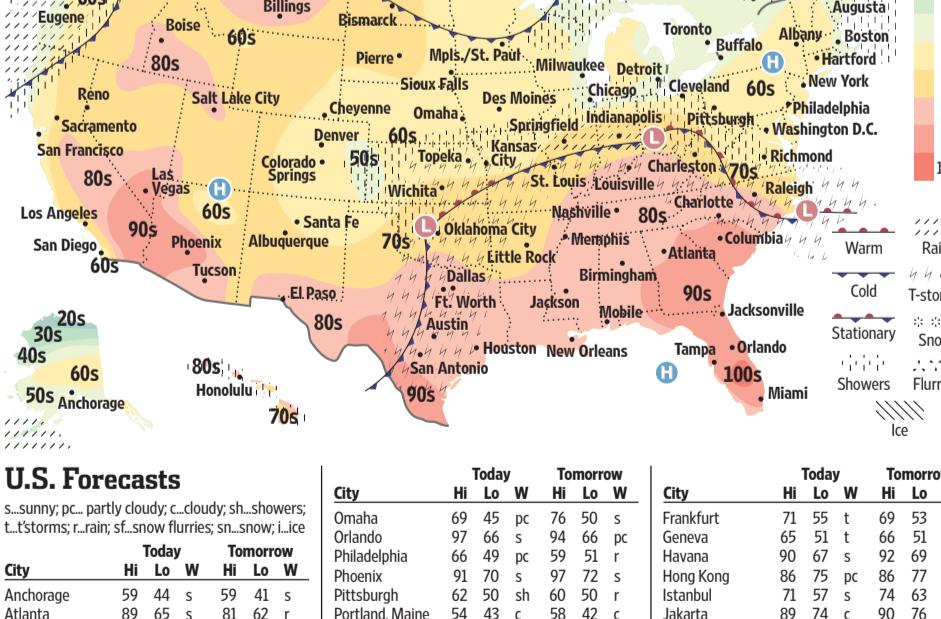
There in fact is a sense in which Giacometti relates to the present moment, but it's one few in the art world would want to acknowledge. He personified T.S. Eliot's dictum that "the progress of an artist is a continual self-sacrifice, a continual extinction of personality." As such, Giacometti is a rebuke to the spectacle-driven, play-to-the-gallery art of Jeff Koons, Damien Hirst (currently the toast of Venice) and others, in which personality, ever front and center, is the art's indispensable coefficient. Against this, Giacometti's example has never been more relevant—or necessary.

Giacometti

Tate Modern, though Sept. 10

Mr. Gibson is the Journal's Arts in Review editor.

Weather



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

City Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	59	44	s	59	41	s
Atlanta	89	65	s	91	57	s
Austin	85	64	c	85	57	s
Baltimore	61	50	r	57	50	r
Boise	86	52	pc	59	39	c
Boston	54	46	c	52	44	c
Burlington	61	45	c	64	47	c
Charlotte	89	63	c	84	63	c
Chicago	59	43	sh	65	43	pc
Cleveland	60	51	sh	59	48	r
Dallas	84	61	t	79	58	pc
Denver	62	42	c	77	48	pc
Detroit	56	46	r	62	43	c
Honolulu	83	71	sh	84	73	pc
Houston	86	72	c	85	62	pc
Indianapolis	73	51	r	66	46	r
Kansas City	67	52	r	72	49	s
Las Vegas	90	69	s	91	65	s
Little Rock	78	62	t	72	53	sh
Los Angeles	70	56	pc	71	54	pc
Miami	91	73	s	91	76	s
Milwaukee	57	44	c	58	44	pc
Minneapolis	68	47	pc	71	53	s
Nashville	85	63	pc	74	56	r
New Orleans	83	68	pc	79	63	t
New York City	63	50	s	59	50	c
Oklahoma City	79	55	pc	73	48	s

International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	69	54	pc	64	52	sh
Athens	78	63	s	80	68	pc
Baghdad	107	73	s	102	69	s
Bangkok	91	77	t	91	79	t
Beijing	86	48	s	87	57	s
Berlin	64	46	pc	68	53	t
Brussels	69	54	t	67	52	r
Buenos Aires	63	55	r	65	56	sh
Dubai	101	83	s	102	87	s
Dublin	58	44	pc	60	47	s
Edinburgh	61	46	pc	59	48	s
Zurich	70	51	t	69	50	t

The WSJ Daily Crossword | Edited by Mike Shenk



OVER-UNDER | By Alex Eaton-Salners

- Across**
- 1 Beanery brew
 - 5 Spaceship Earth setting
 - 10 Sorts
 - 14 Royals fielder Gordon
 - 15 Eliminations, of a sort
 - 16 Mr. Peanut prop
 - 17 *The Taj Mahal, for one
 - 20 Flower power?
 - 21 Parking garage posting
 - 22 Singer Adams with the 1991 song "Get Here"
 - 23 Models sometimes sport them
 - 25 Uplifting experience for vacationers?
 - 27 *Acerbic humor
 - 30 Carmaker Citroën
 - 33 Green and black, e.g.
 - 35 "Say Say Say," say
 - 36 Fluffy accessory
 - 37 *Swing both ways
 - 40 "Here and Now" network
 - 41 James in the Rock and Roll Hall of Fame
 - 43 Heaps
 - 44 Toothsome
 - 46 *Artistic toy that glows in the dark
 - 48 Hostile
 - 49 Like a capt.'s charts
 - 50 Honker
 - 53 Posts
 - 55 Chevy SUV
 - 57 Saldana of "Guardians of the Galaxy"
 - 59 How life is like the ocean, or a hint to entering the starred answers
 - 62 McCarthy-era prosecutor Roy
 - 63 Frequent ultrasound targets
 - 64 Vance Air Force Base location

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

- 65 Blue chip, perhaps
- 66 What's the score?
- 67 They generate buzz
- Down**
- 1 Top-grossing film of 1975
 - 2 One way to think
 - 3 "Five Weeks in a Balloon" author
 - 4 Rose of rock
 - 5 Trainer's directive
 - 6 Slam participants
 - 7 Research goal, at times
 - 8 Big name in elevators
 - 9 Org. with a 3-1 rule
 - 10 Europe's most sparsely populated country
 - 11 Speed trap devices
 - 12 Draw together
 - 13 Did you ever dream walking?"
 - 18 Ducklings' dads
 - 19 Cold desert
 - 24 Junkyard guard
 - 25 "The Addams Family" nickname
 - 27 Thai currency
 - 28 Shed some tears
 - 29 Humble response to kudos
 - 30 Second child
 - 31 "Don't look at me!"
 - 32 Couple's activity
 - 33 Backsplash bit
 - 34 Green prefix
 - 38 "Hold up a sec!"
 - 39 Had a longing
 - 42 Mollusk in a mother-of-pearl shell
 - 45 Writer Rand
 - 47 Deception
 - 48 Like Indiana Jones's fedora
 - 49 Org. with a 3-1 rule
 - 51 Trioxigen
 - 52 "Holy cow!"
 - 53 Flaky mineral
 - 54 Heaps
 - 55 Attire for the Sugar Plum Fairy
 - 56 Drs. Zira and Zaius, e.g.
 - 58 Winds up
 - 60 Indefinite amount
 - 61 Rookie ball player?
- Previous Puzzle's Solution**
- | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| E | P | I | C | A | V | I | O | R | B |
| L | I | M | O | D | E | L | A | E | I |
| F | L | A | T | A | N | T | E | N | T |
| S | E | N | T | E | N | T | E | N | T |
| T | I | N | T | R | E | A | D | Y | W |
| C | A | V | A | L | R | I | S | O | R |
| S | A | N | D | I | Y | S | A | R | E |
| H | O | P | I | T | A | L | W | A | R |
| O | S | P | I | T | A | L | W | A | R |
| A | N | T | S | P | A | L | K | L | E |

SPORTS

GOLF

PGA Bets on Shorter, Trickier Holes

BY BRIAN COSTA

THE CYCLE has repeated itself for more than a decade: Professional golfers keep hitting the ball further, prompting courses to add ever more length. By now, the longest holes are creeping closer to 700 yards.

But the newly renovated Stadium Course at TPC Sawgrass, site of this week's Players Championship, won't set any yardage records.

To add drama to the tournament, the course took a different approach. The official length will be slightly down from past years, at 7,189 yards. Nowhere will the changes be more noticeable than on the 12th hole, a formerly forgettable, 358-yard par-4 that will play at 302 yards.

The suddenly drivable green offers an enticing reward: hit it, and players will have a chance to putt for eagle. But it also requires more precision than ever. Players who miss slightly left with their driver will watch their ball splash in a new water hazard. Players who lay up will need to thread their ball between a left bunker and a right downslope. The changes are indicative of the kinds of holes that television networks love, and they're not the ones that show players walking the length of a half-dozen football fields.

"To me, they are the ones that generate the most angst for the player," said Tommy Roy, the long-time NBC golf producer. "You can see a player grinding, figuring out what to do. That's what makes for good TV. You're either going to get a great shot or you're going to get a bad shot and there's pretty much no in between."

Many course operators, fearful of players turning their designs into pushovers, have added length. Since 1990, the courses played on the PGA Tour have increased an



CHRIS CONDON/US PGA TOUR/GETTY IMAGES

An aerial view of the renovated 12th hole at TPC Sawgrass. 1. The official yardage from tee to hole was reduced from 358 to 302 yards, enticing players to try to hit the green off the tee. 2. A new water hazard was added, creating a significant penalty for players who go for the green but miss left. 3. A sand trap was added left of the fairway, creating a narrow safe landing path for players who lay up.

average of 337 yards. The U.S. Open typifies the trend. Nine of the past 10 sites played longer than the previous time they hosted it. The other, Chambers Bay in 2015, was a first-time host. Its longest setup—7,695 yards for the second round—made it the longest course in tournament history.

Even as courses stretch the limits of their land and push back tee boxes, the most compelling mo-

ments at tournaments often come on shorter, risk-reward holes. With its famed island green on the 137-yard 17th hole, Sawgrass was already a model for the allure of short and dangerous.

Last year's U.S. Open at Oakmont featured the longest hole in tournament history, the 12th hole at 684 yards. But the most talked about hole was the 313-yard 17th, a par-4 that tempted players to

use their driver but penalized them harshly for misfiring with it.

Likewise, the signature hole at Royal Troon, site of last year's British Open, was the shortest of any major championship in 2016. The 123-yard eighth hole featured a green so small it is nicknamed the Postage Stamp, flanked by sand traps so dastardly that one is known as the Coffin Bunker.

Stephen Wenzloff, the PGA

Tour's in-house architect who oversaw the change at Sawgrass, said the trick to redesigning the 12th hole was introducing enough risk to make players think twice before pulling out their driver. But ultimately, the idea is to entice them to take on the risk.

"Those are the decisions a player has to make," Wenzloff said. "Hopefully, they make that decision and go for it."

SOCER

A RIVETING PRELUDE TO CHAMPIONS FINAL

BY JOSHUA ROBINSON

MADRID — Now that the matchup is set for club soccer's most prestigious game, it's time to draw an important distinction between the two sides that will duke it out for the Champions League title on June 3.

Juventus, from Turin, is the team that most deserves to be in the final. Eleven-time winner Real Madrid, as always, is the team most convinced it belongs there.

On Wednesday, that conviction helped Real survive a heart-stopping evening here against its crosstown rival Atletico. Despite carrying a 3-0 cushion over from the first leg, Real conceded two goals in the opening half, before snuffing out the danger with a goal of its own. Los Blancos, the defending champions, lost Wednesday's game 2-1, but ad-

vanced with an aggregate score of 4-2.

Juve booked its place on Tuesday in less frenzied fashion. The Italian club brushed aside Monaco, 2-1, to round out a 4-1 victory on aggregate.

"We knew we would have to suffer, especially at the start," said Real manager Zinedine Zidane.

Though Real is almost never an underdog, the club has made a habit recently of mounting comebacks in Europe. Los Blancos trailed in the round of 16 against Napoli and then again in the quarterfinals against Bayern Munich.

But Real has developed a certain unflappable quality in lifting the Champions League trophy twice in the past three years. No matter who the manager is, no matter how Cristiano Ronaldo is playing, the club hangs around just long enough to find an opportunity—14 of its last 15 goals in



Real Madrid's Karim Benzema, right, in action during Wednesday's Champions League semifinal. Atletico won 2-1 but Real advanced 4-2 on aggregate.

the Champions League were scored after the 47th minute.

For the fourth straight season, the Champions League final will feature at least one of Juventus or Real Madrid. The difference is that Real finished the job in 2014 and 2016. Juve, which fell to Barcelona in 2015, hasn't won in 21 years.

"We have grown from two years

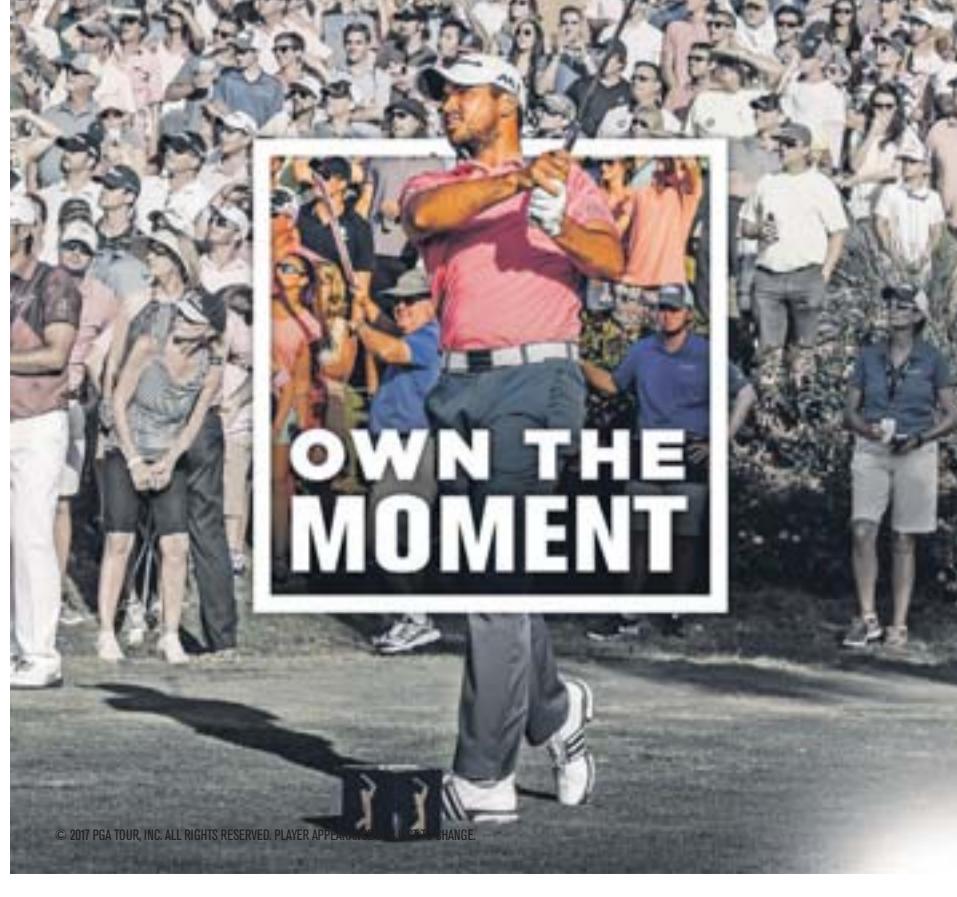
ago," Juventus defender Leonardo Bonucci said on Tuesday. "When we got to the final then, we were a surprise."

There is no surprise about Juventus this time. It is undefeated in the Champions League this season and has played some of the most entertaining soccer in Europe. Which is easier to do when

the team is built on the tournament's meanest, most grizzled defense. Juve has conceded only once in the Champions League since November. The goal it allowed against Monaco was the first in over 660 minutes of play.

If Juve is a club built from the back, Real believes it has a duty be explosive up front at all times. That responsibility falls to Ronaldo, who—strange to say for a player of his stature—is experiencing a renaissance. At 32, he has transformed from an all-purpose, goalscoring playmaker into a full-time central striker. He almost singlehandedly got Real to the final with eight goals in three games: five in the two matches against Bayern and three in the first leg against Atletico.

Even when he was quiet, as on Wednesday, Real could count on others to back him up. The miracle Los Blancos' single goal on Wednesday came not with Isco's finish, but in the buildup, when Karim Benzema danced away from three defenders near the corner flag. That guaranteed Real a third Champions League final appearance in four years. "It's a very long road to get to the final and you know how it is, nothing is easy," Zidane said.



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PROUD PARTNERS

OPINION

The James Comey Show



WONDER
LAND
*By Daniel
Henninger*

If you read nothing else while fighting through the maelstrom around President Trump's firing of FBI Director James Comey, read the full text of Deputy Attorney General Rod J. Rosenstein's memorandum titled "Restoring Public Confidence in the FBI."

Mr. Rosenstein's memo makes meticulously clear the short version of this grandiose episode: Director Comey's behavior violated numerous standards of federal prosecutorial procedure and lines of authority inside the Department of Justice.

Specifically, writes Mr. Rosenstein, "The Director was wrong to usurp the Attorney General's authority on July 5, 2016, and announce his conclusion that the case should be closed without prosecution."

Mr. Rosenstein cites a useful analysis of the Comey saga, published in the Washington Post, by former deputy attorneys general Jamie Gorelick and Larry Thompson. Mr. Comey's conduct, they wrote, was "real-time, raw-take transparency taken to its illogical limit, a kind of reality TV of federal criminal investigation."

That is an apt metaphor—a kind of reality TV—for everything the dazed public is reading and hearing now about James Comey, the federal investigation into a Russian connection with the Trump campaign, and reveries about Watergate.

But I know where to begin: with the news in March 2015 that Secretary of State Hillary Clinton created a private email server in 2009.

Hillary's email server is the reason for James Comey's rise, and why he has fallen. One could populate a political graveyard with figures who by choice or chance have sailed into the Clintons' personal Bermuda Triangle.

