

# THE WALL STREET JOURNAL.

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

WEDNESDAY, MAY 23, 2018 ~ VOL. CCLXXI NO. 120

WSJ.com

★★★★ \$4.00

DJIA 24834.41 ▼ 178.88 0.7% NASDAQ 7378.46 ▼ 0.2% STOXX 600 396.94 ▲ 0.3% 10-YR. TREAS. unch, yield 3.065% OIL \$72.13 ▼ \$0.11 GOLD \$1,291.70 ▲ \$1.50 EURO \$1.1780 YEN 110.90

## What's News

### Business & Finance

**T**he House approved a bipartisan bill easing Dodd-Frank rules for small and midsize banks, sending the legislation to Trump. A1

◆ U.S. banks notched a record quarterly profit to start 2018, the FDIC said. B12

◆ Amazon is banning some shoppers for infractions such as too many returns, sometimes without telling them what they did wrong. A1

◆ Zuckerberg apologized to EU lawmakers over scandals engulfing Facebook but avoided responding to many difficult questions. B1

◆ Penney CEO Ellison is quitting his job to take over leadership of Lowe's. B1

◆ Wynn shareholders voted overwhelmingly against the casino company's executive compensation plan. B1

◆ Univision named media veteran Sadusky as CEO of the Spanish-language broadcaster, succeeding Falco. B1

◆ New Venezuela sanctions are expected to further crimp the country's oil output and could boost crude prices. B13

◆ Santos rejected Harbour Energy's offer of over \$10 billion for the Australian oil-and-gas firm. B3

◆ The Dow fell 178.88 points to 24834.41 amid concern over trade tensions and North Korea talks. B13

◆ Calpers said its finance chief has left, as the public pension fund wrestles with more executive turnover. B12

◆ An ex-Valeant executive was found guilty of defrauding the drug firm through a kickback scheme. B3

### World-Wide

◆ Lawmakers are moving to thwart Trump administration efforts to ease restrictions on Chinese telecom giant ZTE and other sensitive technology. A1

◆ Trump said he would scotch a summit with Kim unless the North Korean leader first agreed to a list of unspecified conditions. A6

◆ The president is weighing measures to cut EU steel and aluminum exports to the U.S. by about 10%, according to EU officials. A6

◆ Lt. Gen. Scott Miller was chosen as the next commander of U.S.-led forces in Afghanistan, officials said. A16

◆ A longtime business partner of Trump lawyer Cohen has agreed to cooperate with prosecutors. A4

◆ The House passed a bill giving patients with life-threatening conditions access to unproven drugs. A2

◆ Texas Democrats gave national party leaders the nominees they wanted in pivotal House runoff elections. A5

◆ Abrams won Georgia's Democratic primary in her bid to become the nation's first black woman elected governor. A5

◆ EPA chief Pruitt called safe water "a national priority" after the agency reportedly tried to block publication of a study on drinking-water hazards. A5

◆ USC professors called for the school's president to quit amid a scandal over how the university dealt with sexual-misconduct allegations. A3

◆ Died: Philip Roth, 85, acclaimed novelist. A2

**CONTENTS** Opinion A13-15  
Banking & Finance B12 Property Report B6  
Business News B35 Sports A12  
Crossword A12 Technology B4  
Head on Street B14 U.S. News A2-5  
Life & Arts A9-11 Weather A12  
Markets B13-14 World News A6,16

2 1 3 3 1 >  
0 78908 63141 1

Copyright 2018 Dow Jones & Company. All Rights Reserved

WEDNESDAY, MAY 23, 2018 ~ VOL. CCLXXI NO. 120

## Face-Off at the EU Puts Zuckerberg on the Defensive



UNPLUGGED: Protesters marched on the European Parliament in Brussels on Tuesday ahead of testimony by Facebook CEO Mark Zuckerberg. He apologized over the company's fake-news and privacy scandals, but rebuffed claims its market power was too big. B1

## Bill Eases Small-Bank Rules

Congress passes less-ambitious plan than first sought by Trump; keeps much of Dodd-Frank

BY RYAN TRACY  
AND ANDREW ACKERMAN

WASHINGTON—Ten days after his inauguration, President Donald Trump promised to "do a big number" on the Dodd-Frank law that tightened rules on financial firms after the 2008 crisis.

Behind the scenes, his then top economic adviser and a powerful senator settled on a less ambitious plan. And in recent weeks, Mr. Trump called a senior House lawmaker, urging him to move forward despite objections from Republicans who wanted broader changes.

The strategy to seek modest Dodd-Frank changes, agreed to in private by Sen. Mike Crapo (R., Idaho) and former National Economic Council Director Gary Cohn in early 2017, paid dividends on Tuesday: The House of Representatives

by 258-159 approved the resulting bipartisan legislation, sending it to the president for his expected signature.

The bill cuts regulations for small lenders and raises the asset threshold at which larger regional lenders automatically face stricter rules, adding up to the most significant changes to the 2010 Dodd-Frank law. The plan leaves untouched most of Dodd-Frank's major planks, such as emergency government powers and curbs on derivatives, an outcome that is expected to cement those provi-

sions for years to come.

The story of how the legislation came together, based on interviews with current and former officials, demonstrates how policy makers scaled back their priorities to maintain support for a compromise.

"Could it have done more? Sure," said Rep. French Hill (R., Ark.). "But Sen. Crapo should be congratulated for producing a bill in these partisan times."

Please see RULES page A2

◆ U.S. banks log record quarterly profit..... B12

## Trump Casts Doubt on Summit



EYE-TO-EYE: President Donald Trump and South Korean President Moon Jae-in on Tuesday discussed whether plans for a summit with North Korean leader Kim Jong Un would pan out. A6

## Anger Over Tourist Hordes Sparks Global Backlash

'Overtouristing' strains vacation hot spots; the 'Lord of the Rings' effect

BY RACHEL PANNETT

QUEENSTOWN, New Zealand—Towering mountain ranges, forests and glacier-fed rivers made New Zealand the perfect stand-in for Middle Earth in "The Lord of the Rings" movie series and a cinematic billboard for the country's natural beauty.

Today, jet boats rip down rivers seeking the mythical Isengard, where the wizard Gandalf was imprisoned. "Freedom campers" in rented vans leave trails of waste. Tens of thousands of helicopter trips annually deposit visitors, some in flip-flops, on New Zealand glaciers that were once the

realm of expert climbers.

One tour group had to be rescued after trying to walk barefoot to Mount Ngauruhoe, in apparent homage to J.R.R. Tolkien's Mount Doom.

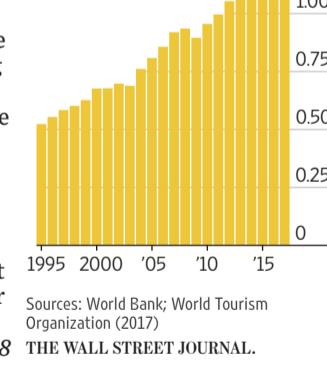
Selected officials are weighing measures from new tourist taxes to tighter camper-van restrictions. One town is considering shutting Wi-Fi at night to deter campers. Queenstown, whose mayor says it has 120 visitors a year for every taxpayer, is weighing whether to restrict Airbnb rentals.

On Waiheke Island off Auckland, protests broke out last year after double-decker tour buses appeared, clog-

Please see TRAVEL page A8

### World of Travelers

The number of people traveling globally has more than doubled in the past two decades



Sources: World Bank; World Tourism Organization (2017)

THE WALL STREET JOURNAL.

## Amazon Bans Customers For Too Many Returns

BY KHADEEJA SAFDAR  
AND LAURA STEVENS

Amazon.com Inc. is banning some shoppers from its e-commerce site for infractions such as returning too many items, sometimes without telling them what they did wrong.

Amazon has cultivated an image as a customer-friendly company, in part by making it easy for shoppers to send back items they don't want. The site's lax return policies have conditioned consumers to expect the same treatment from other retailers, adding to pressure on brick-and-mortar chains. But shoppers are finding out there are some customers Amazon has determined

Please see RETURN page A6

## World's Strangest Opera House Makes Unusual Pitch to Locals

\* \* \*

Theater deep in the rainforest woos its

neighbors with mini-concerts at homes

BY SAMANTHA PEARSON

MANAUS, Brazil—It's nearly lunchtime in the sweltering Amazonian city of Manaus and Angela Araújo is waiting for the takeout she ordered: Handel, with a side of Mozart.

Ms. Araújo, 53, can barely contain her excitement as her order pulls up in a clapped-out Fiat Palio. It is Pedro Panilha, the opera house's sprightly pianist, joined by a portly opera singer squeezed into a satin-lined waistcoat.

"Oh my God! Just wait until everyone sees this on Facebook!" Ms. Araújo shrieks, twirling around her cramped

pink home downtown, where she scrapes together a living giving dance classes.

Lined up on plastic garden chairs in her driveway is the biggest crowd she could muster on a Thursday morning: a few retired and unemployed neighbors, her 79-year-old mother, the owner of the local convenience store and a Catholic missionary.

They are joined by her 15 cats, one dog and her beloved parrot Nureyev, who is named after the Soviet-era ballet star.

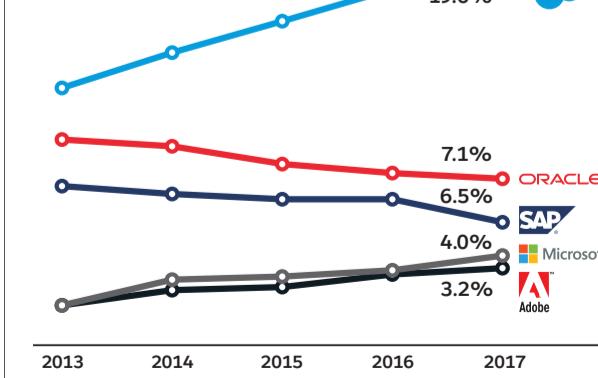
This month, locals in this impoverished city at the heart of the rain forest can get free 15-minute opera performances

Please see OPERA page A8

Everaldo Barbosa

## Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.



[salesforce.com/number1CRM](http://salesforce.com/number1CRM)

Salesforce Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications. © 2018 salesforce.com, Inc. All rights reserved. salesforce.com is a registered trademark of salesforce.com, Inc., as are other names and marks.

# U.S. NEWS

## Acclaimed Novelist Philip Roth Dies at 85

By JEFFREY A. TRACHTENBERG

Philip Roth, whose raucous, playful, elegant and often outrageous novels about Jewish life and sex and death and betrayal made him one of the country's greatest novelists, has died at age 85.