Add to that graveyard former Attorney General Loretta Lynch, whose tarmac tête-à-tête with Bill Clinton about "grandchildren" amid the server scandal caused Mr. Comey to misbelieve, fatally, that he was thereby made independent of any authority.

Again, quoting Deputy Attorney General Rosenstein: "The FBI director is never empowered to supplant federal prosecutors and assume command of the Justice Department. There is a well-established process for other officials to step in when a conflict requires the recusal of the Attorney General."

But what about the infinity of words produced Wednesday by the press, quoting Democrats and even themselves, that Mr. Trump fired Mr. Comey to subvert the FBI's investigation of the president's Russia entanglements? We say "entanglements" because nowhere has it been made remotely clear what the Trump-Russia connection may have been. What we read, endlessly, is that some strand or crumb "suggests that . . ."

As with Hillary's server, there is a Rosetta Stone for the Russia story. It is the Barack

Obama/Loretta Lynch decision in January to sign rules permitting the National Security Agency to disseminate "raw signals intelligence" to 16 other intelligence agencies without privacy protections for individuals.

Two months later, it was reported by the New York Times that Obama administration officials had done this to dispense information across the

press by now of all the original NSA "raw signals intelligence" à la the Pentagon Papers?

Instead, calls are now bubbling up from this swamp—what else can you call it?—to appoint a special prosecutor, presumably to get to the bottom of the Russian collusion swamp, though without subpoena powers in Moscow.

No one outside Washington should be misled by the chouruses calling for an "independent" prosecutor. This is specious pleading.

For the political class it relieves them of responsibility for policing their own neighborhood. The media likes these prosecutors because they become Inspector Javerts, melodramatically chasing their targets for years, more often than not destroying reputations. The Justice Department's guidelines make clear these special prosecutors are accountable to virtually no one. They don't produce justice; they endanger it.

The "Trump is Nixon" narrative will rattle on, but it is a sideshow. The Trump White House can take care of itself (maybe). The serious issue revealed in all this—the server, the leaks, the investigations—is about institutional accountability, not just at the FBI, but across the intelligence bureaucracies, their masters in government, Congress and the media.

Beyond Mike Flynn and Carter Page, why haven't we seen more leaks pushing past the original stories? Why have the leakers gone silent, unless they leaked everything they had? Indeed why hasn't there been a mega-dump into the

Write henninger@wsj.com.

He becomes the latest to disappear into the Clintons' personal Bermuda Triangle.

intelligence bureaucracies "about possible contacts between associates of President-elect Donald J. Trump and Russians."

Of course, those "contacts" leaked into the water-collection barrels of the entire Washington press—either from officials inside 17 U.S. intelligence agencies or from Obama officials themselves, such as it wasn't-me Susan Rice.

The predictable tumult from the Obama-originated mass leaks then intimidated Congress into sending the House and Senate intelligence committees chasing after these "suggestions" of collusion.

Beyond Mike Flynn and Carter Page, why haven't we seen more leaks pushing past the original stories? Why have the leakers gone silent, unless they leaked everything they had? Indeed why hasn't there been a mega-dump into the

Fact Checking Health-Care Hysteria

By Karl Rove

After the House voted last week to repeal and replace ObamaCare, Democrats quickly launched a barrage of false attacks. Minority Leader Nancy Pelosi asserted that the bill would "gut" protections for patients with pre-existing conditions. Never one to shy away from melodrama, she added: "This is deadly. This is deadly."

Apparently the GOP proposal is the second health-care bill Mrs. Pelosi didn't read. The legislation makes clear: "Nothing in this Act shall be construed as permitting health insurance issuers to limit access to health coverage for individuals with preexisting conditions."

On Fox News Sunday, the MIT economist Jonathan Gruber came from a different angle, alleging it was dangerous to grant states waivers from some ObamaCare requirements. He suggested insurers could now "literally say, just because the genes you were born with, you're going to pay more for health insurance."

Apparently Mr. Gruber is also averse to reading. States may seek waivers from some ObamaCare provisions, but the law explicitly prohibits waivers on pre-existing-condition protections. To receive a waiver insurers must prove it would lower or stabilize premiums, increase coverage, or expand the choice of health plans.

It's as if Democrats didn't even bother reading the GOP bill before attacking it.

The bill also includes \$8 billion over five years to help states with waivers set up high-risk pools to cover people with expensive illnesses. Mr. Gruber dismissed this as "trivial." Yet the Kaiser Family Foundation found in 2011—before ObamaCare kicked in—that 35 states had high-risk pools covering 226,000 people with \$2.6 billion in claims. Some \$1.4 billion was covered by the premiums these patients paid, and the states had to toss in only \$1.2 billion. That's \$400 million less than would be available each year under the GOP bill. Even the New York Times reported that if states tapped all the bill's available money for high-risk pools, it would total \$138 billion. And who thinks 35 states will seek waivers?

This hardly exhausts Democratic complaints. Rep. Richard Neal (D., Mass.) said last week that Republicans had voted to impose an "age tax," because the bill would allow premiums for older ObamaCare policyholders to be five times those of younger people. (Now insurers can charge older people only three times as much.) Yet the older age group's health expenses are, on average, nearly five times as high. Today everyone under 50 on ObamaCare is paying higher premiums to subsidize the policies of those above 50.

So in reality, Republicans are repealing the "age tax" Democrats placed on the younger 80% of ObamaCare policyholders to subsidize the older 20%. This despite that older ObamaCare policyholders are in their prime earning years and likely have higher incomes, greater wealth and lower child-rearing expenses.

There is also Mr. Gruber's startling claim that the Republican bill will cause 24 million people to lose their insurance. How can 24 million people lose ObamaCare coverage when only 11 million people bought the policies? The claim is a distortion of the Congressional Budget Office's estimate that abolishing ObamaCare's individual mandate would lead 24 million people to forgo purchasing insurance in the future. Freed of ObamaCare's penalty—a 3% tax on their income—people may decide to do something else with their money.

The CBO is notoriously bad at estimating the benefits, such as lower prices, that come from a consumer-driven system. The Republican bill would enable more competition, expand health savings accounts and promote inexpensive catastrophic coverage.

Mr. Gruber was similarly misleading in claiming "the House bill cuts Medicaid by \$880 billion over the next 10 years," hinting the program would wither away. Federal Medicaid spending this fiscal year is \$389 billion. Under the GOP bill, it will be \$469 billion in fiscal year 2027. The bill restrains future Medicaid growth. It doesn't reduce spending.

From his academic bubble, Mr. Gruber said last year that ObamaCare is "working as designed" and "there's no sense in which it needs to be fixed." Yet since its passage, Americans have lost plans and doctors and watched as their premiums and deductibles skyrocketed.

Republicans can win the health-care battle by doing two things well: First, reminding voters of ObamaCare's many broken promises. Second, and more important, offering a practical explanation of how their plan will improve health care. It helps that Republicans have reality on their side.

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

By Peter Friedman

"We are delighted that an American law graduate is interested in our legal system," said the East Berlin judge whose courtroom I had been observing. It was 1961 and I was on a Fulbright grant to study East German Law at the Freie Universität in West Berlin. I crossed into East Berlin to visit the courts whenever possible.

"Last year we had a West German lawyer visiting us," the judge continued. "Unfortunately, he turned out to be a spy for NATO. He is now sitting in prison here." The warning was not lost on me.

Like everyone who crossed from West to East, I would sign in with the U.S. military at Checkpoint Charlie. It made me feel good but hardly enhanced my security. The U.S. had not yet recognized East Germany, so if something happened to me during my visit, American

authorities would have to call the Russians. There was no guarantee they'd pass the inquiry along to the East Germans, much less get an answer.

My sojourns could have resulted in an unfortunate incident" involving teenagers in the Free German Youth. In the

Visits to East Berlin reminded me of how fortunate I was.

early days of the Berlin Wall they would sit along the elevated railroad tracks in East Berlin, cradling automatic rifles, "guarding our Socialist accomplishments" from troublemakers. I would try to look inconspicuous. The odds of a teenager yielding to an over-itchy trigger finger were slim, but I knew they were greater than zero, especially after a strong German beer or two.

The situation was tense in those days. Soviet Premier Nikita Khrushchev kept threatening that if the Western Allies wouldn't sign a treaty "normalizing" the status of West Berlin—by which he meant ending their occupation rights there—the U.S.S.R. would sign a separate treaty with East Germany. Such a treaty would give East Germany control over all of the access routes to West Berlin, including the air corridors.

I had my own experience with the Soviets' drive for "normalization." I was frequently awakened around 3 a.m. by loud booms reverberating through the courtyard of my building as Soviet jet fighters broke the sound barrier over West Berlin. The first time it happened I thought we were being bombed. They were actually trying to scare residents into emigrating, leaving West Berlin easier pickings for East Germany.

No matter how many days I

spent in East Berlin, I felt relieved each time I returned through Checkpoint Charlie. Unlike many West Berliners, I never felt bored or trapped within its 185 square miles. Nor did I share their frustrated penchant for driving fast.

West Berliners considered their 4-mile stretch of the autobahn a symbol of freedom—the one place where they could drive as fast as they wanted, although only for about three minutes. Still, it was better to have freedom in small quantities than none at all.

Life in West Berlin was limited, but I needed only compare it to what I saw on my trips to the courthouse in East Berlin to remind me how fortunate I was to have been born in the U.S. and not behind the Iron Curtain.

Mr. Friedman is a lawyer and the author of the novel "Ideal Marriage" (The Permanent Press, 2004).

BOOKSHELF | By Roger Lowenstein

Absent and Accounted For

Between Them

By Richard Ford
(Ecco, 179 pages, \$25.99)

For a certain generation, God bless them, middle-aged American males, Richard Ford claimed the territory along the Jersey Shore where husbands were never quite adequate, fathers were remote, and ambition had withered.

Mr. Ford—or his fictional alter ego, Frank Bascombe—patrolled this territory in slice-of-life novels such as "The Sportswriter" and, most memorably, "Independence Day." Bascombe was an appealing everyman, Rabbit Angstrom-ordinary—selling real estate, struggling to relate to his adolescent son and perhaps reconnect with his ex. His life was concerned with "the high-wire act of normalcy."

Mr. Ford has now written a memoir—not about his children (he has none) or about his marriage (which seems altogether satisfactory). "Between Them" is about his father

and mother, but also about Mr. Ford's efforts to recollect them. Indeed, the distinction between how we see our parents and who they really were serves as Mr. Ford's leitmotif. "Incomplete understanding of our parents' lives," he observes, "is not a condition of their lives. Only ours."

"Between Them" adds a twist to this truism. The book is composed of two memoirs, one mostly about his father, one about his mother. But they were written 30 years apart, thus

two parents are seen at different depths.

Mr. Ford's understanding of his father was truly incomplete. Parker Ford was a laundry starch salesman, Arkansas-born, who traveled the South. Edna Akin was a country girl, still in her teens. In 1928, they married and Edna went on the road with Parker. Living in hotels, away from in-laws and the problems they presented, the two made a team and they loved each other. They were "exceedingly happy," writes Mr. Ford—who of course wasn't there. But he describes their early lives—the back seat of the car filled with samples, the two smoking cigarettes and eating in supper clubs and bars and "roadside joints."

After 15 years, Edna got pregnant. "My arrival came as a surprise," the author notes. His parents would be together less—still in love, glad to have him, but newly burdened. Mr. Ford recalls a "blissful" childhood, but his emphasis is on his folks—who, though saddled with the usual adult cares, were loving and, it's important to say, accepting. "They were not natural inquirers, did not often ask themselves how they felt about things," the author writes. "They simply found, if they had not known it before, that they'd signed on for the full tour." Their son sensed that the most intimate and satisfying things in his parents' lives were those that happened between them. "I was third."

In this family romance, the son was odd man out: Everything most satisfying to his parents transpired almost exclusively between them.'

Parker and Edna tried traveling as a family, but soon faced up to reality. So they rented a duplex in Jackson, Miss. Edna and son stayed in Jackson; his father became "our weekend visitor." Life revolved around Parker's comings and goings, with the family dynamic shifting into a calmer mode when his father arrived.

Describing these comings and goings, the author presents his father with a sort of hazy conditionality. Mr. Ford describes him "smiling widely as if he knew a funny joke." We don't hear him telling jokes. Mr. Ford recalls him returning on a Friday night, bringing packages "full of boiled shrimp or tamales, or oysters-by-the-pint he's brought up from Louisiana." He sees his father's image—"smiling," "large," "fleshy," "bulky." He doesn't see him doing much. In Mr. Ford's memory, he's almost "a kind of man"—husband, wage earner, one who has settled into a role.

His father was not a stranger, "but he was like a stranger." Parker was affable, although he had a temper. He had no particular paternal skills, Mr. Ford observes. He couldn't fish, didn't teach his son how to shoot or change a spark plug, didn't ask about his thoughts or what he wanted to do in life. In the whole memoir, Mr. Ford relates no conversations with his father. Indeed, he cannot remember the sound of his voice, though he yearns to. In another memoir this might come across as an indictment, but Mr. Ford loved his father and felt that, somehow, his father loved him.

Mr. Ford, his fans may be surprised to learn, was a poor student, a disruptive child. He played sports; he stole car parts (and was busted for it). But the week's events were, on Friday evenings, "suspended or ignored. Or explained away quickly. It made for an atmosphere of agreed-upon concealment, of small dissemblings." If things weren't placid during the week, on Friday evenings "calm was instantly, rigorously enforced."

In 1960, when Mr. Ford was 16, Parker's heart gave out and he died. Edna got a job. Mr. Ford's grades improved. As if on command, "I started to grow up in a hurry." Mr. Ford doubts he would have become a writer were it not for Parker's "sudden departure." He writes movingly that his father's death "handed me a life to live by my own designs. . . . A boy could do worse than to lose his father—even a good father."

It was, in short, his mother who bonded with him on a more mature, articulate level—had discussions with him about girlfriends and sex, accompanied him to college (and the beginning of his independent life) in Michigan, and later settled into a habit of visiting the author in New Jersey and other far-off realms. She was careful not to overstay—letting him go his way, in a sense, as his father had (a similarity the author does not remark upon). She died in 1981.

Readers may be tempted to parse this book for clues to Mr. Ford's fiction, but that would miss the point. "My parents were, after all, not made of words," the author writes. He wants to show them to us as they were. He chose this moment because the author is now older than either of his parents were when they died, and he is, he notes, among the few alive who knew them. "One of the premier challenges for us all is to know our parents fully," he says, revealing his purpose. This affecting memoir reflects his quest to reclaim the parents who were possibly happiest before he was placed "between them."

Mr. Lowenstein's most recent book is "America's Bank: The Epic Struggle to Create the Federal Reserve."

OPINION

Where's the ACLU When You Need It?

By Wendy Kaminer
And Alan Dershowitz

Health care access is a civil rights issue," declared a recent email blast. "Tell your representative to vote NO on repealing the ACA." It could have come from any progressive advocacy group, but what made it remarkable was its source: the American Civil Liberties Union.

The ACLU was once a nonpartisan organization focused on liberty and equality before the law. In recent years it has chosen its battles with an increasingly left-wing sensibility.

Its new guard reflects the left's turn against liberal values and toward progressive politics.

In doing so, it has become considerably more equivocal and sometimes even hostile toward core civil liberties concerns of free speech and due process.

When asked, ACLU officials are still apt to critique progressive efforts to censor "hateful" or "discriminatory" speech. If you look, you can find a page on the organization's

website opposing campus speech codes. You can find instances of ACLU affiliates opposing campus "free-speech zones" and other acts of censorship. You can hear an ACLU attorney defend the speech rights of Milo Yiannopoulos and read her First Amendment critique of an incitement lawsuit against President Trump. But you will also find the ACLU attaching "trigger warnings" to blog posts.

On balance, the organization has been a quiet friend more than an active opponent of campus censorship. How often have you heard the ACLU speak out against progressive censors? How often have you seen it quoted defending speech in coverage of censorship news, like the violent protests of Charles Murray's talk at Middlebury College? Did you hear it criticize the wrongful removal of several Jewish students from a pro-Palestinian lecture at Brooklyn College? Did you hear the ACLU condemn the vilification of former Yale instructor Erika Christakis for urging students to "think critically" about rather than demand bans on "offensive" Halloween costumes? We didn't.

Instead, the ACLU responded to the Yale incident by chastising free-speech advocates for their "refusal to confront . . . discrimination and inequality on campus." Local ACLU officials offered a perverse free-speech defense of Muslim students



ASSOCIATED PRESS

An ACLU 'Resistance Training' event in Coral Gables, Fla., March 11.

who attempted to exercise a heckler's veto and shut down a speech by Israel's then-ambassador to the U.S., Michael Oren, at the University of California, Irvine.

And when the Northern California ACLU belatedly conceded Ann Coulter's right to speak at Berkeley, it did so equivocally, condemning "hate speech" and asserting that the Constitution does not protect speech that "harasses" individuals. In fact, the Constitution protects a lot of speech labeled harassment, at least by today's campus standards. ACLU national legal director David Cole

subsequently issued a stronger statement disavowing the heckler's veto against Ms. Coulter, which we hope signals a new willingness to criticize student censors.

The ACLU even sided with the Obama administration's crusade against due process for college students accused of sexual misconduct. "Title IX is pretty awesome because it is expansive," declares a 2014 ACLU blog post, referring to the antidiscrimination statute. "Title IX pushes universities to do a better job of creating a campus environment that discourages and, ideally, prevents sexual violence." The ACLU has been silent about the widely documented proliferation of campus kangaroo courts that presume guilt and deprive the accused of the most basic procedural protections. (The official who oversaw these directives for the Obama administration's last four years was a former ACLU attorney.)

How did the ACLU end up on the wrong side—or no side—of urgent debates about free speech and due process? In part the organization's transformation is a result of generational shifts: The old liberal guard of ACLU leaders is aging. The new guard reflects the left's turn away from traditional liberal values toward a "progressive" politics with expansive definitions of discrimination and restrictive approaches to speech.