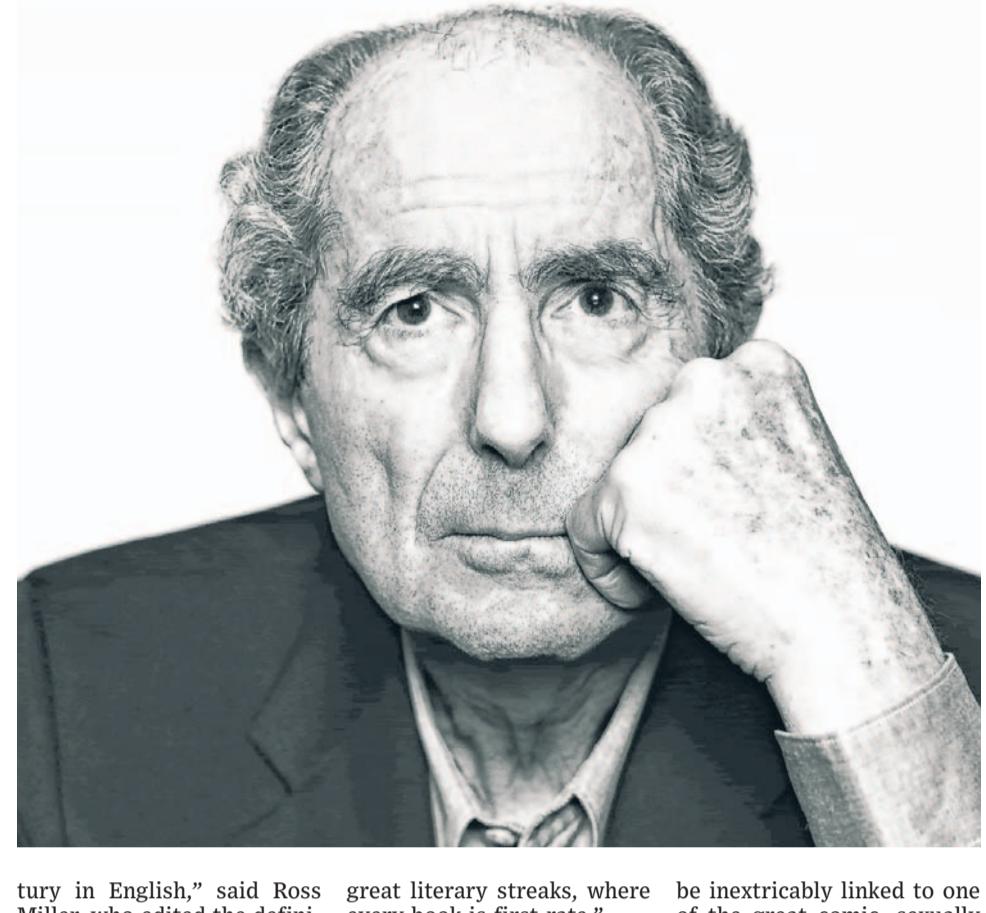
The Associated Press, citing Mr. Roth's literary agent, confirmed he had died.

Mr. Roth was born in Newark, N.J. The aging industrial city featured in many of his works, dating to his first published book, 1959's "Goodbye,

Columbus," a novella and five short stories that won the National Book Award for fiction the following year.

During his career Mr. Roth wrote more than 30 books, according to his publisher, Houghton Mifflin Harcourt. He tackled the issue of racial identity in "The Human Stain" (2000); imagined what America might have been like if Charles Lindbergh had won the presidency in 1940 in "The Plot Against America" (2004); and examined American dreams in the late 1960s and early 1970s in "American Pastoral" (1997), for which he won the 1998 Pulitzer Prize for fiction.

"He was the writer of the second half of the 20th cen-



BRIGITTE LACOMBE FOR THE WALL STREET JOURNAL

tury in English," said Ross Miller, who edited the definitive collection of Mr. Roth's work for the Library of America. "He was unrivaled, particularly in the period between 'The Counterlife,' and 'The Dying Animal.' It's one of the

great literary streaks, where every book is first rate."

Although Mr. Roth wrote across a wide span of topics, he was inevitably drawn most closely to three: sex, death and betrayal.

For many, Mr. Roth would

be inextricably linked to one of the great comic, sexually charged novels of recent memory, 1969's "Portnoy's Complaint," in which the lead character appears almost overwhelmed with lust.

Sexual desire resonates

through many of Mr. Roth's works. These include 2001's "The Dying Animal," a short book in which the fictional literature professor David Kepesh—who is also featured in novels "The Breast" and "The Professor of Desire"—must make a devastating decision involving a former lover that puts into question his past moral choices.

Although much of his work appeared autobiographical, Mr. Roth said in an interview with The Wall Street Journal that his personal history represented only a starting point. "The person is a model who then develops into somebody," he said. "You may be with a real person, but you have to come to inhabit that character yourself, and at that point, at least the way I do it, you leave the real person behind."

As he aged, Mr. Roth became increasingly focused on shorter novels that were invariably dark and confrontational. These included four works that Mr. Roth considered to be part of a connected series: "Everyman" (2006), "Indignation" (2008), "The Humbling" (2009) and "Nemesis" (2010).

"You have to be able to compress and condense," said Mr. Roth. "That's the skill, to condense and pack a punch at the same time."

## Bill Clears Way for Use of Trial Medicines

By STEPHANIE ARMOUR

WASHINGTON—Patients with life-threatening conditions would get the right to try unproven drugs under legislation that passed Tuesday in the House and now goes to President Donald Trump, who is expected to sign it.

The passage of the so-called Right to Try bill, in a 250-169 vote, follows months of debate over whether expanded access to investigational drugs is compassionate or fuels false hope. The bill, sponsored by Sen. Ron Johnson (R., Wis.), passed in the Senate in August.

Most patients already get access to unproven medicines under a compassionate-use program overseen by the Food and Drug Administration, agency officials say. But the bill would essentially skirt the FDA's normal approval process to get trial medicines more rapidly to patients with life-threatening illnesses.

Republicans pushed for the change, which Mr. Trump supported in his State of the Union address, saying it would give patients access to non-FDA-approved drugs before it is too late. Some Democrats and patient groups have argued it would usurp the FDA and leave patients vulnerable to dangerous and possibly sham treatments.

At a Wall Street Journal health conference, FDA Commissioner Scott Gottlieb said his agency was "comfortable" with the right-to-try legislation and could address any concerns in implementation.

Some Democrats argued that the legislation will gut FDA oversight and fails to protect patients from bad actors.

"This will provide fly-by-night physicians and clinics the opportunity to peddle false hope and ineffective drugs to desperate patients," said Rep. Frank Pallone Jr. (D., N.J.).

Supporters said the legislation provides essential hope for patients facing terminal illness and that the drugs patients will get access to must have passed initial safety trials.

"Why do you not want to allow these patients to exercise their right to fight for their future?" said Rep. Michael Burgess (R., Texas), a physician. "These patients are our constituents."

The version of the legislation that passed Tuesday is broad and allows patients access to an investigational drug if the patient is diagnosed with a life-threatening disease or condition.

—Kristina Peterson contributed to this article.

## Senators' Identities Misused on FCC Website

By JAMES V. GRIMALDI

someone posted opinions on the FCC website that were opposite to what they believed.

"We were among those whose identities were misused to express viewpoints we do not hold," the senators wrote in a letter Monday to FCC Chairman Ajit Pai. "We are writing to express our concerns about these fake comments and the need to identify and address fraudulent behavior in the rulemaking process."

Brian Hart, a spokesman for Mr. Pai, declined to comment.

A Wall Street Journal investigation in December found nearly 7,800 people who said comments in their names that were posted on public federal dockets at the FCC and other agencies were fakes.

Mr. Toomey supports Mr. Pai's proposal to scale back the internet rules put in place in the Obama administration. However, someone using Mr. Toomey's name and Senate office address wrote: "Please publicly support the FCC's existing net-neutrality rules

based on Title II, and denounce Chairman Pai's plans. Do whatever you can to dissuade him. Thank you! Pat Toomey."

Mr. Merkley, on the other hand, supported the rules, but a comment under his name and home address said, "They should be repealed."

Net-neutrality rules, adopted at the Obama-era FCC in 2015, required internet-service providers to treat all online traffic equally. The Trump-era FCC in December basically repealed those rules, largely

handing responsibility for internet regulation back to the Federal Trade Commission. The Senate voted last week to reinstate the rules—a largely symbolic measure, because it faces long odds of passing in the House.

Among their proposed reforms, the senators suggested the FCC require commenters to fill out a Captcha—a system designed to prove humans rather than bots provided the information—before posting a comment.



Republican Sen. Mike Crapo, left, put together a bipartisan compromise to overhaul the Dodd-Frank law despite opposition from Democratic Sen. Sherrod Brown.

representing states that Mr. Trump won in 2016.

During the negotiations, Mr. Crapo rejected potentially controversial proposals, such as consumer bureau changes. He narrowed others to win Democratic support: Mortgage-underwriting-standards relief would go only to banks with fewer than \$10 billion in assets, for example.

Democrats, anxious to limit the bill's scope, resisted some provisions related to capital markets. Lawmakers also ultimately didn't include language giving new class-action rights to trial lawyers.

Meanwhile, Mr. Cohn spoke with wary Democrats, sometimes daily, reassuring them that the White House wouldn't scuttle a limited deal.

By Halloween, Sen. Sherrod Brown (D., Ohio), the liberal top Democrat on the banking com-

mittee, said he couldn't support the bill and ended his negotiations with Mr. Crapo.

That evening, at Ms. Heitkamp's Capitol Hill home, the North Dakota senator and Mr. Tester shared a beer and vowed to press on. The two began the process of finding co-sponsors by dividing up names in the Democratic caucus on a napkin.

On Nov. 13—two weeks later—Mr. Crapo said he had a bipartisan deal. It split moderate Democratic supporters and more-liberal opponents led by Mr. Brown and Sen. Elizabeth Warren (D., Mass.), who thought the bill went too far to help an industry posting record profits.

Ms. Warren criticized other Democratic supporters by name in a fundraising email, a move some colleagues felt crossed a line.

After the bill passed the

### Dodd-Frank Rollback

#### WHAT GOES

- ◆ Bar for strictest bank rules is raised to \$250 billion in assets from \$50 billion
- ◆ Mortgage underwriting standards and Volcker trading restrictions for small banks

#### WHAT STAYS

- ◆ Consumer Financial Protection Bureau structure and oversight powers
- ◆ Orderly Liquidation Authority to take over failing financial firms
- ◆ Financial Stability Oversight Council and its power to designate firms for stricter rules
- ◆ Rules on derivatives and debit-card fees

fus (R., Pa.) at Pittsburgh's Duquesne Club.

"Don't just tell us how you like [small banks], go out and vote for this bill to help us" is how Tim Zimmerman, Standard Bank's chief executive and the Independent Community Bankers of America's chairman, described their message to the lawmakers.

Mr. Hensarling met with Mr. Warner, who told him Democrats wouldn't support additions to the Senate bill.

At a St. Patrick's Day lunch, Mr. Cohn sought out GOP lawmakers. He told House Majority Leader Kevin McCarthy (R., Calif.): "This [bill] is not a fine wine. It's not getting better with time."

Mr. Trump also called Mr. Hensarling from the Oval Office during a briefing on the bill's status.

"Jeb, I want the bill now," Mr. Trump said.

"I informed him that negotiations were going well and I thought we would have a pathway forward on our...bills soon," Mr. Hensarling said, referring to the call. Mr. Hensarling emerged from the brief standoff without changes to the bill but with a commitment from Senate Majority Leader Mitch McConnell (R., Ky.) to vote on a separate package before the midterm elections.

It is unclear what provisions will be included in the separate bill or whether it will have sufficient support to advance in the Senate.

## CORRECTIONS & AMPLIFICATIONS

**U.S. holdings** of European Union and Japanese stocks rose by \$1.124 trillion during the year to January. A Banking & Finance article May 4 about Americans' overseas investing incorrectly referred to U.S. holdings of eurozone and Japanese stocks.

**The odds** of tossing a coin 30 times and getting heads only three times are 1 in 264,468. The Everyday Math column in Saturday's Review section incorrectly stated that the odds were 1 in 125,000.

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

### Bank Bill Could Spur Deal-Making

Congress took a step Tuesday to relax a wave of crisis-era restrictions placed on financial firms, as the House approved a plan to ease rules for small and midsize banks.

The House voted 258-159 to approve the bipartisan re-vamp of financial rules. Thirty-three Democrats sided with Republicans to pass the bill.

President Donald Trump is expected to sign the bill into law, setting off a wave of deregulatory actions by federal agencies that will ease—but not dismantle—the 2010 Dodd-Frank finan-

cial law, which sought to prevent another financial crisis.

The legislation leaves untouched most of Dodd-Frank's major planks, such as emergency government powers to take over failing financial firms, and curbs on derivatives.

These provisions are expected to remain in place for years to come.