New generations have wrought policy changes before. The ACLU became more concerned about discrimination in the 1960s and '70s

thanks to an influx of younger leaders shaped by the civil-rights movement. But for decades that agenda focused primarily on discriminatory actions, not speech, and the ACLU managed to balance the occasional conflict between civil liberties and civil rights.

Periodically its left wing, concentrated in Southern California, proposed adoption of an economic justice agenda, and periodically the proposals were defeated. Today, however, the left is the organization's center of gravity, and achieving economic justice is an explicit ACLU mission.

Partisanship is an obvious pitfall for this ACLU, as its comprehensive—and enormously profitable—opposition to the Trump administration makes clear. Executive director Anthony Romero has tried to preempt or defuse charges of political partisanship with an unusual statement defending the ACLU's anti-Trump initiatives, like the creation of a grass-roots "people power" project led by a former adviser to Nancy Pelosi and Harry Reid.

"We will be moving further into political spaces across the country as we fight to prevent and dismantle the Trump agenda," Mr. Romero says, vowing "to fight him at every step—both on traditional civil liberties fronts and new ones." This is nonpartisan, he claims, because the Trump administration "poses an unprecedented threat to our civil liberties."

That begs the question. Some of the ACLU's objections to the administration's policies are well-founded. The organization's constitutional challenge to the travel ban is justified by the defense of due process and religious liberty.

But the ACLU's concern for the due-process rights of visitors and immigrants contrasts with its refusal to defend the due-process rights of American college students. They can't rely on the ACLU to defend liberty and justice for all, regardless of politics or ideology. Neither can you.

Ms. Kaminer is author of "Worst Instincts: Cowardice, Conformity and the ACLU" (2009). Mr. Dershowitz is a professor emeritus at Harvard Law School. Both are former ACLU board members.

Farmers Know the Benefits of Trade

By Sonny Perdue

Since I was a boy—born into a farming family in Bonaire, Ga.—I've had agriculture running through my veins. The goal of any farmer, after producing enough to feed his own family, has always been to find the best place to sell the year's crop. Now the U.S. Department of Agriculture is reinforcing that mindset through a significant reorganization. We're creating a new undersecretary for trade and foreign agricultural affairs, whose focus will be on promoting U.S. food, fiber and fuel around the world. This realignment will help me, as agriculture secretary, to be an unapologetic advocate for American products. My message for farmers is simple: "You grow it and we'll sell it."

Each \$1 billion in ag exports supports 8,000 jobs. What America grows, the USDA will help sell.

Trade is critical for American farmers and the economy as a whole. By value, about 20% of U.S. agricultural products are sent abroad. Each dollar of these exports creates another \$1.27 in business activity, and every \$1 billion in exports supports 8,000 American jobs across the economy, according to estimates from the USDA's Economic Research Service. As the global marketplace becomes even more competitive, the U.S. must position itself in the best way possible to retain its leadership.

In the 2014 farm bill, Congress directed the USDA to restructure its approach to international trade and create this undersecretary position. But the finishing touches had never been applied to the reorganization,

and no final plan was acted upon. After careful consideration, the USDA is ready to move forward. Rather than simply add an eighth undersecretary, the department is remaking responsibilities. The result will be the same number of positions, but an overall organization that is better aligned and more consistent in its approach.

Under the existing structure the Foreign Agricultural Service, which deals with overseas markets, is housed in the same mission area as the Farm Service Agency and the Risk Management Agency, which handle domestic issues. It makes much more sense to situate the Foreign Agricultural Service under the new undersecretary for trade. The other two agencies will be placed under a domestically oriented undersecretary of farm production and conservation. The goal of that position is to provide a simplified one-stop shop for the USDA's primary customers: American farmers, ranchers and foresters.

The reorganization also will elevate the Rural Development agencies to report directly to me. This will ensure that rural America always has a seat at the table. Nearly 85% of America's persistently impoverished counties are in rural areas. One in four rural children live in poverty, a rate not seen since 1986. Deep poverty—defined as having income less than half of the poverty threshold—is more prevalent among children in rural areas (12.2%) than in urban ones (9.2%). The vitality of small towns across America is crucial to the agricultural economy.

On the day I was sworn in as agriculture secretary, I joined President Trump at the White House for a roundtable discussion with farmers, ranchers and other agricultural producers. We discussed ways to increase rural prosperity and access to international markets. The president

signed an executive order establishing a task force on rural prosperity, which I chair. The unanimous conclusion around that table was that because America produces much more food than it can consume, expanding trade is imperative. Today the U.S. exports \$135 billion in agricultural products, up from \$71 billion 10 years ago.

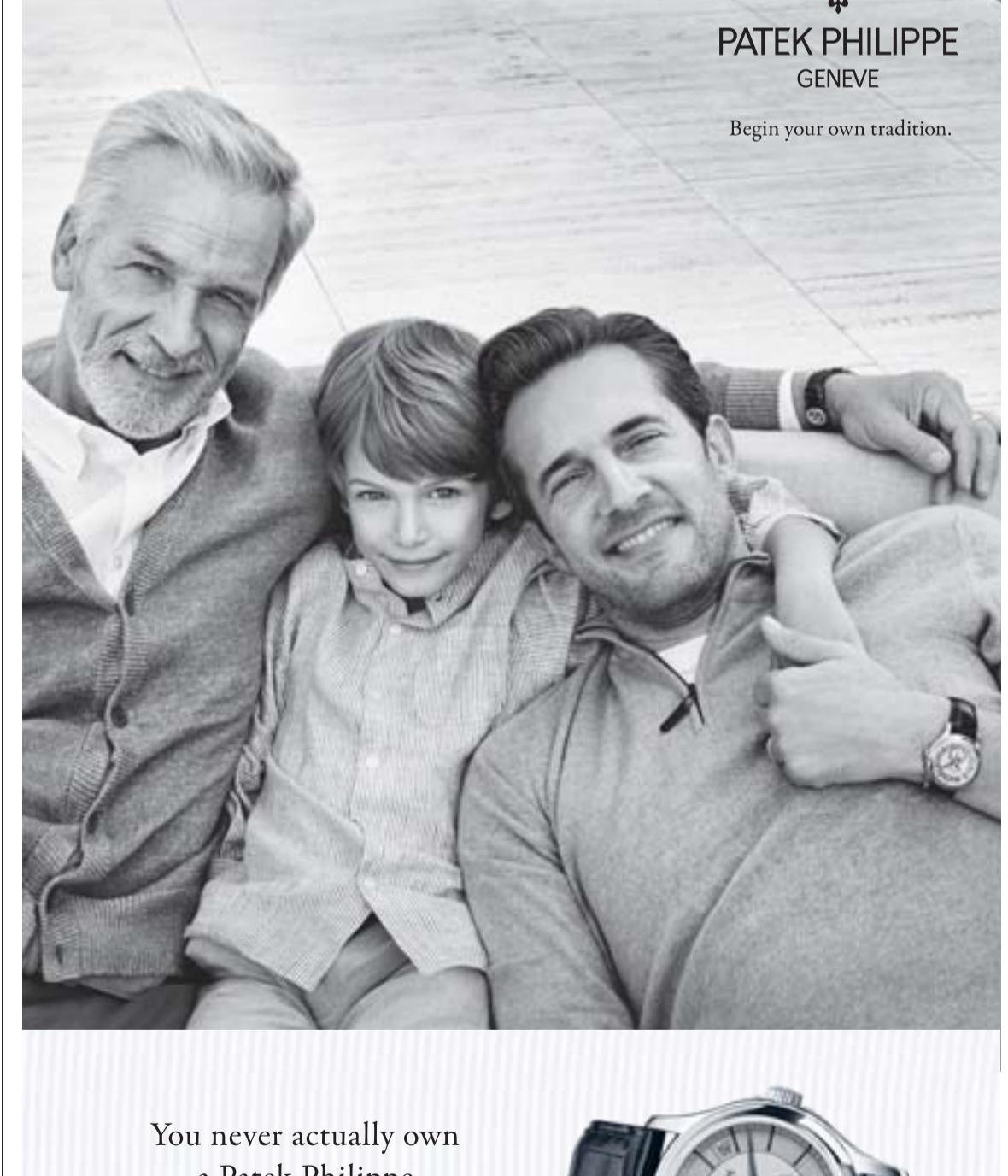
Food is a noble thing to trade, and I have always been a grow-it-and-sell-it kind of guy. As American agriculture continues to grow everything from corn to fruit to cotton, the USDA and its new undersecretary will be here to sell it in markets around the world.

Mr. Perdue is the secretary of agriculture.

Notable & Quotable: Animus

From "Academia's Poisonous Call-Out Culture" by Suzanna Dabu-nata Walters for the Chronicle of Higher Education, May 5:

A young philosopher, Rebecca Tuvel, writes an article in which she considers claims to transracial and transgender identities. The result is a firestorm of condemnation. . . . By any measure, Tuvel is a committed feminist philosopher who repeatedly and clearly states her absolute



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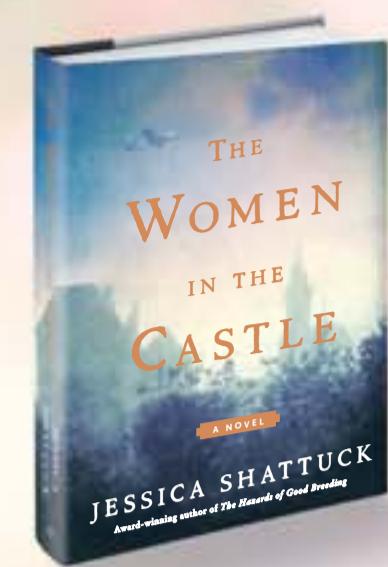
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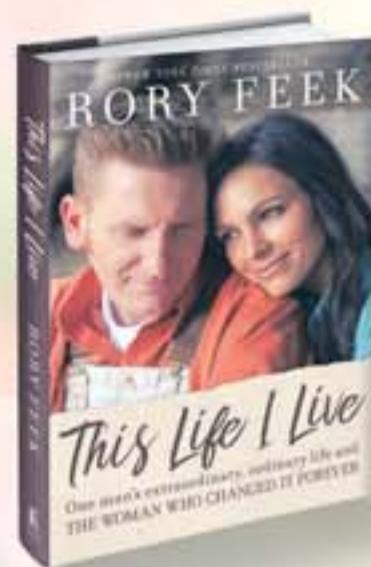
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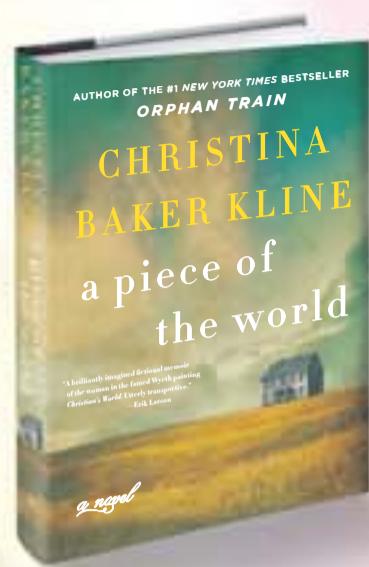
National Bestseller

The widows of three men killed for attempting to assassinate Hitler form a makeshift family in the wake of World War II.



#1 The Wall Street Journal Bestseller**

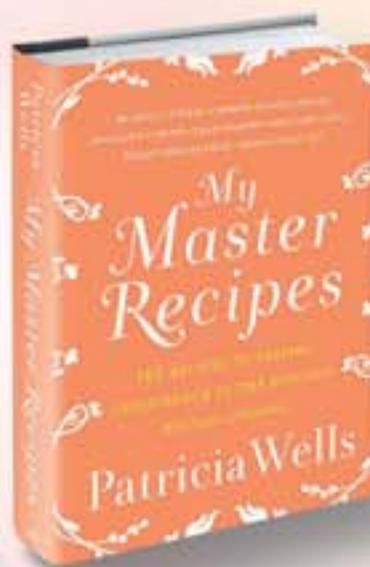
The story she said he was born to write. Her story. His story. The love story of Joey and Rory.



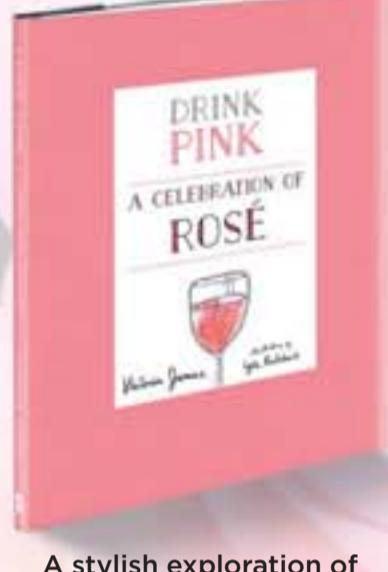
National Bestseller

"Another winner from the author of *Orphan Train*."

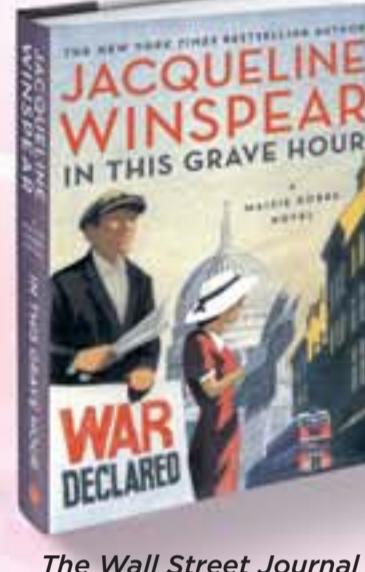
—People



"Beautiful and instructive ... her recipes and notes are a pleasure to read."
—Library Journal (starred review)



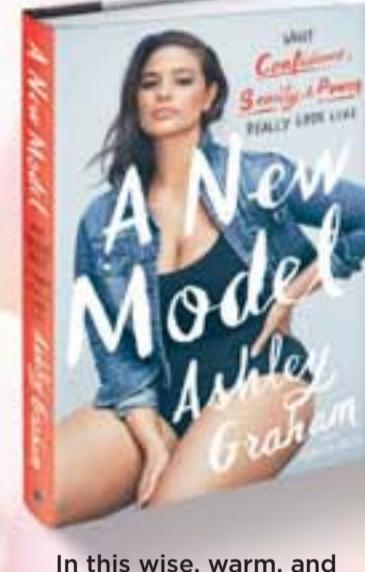
A stylish exploration of everyone's favorite pink wine, rosé, complete with brand suggestions, recipes, and whimsical illustrations.



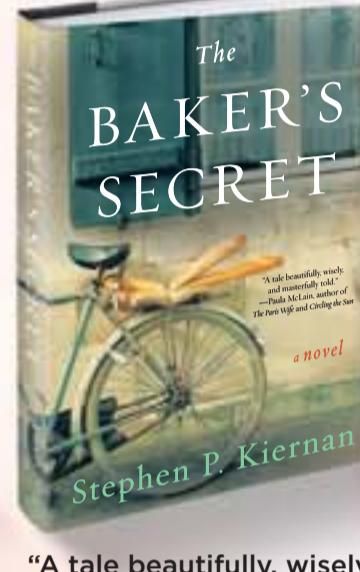
The Wall Street Journal Bestseller*

"A series that seems to get better with every entry."

—The Wall Street Journal



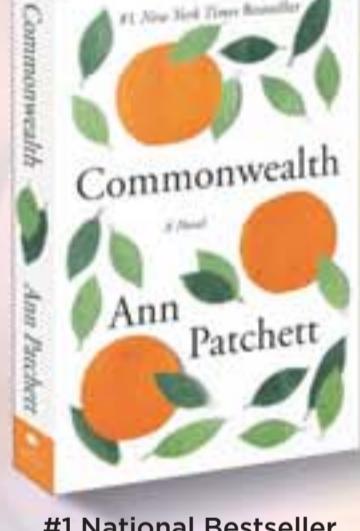
In this wise, warm, and inspiring memoir, Ashley Graham shares her story in this collection of insightful and provocative essays.



"A tale beautifully, wisely, and masterfully told."
—Paula McLain, bestselling author of *The Paris Wife*

MOTHER'S DAY IS MAY 14! GREAT GIFTS FOR HER

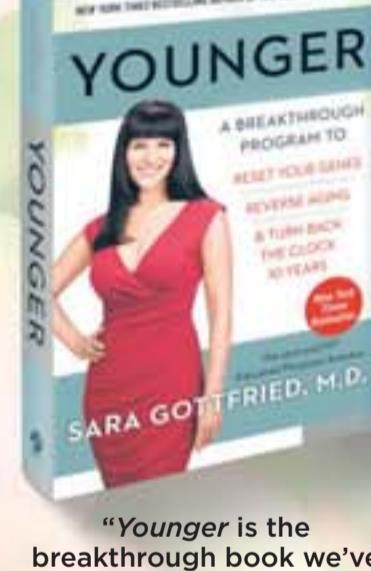
HarperCollins Publishers



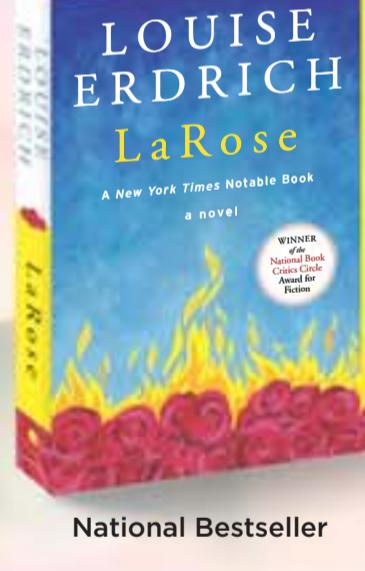
#1 National Bestseller

"A transporting experience ... It feels like Patchett's most intimate novel and is without doubt one of her best."