The bill could encourage deal-making and make it easier for banks to expand. The Senate passed the legislation in March on a 67-31 vote, with support from 17 members of the Democratic caucus.

Supporters say the bill will spur more lending and boost the U.S. economy.

"This is a major step forward

in freeing our economy from overregulation," said House Speaker Paul Ryan (R., Wis.).

Opponents argue it will bring back risks to the financial system. Rep. Maxine Waters (D., Calif.) said the legislation "benefits Wall Street and the nation's largest banks, which are posting record profits."

A central piece of the bill could relieve about two dozen regional banks from stricter rules.

It will raise the threshold at which banks face tighter oversight to \$250 billion in assets from the current \$50 billion—a victory for midsize banks, which have long said they shouldn't be lumped in with the largest firms.

—Ryan Tracy  
and Andrew Ackerman

### THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

**Editorial and publication headquarters:** 1211 Avenue of the Americas, New York, N.Y. 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, N.Y., and other mailing offices.

**Postmaster:** Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, N.Y. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

**Letters to the Editor:** Fax: 212-416-2891; email: [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com)

### NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com)

Or by phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at [wsj.com/livechat](http://wsj.com/livechat)

### REPRINTS & LICENSING

By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com); By phone: 1-800-843-0008

**GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS**

## U.S. NEWS

# Lava Reaches Site of Hawaii Power Plant

Officials fear toxic gas clouds could be created; 'we're just at the mercy of Mother Nature'

BY JIM CARLTON

Hawaiian authorities scrambled to protect a major power plant from approaching lava on Tuesday, in the latest threat from renewed eruption of the Big Island's Kilauea volcano nearly three weeks ago.

Hawaii County officials said the flow began Monday night when one of more than 20 fissures caused by the volcanic eruptions reactivated and sent lava onto the property of Puna Geothermal Venture, a 38-megawatt plant that produces electricity by running a turbine with superheated water from wells. If the molten lava compromises a well, emergency officials say that could set off clouds of flammable and potentially deadly hydrogen sulfide.

As a result, officials have been working with operators of the plant, which is owned by Ormat Technologies Inc. of Reno, Nev., to safeguard the 10 wells through a number of steps. First, they have pumped cold water into the wells to



Molten lava erupted and streamed from a Kilauea volcano fissure near the Puna Geothermal Venture plant on Hawaii's Big Island.

of the berm before it could rise enough to overflow.

Officials of Ormat, whose facility supplies power to Hawaii Electric Light Co., didn't return an emailed request to comment. In a May 15 press release, Ormat officials said they had taken precautionary measures including shutting down the geothermal wells, placing physical barriers around them and removing flammable materials from the facility.

Hawaii Electric spokesman Jim Kelly said Tuesday the utility has sufficient generation from other power plants on the Big Island to make up for the renewable plant being taken out of commission.

Meanwhile, hundreds of people remain evacuated from homes they fled after one of the world's most active volcanoes rumbled to life again.

As of Tuesday, 48 homes and other structures had been destroyed, while injuries have been mostly minimal. About 2,000 people live in homes in the eruption zone, but clouds of potentially harmful gas have drifted with the shifting winds toward more populated areas, prompting health advisories.

"Unfortunately, we're just at the mercy of Mother Nature," Mr. Kim said.

keep the hot water at the bottom, and then they have moved to plug them with metal or other impermeable material, said David Mace, a spokesman for the Federal Emergency Management Agency in Hawaii. That work had mostly been completed by midmorning Tuesday, when the lava flow was reported stalled behind a berm on the property.

Officials say they aren't sure the plugs and water tactics will hold up under the force of lava should it cover a

well. "It really is uncharted territory," said Garrett Kim, a longtime public safety officer on the island. "Maybe the lava could seal the wells under 20 feet of rock, too. We really don't know."

At a press briefing Tuesday,

Wendy Stovall, a U.S. Geological Survey volcanologist, said the lava remained at least 11 feet below the top of a vegetated berm on the plant property and was "very slow moving." She said lava would have to fill in a small valley in front

## Calls Grow for USC Head's Ouster

BY MELISSA KORN

Two hundred tenured professors from the University of Southern California signed a letter calling for the school's president to step down amid an unfolding scandal over how the university dealt with sexual-misconduct allegations against a longtime student health-center gynecologist.

USC has been reeling in recent days from a Los Angeles Times report detailing accusations that gynecologist George Tyndall for decades conducted improper pelvic exams on female students and made sexually and racially inappropriate comments.

He was placed on leave after the school's Office of Equity and Diversity received a complaint in June 2016. The school said it found files in the office

of a former health-center director detailing complaints against Dr. Tyndall dating back to 2000, and has said "it is not clear today why" he was allowed to remain in his position during that span. Dr. Tyndall left last year

*Professors say the president 'has lost the moral authority to lead the University.'*

after reaching a settlement with USC, the school has said.

A handful of law-school faculty members drafted the letter against the president, C.L. Max Nikias, and began circulating it for signatures on Sunday, said Dan Simon, a professor of law

and psychology who helped write the letter. They hit 200 names by Monday evening, and released the letter publicly on Tuesday, Mr. Simon said.

In the letter, faculty members from a range of departments say Dr. Nikias "has lost the moral authority to lead the University." They say there is mounting evidence that he didn't protect students, staff and colleagues from "repeated and pervasive" sexual harassment and misconduct.

"The current administration has done some great things for the university," Mr. Simon said. "We feel, however, that the moral failings, the moral errors, outweigh those achievements."

Dr. Nikias said in a statement that he understands the faculty's anger and frustration, and is committed to rebuilding their trust. "We all deeply care about this university and we

all need to work together to change the culture," he said.

Efforts to reach Dr. Tyndall for comment were unsuccessful. The Los Angeles Times said that in interviews with the paper, he denied wrongdoing.

USC released an "action plan" Tuesday, including creating a centralized office of professionalism and ethics, and revamping reporting structures when complaints are made. USC also said it had let go two supervisors from the student health center in the wake of new complaints about Dr. Tyndall.

Board Chairman John Mork said in a letter to the USC community Tuesday that the board's executive committee has "full confidence in President Nikias' leadership, ethics, and values and is certain that he will successfully guide our community forward."



The possibility of an Amazon headquarters in East Boston has raised concerns about rising costs.

## Prospect of Amazon Worries Some Cities

BY JON KAMP

BOSTON—The possible arrival of a second Amazon headquarters here is triggering both hopes and apprehension in a neighborhood already dealing with fallout from surging costs in a growing city.

The city has pitched East Boston, an immigrant-filled area of about 46,000 people, as a prime locale for Seattle-based Amazon.com Inc.'s next home. While developers say gentrification came slowly there, it is now in full swing, aided by a subway line under Boston Harbor offering quick commutes downtown.

Rising rents and displacement are already apparent in what locals call Eastie, and some people worry the company moving in would further pressure vulnerable residents.

"I think we should be concerned," said Sal LaMattina, a retired city councilor and lifetime East Boston resident, who has long advocated for neighborhood development.

Boston isn't alone: Most cities on Amazon's list of 20 finalists are grappling with the effects of gentrification and rising costs, said Jenny Schuetz, a Brookings Institution

fellow who focuses on housing markets and real estate. Recent analysis from Brookings and real-estate firm Zillow indicate the Amazon project—as many as 50,000 workers and 8 million square feet of office space—could strain housing markets.

"I think a lot of places on Amazon's short list, it's likely to drive up real-estate values and put pressures on specific neighborhoods," Ms. Schuetz said.

Concerns are bubbling up even in places like Pittsburgh, a modestly priced city compared with other Amazon contenders. Some neighborhood advocates there worry the development will trigger real-estate speculation that boosts costs and threatens lower-income residents in areas already pressured by an influx of technology jobs.

Zillow last month projected that landing the Amazon project in Pittsburgh would cause annual rents, which are otherwise forecast to drop, to increase by 0.9 percentage point. The Nashville area was forecast to see the biggest impact of the finalists—an added 2.4-point increase, Zillow said.

Still, many officials and residents in the 20 cities on Amazon's list are excited about the prospect of landing the com-

### Catching Up

While median home values in East Boston are lower than the city overall, they have risen at a faster rate recently. Percentage change in median home values:



Source: Zillow

THE WALL STREET JOURNAL.

THE RESORT AT  
PELICAN HILL®  
A place like no other

Oceanfront Luxury from \$395  
One Hour from LA in Newport Beach, CA

PELICANHILL.COM

888.802.1777



YOU'VE GOT

# SALE

DESIGNER COLLECTIONS

ARE UP TO

# 40% OFF\*

BARNEYS.COM NEW YORK BEVERLY HILLS SAN FRANCISCO  
CHICAGO BOSTON LAS VEGAS PHILADELPHIA SEATTLE  
FOR INSIDER FASHION ACCESS: THEWINDOW.BARNEYS.COM

BARNEYS NEW YORK

\*Up to 40 percent off regular prices on select clothing, shoes, and accessories for women, men, and children, as well as gifts for the home. Specific exclusions apply. See store associate for details.

## U.S. NEWS

# In Trade Spat, Beijing Finds Ways to Win

BY GREG IP

Among all the trade fights that President Donald Trump has picked, his hand against China is the strongest. That fight has economic, strategic and political logic that his confrontations with U.S. allies lack.

Yet China, incredibly, appears to be winning. Though it is still early days, China has thus far escaped the bulk of threatened U.S. tariffs while giving up almost nothing of substance.

Mr. Trump initially seemed to have more stomach for confrontation with China than his predecessors. Instead, China has shrewdly exploited his weak points: his hopes for a breakthrough with North Korea, a Chinese client; a low threshold for political pain, especially in Republican farm states; and a readiness to play China's game of using legal proceedings as a commercial bargaining chip.

Over the weekend, the U.S. agreed to suspend, for now, tariffs on up to \$150 billion in Chinese imports. China in turn agreed to buy more energy and agricultural products. That is hardly a game changer. It will likely just redirect some sales that would have happened anyway.

A deal may over time prompt American farmers to change their mix of crops to garner better prices, but total U.S. production will, as always, be largely determined by global conditions.

Similarly, if U.S. shale producers export more oil to China, they will sell less elsewhere. China may buy more liquefied natural gas, but that was probably inevitable: it is set to become the world's largest LNG importer anyway and the U.S. one of the three largest exporters.

The promised Chinese purchases might trim its trade surplus with the U.S., but not by anywhere near the \$200 billion Mr. Trump has sought. More important, that deficit has always been less of a problem than the myriad ways China positions its own companies to grab market share from foreign rivals, for example by acquiring the latter's intellectual property via compulsory licensing, joint ventures or theft, and limiting what foreign companies may do in China.

The U.S. Treasury is exploring how to restrict Chinese investment in the U.S., and China has said it would allow foreign companies to manufacture cars there without joint ventures. Yet it still has countless, often subtle, ways to promote its domestic



An auto-parts market in Beijing. China said it would ease joint-venture rules for foreign car makers.

fight, stepping up customs inspections of U.S. cars and soybeans.

Mr. Trump has in effect done the same. His Commerce Department banned Americans from supplying Chinese phone manufacturer ZTE Corp. because it had violated sanctions. When China insisted those penalties be eased as part of any trade talks, Mr. Trump agreed.

While Mr. Mnuchin said the issues were "completely separate," the U.S. is on the verge of easing the penalties on ZTE while China removes some tariffs on farm products. The apparent swap is "pretty darned unusual," said one former U.S. trade official. "The implication is that U.S. national security is tradable."

When Mr. Trump first unveiled his sweeping actions against China last month he warned that the fight might entail "a little pain." But his own tolerance for pain appears limited. Though the U.S. depends much less on exports to China than the reverse, China targeted farm exports from Republican states important to November's midterm elections. That may explain why U.S. officials have prioritized avoiding Chinese retaliation.

China still holds the weaker hand in this trade dispute—but it has played that hand far better.

champions over foreign rivals. For example, it requires foreign electric-vehicle makers to use Chinese-made batteries while permitting Chinese-owned Volvo Car Group to use superior South Korean-made batteries.

Thus, China's biggest commitment so far is "to buy more of the things that it likely would buy more of no matter what," Brad Setser, a trade expert at the Council on Foreign Relations, wrote on Twitter, without address-

ing "the structural problem": China's limited manufactured imports, which it wants to reduce further.

U.S. officials may yet extract more substantive concessions in coming talks with China. If "we don't get what we want, the president can always put tariffs back on," Treasury Secretary Steven Mnuchin said Monday. Yet U.S. officials have shown little appetite for exercising their leverage over China.

Mr. Trump had initially

sought to keep national security and trade relations separate. But to maximize the chance of a breakthrough on denuclearization with North Korea at a June 12 summit, he, like his predecessors, is avoiding antagonizing its patron, China.

China has long used selective enforcement of its laws such as over health and antitrust as a negotiating chip with foreign companies and governments. It has deployed similar tactics in this

## CHINA

*Continued from Page One*  
heads of the U.S. trade representative's office and Treasury and Commerce departments to reject any proposals to ease export controls on technology as a way to boost sales to China.

The letter, led by Senate Majority Whip John Cornyn of Texas and signed by other top Republicans and Democrats—including Sen. Marco Rubio (R., Fla.), Minority Leader Chuck Schumer of New York and Senate Banking Committee ranking Democrat Sherrod Brown of Ohio—also condemned the prospective deal on ZTE.

As part of the ZTE negotiations, Beijing would remove tariffs on billions of dollars of U.S. farm products, according to people with knowledge of the matter in both countries. The Trump administration also is seeking Beijing's help to facilitate denuclearization talks with North Korea.

In remarks at the White House on Tuesday, Mr. Trump said he envisioned a fine of more than \$1 billion for ZTE, potentially reaching \$1.3 billion, and that he believed ZTE should install new leadership and buy more American products. He said he was concerned about any action against ZTE hurting



A letter by Senate Majority Whip John Cornyn and other senators warned against easing export controls on sensitive technology.

American companies that already sold parts to it.

The White House has denied it is using enforcement actions against ZTE as a bargaining chip in the talks with China.

ZTE has been protesting the Commerce Department's decision last month to ban American companies from selling it products, which swiftly crippled the Chinese firm.

On the export-control issue, the Cornyn letter warned the Treasury and Commerce departments and the U.S. trade representative's office against easing export controls on militarily important technology, a move that some in the administration have been considering as a way to boost exports.

of China's negotiating agenda. But they have either been rejected or deferred by the U.S.

In this case, said several people briefed on the matter, Treasury officials explored fulfilling China's request. National-security officials objected and the matter was dropped, but not without hard feelings among security officials who felt the exploration suggested naivete on the part of U.S. negotiators.

Treasury spokesman Tony Sayegh said: "Treasury never considered this action and viewed any such proposal as a nonstarter."

Separately, the measure targeting a ZTE deal was the latest indication of growing congressional opposition. The provision, introduced by Sen. Chris Van Hollen (D., Md.), would prohibit the president from changing the penalties on sanctioned Chinese telecommunications firms until the administration certifies to Congress that the company in question has complied with U.S. law for a year.

The House Appropriations Committee passed a similar bill recently. And the Cornyn letter also blasted any easing of penalties against ZTE.

The administration shouldn't "compromise lawful U.S. enforcement actions against serial and premeditated violators of U.S. law, such as ZTE."

Just weeks after the Com-

merce Department banned U.S. companies from selling to ZTE, Mr. Trump suggested he was considering reversing the penalty, tweeting this month that he and Mr. Xi were "working together to give massive Chinese phone company, ZTE, a way to get back into business, fast." He added: "Too many jobs in China lost. Commerce Department has been instructed to get it done!"

In addition to ZTE's alleged sanctions violations, U.S. officials have warned for years that the telecom firm's equipment, along with equipment made by rival Huawei Technologies Co., could be used to spy on Americans, accusations that both companies have denied.

Sen. Tim Scott (R., S.C.), one of the Senate bill's co-sponsors, plans on introducing the version approved by the Senate Banking Committee as an amendment to the must-pass National Defense Authorization Act, priming it for passage by the full Senate as early as next month, according to a person familiar with the discussions.

Another version of the bill initially introduced by Rep. Robert Pittenger (R., N.C.) was unanimously approved by the House Financial Services Committee on Tuesday. It is expected to win the approval of the full House as soon as next month, according to a person familiar with deliberations.

A longtime business partner of Michael Cohen, President Donald Trump's personal lawyer, has agreed to cooperate with prosecutors, according to people familiar with the matter.

Evgeny "Gene" Friedman, a New York City taxi mogul, pleaded guilty Tuesday in Albany County court to one count of criminal tax fraud. As part of his plea agreement, he agreed to help prosecutors with state or federal investigations, people familiar with the matter said. It is likely he will assist federal prosecutors in Manhattan with their probe into Mr. Cohen, one of those people said.

Last month, federal agents raided Mr. Cohen's office, home and hotel room as part of an investigation into possible bank fraud and campaign-finance violations related to Mr. Cohen's efforts to raise cash and conceal negative information about Mr. Trump during the 2016 campaign, according to people familiar with the investigation.

Manhattan federal prosecutors have said the seized materials are largely focused on Mr. Cohen's "personal business dealings." The search warrant obtained by federal investigators for the raids authorized seizure of documents related to Mr. Cohen's taxi medallions, among other things, people familiar with the investigation said.

The medallions, issued by a city agency and required for running a taxi, are bought and sold on a secondary market that has seen prices drop steeply with the rise of ride-sharing services such as Uber and Lyft.

Mr. Cohen, who hasn't been charged with a crime, has denied wrongdoing.

The investigation in Manhattan followed a referral by the office of special counsel Robert Mueller, who is investigating whether associates of Mr. Trump colluded with Russia's efforts to interfere in the 2016 presidential election. Mr. Trump has denied any collusion and Russia has denied meddling.

Patrick J. Egan, a lawyer for Mr. Friedman, declined to comment. A spokesman for the U.S. attorney's office for the Southern District of New York, which is leading the probe into Mr. Cohen, also declined to comment.

News of Mr. Friedman's cooperation was first reported by the New York Times.

## Intelligence Firm Had Alliance With Cambridge Analytica

BY BYRON TAU  
AND REBECCA BALLHAUS

WASHINGTON—A company owned by Joel Zamel, an Israeli entrepreneur whose work has drawn the scrutiny of special counsel Robert Mueller, formed a strategic partnership with a data firm for President Donald Trump's campaign in a joint bid to win business from the U.S. government and other clients after the 2016 election, according to people familiar with the matter.

Psy-Group, one of Mr. Zamel's firms, signed a memorandum of understanding with Cambridge Analytica LLC, a digital firm that helped propel Mr. Trump to the presidency, these people said. Facebook Inc. in March suspended Cambridge over allegations that it improperly harvested the data of millions of Facebook users, accusations that in part led to the firm's closure earlier this month.

The Dec. 14, 2016, memorandum, as described to The Wall Street Journal, outlines a partnership whereby the two firms could cooperate on a case-by-case basis to provide intelligence and social-media services, or pitch business to an array of clients.

A person familiar with the work of Psy-Group, a private intelligence firm, said the

partnership was intended in part to help win government contracts—something that Cambridge and its parent company, SCL Group, were aggressively seeking to do as their allies in the Trump administration took power, according to people familiar with the efforts.

The existence of the memorandum of agreement is an example of how the president's allies sought to gain entry and influence in Washington after the election.

SCL Group won a \$500,000 contract from the State Department starting in February 2017 aimed at providing "target audience research," according to federal records. No government contracts have been awarded to the Psy-Group, according to public records, though not all government contracts—for example, in the arena of intelligence and foreign policy—are publicly disclosed.

A spokesman for SCL and

Cambridge Analytica didn't respond to requests for comment.

Marc Mukasey, a lawyer for Mr. Zamel, said his client "had nothing to do with Cambridge Analytica." He has previously said investigators have told him Mr. Zamel isn't a target of the Mueller investigation.

A person familiar with the memo between Cambridge and Psy-Group said it was signed without Mr. Zamel's involvement.

Mr. Zamel has met with Mr. Mueller's investigators, who appear to have expanded their inquiries to questions about the influence of a Gulf monarchy during the 2016 election, the Journal has previously reported. Mr. Mueller is investigating whether Trump associates colluded with Russia in the 2016 U.S. election. Mr. Trump denies colluding with Russia, and Moscow denies that it meddled in the election.

In the months before the 2016 election, Mr. Zamel met with Donald Trump Jr., Mr. Trump's eldest son, at Trump Tower along with George Nader, a top adviser to the crown prince of the United Arab Emirates, to discuss an offer from Messrs. Zamel and Nader to help boost the campaign, the Journal has previously reported.

Patrick J. Egan, a lawyer for Mr. Friedman, declined to comment. A spokesman for the U.S. attorney's office for the Southern District of New York, which is leading the probe into Mr. Cohen, also declined to comment.

News of Mr. Friedman's cooperation was first reported by the New York Times.

Home Security.  
Done Right.

Introducing the all new SimpliSafe.

It's smaller. Faster. Stronger than ever.

Engineered with a single focus: to protect.

More than easy to use:

It's downright delightful.

All at prices that are fair and honest.



**SimpliSafe™**

Right now get free shipping at  
[SimpliSafe.com/WS](http://SimpliSafe.com/WS)

## U.S. NEWS

# EPA's Pruitt Says Drinking-Water Safety Is Priority

BY HEIDI VOGT

**WASHINGTON**—Environmental Protection Agency Administrator Scott Pruitt said keeping chemical contamination out of drinking water is “a national priority,” a week after the agency reportedly tried to block publication of a study on drinking-water hazards.

At a meeting Tuesday, which had been scheduled in March, before media reports on the

**Agency tried to block publication of a study on hazards, according to media reports.**

study, Mr. Pruitt announced a four-part plan to address dangers from one group of potentially hazardous chemicals.

The chemicals—called perfluoroalkyls and polyfluoroalkyls—can be found in electronics, nonstick cookware, stain-resistant carpets and foam used by firefighters. The chemicals are particularly prevalent around military bases, possibly because of fire-fighting exercises at the bases.

Mr. Pruitt said he takes the issue of contamination seriously. “It’s clear that this issue is a national priority,” Mr. Pruitt said.

He said the EPA will evaluate the need for a maximum allowable amount of the chemicals, take steps to designate them as “hazardous substances,” develop groundwater-cleanup recommendations by the fall, and collaborate with other agencies and states to set guidelines on the use of a specific chemical in the group, known by the brand name GenX.

Mr. Pruitt’s comments to

state environmental officials and other groups came after a media report last week that the agency had tried to block the release of a study on the health dangers posed by the chemicals.

Politico reported the effort to block publication of the findings by the Health and Human Services Department, based on emails released in response to a Freedom of Information Act request.

The meeting, billed as a “National Leadership Summit to take action on Per- and Polyfluoroalkyl Substances,” was scheduled in March.

Three news outlets—the Associated Press, CNN and E&E News—said they were barred from attending opening remarks on Tuesday.

“The Environmental Protection Agency’s selective barring of news organizations, including the AP, from covering today’s meeting is alarming and a direct threat to the public’s right to know about what is happening inside their government,” AP Executive Editor Sally Buzbee said in a statement on Tuesday.

E&E and CNN confirmed that their reporters were also turned away. Reporters from The Wall Street Journal, Politico, the Hill and others were present at the meeting. The EPA said there wasn’t enough room to accommodate all reporters who wished to attend.