—Los Angeles Times



"Younger is the breakthrough book we've been waiting for. It is a stunning achievement."
—Mark Hyman MD, #1 New York Times bestselling author

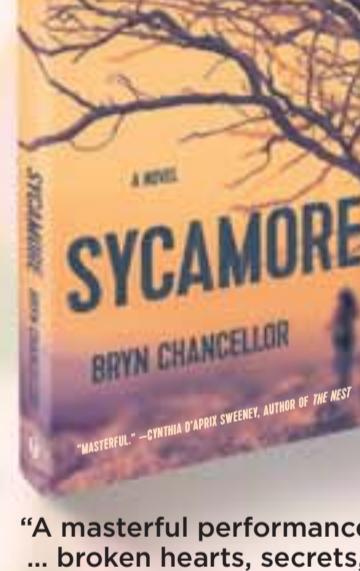


National Bestseller

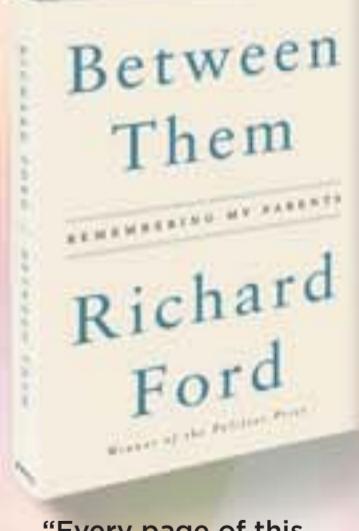
Winner of the National Book Critics Circle Award for Fiction

"A masterly tale of grief and love ... never missteps."

—The Washington Post

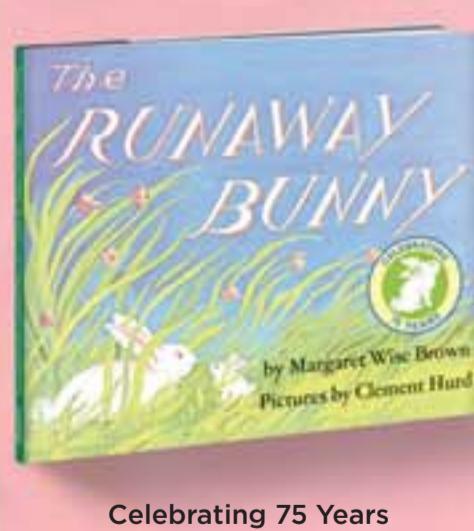


"A masterful performance ... broken hearts, secrets, betrayals, passion and—most impressively—grace ... Both propulsive and perfectly composed."
—Cynthia D'Aprix Sweeney, author of *The Nest*



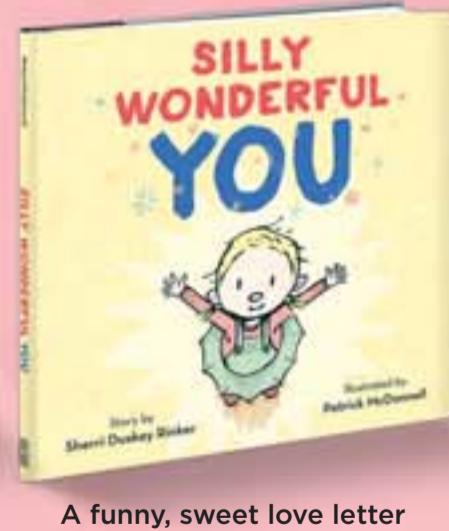
"Every page of this ... remembrance teems with Ford's luxuriant prose, his moving and tender longing for his parents."

—Publishers Weekly, starred review

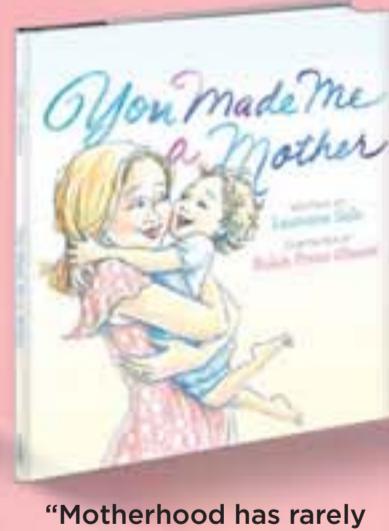


Celebrating 75 Years

"If you run away," said his mother, "I will run after you. For you are my little bunny."



A funny, sweet love letter from mother to child.



"Motherhood has rarely been summed up so succinctly or so well."
—Kirkus Reviews (starred review)



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, May 11, 2017 | B1

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Calpine Goes on Sales Block

Power company draws interest from private-equity firms; shares surge 18%

BY DANA MATTIOLI
AND MATT JARZEMSKY

Calpine Corp., a big U.S. power generator that has been hit by sluggish demand and weak pricing, is exploring a sale.

The Houston company,

which owns 80 power plants and has an enterprise value of more than \$16 billion, is working with investment bankers at Lazard to sound out possible buyers, according to people familiar with the matter. Calpine has attracted interest from a number of private-equity firms in an auction that is at an early stage, the people said.

It would be a very large deal for private-equity firms to pull off, and, of course, there is no guarantee a transaction will happen.

Calpine sells power and related services to wholesale customers—including utilities and industrial and agricultural companies—and retail affiliates.

Its shares surged 18%, to \$11.89, after The Wall Street Journal reported on the possible deal Wednesday afternoon, giving the company a market value of \$4.3 billion. At the end of March, it had some \$12 billion of debt, which the company has been trying to whittle down.

Founded in 1984, Calpine

owns and operates mainly natural-gas-fired power plants. As of the end of last year, its retail subsidiaries served the equivalent of about 6.5 million residential customers in Texas, California, the Northeast and elsewhere.

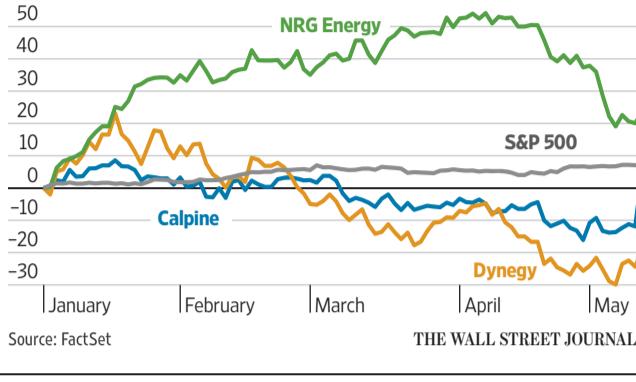
The company has been expanding its retail platform through a number of acquisitions in recent years. According to its annual report, Calpine is one of the top consumers of natural gas in North

Please see CALPINE page B2

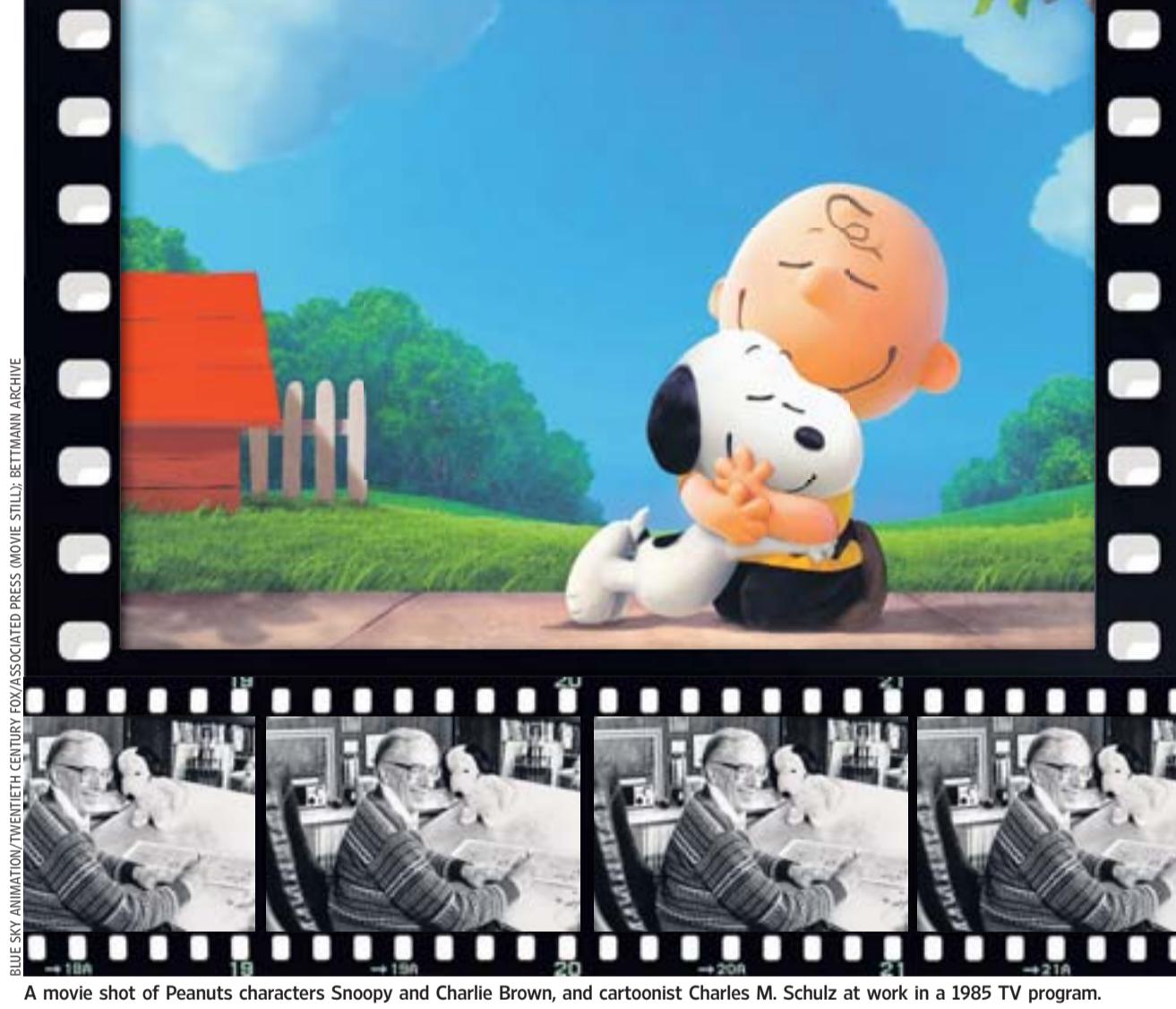
Negative Energy

Shares of Calpine and other independent power companies have been buffeted by low natural-gas prices and stagnant demand.

Change since 2016



THE WALL STREET JOURNAL.



A movie shot of Peanuts characters Snoopy and Charlie Brown, and cartoonist Charles M. Schulz at work in a 1985 TV program.

Canada Adopts the Peanuts Gang

BY EZEQUIEL MINAYA

Charlie Brown and Snoopy are moving to Canada, with Nova Scotia-based DHX Media Ltd. acquiring the entertainment division of a company with a controlling stake in the Peanuts brand.

DHX Media, which owns rights to popular children's television programs including "Teletubbies" and "Caillou," said Wednesday it has agreed to buy the division from Iconix

Brand Group Inc. for \$345 million.

Iconix holds an 80% interest in the company that owns the Peanuts brand and licenses characters from the Charles M. Schulz comic strip. The Schulz family will continue to own a 20% interest in Peanuts, which is licensed in more than 100 countries and generated \$1.3 billion of retail sales in 2015. The deal also adds Strawberry Shortcake to DHX Media's portfolio.

The transaction, which is expected to close by the end of June, provides a needed cash infusion for Iconix. The New York-based company booked a \$252.1 million loss in 2016, following a \$189.3 million loss in the prior year. Iconix previously divested itself of the Sharper Image brand, selling it to FAO Schwarz owner ThreeSixty Group Inc. in December for \$100 million.

DHX Media is building up its stable of children's pro-

gramming at the same time streaming platforms, run by the likes of Netflix Inc. and Amazon.com Inc., are hungry for entertainment content.

Mr. Schulz launched Peanuts, originally titled "Li'l Folks," in 1950. With characters such as Lucy, Linus and Peppermint Patty, Peanuts became one of the most widely syndicated comic strips in history, expanding into dozens of animated television specials. Mr. Schulz died in 2000 at the age of 77.

Teen retailer Abercrombie & Fitch Co. is in merger talks with at least two interested buyers, according to people familiar with the discussions, as the once-hot brand struggles to find its place in a shifting retail landscape.

Among the suitors are apparel chains Express Inc. and American Eagle Outfitters Inc., the people said. Abercrombie's shares have tumbled in recent years as its sales cooled, leaving a company that was worth more than \$7 billion at the height of its popularity in 2007, with a market value of less than \$1 billion.

Abercrombie confirmed late Wednesday that it is in "preliminary discussions with several parties" and said there was no assurance the talks will result in a transaction. A spokeswoman declined to comment further, as did representatives for Express and American Eagle.

Apparel retailers, especially those catering to teens, have been hit hard by declining mall traffic, changing tastes and competition from fast-fashion players. Several Abercrombie rivals, including Aeropostale Inc., Wet Seal LLC and American Apparel LLC, have filed for chapter 11.

Please see RETAIL page B2

INSIDE PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

Hulu's New Service Outsmarts Cable

Did you see "The Good Fight"? How can you not be watching "Empire"?

Hurry up and finish "The Handmaid's Tale" so we can talk! We're in a TV renaissance, but keeping up is a commitment. If your remote ever feels like it could use its own valet, I've got good news: Watching TV is about to get better.

Live TV-streaming apps like Sling TV and YouTube TV haven't exactly delivered on the promise of rescuing us from giant cable bills, but they have invented some new ways to sort through gazillions of channels and shows. The newest and best, Hulu with Live TV, which starts at \$40 a month, looks nothing like most cable systems—and comes much closer to how TV ought to work in 2017.

The problem is you might hate it, at least at first. The

new Hulu app looks so different.

What Hulu gets right is that the live TV channel is dying—and needs to be replaced by something that looks a lot more like Netflix. Instead of listing what's on 50 channels, Hulu opens up with a focus on one thing it thinks you'd most like to watch. Flick up for a different recommendation. It makes no distinction between the live big game, stuff from your DVR or on-demand episodes of "The Golden Girls."

Hulu isn't the only service to recognize we need fewer choices, not more. YouTube TV, the Google live service that launched last month, puts search, trending shows and personalized suggestions front and center. Sling TV's home screen has evolved to include the stuff you watch most. Even Comcast is leading traditional cable companies to adapt with a new X1.

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MONACO FORMS ITS OWN ELITE FUND

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DEMAND RISES FOR SUMMER WORKERS

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Retailer Abercrombie Talks Deal With Rivals

BY DANA MATTIOLI
AND KHADEEJA SAFDAR

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Please see RETAIL page B2

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BUSINESS & FINANCE

Aetna Exits Last ACA States

BY ANNA WILDE MATHEWS

Aetna Inc. said it will pull out of the Affordable Care Act exchanges in Delaware and Nebraska next year, confirming that the insurer will exit all of the marketplaces where it currently sells plans.

Earlier, Aetna announced it was leaving the exchanges in Iowa and Virginia, its other two current marketplace states. The company also said publicly that it planned on "significantly reducing" its marketplace business, which has continued to lose money even though Aetna had already sharply cut its exchange footprint in 2017 from 15 states last year.

Aetna said its individual plans are projected to lose more than \$200 million this year, and "those losses are the result of marketplace structural issues that have led to co-op failures and carrier exits, and subsequent risk pool deterioration." The insurer said

that "at this time [we] have completely exited the exchanges."

According to the Kaiser Family Foundation, Aetna isn't the sole exchange insurer in any of its regions. Other large, publicly traded insurers, including **Anthem** Inc., **Cigna** Corp. and **Molina Healthcare** Inc., have said they are considering pulling back from the exchange business but haven't yet made final decisions.

Aetna's move will feed into the broader political debate over the future of the ACA, in which both Democrats and Republicans are seizing on developments in the exchanges to back their own arguments. President Donald Trump tweeted about Aetna's decision to withdraw from Virginia, saying "Death spiral!" Republicans have argued that strains in the ACA exchanges are signs of the existing law's flaws, as they seek to advance their own health-overhaul legislation.

Democrats, for their part,

have said that issues with the exchanges are being exacerbated by uncertainty facing insurers under the Trump administration. The Trump administration has sent mixed signals about the future of federal cost-sharing payments that help reduce health costs

15

Number of ACA states Aetna participated in last year

for low-income ACA enrollees. Insurers have said if those payments aren't locked in, the exchanges will see withdrawals and large rate increases.

On Tuesday, the Tennessee state insurance regulator disclosed that BlueCross BlueShield of Tennessee will offer marketplace plans in the Knoxville region next year, fill-

ing a potential gap left when Humana Inc. announced it would pull out of all of the exchanges where it does business.

Other areas of the country may be at risk of having no exchange plans. Last week, Medica, a nonprofit insurer, said it was considering withdrawing from Iowa's exchange next year, a move that would likely leave much of the state with no marketplace plans, after earlier announced departures by Aetna and another insurer.

In other states with early filing deadlines, some insurers have been seeking significant rate increases for 2018, citing the health costs of enrollees as well as, in some cases, regulatory uncertainty.

Anthem filed for a 33.8% average rate increase for next year's individual plans in Connecticut and 37.7% in Virginia. CareFirst BlueCross BlueShield is seeking a 52% average increase in Maryland, 35% in Virginia and 29% in the District of Columbia.

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AIG

Continued from page B1
lengue of improving its financial results at a time of fierce industry competition. The insurance conglomerate has paid off a nearly \$185 billion U.S. government bailout extended during the global markets meltdown of 2008, but had to sell many of its businesses to repay taxpayers. AIG's profit margins have notably lagged behind many of the insurer's

executive past normal retirement age. Robert Benmosche was 65 when he left retirement to run the insurer in 2009.

The Bermuda-born Mr. Duperreault, a mathematics major at Saint Joseph's University in Philadelphia, had joined AIG's actuarial department in the early 1970s and rose through the ranks to become one of its most senior executives.