“This was simply an issue of the room reaching capacity, which reporters were aware of prior to the event. We were able to accommodate 10 news outlets and provided a live stream for those we could not accommodate,” EPA spokesman Jahan Wilcox said in an email. The agency opened up an afternoon session to all media that previously was to be closed to the press.

# Texas Delivers for Democratic Brass

BY JANET HOOK  
AND REID J. EPSTEIN

Texas Democrats gave national party leaders the nominees they wanted in pivotal House runoff elections Tuesday, including one in a bitter contest that pitted the party establishment against its progressive activist wing.

In Houston, Lizzie Pannill Fletcher, a lawyer favored by the Democratic establishment, defeated Laura Moser, a progressive activist who pushed for a bolder party strategy. At stake in that primary was the chance to run against GOP Rep. John Culberson, a top Democratic target because Hillary Clinton narrowly won the district in 2016.

The DCCC had used its muscle to sideline Ms. Moser because party leaders believed she would be a weak general election candidate because of her controversial writings.

In West Texas, Democratic voters picked former Air Force intelligence officer Gina Ortiz Jones, who was also backed by the party establishment, over an acolyte of Vermont Sen. Bernie Sanders. In Dallas, DCCC-backed Colin Allred, a former NFL player, easily beat his opponent.

But in Kentucky, an underdog political novice—former Marine fighter pilot Amy McGrath—defeated Lexington Mayor Jim Gray, who had been recruited by the DCCC to run against her in the primary.

Texas and Kentucky were two of four states holding primaries and runoff elections Tuesday that underscored the political prominence of women in the 2018 elections. In Georgia, two women ran against each other in the Democratic gubernatorial primary, and the winner, Stacey Abrams, has a shot at becoming the first black woman governor elected in the country.

The runoff in Texas’ Seventh Congressional District in Houston also pitted two women against each other. Ms. Fletcher scored the endorsement of EMILY’s List, the influential political group that backs women



Stacey Abrams is the first black woman to win a major party nomination for governor anywhere.

## Georgia Candidate Makes History

Stacey Abrams won Georgia’s Democratic primary for governor Tuesday, setting her up for a general election in which she is bidding to become the nation’s first black woman elected governor.

The Associated Press declared Ms. Abrams, a former minority leader of the Georgia state House, the winner in the intraparty contest against Stacey Evans, a former state representative.

She is the first black woman to win a major party nomination for governor anywhere, according to the Center for American Women in

Politics at Rutgers University.

“I am so grateful to the thousands of you in this room and around this state and around the country who have joined me on this drive to history,” Ms. Abrams said in her victory speech in Atlanta.

The Republicans are headed to a July runoff election after none of the six candidates running took 50% of the GOP primary vote. The runoff will pit Lt. Gov. Casey Cagle against Brian Kemp, the Georgia secretary of state, according to the AP.

Ms. Abrams ran on a platform of improving education, health care and transit. The 44-year-old Yale-educated lawyer, who has written romance novels in her spare time, has endorsements from Sens. Kamala

Harris of California and Bernie Sanders of Vermont, two leaders of the Democratic Party’s liberal wing in Washington.

But Ms. Abrams has been dogged by questions about her personal finances, issues that are likely to receive a full hearing from whichever Republican wins the July runoff.

Ms. Abrams has argued that her financial status makes her more sensitive to the needs of working people. In her most recent disclosure filed with the state, she listed her net worth at about \$110,000. She also reported about \$174,000 in credit-card and student-loan debt, and about \$54,000 in back taxes and penalties to the Internal Revenue Service.

—Reid J. Epstein

who support abortion rights.

The DCCC tried to undercut Ms. Moser before the district’s seven-candidate primary in March by releasing opposition research about potentially controversial writings of hers. But the tactic boomeranged on the party, giving Ms. Moser a fundraising boost and propelling her to the runoff election.

The choice in that race reflected a broader debate among Democrats between the party establishment and its more

progressive, activist wing in the midterm campaign. Insiders argue Ms. Fletcher’s approach will appeal to independents and disaffected Republicans with a centrist message. Liberal activists say the party should try to do a better job of mobilizing core supporters and inspiring new voters to show up with a bold liberal message, as Ms. Moser advocates.

In other Texas runoffs, former NFL linebacker Mr. Allred beat businesswoman Lillian Sa-

lerino in a Dallas area district. Mr. Allred, who is now a civil rights attorney, will face GOP Rep. Pete Sessions, who had no Democratic opponent in 2016. Democrats see promise now because Mrs. Clinton beat Donald Trump in the district in 2016.

And in a district that stretches from San Antonio to El Paso, Ms. Ortiz Jones defeated Rick Treviño, a public school history teacher, who says he was inspired to run by Mr. Sanders.

# HARD WORK

isn't a substitute for a plan.

How can you ensure the people you care about will be taken care of when you move on?

As a business owner, you have a lot of people relying on you. Do you have a plan in place for when you’re ready to transition your business? Is your vision for the business clear? Will your employees, customers, and family be well cared for? Wilmington Trust has been helping business owners like you build effective transition strategies for more than a century. The earlier you begin planning, the more flexibility you’ll have – and the better protected your business will be.

For a deeper understanding of business transition planning, call Matt Panarese and his team at 302-651-1665. Download our research *The Power of Planning* at [wilmingtontrust.com/businessowners](http://wilmingtontrust.com/businessowners).

 WILMINGTON TRUST

PART OF THE M&T BANK FAMILY

WEALTH PLANNING | TRUST AND ESTATE SERVICES | INVESTMENT MANAGEMENT | PRIVATE BANKING\*

\*Private Banking is the marketing name for an offering of M&T Bank deposit and loan products and services.

Investments: • Are NOT FDIC-Insured • Have NO Bank Guarantee • May Lose Value

Wilmington Trust is a registered service mark. Wilmington Trust Corporation is a wholly owned subsidiary of M&T Bank Corporation. Wilmington Trust Company, operating in Delaware only, Wilmington Trust, N.A., M&T Bank, and certain other affiliates provide various fiduciary and non-fiduciary services, including trustee, custodial, agency, investment management, and other services. International corporate and institutional services are offered through Wilmington Trust Corporation’s international affiliates. Wilmington Trust Investment Advisors, Inc., a subsidiary of M&T Bank, is an SEC-registered investment advisor providing investment management services to Wilmington Trust and M&T affiliates and clients. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, member FDIC.

©2018 Wilmington Trust Corporation and its affiliates. All rights reserved.

## WORLD NEWS

## Trump Sows Doubt About Korea Summit

President says scheduled meeting with Kim Jong Un is subject to conditions

By MICHAEL C. BENDER

**WASHINGTON**—President Donald Trump said he would scotch a planned summit with Kim Jong Un unless the North Korean leader first agreed to a list of unspecified conditions, adding new uncertainty to the meeting scheduled for Singapore in just three weeks.

Mr. Trump, speaking Tuesday before a White House meeting with South Korean President Moon Jae-in, said he would insist on the full denuclearization of the Korean Peninsula and on other commitments from Mr. Kim. “I don’t want to waste a lot of time, and I’m sure he doesn’t want to waste a lot of time. So there’s a very substantial chance that it won’t work out. And that’s OK.”

Mr. Trump aimed to shift the burden of the summit back to Mr. Kim, whose deputies surprised the White House last week with a round of aggressive language that suggested unilateral nuclear disarmament was a deal breaker for the high-level talks.

Despite the doubts, the U.S. president kept the door open for the summit, and sought to lure Mr. Kim with promises of global fame and fortune. The U.S. president offered to guarantee Mr. Kim’s safety, and added that China, Japan and South Korea planned to invest “very large sums of money” in North Korea.

“He has a chance to do



South Korean President Moon spoke with U.S. Secretary of State Mike Pompeo and national security adviser John Bolton on Tuesday.

something that maybe has never been done before,” said Mr. Trump, who estimated the odds for the meeting at 50-50. “If you look 25 years into the future—50 years into the future—he will be able to look back and be very proud of what he did for North Korea, and actually for the world.”

Mr. Moon, meanwhile, struck a reassuring tone. He acknowledged growing skepticism around the summit as he encouraged Mr. Trump to push forward, praising the U.S. president for “dramatic and positive change” and saying he had “every confidence” of a successful summit.

“I don’t think there will be positive developments in history if we just assume that because it all failed in the past it will fail again,” Mr. Moon said. “There have been many agree-

ments between the United States and North Korea previously, but this will be the first time that there will be an agreement between the leaders. And, moreover, the person

in charge is President Trump.”

Mr. Moon outlined his terms for a successful summit, saying that it would include a formal end to the Korean War, complete denuclearization of

cumpect about his demands. He declined to describe the conditions he was seeking, while saying later that he would insist on denuclearization. “I have a very strong idea how it takes place,” Mr. Trump said about denuclearization, adding that it “must take place.”

Mr. Moon’s visit to Washington—the sixth time he has met with Mr. Trump—came as the historic planned meeting between U.S. and North Korean leaders looked increasingly at risk, with growing doubts about North Korea’s commitment to the U.S.’s long-standing demand that Pyong-

*‘I don’t want to waste a lot of time, and I’m sure he doesn’t.’*

President Donald Trump

North Korea, a permanent peace declaration on the Korean Peninsula, and restoring diplomatic relations between Washington and Pyongyang.

Mr. Trump was more cir-

yang undertake complete, verifiable and irreversible denuclearization.

Last week, North Korea lobbed three harshly worded statements at the U.S. and South Korea through its state media. One of them, attributed to Kim Kye Gwan, Pyongyang’s longtime leading figure on nuclear negotiations, threatened to pull the plug on the June 12 summit if the U.S. was going to focus on North Korea’s “unilateral nuclear abandonment.”

Victor Cha, who was a White House National Security Council expert on Asia during the George W. Bush administration, said the fate of the summit would hinge on how wide a gap remained between the two countries on denuclearization, and whether Mr. Trump would be willing to negotiate those differences.

“Trump really wants this meeting, but I think he is coming to the realization that, with North Korea, nothing is ever easy,” Mr. Cha said. “This is not going to be a situation where he walks into the room and North Korea has made a strategic decision to give up everything to be embraced by the world, and Trump walks out with a crate full of nuclear warheads.”

Secretary of State Mike Pompeo said the U.S. was still trying to ensure the two sides have a “common understanding” of “the contents of what will be discussed.”

Mr. Pompeo said he hoped that work would be completed in time for the summit to take place on June 12 but wasn’t sure.

—Michael R. Gordon contributed to this article.

## U.S. Takes Aim at European Metals

By EMRE PEKER

**BRUSSELS**—President Donald Trump is weighing measures to cut European Union steel and aluminum exports to the U.S. by about 10%, in a sign the bloc’s concessions to secure tariff exemptions aren’t meeting White House demands, EU officials familiar with the talks said.

Washington proposed two options for Brussels: a quota fixed at 90% of U.S. imports from the EU in 2017 and a tariff-rate quota that would target the same 10% reduction via levies, Poland’s Entrepreneurship and Technology Minister Jadwiga Emilewicz said Tuesday after EU governments discussed U.S. trade relations.

“We are under the impression that somehow they want to limit steel imports to the U.S.,” European Trade Commissioner Cecilia Malmström said of continuing negotiations with Washington before briefing EU governments. “Aluminum as well,” she said, without providing details.

The EU is still trying to figure out precisely what Mr. Trump wants ahead of his June 1 deadline, when the bloc’s temporary exemptions will expire, European officials said. Quotas are one idea floated by U.S. negotiators, but



Workers on the floor of an aluminum plant in Essen, Germany

their scope and details aren’t yet clear, EU officials said.

A spokesman for Commerce Secretary Wilbur Ross didn’t comment on the quota proposal.