As Mr. Duperreault gained authority in running operations, many industry colleagues and Wall Street analysts said he was a potential successor to his boss—though at the time Mr. Greenberg had no intention of stepping aside. Instead, Mr. Duperreault became one of many AIG executives to depart for leadership roles elsewhere.

He left in 1994 to run ACE Ltd., a then-Bermuda-based specialty insurer with large corporate clients.

Mr. Duperreault expanded the niche company into a diversified insurer with the 1999 acquisition of **Cigna** Corp.'s U.S. and international property-casualty operations. The company since has acquired Chubb and is known as Chubb

Mr. Duperreault retired from ACE in 2004 but then was recruited in 2008 to become CEO of Marsh & McLennan.

The New York firm was under pressure to consider a breakup by shareholders who were frustrated with its performance. Mr. Duperreault cut costs, strengthened the management team and acquired smaller firms to bolster growth, including to better serve smaller U.S. companies, among other moves.

At AIG, Brian Duperreault will face the task of improving results in a fierce market.

rivals since its near collapse.

AIG executives are carrying out a two-year strategic plan unveiled in January 2016—in response to pressure from Mr. Icahn. Many goals are on track to be achieved, such as cutting costs and returning \$25 billion to investors, through dividends and share buybacks, analysts have said.

AIG board members don't expect their new leader to change the current strategic direction at the giant insurer, the people familiar said.

Mr. Duperreault was at AIG in the years when Mr. Greenberg was transforming it from a mediocre property-casualty insurer into a powerhouse with financial-services operations that spanned the globe.

The hiring of Mr. Duperreault will mark the second time AIG has recruited a chief

executive past normal retirement age. Robert Benmosche was 65 when he left retirement to run the insurer in 2009.

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TECHNOLOGY

WSJ.com/Tech

Airbus Offers U.S. Drone Services as Regulatory Hurdles Loom

Airbus SE is jumping into the U.S. market for commercial-drone services, even as many industry officials and consultants worry a regulatory logjam threatens to impede such initiatives.

A subsidiary called Airbus Aerial marks the French aerospace company's first American foray into unmanned aerial vehicles such as the one at the right.

The goal is to offer services starting next year to government and corporate customers, ranging from monitoring agriculture to checking on bridge maintenance, rail lines and cellphone towers. The industry must overcome regulatory uncertainty in the U.S. stemming partly from the challenges of integrating drones into the national airspace.

—Andy Pasztor
and Robert Wall



BERTAND LANGLOIS/AGENCE FRANCE PRESSE/GETTY IMAGES

FOWLER

Continued from page B1
cable box that offers "for you" recommendations, plus a voice-commanded remote.

Hulu's approach still needs work. But after a week of watching TV—ahem, testing six different ways to watch TV—Hulu's the one I keep coming back to. It gives you access to all the on-demand network shows, originals and movies it has long offered and then adds live channels (with even fresher on-demand content). And it actually has good ones: networks ABC, CBS, NBC and Fox in many cities, plus CNN, Fox News and MSNBC, as well as ESPN, FX and TNT. What's missing? HBO, Comedy Central, AMC and MTV.

You still have to pay for your internet connection and other extras, like access to HBO, or more space in your cloud DVR. And with the exception of Sling, which starts at \$20, all of these services make you buy lots of channels you don't want just to get the ones you do.

Unlike the otherwise impressive YouTube TV, Hulu also works on lots of devices—phones, tablets, Apple TVs, Chromecasts and Xboxes. (Apps for Roku, Amazon Fire TV and Samsung smart TVs are in the works.) Hulu also offers a nifty up-

Cable TV, Hold the Cable

There are now five major options for live pay TV over the internet. They differ subtly in pricing, channel availability and user experience.

SERVICE	OWNER	BASE PACKAGE	LIKES	DISLIKES
sling	Dish Network	PRICE \$20/mo. CHANNELS 20+	Comes closest to a la carte channels with \$5 add-ons; design prioritizes favorite channels and shows	Cost can add up quickly; DVR feature not on all channels and devices; no CBS or Fox News
PlayStation Vue	Sony	PRICE \$30/mo. CHANNELS 45+	Most comprehensive channel lineup; five simultaneous streams and user profiles	DVR shows expire after 28 days; packages are confusing; no Comedy Central
DIRECTV NOW	AT&T	PRICE \$35/mo. CHANNELS 100+	Best value, while \$35 introductory price lasts; HBO and Cinemax add-ons are just \$5 each	No rewind, fast-forward or cloud DVR (yet); no CBS or access to DirecTV's NFL Sunday Ticket
YouTube TV	Google/Alphabet	PRICE \$35/mo. CHANNELS 40+	Slick design with live video previews; unlimited cloud DVR storage; three simultaneous streams for six accounts	No set-top box apps; Chromecast required to watch on TV; only in five metro areas; no CNN or HBO
hulu	Hulu	PRICE \$40/mo. CHANNELS 50+	Simple preference-driven interface; Hulu library; six user profiles including restricted child mode	No HBO add-on option; major networks only in five metro areas; no Roku, Amazon Fire TV or web support at launch

Source: the companies

*no broadcast networks in Access Slim plan

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grade: For \$4, you can cut commercials from its significant on-demand library.

Hulu will appeal to "cable shavers" like me, who are fed up with cable but don't mind paying to watch good stuff in a convenient way. I loved having TV untethered from my living room, with access to everything I pay for, live or on-demand, on the train or at the gym.

When you start, Hulu asks you about your favorite

shows and movies. You're training it when you start watching a show and stop it after two minutes—or binge every episode. You're training it when you're browsing, searching or marking shows or sports teams as "My Stuff." All of this, plus habits of other Hulu users and insight from Hulu's editorial staff, feeds into your home screen.

Yet all the swiping and tapping is Hulu's biggest de-

sign weakness: If the recommendations aren't on the money, it's work to get to something else.

To really fix TV, Hulu would also need to be comprehensive, incorporating my HBO and Netflix feeds as well. Possible, but I'm not holding my breath. Until then, Hulu makes up for being less exhaustive by being smarter—a direction that feels a lot like the future of TV.

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the future of TV.

SoftBank's CEO Focuses on Tech As Sprint Gains

BY MAYUMI NEGISHI

TOKYO—**SoftBank Group Corp.** Chief Executive Masayoshi Son said Wednesday he is preparing to shift his focus from turning around U.S. wireless unit **Sprint Corp.** to running a \$100 billion technology-investment fund.

Cost cuts have helped reduce losses at Sprint, the No. 4 mobile carrier in the U.S. With its operating profit rising, more of the day-to-day operations will be entrusted to Sprint CEO Marcelo Claure, Mr. Son said, though he added that he wanted to get involved personally in planned talks with **T-Mobile US Inc.** on industry consolidation.

SoftBank, whose empire spans full or partial stakes in hundreds of companies including British chip architect **ARM Holdings PLC**, **Yahoo Japan-Corp.** and China's **Alibaba Group Holding Ltd.**, is roiling the global investment community with a plan to bet billions of dollars on tech companies.

"I haven't accomplished anything I can be proud of in my 60 years on Earth," the 59-year-old Mr. Son told reporters and investors. "This is my chance."

The investment fund is nearly ready for its official launch, he said.

Mr. Son is tracking what he says will be a "gold rush" into technologies for an age when artificial intelligence exceeds human capabilities. He says ownership of ARM, whose chip architecture is used in almost all of the world's smartphones, will help him predict which technologies will win.

That argument drew a pledge to invest \$45 billion from Saudi Arabia's deputy crown prince, Mohammed bin Salman, as well as investments from Abu Dhabi investor Mubadala Development Co., Apple Inc., Qualcomm Inc., Foxconn Technology Group and Oracle Corp. Chairman Larry Ellison, according to people familiar with the matter.

While Mr. Son said he planned to devote much of his time to the fund, leaving SoftBank's core businesses to deputies, he said would take charge of U.S. negotiations seeking ways to combine resources at Sprint with those of other carriers to meet rising network costs.

A meeting between Mr. Son and U.S. President Donald Trump in December raised speculation that Mr. Son could revive plans to merge Sprint and T-Mobile US, which he abandoned after opposition from antitrust regulators under the Obama administration.

"T-Mobile is the most likely partner, but we will keep an open mind," Mr. Son said.

—Newly Purnell

in New Delhi

contributed to this article.

contribute \$25 billion.

By taking on the role of a fund manager, Mr. Son could invest in key technology companies without raising SoftBank's already-high debt levels. Total interest-bearing debt minus cash positions at SoftBank stood at ¥11.2 trillion (\$98 billion) at the end of March, up from ¥9.2 trillion a year earlier.

SoftBank and investment teams in London and San Francisco have lined up deals for the fund. The list includes satellite operators Intelsat SA and OneWeb Ltd., New York-based shared-office-space company WeWork Cos., Indian mobile-payment company Paytm, and a 25% stake in ARM that would be purchased from SoftBank, said people fa-

Masayoshi Son will devote more attention to a \$100 billion tech-investment fund.

miliar with the matter.

A deal related to automotive technology also is in the pipeline, Mr. Son said.

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Microsoft Takes On Oracle in the 'Cloud'

BY JAY GREENE

SEATTLE—As **Microsoft Corp.** gains momentum in its cloud-computing business, it is setting its sights on an old nemesis: **Oracle Corp.**

Microsoft on Wednesday introduced two services for Azure, its business for supplying web-based and on-demand computing resources.

One is called Azure Cosmos DB. Microsoft says the database will let customers rev up and wind down applications as needed throughout the world, which would allow the company to guarantee performance levels—a crucial feature for large corporate customers.

The second is a service that lets customers move the data-

bases they run in their corporate data centers to Azure. A year ago, **Amazon.com Inc.**'s cloud-computing business, Amazon Web Services, rolled out its own database-migration offering to help customers shift their computing to its on-demand subscription service.

Oracle, the database leader in customer-run data centers, is most at risk from the Microsoft offerings, said Patrick Moorhead, an analyst with Moor Insights & Strategy, who was briefed on the services. Customers are most willing to consider new technology vendors when they shift from running their own computing to renting cloud services, he said.

An Oracle spokeswoman declined to comment.

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SMALL BUSINESS

A Seasonal Scramble Gets Worse

A tight labor market and a run on visas for foreign workers put small shops in a bind

BY RUTH SIMON

Fewer visas available for temporary foreign workers and the lowest U.S. unemployment rate in roughly a decade have conspired to send small hotels, restaurants and other resort businesses scurrying to find workers before the summer season.

Recent steps by Congress to temporarily lift the number of workers coming to the U.S. under temporary, or H-2B, visas could ease the pressure, but additional workers aren't likely to arrive before late June, at best. This has sent some small-business owners looking for key staff; others are pushing back opening day and boosting overtime.

Jena Young, owner of Side Street Cafe in Bar Harbor, Maine, applied for 14 of the visas for the busy summer season, when head count at her restaurant jumps to about 80 from 30. Ms. Young was shut out of the program when the 33,000 national cap on H-2B visas was hit March 13, before her application was approved.

"We will find a way to make it work because we always do," said Ms. Young, who plans to pay "an ungodly amount of overtime" and work the hostess stand with her 7-month-old daughter nested in a baby carrier. "But at the end of the season, I can't say anyone will have a smile on their face."

The H-2B program provides roughly 66,000 visas to temporary nonagricultural workers every 12 months, with 33,000 slots reserved for each six-month period starting April 1 and Oct. 1. When, or if, the caps are reached, has varied from year to year. The visas are good for the requested work period, but can be extended for up to three years for workers already in the



Jena Young, owner of the Side Street Cafe in Bar Harbor, Maine, says she plans to pay 'an ungodly amount of overtime' this summer.

U.S., provided employers submit required paperwork.

Applications surged this year because of the tight job market and because an exemption for returning workers expired on Sept. 30, after Congress declined to extend it amid concerns from labor unions and those opposed to foreign workers. That meant firms needed to request new visas for workers that had come to the U.S. under the program last year but were no longer in the country.

Businesses filed 2,809 applications seeking H-2B visas for 50,513 workers in the first week of January alone, a Labor Department spokesman said, nearly double the number of applications for the same calendar week in 2016. A total of 5,379 applications for 88,362 workers were filed between Jan. 1 and March 31.

The mismatch between demand and supply is the latest headache for the popular but

complex program, which requires approvals from the Departments of Labor, Homeland Security and State. In 2015, the Obama administration shortened the period for filing applications to no more than 90 days before workers need to arrive, which business own-

'At the end of the season, I can't say anyone will have a smile on their face.'

ers say often isn't enough time to secure all the required approvals and transportation.

The shorter time requirement "was intended to strengthen U.S. worker protections by requiring more real-time recruitment of U.S. workers when employers sought H-2B workers," a Labor De-

partment spokesman said.

Firms of all sizes have struggled to find needed workers, but the challenges are greatest for small businesses.

Steven Lam, owner of the Furies Team LLC in Wellfleet, Mass., planned to employ a dozen H-2B employees at the cleaning and linen rental service he bought last year. After being shut out of the program, Mr. Lam spent two months placing want ads, making phone calls and buttonholing everyone he knew before finding six workers locally. He also arranged to extend the visas of four Jamaican women who had been working for a West Virginia ski resort.

"It's a patchwork quilt," said Mr. Lam, who would have otherwise spent April wooing customers and referral sources.

Ski resorts and other H-2B employers with winter seasons have been bombarded with

calls and emails from business owners desperately seeking employees already in the country whose visas could be extended.

"The phones have kept ringing from all over the U.S.," said Julie Frailey, director of human resources at Stowe Mountain Resort in Vermont. "This is very unusual."

The continuing resolution signed into law May 5 authorizes the Trump administration to boost the number of H-2B visas for fiscal 2017 to as many as 129,547.

A spokeswoman for the Department of Homeland Security said the department may soon consult with the Labor Department "about the needs of American businesses."

A bipartisan group of lawmakers is planning to send this week a letter to the heads of the Homeland and Labor Departments, urging them to move quickly to help small businesses in need of seasonal workers.

Survey: Lower Tax Is Priority

BY RUTH SIMON

Reducing the business tax rate is far more important to entrepreneurs than eliminating the estate tax or other proposed tax-law changes, according to a survey.

Three-quarters of entrepreneurs said cutting the maximum tax rate to 15% for businesses is the most important part of the tax plan recently outlined by the Trump administration, according to a May survey of nearly 750 small-business owners for The Wall Street Journal by Vistage Worldwide Inc., which provides peer mentoring to small-business executives.

The tax plan unveiled by President Donald Trump proposes to cut the rate for all businesses, including sole proprietorships, partnerships and other "pass-through" companies.

Overall, small-business confidence levels dipped slightly in May, according to the monthly survey of Vistage members, though they remain above pre-election levels.

Business Sentiment

The WSJ/Vistage small-business confidence index



Note: Index is based on monthly surveys of firms with \$1 million to \$20 million in annual revenue.

Source: The Wall Street Journal/Vistage

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BUSINESS NEWS

Time Inc. to Cut Dividend

Publisher plans to sell noncore assets, hire outside adviser to strengthen finances

BY JEFFREY A. TRACHTENBERG
AND AUSTEN HUFFORD

Less than two weeks after deciding not to sell itself, Time Inc. unveiled a plan to strengthen its finances by cutting its dividend, selling off noncore assets and hiring an outside adviser to help it reduce costs.

The publisher also said its executive chairman, Joe Ripp, will retire. Mr. Ripp was chief executive from September 2013 until last fall. John Fahey, Time Inc.'s current lead independent director, has been elected nonexecutive chairman, a move that becomes effective at the company's annual meeting June 29.

The company said it would cut its quarterly dividend to 4 cents a share, from 19 cents a share, and will no longer provide quarterly or annual revenue forecasts in an effort to focus on longer-term targets.

The dividend reduction should save Time Inc. about \$60 million annually. The company paid out \$77 million in dividends in 2016.

Time Inc. shares closed at \$12.95 on Wednesday, down 14%. Since the sales process ended last month, the stock has declined 29%.

"What I'd tell investors is not to look at the short-term vagaries of the stock-market price," Time Inc. Chief Executive Rich Battista said in an interview. "Over time we believe we're going to show tremendous shareholder value based on our assets and our position in the digital marketplace."



Time Inc. Executive Chairman Joe Ripp, formerly CEO, is retiring.

quarter earnings with analysts, Mr. Battista offered a broad view of how he intends to reshape the largest magazine publisher in the U.S.

The company, he said, will sell some noncore assets while investing in the brands and businesses that Time views as part of its growth strategy. It will emphasize video and custom advertising opportunities and continue to invest in its digital operations.

"We're aggressively reducing our cost base," said Mr. Battista during the call. "We can do a lot more."

Restructuring and severance costs totaled \$16 million in the first quarter, compared with \$1 million in the year-earlier period.

Mr. Battista said there was sequential improvement in print advertising in June, and the company sees positive early booking trends for the third quarter.

Mr. Battista didn't provide details regarding which assets could be sold, saying only that the most likely candidates were smaller titles and businesses, and other noncore holdings. Time Inc. publishes People, Sports Illustrated and its namesake Time, along with such smaller titles as Coastal Living.

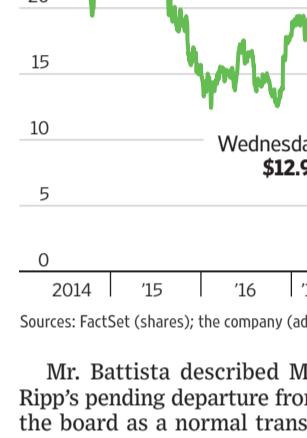
For the first quarter, Time Inc.'s advertising revenue fell 8% to \$331 million, as a 32% increase in digital advertising wasn't enough to offset a 21% decline in print. Circulation revenue, which includes both subscription and newsstand sales, fell 14% to \$205 million.

For the first quarter, the company reported a loss of \$28 million, or 29 cents a share, compared with a loss of \$10 million, or 10 cents a share, a year earlier. Total revenue fell 7.8% to \$636 million.