Ms. Malmström has been in regular contact with Mr. Ross since Mr. Trump’s decision in March to impose tariffs of 25% on steel and 10% on aluminum. She was expected to hold another round of talks with her U.S. counterpart on Tuesday, seeking to build on feedback

from EU members in her efforts to secure waivers.

A quota at 90% of 2017 exports would be “illegal” and Europe wouldn’t accept it, an EU diplomat said.

U.S. intentions to target European exports come despite a four-point plan EU leaders put forth during their summit last week, seeking to woo Mr. Trump with promises of market access for American exports and an alliance to tackle

global trade issues that both sides see as priorities.

If the White House grants “unlimited” waivers to the bloc, EU leaders said, Brussels would enter into talks with Washington on slashing tariffs and improving regulatory cooperation.

The bloc also would be open to working with the Trump administration to overhaul the World Trade Organization and deepen energy links—a nod to Europe potentially buying U.S. liquefied natural gas.

“Is this going to be enough, I’m not sure, frankly,” Ms. Malmström said. “I think they don’t think it’s enough.”

The EU has readied countermeasures, including €2.8 billion (\$3.3 billion) worth of levies against American exports that can swiftly go into effect if the president doesn’t exempt the bloc from his tariffs. Brussels also asked to join China’s WTO challenge against Washington’s measures.

“We want to avoid a trade war,” German Economic Affairs and Energy Minister Peter Altmaier said Tuesday in Brussels. “It’s important to come to an agreement that is in the interest of both sides.”

—William Mauldin in Washington and Valentina Pop in Brussels contributed to this article.

## UNITED KINGDOM

## BOE Maintains Outlook for Key Rate

The Bank of England may raise its key interest rate in “a few months” if the U.K. economy rebounds from a first-quarter slowdown, Gov. Mark Carney said.

The central bank left its key interest rate unchanged at its May meeting, having signaled earlier in the year that it might move at that gathering.

Mr. Carney told lawmakers on Tuesday that the central bank continues to expect to raise its key interest rate gradually over coming years, while signs of a rebound in growth may come soon.

—Paul Hannon

## BRAZIL

## Bank Minutes Cite Currency Worries

Concerns about global economic turbulence weakening the local currency were behind its decision to keep interest rates unchanged for the first time in 19 months, the central bank said.

Renewed risks of higher interest rates in developed economies threaten emerging-market currencies, the bank said in the

minutes to last week’s policy meeting, when the benchmark Selic rate was held at 6.5%.

The bank said a weakened real could fuel a rise in import prices, reducing the likelihood of inflation ending the year below the official 4.5% target.

—Paulo Trevisani

## MYANMAR

## Watchdog Reports Killings by Rohingya

A Rohingya Muslim militant organization slaughtered dozens of Hindus in Myanmar last year amid violence that included the military’s bloody campaign that forced some 700,000 Rohingya to flee the country, a report released Tuesday by Amnesty International said.

Both Muslims and Hindus are minorities in Buddhist-dominated Myanmar, but the Rohingya Muslims have been the target of focused persecution for decades. The Myanmar government considers them illegal immigrants from Bangladesh and a security threat.

The Arakan Rohingya Salvation Army didn’t respond to inquiries about the Amnesty report in public statements. The group has generally insisted that it targeted only Myanmar security personnel.

—Jon Emont

## FROM PAGE ONE

## RETURN

Continued from page A1

mined aren’t worth keeping.

Nir Nissim received an email in March notifying him that his account had been closed because he violated the company’s conditions of use agreement. “You cannot open a new account or use another account to place orders on our site,” Amazon wrote.

The 20-year-old, who works at an ice cream shop in Israel, said he had a \$450 gift-card balance that he could no longer use. “I contacted them almost every day for a week or two,” he said.

Eventually a customer-service agent told him that his account had been closed due to his return activity. Mr. Nissim said he has returned just one item this year—a computer drive—and four items last year. He sent more messages to protest the ban, including one to Chief Executive Jeff Bezos. An Amazon em-

ployee—responding on behalf of Mr. Bezos—notified him he was reinstated.

“We want everyone to be able to use Amazon, but there are rare occasions where someone abuses our service over an extended period of time,” an Amazon spokesman said last week. “We never take these decisions lightly, but with over 300 million customers around the world, we take action when appropriate to protect the experience for all our customers.”

The spokesman said Amazon encourages customers to contact the company if they think they have been mistakenly banned.

“We didn’t get any warning,” she said. “If I knew this would happen, I wouldn’t buy clothes and shoes on Amazon.”

Dozens of people have complained on Twitter, Facebook and other online forums that Amazon closed their accounts without warning or explanation. Amazon doesn’t tell customers in its return policy that their return behavior can

get them banned, but the company says in its conditions of use that it reserves the right to terminate accounts on its sole discretion. Some people said they have also received email alerts from Amazon about their return activity.

Amazon declined to disclose how many customers had been subjected to such a ban.

Retailers lose billions of dollars annually because of return abuse or fraud, which includes behavior such as requesting a refund for items that are used, stolen or bought somewhere else. The Wall Street Journal previously reported that chains such as Best Buy Co. and J.C. Penney Inc., have hired a third-party firm called Retail Equation to develop a “risk score” on each customer for the purpose of policing returns.

According to former Amazon managers, the company terminates accounts for behaviors including requesting too many refunds, sending back the wrong items or violating other rules, such as re-

ceiving compensation for writing reviews. Cases are typically evaluated by a human after algorithms surface the account as suspicious, they said.

It tends to happen when “you’re creating a lot of headaches for Amazon,” said Chris McCabe, a former policy enforcement investigator at Amazon and now a consultant at EcommerceChris LLC.

Shoppers also are more likely to get flagged if they mark an atypical reason for their returns. For example, an account could get flagged if a customer says an item didn’t arrive as described when the other 99% of customers who made the return did so simply because they didn’t want it.

“If your behavior is consistently outside the norm, you’re not really the kind of customer they want,” said James Thomson, a former senior manager at Amazon and now partner at brand consultancy Buy Box Experts.

—Shayndi Raice contributed to this article.



Amazon has encouraged customers to contact the company if they think that they have been mistakenly banned.

RICK T. WILKING/GETTY IMAGES

“I didn’t get any warning,” she said. “If I knew this would happen, I wouldn’t buy clothes and shoes on Amazon.”

Dozens of people have complained on Twitter, Facebook and other online forums that Amazon closed their accounts without warning or explanation. Amazon doesn’t tell customers in its return policy that their return behavior can

THE WALL STREET JOURNAL.

# CFO Network

## World-Class CFOs Driving the Future of the Global Economy.

### Member Benefits

#### Annual Meeting

June 11–12, 2018 | Washington, D.C.

WSJ editors, business leaders, policy makers and CFOs from around the globe convene to identify and debate the latest business issues.

#### Editor's Dinner Series

July 26, 2018 | New York, NY

September 26, 2018 | New York, NY

Moderated by senior WSJ editors, these engagements bring together top executives for dinner and discussions on issues facing global business.

#### D.LIVE

November 12–14, 2018 | Laguna Beach, CA

Spring 2019 | Hong Kong

Complimentary access to The Wall Street Journal's premier technology events. D.LIVE brings together an unmatched group of CEOs, founders, investors and luminaries from around the world to set the global tech agenda.

#### WSJ Pro Cybersecurity Newsletter

Curated daily to give you unique and actionable insight on the wide-ranging challenges of cybercrime risk.

#### Quarterly Cybersecurity Briefing Report & Video Conference

Exclusively for C-Suite executives, this quarterly briefing provides the latest cybersecurity trends that may impact your business.

#### WSJ Pro Cybersecurity Executive Forum

May 24, 2018 | London

December 11, 2018 | New York City

Join fellow senior executives and industry leaders to discover how you can prepare for increasing cybersecurity threats.

Proudly Sponsored By:

**Deloitte.**



The Wall Street Journal CFO Network is an exclusive membership for Chief Financial Officers from the world's largest and most influential companies collaborating on the most pressing issues in global financial leadership.

Membership is by invitation.  
For more information, please email [CFONetwork@wsj.com](mailto:CFONetwork@wsj.com)

THE WALL STREET JOURNAL.  
Read ambitiously

## IN DEPTH

## OPERA

*Continued from Page One*

delivered to their homes and workplaces as part of an effort to popularize Manaus's opera house, a little-visited landmark with a strange history.

At Ms. Araújo's place, tenor Everaldo Barbosa embarks on the opening aria of the 1738 opera "Serce" by Handel. He is accompanied by the shrill melody of the metal workshop across the road, and the clink of beer bottles being unloaded from a truck nearby. The humming car engine of Mr. Barbosa's driver, who is reluctant to leave the comfort of the vehicle's air conditioning, adds to the cacophony.

Passersby cast apprehensive glances at the scene as they make their way to a housing complex suspected to be home to members of the drug gangs that have made this city one of Brazil's most violent. Over recent months, several people have been executed by criminals in nearby streets, including a tourist

from São Paulo who was shot in the throat midway through a cheeseburger.

"Just wonderful, so beautiful," says Valdeize Souza, 57, lauding Mr. Barbosa's performance with a wide grin. Manaus's resplendent opera house, the Amazonas Theater, is only a 20-minute walk away. Performances cost as little as \$1.30, but like many of her friends, she has never set foot inside.

Crowned with an opulent dome laden with 36,000 yellow, blue and green enameled French tiles, the Belle Époque theater was built in the late 19th century at the height of the city's rubber boom. In the minds of local politicians it was a way to civilize the jungle outpost and turn Manaus into the envied "Paris of the tropics."

From the Italian crystal chandeliers to the Scottish cast-iron stairways, the opera house arrived in pieces on ships up the Amazon river to its tributary, the Negro, whose dark waters lap the port of Manaus. The epic feat inspired Werner Herzog's 1982 film

"Fitzcarraldo."

European tourists, especially the French, are still enamored with the building and dress elegantly for a night at the opera when their cruise ships dock at Manaus, said Jairo Ferreira, a local tour guide. "Americans are less bothered—they'd rather have an adventure in the jungle, swim with river dolphins or

**The opera house came in pieces on ships up the Amazon during the rubber boom.**

something." Natives of Manaus have even less interest, he said.

More than a century since the opera house was built, the city's poorer folk—including descendants of indigenous slaves who were forced to tap the rubber that financed its construction—still "don't feel they belong inside," said Denilson Novo, the state's new

culture secretary.

Mr. Novo, 38, a guitarist in a famous Amazonian rock band, was appointed to the job in October as part of a shake-up in local politics. Amazonas state was forced to hold emergency elections last year after the governor, José Melo de Oliveira, was stripped of his mandate by the courts for vote-buying with the help of evangelical pastors. Mr. Oliveira, who has denied wrongdoing, was later jailed over separate corruption-related charges.

One of the first changes Mr. Novo made was to open the opera house on Sundays, the only day when the city's poor, who often work several jobs, have time off. He rebelled against the stuffy dress code enforced by his predecessor, a traditional-minded lawyer who had been culture secretary for two decades. Spectators can now turn up in shorts and flip-flops.

The mini-revolution hasn't gone down so well among sectors of Manaus's high society. "We've had complaints when the theater gets really full,"

said Mr. Novo.

For the annual opera festival, which ends June 2, Mr. Novo called on his new events manager, Francis Madson, a local actor and film director, who came up with the idea for Opera Delivery. Within 24 hours of taking orders, 50 performances had been booked—the maximum the singers figured they could deliver during the month.

Mr. Panilha, who accompanies all the performers with an electronic keyboard, worries the program is making him fat.

"When we go to people's homes, they normally prepare a little party for us with snacks and cake," he said. At Ms. Araújo's house, there was a full meal of rice and shrimp stew waiting for them at 11 a.m.

At a school performance, half the students walked out when they realized opera would be performed. The typical audience reaction, however, has been very positive, he said, with some people moved to tears.