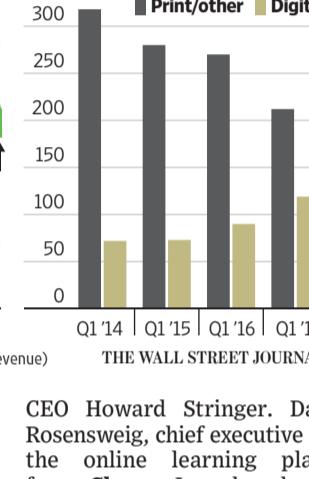
Rough Time

Shares of Time Inc. have faltered since it was spun off in mid-2014. Print ad declines aren't being offset by digital, and the publisher decided not to sell.

Share price



Sources: FactSet (shares); the company (ad revenue)



Mr. Battista described Mr. Ripp's pending departure from the board as a normal transition for a former chief executive. Also leaving the board is former Sony Corp. CEO Howard Stringer. Dan Rosensweig, chief executive of the online learning platform Chegg, Inc., has been nominated to the board.

On a call to discuss first-

quarter earnings with analysts, Mr. Battista offered a broad view of how he intends to reshape the largest magazine publisher in the U.S.

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Merck Cancer Drug Cleared for New Use

BY PETER LOFTUS

U.S. health regulators approved expanding the use of Merck & Co.'s cancer drug Keytruda to include adding it to chemotherapy to treat lung cancer, broadening the drug's potential market, though evidence for the combination's benefit is mixed.

Keytruda, introduced in 2014, is one of a new wave of cancer drugs designed to work by harnessing the body's own immune system to fight tumors. The U.S. Food and Drug Administration on Wednesday approved combining it with two chemotherapy agents, pemetrexed and carboplatin, to treat patients with an advanced form of lung cancer. Eli Lilly & Co. markets pemetrexed under the brand Alimta, and carboplatin is available generically.

Chemotherapy has been a common first-line treatment for many patients with ad-

vanced lung cancer whose tumors don't have certain molecular traits that can be targeted by other drugs.

Keytruda has previously been approved to treat the skin cancer melanoma, head and neck cancer, lymphoma, and lung cancer in patients whose tumors have a high level of a protein called PD-L1. The newly approved use of Keytruda with chemotherapy is for certain lung cancer patients regardless of PD-L1 levels.

Lung cancer is the leading cause of cancer deaths in the U.S., according to the American Cancer Society. The society estimates there will be about 222,500 new cases of lung cancer this year, and 155,870 lung-cancer deaths.

A Merck-funded study of more than 120 patients showed that adding Keytruda to chemotherapy significantly shrunk tumors in a higher rate of lung-cancer patients than those receiving chemotherapy alone, 55% versus 29%, according to results published last year in *The Lancet*. Keytruda

also extended the median time from the start of treatment until death or disease progression to 13 months, versus nearly 9 months for chemotherapy alone. Adverse events for patients taking the combination included fatigue and anemia.

But Keytruda didn't help patients live significantly longer than chemotherapy alone among patients in the study. A year after starting treatment, about 75% of patients receiving Keytruda were alive, versus 72% on chemotherapy alone.

Overall survival—the time from start of treatment until death from any cause—is considered the gold-standard measure of efficacy in cancer-drug studies, though the FDA sometimes approves drugs based on other measures of efficacy.

The lack of a significant overall survival benefit could make some doctors cautious about adding Keytruda to chemotherapy for first-line lung-cancer treatment, until more clinical-trial data become available. Also, adding Keytruda comes with a big price tag—\$13,000 a month per patient.

"We need more follow-up and probably larger patient populations to know whether there is indeed a survival advantage," said Matthew Hellmann, a medical oncologist specializing in lung cancer at Memorial Sloan Kettering Cancer Center in New York.

Merck plans to provide updated overall survival data from the study at a medical meeting in June and is running a separate, larger study that will further test whether the Keytruda-chemotherapy combination can improve overall survival, said Roy Baynes, head of clinical development in Merck's research unit.

Keytruda had \$1.4 billion in global sales last year. It competes with Bristol-Myers Squibb Co.'s Opdivo and similar immunotherapies from Roche Holding AG and other companies.

While immunotherapies have been shown to be effective in a range of cancers, there are limits. Roche said Wednesday that Tecentriq failed to improve overall survival versus chemotherapy in a clinical trial of patients with bladder cancer. Last year, the FDA approved Tecentriq's use to treat bladder cancer based on an earlier study showing it shrunk tumors in some patients.

The FDA approved combining Keytruda with chemotherapy to treat lung cancer.

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Canada's three biggest pensions want to unseat Bombardier Executive Chairman Pierre Beaudoin.

Bombardier Faces Investor Push to Remove Executive

BY JACQUIE McNISH
AND PAUL VIEIRA

TORONTO—The Quebec family that controls Bombardier Inc. is no longer too big to fail.

One of Canada's biggest and most international companies, which also ranks as one of the country's largest corporate recipients of government financial backing, is facing a push to remove its executive chairman, Pierre Beaudoin, a member of the founding family that controls the transportation company through multiple-voting shares.

Citing governance issues related to the company's move last month to award hefty pay raises to six top executives, including Mr. Beaudoin, Canada's three biggest pension funds, along with a fourth major fund, plan to withhold their support for his re-election at a shareholder meeting in Montreal on Thursday.

The move to unseat Mr. Beaudoin, 54 years old, whose grandfather invented the snowmobile and founded the company in 1937, is an unprecedented challenge to a family that has steered one of Canada's few manufacturing success stories on the global stage. It also signals that the company, long supported as the anchor of the country's aerospace hub and cherished as a symbol of Canadian corporate prowess,

may have exhausted the generosity of its government backers.

The Bombardier pay raises were disclosed two months after the Canadian government pledged 372.5 million Canadian dollars (\$271.5 million) to Bombardier, and triggered a protest outside the company's headquarters.

In a private meeting, Canadian Finance Minister Bill Morneau described the pay increases as a "betrayal" of the government's support, according to one person attending the session.

The Quebec government is publicly suggesting it supports the investor revolt.

"After all that happened with regards to the compensation of Bombardier executives, we understand why concerns have been raised about the governance of Bombardier Inc.," said Quebec Economy Minister Dominique Anglade in a statement.

Mr. Beaudoin is unlikely to lose the vote. He and his family, including his father, Laurent, a former chairman and chief executive, control more than 53% of the votes, through their control of 79% of multivoting shares. They own 13.5% of the company's equity. Mr. Beaudoin didn't return requests for comment.

A Bombardier spokesman said Wednesday in an emailed

Settlements at 21st Century Fox Grow by \$10 Million

By JOE FLINT

21st Century Fox had costs of about \$10 million related to sexual harassment claims against former Fox News Chief Executive Roger Ailes for the quarter ended March 31, the company said in a securities filing Wednesday.

Those costs follow \$35 million in settlement payments 21st Century Fox disclosed in November.

The company also disclosed in its filing that it has received "regulatory and investigative inquiries" regarding sexual harassment settlements at Fox News.

Prosecutors at the U.S. attorney's office in Manhattan and criminal investigators from the U.S. Postal Inspection Service are conducting a probe into the nature of sexual-harassment settlements and whether the company sufficiently disclosed them to investors, people familiar with the situation have said.

21st Century Fox has said it is cooperating with the probe.

The largest payment by Fox so far was a roughly \$20 million settlement with former Fox News anchor Gretchen Carlson, whose sexual harassment lawsuit against the network and Mr. Ailes started the chain of events that led to his resignation.

There have been subsequent claims against Mr. Ailes since Ms. Carlson's suit. Mr. Ailes has consistently denied any wrongdoing.

In its filing, 21st Century Fox said, "none of the



Gretchen Carlson sued Fox.

amounts paid in settlements or reserved for pending or future claims is, individually or in the aggregate, material to the company."

Fox's disclosure came in the filing for its quarterly earnings report. The company reported an increase in revenue, driven by its broadcast of the Super Bowl and growth in cable subscription revenues, while the film unit showed weakness.

21st Century Fox and News Corp., the parent company of The Wall Street Journal, share common ownership.

On an earnings call with analysts, 21st Century Fox Co-Executive Chairman Lachlan Murdoch didn't address the controversies at Fox News. He praised the strong ratings of the network, which continues to outpace rivals CNN and MSNBC in viewership.

Boeing Suspends 737 Max Testing

By DOUG CAMERON

Boeing Co. said Wednesday that it has suspended flight tests of its new 737 Max jetliner because of problems with the engine, though it still plans to deliver the first plane to a customer this month.

The company announced a "temporary suspension" of flights, just days before the first of the single-aisle jets was due to be flown to Malaysia. The jets are slated to be operated there by Malindo Air, a unit of Indonesia's Lion Air, the launch operator.

Boeing has secured 3,700 orders for the 737 Max, powered by Leap engines made by the CFM joint venture between General Electric Co. and Safran SA.

"We will work closely with CFM to understand the precise scope and root cause of the quality issue," Boeing said.

Teething problems are common with complex new aircraft programs. Airbus SE has also encountered problems with initial engines powering its new A320neo jet made by the Pratt & Whitney unit of United Technologies Corp., forcing the plane maker to reduce output of the jet.

Airbus has deferred some production to next year to ensure enough Pratt & Whitney engines are available. Air Lease Corp., the aircraft lessor, last week said Airbus was also delaying some deliveries of A320neo jets powered by a version of the CFM Leap.

Cai von Rumohr, an analyst at Cowen & Co., said in a client note that he saw the problem with Boeing's engine as "an easily fixable sub-tier supplier component issue" rather than a design problem.

Boeing shares fell \$2.31, or 1.3%, to \$183.18. GE shares also fell, by 0.8% to \$28.70.

Boeing plans to deliver about 75 of the 737 Max jets this year to customers, including Southwest Airlines Co. and American Airlines Group Inc. The first plane was due to start flying on May 19 for Malindo Air. Boeing didn't give a new delivery date.

Norwegian Air Shuttle ASA, which is also expecting to receive jets this month, said it had been informed by Boeing of the issue and given new delivery dates.

—David George-Cosh contributed to this article.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Latest			52-Week			YTD		
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.
Dow Jones									
Industrial Average	20976.28	20884.15	20943.11	-32.67	-0.16	21115.55	17140.24	18.2	6.0 8.1
Transportation Avg	9130.96	9053.18	9072.35	-57.93	-0.63	9593.95	7093.40	17.7	0.3 5.5
Utility Average	698.83	693.38	696.90	0.97	0.14	720.45	625.44	4.8	5.7 8.9
Total Stock Market	24868.91	24785.81	24866.44	43.50	0.18	24868.78	20583.16	17.1	6.8 8.2
Barron's 400	643.08	639.02	642.84	1.79	0.28	643.82	491.89	25.4	6.9 8.3
Nasdaq Stock Market									
Nasdaq Composite	6131.64	6103.87	6129.14	8.56	0.14	6129.14	4594.44	28.7	13.9 14.6
Nasdaq 100	5683.64	5661.44	5681.68	3.37	0.06	5681.68	4201.05	30.3	16.8 16.9
Standard & Poor's									
500 Index	2399.74	2392.79	2399.63	2.71	0.11	2399.63	2000.54	16.2	7.2 8.5
MidCap 400	1739.97	1727.29	1738.56	10.73	0.62	1758.27	1416.66	19.5	4.7 8.7
SmallCap 600	851.99	845.15	851.31	4.08	0.48	863.08	670.90	24.3	1.6 9.8
Other Indexes									
Russell 2000	1400.81	1390.44	1399.59	7.73	0.56	1419.43	1089.65	25.6	3.1 8.1
NYSE Composite	11599.50	11561.27	11598.99	31.47	0.27	11661.22	9973.54	12.3	4.9 3.0
Value Line	525.22	522.48	524.94	2.31	0.44	529.13	435.06	16.2	3.7 3.0
NYSE Arca Biotech	3590.56	3547.80	3582.66	-18.45	-0.51	3675.62	2818.70	22.1	16.5 12.7
NYSE Arca Pharma	516.16	513.14	516.08	0.10	0.02	554.66	463.78	2.1	7.2 0.7
KBW Bank	92.70	92.01	92.60	0.17	0.19	99.33	60.27	37.4	0.9 10.9
PHLX® Gold/Silver	82.09	80.96	81.51	1.31	1.64	112.86	73.03	-7.6	3.4 -3.0
PHLX® Oil Service	153.30	150.28	151.69	2.38	1.60	192.66	146.14	-7.6	-17.5 -19.5
PHLX® Semiconductor	1040.57	1029.94	1038.92	21.42	2.11	1038.92	630.77	61.8	14.6 21.7
CBOE Volatility	10.24	9.62	10.21	0.25	2.51	25.76	9.77	-30.5	-27.3 -7.5

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Snap	SNAP	27,513.8	17.61	-5.37	-23.37	23.88	17.07
Pfizer	PFE	6,168.3	32.96	-0.07	-0.21	33.08	32.96
SPDR S&P 500	SPY	5,689.3	239.70	-0.17	-0.07	239.89	239.60
ArcelorMittal ADR	MT	4,909.9	7.90	0.01	0.13	7.90	7.81
Energy Transfer Partners	ETP	3,678.4	23.35	0.03	0.13	23.36	23.21
Enterprise Pdts Partners	EPD	3,651.0	27.00	...	unch.	27.15	27.00
Van Eck Vectors Jr Gold	GDXJ	2,804.9	30.96	0.02	0.06	30.98	30.92
Regions Financial	RF	2,553.3	14.31	-0.04	-0.25	14.39	14.30

Percentage gainers...

Sangamo Therapeutics	SGMO	529.3	6.15	1.80	41.26	6.50	4.35
Real Industry	RELY	30.7	3.10	0.65	26.53	3.45	2.45
Iconix Brand Group	ICON	41.1	8.07	1.37	20.44	8.07	6.70
Triumph Group	TGI	11.7	23.95	2.35	10.88	23.95	21.51
Pegasystems	PEGA	99.4	52.55	5.00	10.52	53.55	47.11

...And losers

NantHealth	NH	17.9	2.60	-0.84	-24.42	3.44	2.00
Snap	SNAP	27,513.8	17.61	-5.37	-23.37	23.88	17.07
Conatus Pharmaceuticals	CNTA	127.8	5.95	-1.07	-15.24	6.99	5.70
Papa Murphy's Holdings	FRSH	81.2	4.40	-0.59	-11.82	5.20	4.10
New York REIT	NYRT	452.2	8.75	-0.94	-9.70	9.79	8.55

Trading Diary

Volume, Advancers, Decliners	NYSE	NYSE Mkt
Total volume*</		

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,4930	2,5000	2,4840	2,4870	-0.030	2,909	
May	2,4950	2,5115	2,4840	2,4945	-0.0035	119,250	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1219.20	1220.20	1217.80	1217.30	3.00	75	
May	1229.10	1225.80	1217.50	1218.90	2.80	244,085	
June	1225.30	1229.00	1221.00	1222.40	2.80	96,528	
Aug	1229.10	1231.60	1225.50	1225.70	2.80	7,942	
Oct	1232.40	1235.40	1228.00	1229.00	2.80	58,459	
Feb'18	1237.80	1238.50	1231.70	1232.40	2.80	7,902	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	812.80	812.80	812.80	799.20	5.75	1	
May	796.60	803.95	791.40	799.35	5.75	29,450	
Sept	795.75	803.00	792.25	798.55	5.70	7,708	
Dec	793.50	793.50	793.50	798.50	5.65	164	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	902.00	902.00	902.00	907.40	9.00	1	
May	905.30	914.50	903.00	909.90	9.00	67,146	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16.145	16.235	16.100	16.151	0.143	232	
July	16.180	16.345	16.145	16.207	0.140	150,607	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	46.18	47.82	46.01	47.33	1.45	44,630	
June	46.45	48.13	46.40	47.70	1.43	441,048	
July	46.92	48.44	46.75	48.02	1.40	134,410	
Sept	47.22	48.68	47.10	48.29	1.37	171,647	
Dec	47.98	49.35	47.79	49.98	1.25	281,989	
Dec'18	48.61	49.77	48.50	49.46	1.03	137,413	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,4445	1,4861	1,4417	1,4754	0.033	111,671	
July	1,4518	1,4911	1,4476	1,4808	0.035	93,335	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,4849	1,5523	1,4805	1,5396	0.050	112,371	
July	1,4885	1,5538	1,4861	1,5413	0.0481	96,069	
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	3.214	3.349	3.202	3.292	.065	217,810	
July	3.304	3.429	3.291	3.380	.065	240,477	
Aug	3.338	3.460	3.327	3.412	.063	106,574	
Sept	3.326	3.440	3.313	3.394	.061	124,371	
Oct	3.340	3.460	3.335	3.414	.059	175,216	
Jan'18	3.594	3.696	3.586	3.655	.054	101,537	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.							
May	358.75	365.00	358.25	365.25	7.00	1,132	
July	366.50	374.00	366.00	373.75	7.25	734,400	
Oats (CBT)-5,000 bu.; cents per bu.	244.00	246.75	242.00	244.25	-1.50	4,844	
Dec	221.00	225.00	221.00	224.50	1.25	888	
Soybeans (CBT)-5,000 bu.; cents per bu.	965.25	980.00	958.50	961.75	-3.50	396	
July	974.00	989.00	966.75	970.25	-3.75	361,547	
Soybean Meal (CBT)-100 tons; \$ per ton.	314.40	317.20	312.10	313.80	-40	565	
July	318.50	325.70	315.80	317.70	-80	201,248	
Soybean Oil (CBT)-60,000 lbs.; cents per lb.	32.16	32.07	32.07	32.28	-58	101	
July	32.89	32.95	32.23	32.28	-61	214,511	
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	989.50	1003.50	989.50	1005.50	41.00	118	
July	990.00	1029.50	988.50	1028.50	41.50	10,201	
Wheat (CBT)-5,000 bu.; cents per bu.	424.00	424.00	420.75	424.00	2.25	56	
July	429.25	435.75	426.00	431.75	2.25	260,290	
Wheat (KCC)-5,000 bu.; cents per bu.	427.75	427.75	427.75	427.75	.75	31	
July	438.75	443.75	434.00	439.25	.50	152,096	
Wheat (MPLS)-5,000 bu.; cents per bu.	530.50	534.00	530.25	534.00	5.50	121	
July	541.00	548.25	539.00	545.00	4.00	30,703	
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	144,400	145,500	142,425	144,500	-0.02	5,638	
Aug	150,850	151,075	147,325	148,925	-3.225	33,589	
Cattle-Live (CME)-40,000 lbs.; cents per lb.	124,975	125,125	122,225	124,200	-775	108,838	
Aug	120,650	121,150	118,525	120,400	-250	143,321	
Hogs-Lean (CME)-40,000 lbs.; cents per lb.	70,725	71,350	70,725	71,050	.750	1,463	
May	70,725	71,350	70,725	71,050	.750	1,463	
Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft.	127,775	127,950	127,775	128,000	-175	51,459	
May	130,400	380.10	367.20	368.40	-11.30	464	
July	386,400	384,90	374.40	374.40	-10.00	3,848	
Milk (CME)-200,000 lbs.; cents per lb.	15.51	15.61	15.47	15.55	.03	4,650	
June	15.87	16.12	15.82	16.09	.22	5,546	
Cocoa (ICE-US)-10 metric tons; \$ per ton.	1,836	1,866	1,836	1,984	-6	23	
July	1,963	1,968	1,939	1,954	-6	149,598	
Coffee (ICE-US)-37,500 lbs.; cents per lb.	132.90	133.00	132.40	134.30	1.50	4	
July	135.40	136.80	134.80	136.65	1.50	106,915	

Source: SIX Financial Information

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended May 5. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	
Crude oil and petroleum prod	1,335,433	...	1,339,1369	1,336	1,176	10,179	
Crude oil						10,297	9,697
excluding SPR	522,525	-1,700	528	540	528	438	7,620
Gasoline	241,082	...	241	241	240	219	953
Finished gasoline	21,361	-400	21	25	21	35	93
Reformulated	46	...	0	0	0	0	0
Conventional </td							

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, AMEX, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, May 10, 2017

Net Stock Sym Close Chg

Stock Sym Close Chg

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MARKETS

French Vote Over, GE Issues €8 Billion Bond



LUKE SHARRETT/BLOOMBERG NEWS

General Electric Co. issued an €8 billion (\$8.7 billion) bond on Wednesday, capitalizing on the release of pent-up demand after the French election.

The deal is one of the largest in the euro corporate-bond market's history. It follows a string of euro corporate-bond issues on Tuesday, including deals from **Kellogg** Co. and Spanish oil company **Repsol** SA.

Over the past five weeks, companies had held back from selling bonds in Europe given political uncertainty spurred by the French election. Many firms

also already raised cash earlier this year ahead of a series of European elections in which anti-euro candidates were gaining ground in the polls. France's presidential election ended Sunday with a win for mainstream candidate Emmanuel Macron.

"Risk appetite is there and it's a good opportunity for issuers to print bonds," says Thomas Neuhold, portfolio manager at Austria's Gutmann, who bid for one of GE's four bond tranches.

Frazer Ross, a senior debt banker with Deutsche Bank AG, said the latest figures available

showed there were €22 billion of orders for the GE bonds, with the highest demand coming for the longer-dated securities offered, including a €2 billion tranche of 20-year debt.

Dealers priced the bonds to yield around 0.44% for the five-year tranche, 1.02% in eight years, 1.59% in 12 years and 2.2% in 20 years. A GE plant in South Carolina is shown above.

"The message is political risk in Europe is subsiding and markets are open. Even though the [Federal Reserve] is hiking and there's talk of [European Central

Bank] tapering...there is demand for long-dated bonds," said Mr. Ross, who is working on the GE deal. He said global asset managers as well as pension funds and insurers had placed orders.

Fund managers "have a lot of money available," said the head of syndicate at a big European bank.

But the good conditions may not last, as central banks begin thinking about scaling back or ending their huge bond-buying programs. The ECB and Bank of England have also bought corporate bonds, which analysts said helped to prop up the market.

Treasurys Slip After Weak Sale

By SAM GOLDFARB

U.S. government-bond prices retraced early gains Wednesday, ending the day slightly lower after an auction of 10-year notes drew soft demand.

Treasurys rallied overnight, driven in part by reaction to U.S. President Donald

Trump's firing of Federal Bureau of Investigation Director James Comey, which caught investors off-guard and again raised concerns that the administration could be distracted from pursuing policies

by The Wall Street Journal.

The import-price index is one of several gauges of how quickly prices are rising in the U.S. It isn't as closely followed as some other measures, but the latest report does show some "inflation trickling in," said Thomas Simons, senior vice president and money-market economist in the Fixed Income Group at Jefferies LLC.

Inflation erodes the fixed returns of longer-term bonds over time.

Also weighing on Treasurys were comments from Federal Reserve Bank of Boston President Eric Rosengren, who reiterated that the Fed could raise interest rates three more times this year after nudging up rates in March. Mr. Rosengren isn't a voting member of the interest-rate-setting Federal Open Market Committee, and most Fed officials have projected two more rate-increases this year.

Still, his comments were consistent with a more hawkish tone set by officials in recent weeks.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

10-YEAR NOTES

Applications	\$61,231,832,900
Accepted bids	\$30,598,792,900
*noncompetitively	\$27,173,800
*foreign noncompetitively	\$0
Auction price (rate)	99.778909
(2.400%)	
Interest rate	2.375%
Bids at clearing yield accepted	13.56%
Cusip number	912828X88

The notes, dated May 15, 2017, mature on May 15, 2027.

Hey, Harvard, Baruch College Just Ate Your Lunch

By AKANE OTANI

The college students who dominated trading competitions around North America this school year aren't finance majors at Harvard, the University of Pennsylvania or the Massachusetts Institute of Technology.

They're students at Baruch College.

Students in the Baruch Traders Club crushed rivals at several competitions this year, claiming first, second and third place at MIT's ninth annual trading face-off in the fall—an unprecedented feat—and beating Columbia University and Carnegie Mellon to rank first at the Rotman International Trading Competition in February.

At a typical competition, undergraduate students are given a limited amount of time to maximize profits in trading simulations that might focus on stocks, commodities, volatility instruments or other areas of the markets.

Most students in the Baruch Traders Club join without having ever held an internship in the financial-services industry. Baruch, a public college in the City University of New York system, isn't usually thought of as a feeder school for Wall Street jobs: The University of Pennsylvania, Harvard and Columbia sent the most graduates into asset management, data provider eVestment found in a study.

"In theory, you think Bar-

uch College students have some kind of inferiority complex regarding Harvard. We don't. Here, you don't have to convince the students that [the trading club] is something they want to do," said Dan Stefanica, a Baruch College professor who helped coach the Traders Club.

The only work experience Baruch senior Bell Chen had before he became a member of the club in August 2015 was tutoring peers at Baruch's Student Academic Consulting Center.

He claimed first place in the options market-making division at the University of Chicago's algorithmic trading competition in April 2016 and took first place at MIT's trading competition in November.

Members of the Baruch Traders Club, which has about 50 students, attribute their success to practicing simulated trading ahead of competitions—combined with classes in subjects like multivariable calculus, options pricing and linear algebra.

Baruch senior and Traders Club member Dmitriy Treyger said he spent many late nights at the library crunching numbers and reworking his trading models, only to return to campus at around 6 a.m.

"The nice thing is that finding a job, working on these competitions and studying for math classes all really go hand in hand—so when you're working on one, you're developing your skills in the other two," said Mr. Treyger.



Students in the Baruch Traders Club took first, second and third place in an MIT trading competition.

Borrowing Benchmarks | WSJ.com/bonds Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

March index level Feb. 17/March '16

U.S. consumer price index

All items 243.801 0.08 2.4

Core 251.290 0.06 2.0

International rates

Latest Week -52-Week -

Latest ago High Low

Prime rates

U.S. 4.00 4.00 4.00 3.50

Canada 2.70 2.70 2.70 2.70

Japan 1.475 1.475 1.475 1.475

Policy Rates

Euro zone 0.00 0.00 0.00 0.00

Switzerland 0.50 0.50 0.50 0.50

Britain 0.25 0.25 0.50 0.25

Australia 1.50 1.50 1.75 1.50

Overnight repurchase

U.S. 0.82 0.85 1.30 0.15

U.S. government rates

Discount 1.50 1.50 1.50 1.00

Federal funds

Effective rate 0.9200 0.9300 0.9400 0.3200

High 1.0625 1.0625 1.0625 0.5000

Low 0.7500 0.8200 0.9100 0.2000

Bid 0.9100 0.9000 0.9300 0.2000

Offer 0.9200 1.0000 1.0000 0.2600

Treasury bill auction

4 weeks 0.710 0.725 0.770 0.160

13 weeks 0.900 0.845 0.900 0.240

26 weeks 1.015 0.975 1.015 0.340

Secondary market

Fannie Mae 30-year mortgage yields

30 days 3.608 3.540 3.865 2.806

60 days 3.637 3.574 3.899 2.832

Other short-term rates

Call money 2.75 2.75 2.75 2.25

Commercial paper (AA financial) 90 days 1.05 1.03 1.13 0.47

Liber

One month 0.98856 0.99167 0.99500 0.43395

Three month 1.18094 1.17122 1.18456 0.62360

Six month 1.44211 1.42739 1.44517 0.88685

One year 1.78761 1.77011 1.82761 1.19570

DTCC GCF Repo Index

Treasury 0.816 35.200 1.266 0.244

MBS 0.821 96.750 1.328 0.257

Open Implied

Settle Change Interest Rate

DTCC GCF Repo Index Futures

Treasury May 99.150 -0.005 5575 0.850

Treasury Jun 99.025 -0.005 1267 0.975

Treasury Jly 98.910 unch. 1024 1.090

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective March 16, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location. **Discount rate** is effective March 16, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Euronext.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

Dividend Changes

Dividend announcements from May 10.

Company Symbol Amount Yld % New/Old Frq Payable / Record

Increased

4.65% Fltg. Rate STRATS GJO 1.9 0.0346/0.0398 M May15/May12

Reduced

Ormat Technologies ORA 0.6 .08/17 Q May31/May22

PPLUS FR Call Ser GSC-2 PYT 3.6 1854/18958 Q May15/May12

STRATS Dom Res Ser 05-06 GJP 3.2 .0616/.0637 M May15/May12

Funds and investment companies

Eagle Growth & Incm Opps EGIF 5.8 .083 M May31/May19

THL Credit Senior Loan Fd TSLF 6.9 .105 M May31/May19

Tortoise Energy TYG 7.6 .655 Q May31/May24

Tortoise Enrgy Ind Fd NDP 10.9 .4375 Q May31/May24

Tortoise MLP Fund NTF 8.4 .4225 Q May31/May24

Tortoise P&Enrgy Infrstr TPZ 6.7 .125 M Jun30/Jun23

Company Symbol Amount Yld % New/Old Frq Payable / Record

Tortoise P&Enrgy Infrstr TPZ 6.7 .125 M Jul31/Jul24

Tortoise P&Enrgy Infrstr TPZ 6.7 .125 M Aug31/Aug24

Tortoise Pipeline & Enrgy TTP 7.7 .

MARKETS

HEARD ON THE STREET | By Spencer Jakab

The Surprise Losers of VIX's Decline



They have nothing to fear but the lack of fear itself.

The low level of the market's so-called fear gauge, formally known as the CBOE Volatility Index or VIX, is a divisive issue on Wall Street.

Some assert that the lowest values in nearly a quarter-century signal investor complacency. They say that has almost always been a sign that a selloff is near. Others scoff that there is no cause and effect.

Without wading into this debate, the VIX's descent into the single digits—it touched 9.56 on Tuesday—is bad news for investors who bet on higher volatility. Now

it is also bad news for more conservative investing strategies that profit directly from market choppiness.

The VIX essentially represents a premium derived from the formula used for pricing S&P 500 index options with a 30-day term. For example, a VIX of 15 suggests that prices of puts and calls reflect the expectation that stocks will move less than 15% on an annualized basis for the life of those options.

Even before the VIX was unveiled in the early 1990s, though, there were strategies designed to generate steady returns from what amounts to an insurance premium. Two common ones are writing puts or downside protection with enough cash collateral to back up those



bets or writing calls—bets on a rising market—while owning the stocks. The CBOE has created an index for each: The CBOE S&P 500 PutWrite Index and the CBOE S&P 500 BuyWrite Index.

Both are fairly conserva-

tive and profitable. Going back to June 1986, the put-selling index generated an annualized return of 10.1%, the same as the S&P 500, while the covered-call strategy generated a still respectable 8.9% annualized.

So far this year, though, both strategies have lagged behind a simple S&P 500 index fund, trailing by 2.5 and 1.9 percentage points through Monday, respectively.

An even more profitable strategy has emerged in the past several years: selling the VIX itself short. A liquid futures market and several exchange-traded products have allowed investors to try to profit from rising volatility—usually a losing bet. A far better one has been sell-

ing short VIX futures. In that trade, investors are essentially selling insurance against a rise in volatility, which often means a stock-market selloff.

An exchange-traded product designed to do this launched nearly seven years ago has generated a gain of 39% annualized and doubled since the U.S. presidential election alone.

But the trade gets increasingly risky when the VIX gets very low. In the late summer of 2015, for example, a bout of emerging-market jitters caused the note to lose more than half of its value in 11 sessions.

Complacency may not herald a stock-market swoon, but it is a lousy time to be in the insurance business.

Two Sigma Tees Up A Bigger, Global Play

BY ALEXANDER OSIPOVICH

As the high-speed trading industry endures a wrenching period of consolidation, Two Sigma Securities is looking to come out on top.

The secretive firm, an affiliate of the \$45 billion quantitative hedge fund **Two Sigma Investments**, said this week that it had agreed to buy the global options market-making business of **Interactive Brokers Group Inc.**, which helped pioneer electronic trading in the 1980s.

The deal is designed to push Two Sigma Securities—a relative upstart founded in 2009—into the big leagues, alongside giants such as **Citadel Securities LLC**, which account for a huge portion of trading activity in the U.S. and overseas.

"Over time, I see us expanding into other asset classes and other geographies," Two Sigma Securities Chief Executive Officer Simon Yates said in an interview.

Scale has become more important for high-speed trading firms as the industry struggles with unfavorable market conditions, especially low volatility, which reduces their ability to profit from price swings.

The tough environment has spurred deal making. Virtu Financial Inc. announced last month its \$1.4 billion agreement to acquire rival KCG Holdings Inc.

New York-based Two Sigma Securities says it trades more than 300 million shares daily, which means it handles from 4% to 5% of the shares that change hands each day in U.S. markets. By comparison, Citadel accounts for about 20% of U.S. daily volume, and Virtu expects to have a market share similar to Citadel's if it completes its acquisition of KCG.

Two Sigma Securities enjoys such huge volumes, in part, because it takes part in a controversial practice called "payment for order flow," meaning it pays online brokerages to execute orders submitted by individual investors.

Critics have attacked the practice because of fears that it lets high-speed traders exploit mom-and-pop investors. Trading firms and brokers say it results in better prices for investors.

With the acquisition of Interactive Brokers' market-making arm, called **Timber Hill**, Two Sigma Securities would continue its push from equities into options. It also bought KCG's options platform last year.

The Timber Hill deal, expected to close in September, also positions Two Sigma Securities to go global. Timber Hill is active on exchanges in Asia and Europe.

Everything Is Big in Texas, Especially Occidental Petroleum's Supertanker Plan



Occidental Petroleum Corp. this month plans to test whether a large supertanker named Anne can dock at its oil terminal along Corpus Christi Bay in Texas.

If it works, the company plans to turn its onshore terminal into the first in the U.S. to receive vessels that size to export U.S. crude. Its cargo would then travel to markets as far-flung as Asia, the latest example of how companies are moving to

cash in on the flood of oil coming out of the Permian Basin, a drilling field stretching from West Texas to New Mexico.

Permian output is expected to hit 2.4 million barrels a day this month as the region becomes ground zero for the rebirth of the U.S. shale industry following the worst oil bust in a generation. Producers have been racing to acquire or expand acreage in the field, which remains profitable to pump even at to-

day's lower prices.

Exporting oil from U.S. shale fields, which became possible after Congress lifted a 40-year-old export ban in 2015, is becoming a more attractive option for U.S. producers. While supertankers have been used to carry U.S. crude before, they have been loaded offshore, not docked at facilities on the coast.

Occidental hopes to transport Permian crude via supertankers in 2019 from its terminal

in Ingleside, Texas, seen above with a smaller tanker. To get cargoes to Asia, the ships will take the long way around Africa. They are too large to fit through the Panama Canal.

"Permian crude is being exported all around the world, primarily to refineries in Asia and Europe, and Occidental's export facility is well positioned to serve the Permian," said Occidental CEO Vicki Hollub.

But there are numerous chal-

lenges to accommodating ships the size of the 1,093-foot-long Anne, which can hold more than two million barrels of oil.

Loading the vessels will require a two-step process. The first is making sure the vessels can clear bottom as they leave port with an oil cargo. Occidental hopes to partly load the ships at dock so that the hulls don't sink too far from the weight, then finish loading at sea.

—Erin Ailworth

Crude Prices Surge as U.S.-Glut Worries Ease

BY ALISON SIDER

Crude prices logged their biggest daily gains since December, after U.S. data showed

that the amount of oil in stor-

age tanks fell for the fifth straight week, easing concerns about a glut that has lingered despite out-

put cuts by the world's major exporters.

Oil inventories fell 5.2 mil-

lion barrels last week—the largest weekly decline this year, according to the U.S. Energy Information Administration.

The draw from stockpiles dwarfed the 1.7-million-barrel drop that analysts and traders surveyed by The Wall Street Journal were expecting.

U.S. crude futures rose \$1.45, or 3.2%, to settle at \$47.33 a barrel on the New York Mercantile Exchange.