The day after the recital at Ms. Araújo's, Mr. Panilha performs for what turns out to be

his most captive audience yet: 30 patients hooked up to kidney dialysis machines at a local health clinic.

The star of the show is soprano Carol Martins. Before going on, sitting beside patients in the bright waiting room, the voluptuous singer flutters her fake eyelashes as she listens to Mr. Madson's instructions on timing and where to stand.

"Now, do you have a problem with blood?" he asks her.

Inside the treatment room, the dialysis machines mark the pace, methodically pumping blood in and out of patients lined up on armchairs for the four-hour procedure. She does her best to captivate the audience with a love song from Mozart's "The Marriage of Figaro."

"I still haven't managed to visit the opera house," said Marcelo de Sá Fonseca, 25, whose health problems began as a young boy when an alligator bit off his leg while he was fishing in the river. "I have no idea what the lady was singing about," he says, "but it relaxed me."

took on the route, overriding limits set out in a recently agreed park plan. The walk was already so popular that hikers complained of congestion.

The department justified its decision under "exceptional circumstances," a clause in conservation law. After an investigation, an independent ombudsman, whose rulings aren't binding, called the claim of exceptional circumstances "nonsense on stilts." The department publicly apologized to the climber who made the complaint but didn't reverse its loosening of trail rules.

In 2016, at the urging of helicopter companies wanting to offer more flights for Lunar New Year, the conservation department granted a trial eight-fold increase in aircraft landings on a remote Fiordland glacier.

The alpine club started a crowdfunding campaign to pay for the department to make its reasoning public. An ombudsman investigation in April ruled the department "acted unreasonably" and that "aspects of its decision appear to be contrary to law."

Marie Long, the conservation department's director of planning permissions and land, says it now agrees it made a wrong decision. She says her advice to staff is to stick to existing limits in national-park management plans.

The chief pilot for Glacier Southern Lakes Helicopters, Andy Clayton, says he worries a few rogue tourism operators are spoiling things for ones that try to protect New Zealand's green image. With helicopters, he says, "it's all about flying neighborly."

Some industry leaders say it is contradictory that there are New Zealanders who have turned against tourism, given its economic benefits.

"People forget that 10 years ago...the industry and New Zealand communities were screaming out for growth," says Simon England-Hall, chief executive of Tourism New Zealand, an industry marketing agency. He says operators are aware of the changing mood and that "most of New Zealand is not yet benefiting from increased tourism."

Last year, the government's conservation department asked New Zealanders to nominate new areas for development to take pressure off popular hiking trails. They received around 30 responses from a population of 4.8 million, a response rate that Kevin Hackwell, chief conservation adviser for conservation group Forest & Bird, says isn't surprising.

"Why would anyone want to volunteer their favorite local walk," he says, "to be commercialized in the way the 'Great Walks' have, and overrun?"

Last September's national election divided the nation between those who benefited from the conservative administration's nine-year stewardship of the economy and those who felt left behind. The winning center-left Labour Party pledged to tax tourists to help fund new infrastructure.

The new conservation minister, Eugenie Sage, a conservationist who fought the Fiordland monorail, says increasing aircraft landings and expanding commercial activities on conservation land can't go on forever.

"There is a limit," she says. "If you're going to a concert and the venue is sold out, you can't go."

## TRAVEL

*Continued from Page One* ging two-lane roads. One man in shorts stood down a bus until the tourists disembarked. A resident elsewhere became so annoyed with jet boats in a river near his property he hired a digger to divert the water; officials threatened legal action if he persisted.

Tourism, which many countries once considered a business niche that could yield easy revenue, has become a mega-industry. And those millions of tourists who descend each year on small towns, once-lonely beaches and historic sites are generating a global backlash.

International tourist arrivals globally grew to 1.3 billion in 2017, the United Nations' World Tourism Organization says. That is up from 674 million in 2000 and 278 million in 1980, propelled by the rise of budget air travel, social media, an emerging Chinese middle class and technologies that make distant places easy to navigate.

International tourist arrivals globally grew to 1.3 billion in 2017, the United Nations' World Tourism Organization says. That is up from 674 million in 2000 and 278 million in 1980, propelled by the rise of budget air travel, social media, an emerging Chinese middle class and technologies that make distant places easy to navigate.

A wave of antitourism demonstrations took place in popular European destinations last summer, including Venice, Mallorca and San Sebastián, Spain. In Barcelona, youth groups were filmed slashing rental-bicycle tires, and officials banned tour groups from parts of the city.

Fodor's in 2016 began publishing a "No Go" list reflecting concerns that tourism was destroying the world's best places. Featured this year: the Galápagos Islands and parts of Thailand, and a designation for "Places That Don't Want You to Visit" because their governments are trying to combat overcrowding.

## Economic driver

Tourism remains a crucial and welcome economic driver in many places, especially developing countries such as Cambodia and parts of Africa where visitors' spending has lifted many out of poverty. A number of countries with well-established attractions, such as Egypt, have been hurt in some recent years as tourism fell off during periods of unrest.

In New Zealand, "we're hoping for a good debate about this and no knee-jerk reaction," says Chris Roberts, chief executive of Tourism Industry Aotearoa, an association representing hoteliers and tourist operators. "Tourists are a massive economic benefit."

Many top tourist destinations, including U.S. national parks, have long worked to strike a balance between luring tourist money and controlling crowds.

The latest surge is different, say experts such as Simon Milne, who has researched tourism around the world, and says frustrations have been boiling at an unprecedented level, especially the past 18 months. "We can't ignore the fact that tourists don't have a good rap in many places," said Mr. Milne, director of the New Zealand Tourism Research Institute at Auckland University of Technology.

Since last summer's Europe protests, the industry has made "overtourism" a focus.



Thailand said it would close Maya Bay, above, for several months because of damage from tourism.

cuss the issue at a summit on the topic co-organized by the U.N. Overtourism was also a theme in March at ITB Berlin, a major industry convention.

Thailand said in March it would close Maya Bay on Koh Phi Phi Leh, an island where Leonardo DiCaprio's "The Beach" was filmed, from June to September because overtourism was damaging the marine environment. The Philippines in April announced that Boracay, an island once known for crystal-clear waters, would close to tourists for six months over concerns about pollution.

In ads after the first "Lord of the Rings" film in 2001, the slogan "100% Pure New Zealand" began morphing into

"100% Middle-earth." The Department of Conservation formed a commercial-business unit to find more ways to generate income from protected areas, providing GPS coordinates of "Rings" locations.

Tourism became a top New Zealand export, along with dairy. "The landscape is so beautiful it looks fake," says Amy Blitzer, a 34-year-old project manager from New York who took a helicopter flight to a glacier recently.

Places such as Queenstown, gateway to numerous "Rings" sites, boomed. International visitors passing through the local airport hit 567,000 last

year, from 39,000 in 2005.

Property prices soared. Unemployment averaged 1.9% in 2017, versus 4.7% nationally.

"I've lived here for 36 years and the place is a whole lot better than when I came here," says Jim Boult, the town's mayor. "Some New Zealanders have the idea that because it isn't like it was in 1965, it's not good anymore."

Locals complain traffic has become a problem, and residents who can't afford homes feel squeezed out. Jason Medina, an events manager, says he moved to Queenstown in 2004 and found a sleepy mountain town where houses rented for about \$1,000 a month. Now, he says people are lucky to get single rooms for that.

A tourism-industry survey last fall found 40% of the country worried tourism was putting too much pressure on New Zealand, up from 18% two years earlier.

Much backlash revolves around Fiordland, a wilderness area near Queenstown. One of its 14 fiords, Milford Sound, is accessible by a narrow, winding road including a one-lane tunnel. Nearly 800,000 tourists visit it each year, many on buses running such tight schedules that some drivers have only a 30-minute buffer to complete the return journey while complying with official limits that let them drive again the next day. Accidents involving overseas drivers are common.

Dozens of tour boats circled the fiord on a recent day, taking turns idling by pods of dolphins and nosing up to waterfalls.

The 87-year-old Federated Mountain Clubs, one of New Zealand's leading conservation groups, has filed dozens of complaints to the country's conservation department over the past five years, many related to Fiordland. A petition it circulated against a proposed monorail line and new tunnel into the park received nearly 10,000 signatures. Both proposals were ultimately blocked.

Another battle was over Routeburn trail, one of New Zealand's "Great Walks," winding through ancient forests connecting the Fiordland and Mount Aspiring national parks. The conservation department had granted a guiding company the right to nearly double the number of guided walkers it

## Trails of Middle Earth

Queenstown, gateway to numerous "Rings" sites, boomed. Property prices soared too, putting them out of reach of some locals.

## Queenstown Airport, international passengers



Sources: Queenstown Airport; Infometrics (GDP, unemployment); QV (house prices)

THE WALL STREET JOURNAL.

# GREATER NEW YORK

## New Attorney General Is Named

Barbara Underwood will serve as the state's top prosecutor until the end of the year

BY CORINNE RAMEY

New York lawmakers Tuesday appointed Barbara Underwood as the state's 66th attorney general, making her the first woman to hold the position and allowing her to serve as the state's top prosecutor through the end of this year.

Under New York law, the state legislature is charged with filling the position, which became vacant this month following the resignation of Attorney General Eric Schneiderman.

"I've served in many roles in government throughout my career," Ms. Underwood said in a statement. "But I believe this job—at this moment in history—is the most important job I have ever had."

Earlier this month, state lawmakers interviewed about a dozen candidates for the position.

"She's competent, she's capable, she has a stellar record and she will be a terrific interim attorney general," Sen. Majority Leader John Flanagan, a Republican, said on Tuesday before a joint session of the state's Senate and Assembly.

"Not only are we breaking a glass ceiling, but we're setting the standard high," said Sen. Andrea Stewart-Cousins, who leads the Democratic conference.

Ms. Underwood, a Democrat, became acting attorney general after Mr. Schneiderman resigned earlier this month following a report in the New Yorker magazine that he physically abused women with whom he was romantically involved. Mr. Schneiderman, a Democrat, has denied the allegations.



**Barbara Underwood**

- ◆ New York state attorney general (the Democrat isn't running in the election)
- ◆ 73 years old
- ◆ Served as state solicitor general from 2007 through 2018
- ◆ Argued 20 cases before the U.S. Supreme Court
- ◆ Graduated from Georgetown Law



**Leecia Eve**

- ◆ Democrat running for state attorney general
- ◆ 53 years old
- ◆ Vice president at Verizon
- ◆ Port Authority board member
- ◆ Former aide to Andrew Cuomo and Hillary Clinton
- ◆ Graduated from Harvard Law School



**Letitia James**

- ◆ Democrat running for state attorney general
- ◆ 59 years old
- ◆ New York City public advocate
- ◆ Former member of the New York City Council
- ◆ Graduated from Howard University School of Law

*'I believe this job – at this moment in history – is the most important job I have ever had.'*

*'New Yorkers, now more than ever, need a defender to protect their rights and the organizations and the environment of our great state.'*

*'I will fight to safeguard the rights of working people and use my experience, capabilities, and passion...to help all New Yorkers.'*

LEFT TO RIGHT: HANS PENINK/ASSOCIATED PRESS; LEV RADIN/PACIFIC PRESS; MIKE GROLL/ASSOCIATED PRESS

cally involved. Mr. Schneiderman, a Democrat, has denied the allegations.

Ms. Underwood, 73 years old, served as New York's solicitor general from 2007 until this month, when she became the state's acting attorney general. She previously held the position of acting U.S. Solicitor General, and has argued 20 cases before the U.S. Supreme Court.

Ms. Underwood has said she won't run for attorney general in the coming election.

and has argued 20 cases before the U.S. Supreme Court.

Ms. Underwood has said she won't run for attorney general in the coming election.