Brent, the global benchmark,

rose \$1.49, or 3.1%, to \$50.22 a barrel on ICE Futures Europe.

Oil prices have been on an extended slide in recent weeks amid creeping doubts that the Organization of the Petroleum Exporting Countries would be able to work off the overhang of supply that has weighed on

prices for nearly three years.

U.S. producers have ramped up output aggressively this year, blunting some of the impact of the OPEC-led production cuts. Stockpiles in the U.S. have started to shrink but still stand near records. And rising levels of gasoline in storage tanks in recent weeks have raised the specter of weakening demand.

But Wednesday's figures shook the negative sentiment that has coalesced in recent weeks.

"There's a huge amount of angst built up in energy markets right now," said Dan Pickering, head of the asset-management arm of Tudor, Pickering, Holt & Co. "There's a bit of a sigh of relief here."

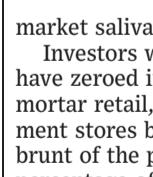
U.S. production rose for the 12th straight week, but imports fell—something that market participants have been watching closely, awaiting indications that OPEC members are shipping less crude.

And gasoline stockpiles edged lower by 150,000 barrels, breaking a three-week streak of increases.

Gasoline futures jumped 5.01 cents, or 3.4%, to \$1.5396 a gallon. Diesel futures rose 3.33 cents, or 2.3%, to \$1.4754 a gallon.

AHEAD OF THE TAPE | By Steven Russolillo

Now at Department Stores: Shorts



The struggling American department store has one corner of the market salivating.

Investors who short stocks have zeroed in on brick-and-mortar retail, with department stores bearing the brunt of the pressure. The percentage of retail shares out on loan, presumably to short sellers, has risen to 6.6%, the highest in at least four years and more than double that of the S&P 500, according to IHS Markit.

Three of the 20 most heavily shorted retail stocks are **J.C. Penney Co.**, **Nordstrom Inc.** and **Kohl's Corp.** They, along with **Macy's Inc.**, are set to report quarterly results this week. Short sellers, not shareholders, should have cause for cheer.

Changing shopping habits and the rising dominance of **Amazon.com Inc.** have contributed to the struggles of bricks-and-mortar retailers. A survey published last month by Morgan Stanley found Amazon is the second-largest U.S. apparel seller.

BEN NEILS/BLOOMBERG NEWS



Nordstrom plans to open a full-line store and 15 discount stores.

Analysts expect Macy's and Kohl's to report first-quarter earnings per share, revenue and same-store sales down from a year ago. J.C. Penney's results aren't expected to be much better. All three are in the process of closing or shrinking stores.

Though Nordstrom is the best-positioned of the bunch, it, too, has its issues. Analysts estimate Nordstrom earned 28 cents a share in its fiscal first quarter, up 2 cents from a year earlier.

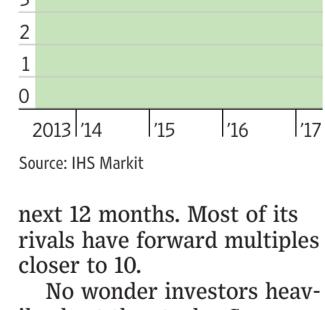
Nordstrom is going in the other direction of its shrinking competitors. It plans to

open one full-line store and 15 new Nordstrom Rack locations this year. Yet, while those discount stores are popular now, their marked-down items weigh on margins. Nordstrom's pricier stores aren't as profitable as they used to be. And while its online business is grabbing a greater share of its overall sales, Nordstrom's return on invested capital was 9.7% last year, its lowest in 13 years.

Nordstrom has held up better than most. But the stock still commands a hefty premium, fetching 17 times projected earnings over the

Short Shorts

Average percentage of shares out on loan among U.S. retailers



next 12 months. Most of its rivals have forward multiples closer to 10.

No wonder investors heavily short the stocks. Some 16% of Nordstrom's float was out on loan, up by one-fifth over the past month and the biggest month-over-month rise among the four department stores, says IHS Markit.

Of course, nothing moves down in a straight line and heavily shorted stocks often rally sharply on even mildly pleasing news. But another rebound doesn't change the grim prognosis for the American department store.

MARKETS

Commodity Bulls Gird for Advance

Investors bet robust global growth will clear away oversupply in oil, other products

By IRA IOSEBASHVILI

Banks are urging their clients to stay the course during a monthslong commodities slump, predicting that prices will soon rebound.

UBS Wealth Management this week reiterated a "buy" recommendation on oil, with crude prices near their lowest level of the year. Goldman Sachs Group Inc. analysts doubled down Monday on their bullish view on oil, and TD Securities continued to predict that copper and other base metals would rise this year, despite a recent jump in warehouse inventories and sharp price declines.

Driving the bets are a more upbeat view of the global economy from previous years, when weak growth made overproduction and supply gluts a more ominous threat. Now, investors are betting that more robust growth in the U.S. and abroad will over time clear away oversupply in oil and other raw materials, allowing prices to move higher.

"For the first time since the Great Recession, we have a situation where all major economies are pulling in the same direction," said Bart Melek, head of commodities strategy at TD Securities, referring to the period between 2007 and 2009.

Analysts at the bank have maintained upbeat long-term views on oil prices, which they expect to trade at \$62 a barrel by the end of the year, from a close of \$47.33 a barrel for U.S. crude on Wednesday. Copper will end the year at around \$2.65 a pound, Mr. Melek forecast, up from its current price of \$2.4870.

Prices for oil, copper and other raw materials surged at the end of 2016, driven in part by expectations that the new presiden-

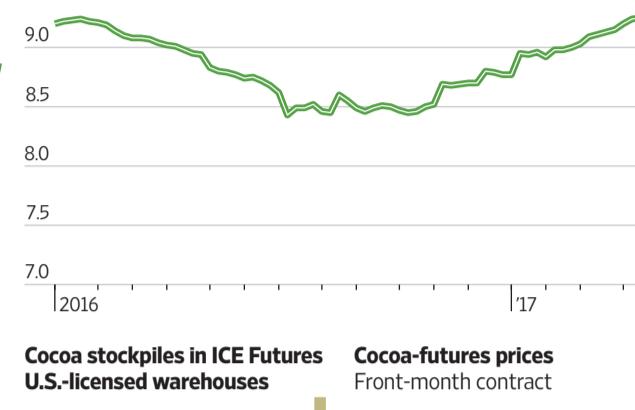
Ready to Play the Bounce

The prices of oil, copper, cocoa and many other commodities have slumped this year, alarming some analysts who attribute the declines to softening global growth. But a rival view holds that these prices are on the verge of a recovery as markets work through large stockpiles and demand picks up.

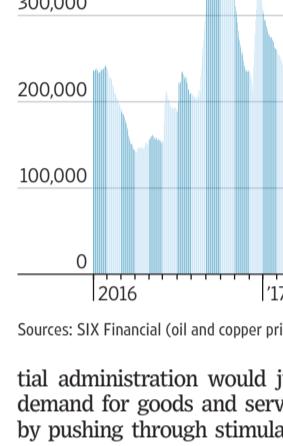
Nymex crude-oil prices



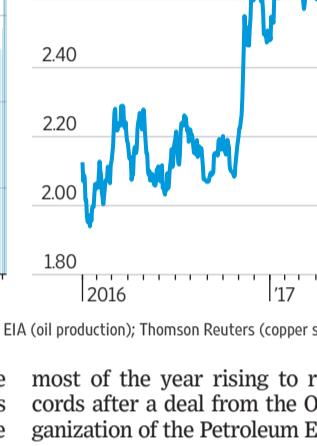
U.S. crude-oil production



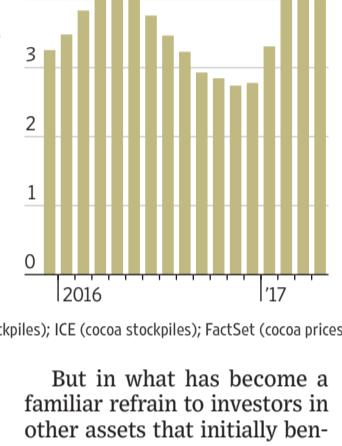
Copper stockpiles in London Metal Exchange warehouses



Copper-futures prices



Cocoa stockpiles in ICE Futures U.S.-licensed warehouses



Cocoa-futures prices



Sources: SIX Financial (oil and copper prices); EIA (oil production); Thomson Reuters (copper stockpiles); ICE (cocoa stockpiles); FactSet (cocoa prices)

tial administration would juice demand for goods and services by pushing through stimulative policies such as infrastructure spending and tax cuts.

But this year has so far disappointed commodity bulls, in part because of the administration's difficulties in pushing through legislation and in part because of more-global factors tied to specific markets.

Oil markets have been prone to selloffs this spring largely because U.S. stockpiles haven't fallen sharply, as many analysts had expected. Until recent weeks, the stockpiles spent

most of the year rising to records after a deal from the Organization of the Petroleum Exporting Countries, Russia and other exporters to cut total output by 1.8 million barrels a day.

Ramped-up production from the U.S. and Libya—which has an exemption from the OPEC deal—and the return of Canadian output after brief outages earlier this year have canceled out some of the OPEC cuts, traders said.

Some investors also have been concerned about uneven economic data in the U.S. and China in recent months.

But in what has become a familiar refrain to investors in other assets that initially benefited from expectations of a policy-driven growth pop, it now appears that expectations in commodity markets may have outpaced reality in the first few months of the year, said Giovanni Staunovo, commodity analyst in UBS Wealth Management's chief investment office, which oversees \$2.2 trillion in invested assets.

"We expect a recovery," Mr. Staunovo said.

His firm on Tuesday reiterated a recommendation to buy

oil, expecting OPEC to extend production cuts at its May 25 meeting. Mr. Staunovo believes oil prices will rally to around \$60 a barrel this summer.

Commodity prices historically perform the best when the Federal Reserve is raising interest rates, a study from Goldman Sachs showed. Annual returns for the S&P GSCI Commodity Index average 19% when the Fed is raising rates in response to a strengthening economy, the bank's research showed.

The Fed has forecast two more rate increases this year.

Dow Hurt By Disney, Boeing

BY AARON KURILOFF AND CHRISTOPHER WHITTALL

Declines in the shares of Walt Disney and Boeing dragged down the Dow Jones Industrial Average. The two companies combined to shave roughly 42 EQUITIES points from the blue-chip index.

Overall, the Dow lost 32.67 points Wednesday, or 0.2%, to 20943.11. The S&P 500 edged up 2.71 points, or 0.1%, to 2399.63 and the Nasdaq Composite added 8.56 points, or 0.1%, to 6129.14, with both reaching fresh highs.

Disney fell \$2.41, or 2.2%, to \$109.66, pressuring the consumer-discretionary sector, after the company late Tuesday reported a smaller-than-expected increase in revenue.

The sector faces another test Friday, when monthly retail-sales data are due. Some analysts said it could also help clarify whether recent signs of cooling economic growth are temporary, as the Federal Reserve has suggested.

Boeing lost 2.31, or 1.2%, to 183.18 after the aircraft maker said it had halted flight tests of its new 737 Max jetliner, citing engine issues. Boeing still expects the first delivery of the planes this month.

Energy shares in the S&P 500 rose 1.1% as oil prices surged. U.S. crude rose 3.2% to \$47.33 a barrel in its biggest one-day gain since December after data showed U.S. crude stockpiles fell more than analysts expected last week.

The Stoxx Europe 600 rose 0.2%. Many investors are upbeat on European stocks. In Asia early Thursday, Japan's Nikkei Stock Average was up 0.2% and Hong Kong's Hang Seng Index was up 0.5%. But the Shanghai Composite was down 0.3%.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Snap Fails First Test as Public Firm

Snap may have gotten its initial public offering out the door in the nick of time.

The Snapchat parent reported its first quarter of results as a public company, and the news wasn't pretty. Snap's loss of \$2.21 billion on revenue of \$149.6 million was far below what analysts expected.

The results were hit hardest by \$2 billion in IPO-related compensation expenses.

But the more important metric was daily active user growth, which decelerated significantly year over year, marking Snap's fourth consecutive quarter of declines. Revenue fell from the previous quarter.

Shares plummeted more than 20% after hours, falling well below their IPO price of \$21 apiece.

For Snap, it is difficult to see how things will get better from here. The company has struggled to sustain its user growth as Facebook's Instagram has adopted many features that imitate Snapchat.

Facebook added more daily active users in the past year than Snap has in its entire existence.

For its part, Snap said it was "just scratching the surface" in terms of its ability to show more ads to users. But even if that is true, Twitter has shown that there is a limit to how effective that revenue-growth strategy can be if user growth doesn't pick up.

Snap Chief Executive Evan Spiegel laughed when asked if Facebook scared him. "Just because Yahoo has a search box, doesn't mean they're Google," he said.

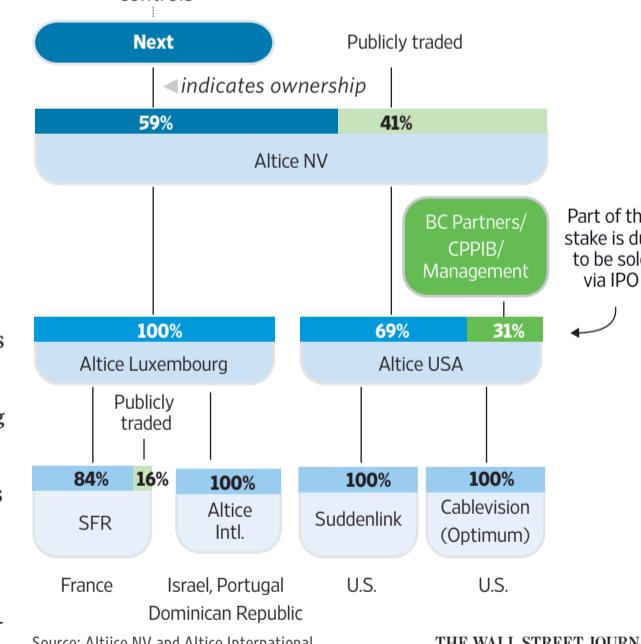
Few investors were laughing with him.

—Miriam Gottfried

Beware the 'Altice Way'

Crossed Wires

Ownership structures for Altice NV and its subsidiaries



(\$239 million to \$359 million).

Given the planned IPO of Altice USA, such management fees deserve close attention.

The prospectus cites a fixed \$30 million fee for "certain executive services, including CEO, CFO and COO services." That equates to 0.33% of last year's turnover at Altice USA. Altice NV says there are no plans to increase the fee, and that the huge gap between the prospective levy on SFR and the pre-existing arrangement at Altice USA reflects "different legal, financial and ownership structures."

They said a fee Altice was planning to charge SFR for the use of its operating model, the "Altice way," introduced ambiguity into the valuation. Altice withdrew its offer but nonetheless clarified that it "expected" this fee to be between 2% and 3% of SFR's turnover. That works out to about €220 million to €330 million

pays for specific head-office services. A study commissioned by CIAM, an activist SFR minority investor, found that no other telecom group charged subsidiaries for its management model. CIAM thinks the threat of fees was a way for Altice to encourage SFR minorities to sell.

Following a November deal between the Amsterdam-listed parent company and its majority owner, Mr. Drahi's investment vehicle Next, Altice NV will pay it a quarterly fee of 0.2% of consolidated revenue plus a 5% performance fee based on profit growth.

Mr. Drahi's use of debt and focus on cash flows often draws comparisons to private equity. So might his use of management fees. Minority investors may not always feel they have a strong voice at the negotiating table.

—Stephen Wilmot

South Korea Mess Needs Time for Fix

Investors in South Korea may be feeling a sense of déjà vu. Not for the first time, a new president has won election promising an overhaul of corporate giants like Samsung and Hyundai—the chaebols. Following his comfortable win in Tuesday's elections, and with the public mood for change strong, new leader Moon Jae-in has plenty of momentum behind him. Still, those hoping for a quick fix to the corporate-governance discount that hangs over South Korean stocks may be disappointed.

South Korea's chaebols have been a mixed blessing. Drivers of the country's economy, they have also been accused of exercising outside political influence: Mr. Moon's predecessor was impeached partly because of a bribery scandal involving Samsung and other conglomerates, while Samsung's de facto leader, Lee Jae-yong, is facing trial on bribery charges.

Convoluted shareholding structures have regularly enabled controlling families to put their own interests over those of their minority shareholders. As a result, South Korean stocks trade at a discount to their peers in other countries.

Sure, some changes are under way. Lotte Group, the country's confectionery and retail giant, has said it would convert itself into a holding-company structure to reduce cross-shareholdings. Samsung Electronics recently announced a big capital-return plan.

Mr. Moon could get some quick, safe wins, such as introducing electronic voting for shareholders. He should also press for more transparency from South Korea's state-owned pension fund,

which owns 9% of Samsung and 8% of Hyundai among big stakes in other major companies. Its head was indicted this year on charges of perjury and abuse of power as he allegedly pressured the fund to vote in favor of a merger of two Samsung affiliates in 2015, a move that strengthened the Lee family's control over Samsung Electronics, the group's crown jewel, over opposition from proxy firms and U.S. hedge fund Elliott Management.

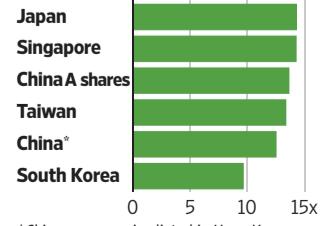
Still, given the way chaebols' profitable arms have long subsidized less successful divisions, South Korea's new government will have to balance a desire for reform with the threat of a short-term hit to jobs and growth. Moreover, Mr. Moon lacks a parliamentary majority behind him, and elections aren't due again until 2020, meaning any reform proposals may require a long period of political wrangling.

Investors are right to feel optimistic about Mr. Moon's election. But change in South Korea is likely to prove more of a grind than a big bang.

—Jacky Wong

Korean Discount

Corporate forward price/earnings ratio



*Chinese companies listed in Hong Kong and overseas

Sources: MSCI and FactSet

THE WALL STREET JOURNAL.