If either Ms. Eve or Ms. James were to win the election, it would mark the first time an African-American woman holds the statewide office in New York.

## Suit Claims Abuse at Juvenile Center

BY MELANIE GRAYCE WEST

New York Democrats are expected to nominate a candidate for the attorney general election during a convention on Long Island on Wednesday.

Convention speakers are expected to include former U.S. Sen. Hillary Clinton and former Vice President Joe Biden.

New York City Public Advocate Letitia James, a Democrat viewed as the race's front-runner, has garnered a handful of endorsements in recent days.

On Monday, New York City Council Speaker Corey Johnson, a Democrat, endorsed Ms. James, calling her "immensely qualified."

On Tuesday, unions 32BJ SEIU, which represents property-services workers, and the Communications Workers of America District One, which represents telecommunications employees, endorsed Ms. James as well.

Also this week, another Democrat, the lawyer Leecia Eve, said she would run for attorney general.

Ms. Eve, 53 years old, works at Verizon Communications Inc. as vice president of government affairs for New York, New Jersey and Connecticut, according to an online biography. She also serves on the Board of Commissioners of the Port Authority of New York and New Jersey.

Ms. Eve previously worked as an aide to New York Gov. Andrew Cuomo, a Democrat, and Mrs. Clinton.

"New Yorkers, now more than ever, need a defender to protect their rights and the organizations and the environment of our great state," she said Tuesday.

If either Ms. Eve or Ms. James were to win the election, it would mark the first time an African-American woman holds the statewide office in New York.

The man alleges he was repeatedly raped beginning when he was 15 years old.

He said they would reward juveniles willing to "play ball" with special privileges, including fast food, candy, cellphone use and videogames.

Staff would also "visit the rape victim's home and carry back photographs and money directly to the victim that was not otherwise permitted," according to the complaint.

The lawsuit filed Monday closely mirrors a separate one filed in August 2017 by Franklyn Maldonado, also of the Bronx, against the city, the Administration for Children's Services and several of the agency's employees. Mr. Maldonado, like Mr. Smith, alleges that he was raped multiple times by Nathalie Medford, who was a juvenile counselor at Horizon.

An attorney for Ms. Medford didn't respond to a request for comment. Ms. Medford has denied Mr. Maldonado's allegations and countersued him, court records show.

A spokeswoman for the Administration for Children's Services referred comment to the New York City Law Department, and declined to say how many of the Horizon staff workers named in the two lawsuits continue to work for the agency. A spokesman for the Law Department said: "The city takes these allegations seriously. We'll review the complaint and respond accordingly."

Vik Pawar, the attorney for Mr. Maldonado and Mr. Smith, said the city has been saying that Mr. Maldonado is lying about his abuse. "I am certain the city will say Miguel is lying, too," Mr. Pawar said. "The problem is the defendants got away with these atrocious acts because they said, 'No one will believe you.'"

## Suffolk Ponders Driverless Airport Shuttle

BY JOSEPH DE AVILA

Travelers taking the Long Island Rail Road to Long Island MacArthur Airport typically rely on taxis to travel the final 3-mile leg from the Ronkonkoma train station. Now, Suffolk County officials want to make driverless vehicles an option.

The county envisions adding a driverless shuttle system that would cover about 3.5 miles of private airport roads to give riders another way to get to the airport.

Factoring in tunnel and roadway construction, Suffolk County officials say a dedicated roadway could be ready within the next two decades.

During that time, they expect driverless technology to improve sufficiently to become a feasible option to connect the airport and train station.

Steve Bellone, Suffolk County's Democratic executive, is expected to make the pitch for the new train-to-airport connection system at Thursday's State of the County address.

The system is estimated to cost \$41 million and includes the construction of new roads and tunnels, according to a report commissioned by the county and town of Islip, which owns the airport, examining the connection.

The system would need approvals from the New York State Department of Transportation, the Federal Aviation Administration and other state



**A driverless shuttle proposed by Suffolk County officials would run between the Ronkonkoma train station and MacArthur Airport.**

and federal agencies, depending on the funding sources.

Startups such as Local Motors already have launched pilot programs of driverless shuttles in the Washington, D.C.-metro area, and others are under way in Europe and Japan.

"Developing a seamless connection between the Ronkonkoma LIRR and MacArthur Airport is critical to the economic vitality of our regional transportation center," said Lou Bekofsky, deputy commissioner of Suffolk

County economic development and planning.

He said the county planned to capitalize on the state's investments in the LIRR to improve the busiest station in the county. Funding sources for the train-to-airport connections haven't been identified.

An LIRR spokesman said: "This enhanced connection will be boosted by the LIRR's construction of a second track from Farmingdale to Ronkonkoma later this year and will grow further with the

completion of a third track from Floral Park to Hicksville." The connection also would be enhanced by a project designed to improve service to the east side of Manhattan.

The area around Ronkonkoma also is home to two of the county's biggest development projects.

Jones Lang LaSalle Inc. plans to build a \$1 billion project south of the station that includes a sports-medicine center, medical office and research center, and a sports arena. Tritec Real Estate Co.

plans on developing a 50-acre residential and commercial project called the Ronkonkoma Hub to the north of the station.

About 8% of the airport's 2 million annual passengers use the Long Island Rail Road to get to MacArthur, according to the county's report.

Taxis and other car services are now the main options for train passengers to make the trek to the airport. Village Taxi, which provides service to the airport, couldn't be reached for comment.



# HUBLOT

CLASSIC FUSION

TITANIUM BLUE

WEMPE

700 FIFTH AVENUE & 55TH STREET

NEW YORK • 212.397.9000

## GREATER NEW YORK

METRO MONEY | By Anne Kadet

# Free for All at City Museums Is Paying Off



When Me-  
linda Allen-  
Grote's plan to  
spend her  
birthday at the  
New York Bo-  
tanical Garden got rained out  
on a recent afternoon, she and  
her two friends googled  
"Bronx museum" and wound  
up at the Bronx Museum of  
the Arts, which they had  
never heard of. They were  
even more surprised to dis-  
cover admission is free.

"We were going to pay," said her pal Barbara Loizeaux.  
Having toured the small  
museum's exhibits of local  
artists, the trio declared it  
was well worth paying for.

"\$5 to \$7," suggested Linda  
McLeod.  
"\$25," countered Ms. Al-  
len-Grote.

"\$15," said Ms. Loizeaux.  
"So why is it free?"

While many New York City  
museums offer free admission  
to residents, or waive the fee  
at certain times, there are  
roughly a dozen that offer the  
best kind of open-door policy—  
free admission to everyone,  
all the time.

The reason is obvious: It  
makes the venue accessible  
to all, even cheapskates. And  
museums say the policy of-  
fers advantages to the institu-  
tion, as well.

At the American Folk Art  
Museum on Manhattan's Up-  
per West Side, a big sidewalk  
sign adorned with balloons  
reads, "Come in: Admission is  
always free."

"There is so much competi-  
tion in the cultural landscape  
of New York City. It's impor-  
tant to be welcoming," says

Stacy Hollander, the mu-  
seum's acting director.

Its 133,000 annual visitors  
often drop a donation in the  
collection box and spend at  
the gift shop, she notes.

Indeed, the museum's store  
accounts for roughly a quarter  
of its \$4 million in annual  
revenue and support.

Then there's the money  
saved by not running a ticket  
booth—\$200 to \$400 a day  
for a small museum, esti-  
mates Amy Boncardo, exec-  
utive director at the Queens  
County Farm Museum.

Besides, says Ms. Hollander,  
admission fees contribute far  
less to the typical museum's  
bottom line than you might  
expect. Gate receipts account  
for just 6% of the average mu-  
seum's revenue, compared  
with 8% from the gift shop,  
22% from endowment income  
and 57% from donations, ac-  
cording to the Association of  
Art Museum Directors.

Some of New York City's  
free museums make up for  
the lost revenue with alter-  
native sources. The National  
Museum of the American In-  
dian in lower Manhattan, for  
example, is 60% federally  
funded. Established by an  
Act of Congress in 1989, it is  
prohibited from charging ad-  
mission.

The Queens County Farm  
Museum, with its sheep,  
goats, alpacas, hens, bees and  
vegetable fields, covers a  
good chunk of its \$3 million  
yearly operating budget by  
selling produce, eggs, yarn  
and honey to its 400,000 visi-  
tors. It also earned \$1.3 mil-  
lion from group tours and  
\$744,000 from visitors at-



The American Folk Art Museum and the National Museum of the American Indian offer free admission. Above, fifth-graders play with American Indian musical instruments. Below, another student tries out snow goggles at the American Indian museum.



tending a handful of paid-ad-  
mission events, such as the  
annual Queens County Fair, in  
its 2016-17 fiscal year.

About 80,000 or so guests  
visit each year for free, says  
Ms. Boncardo. If each paid  
\$10, that could add \$800,000  
to the bottom line. "But if we  
charged \$10 a head, we  
wouldn't have 80,000 visi-  
tors," she says. "Let's face it."

When I spoke with visi-  
tors at free museums around  
the city, most said they hap-

pily would pay admission,  
typically citing \$10 to \$12 as  
a reasonable fee for a small  
museum.

But evidence shows that  
admission fees actually have a  
huge impact on attendance.  
After the Bronx Museum of  
the Arts dropped its \$5 ad-  
mission fee in 2012 atten-  
dance spiked, according to its  
annual reports.

These small museums are,  
after all, often niche attrac-  
tions with relatively narrow

appeal. I never visited some  
of them because I assumed  
they'd be a tedious affair, like  
dinner with a friend who pays  
for the meal so you'll listen to  
him rattle on.

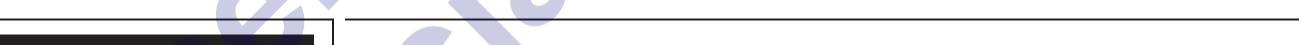
The National Museum of  
the American Indian, mean-  
while, offers what may be the  
city's most entertaining fash-  
ion exhibit including ivory-  
and-sealskin Inuit snow gog-  
gles, garters made with  
porcupine quills and a nifty  
dance skirt fashioned from

condor feathers.

Indeed, in a city where  
residents are used to free  
concerts from top musicians  
and world-class art in free  
galleries, there's no stigma  
to luring patrons with free  
museum admission.

"It's a New York thing to  
offer free experiences," Ms.  
Hollander says. "It's one of  
the things that makes it such  
a great city."

*anne.kadet@wsj.com*



## Quarterbacks Get Primed for Football Season



DOUBLE TAKE: New York Jets first-round pick Sam Darnold, right, and veteran quarterback Josh McCown practiced at the NFL team's training camp in Florham Park, N.J., on Tuesday.

## GREATER NEW YORK WATCH

### NEW YORK CITY

#### K2 Overdose Tally Grows in Brooklyn

Two years after it turned a  
Brooklyn intersection into so-  
called "zombieland," the syn-  
thetic drug known as K2 has re-  
emerged, causing 56 overdoses  
since Saturday, law-enforcement  
officials said Tuesday.

The overdoses were in five  
different locations in Brooklyn,  
including the area of Broadway  
and Myrtle Avenue. Near that in-  
tersection in July of 2016, 33  
people overdosed on a similar  
form of the drug, with many  
seen at the time shaking and  
writhing on the ground.

New York Police Department  
Chief of Detectives Dermot Shea  
said the recent victims exper-  
enced similar symptoms, includ-  
ing foaming at the mouth. Police  
have arrested 12 people in con-  
nection with the overdoses, in-  
cluding eight for selling the drug  
and four for possession. Authori-  
ties are still determining who is  
the main source of the drug.

Police believe the K2 in the  
recent overdoses is coming from  
the same source because of the  
proximity of the overdoses and  
similarity in the packaging.

*Zolan Kanno-Youngs*

### NEW YORK CITY

#### Lawyer Apologizes For Restaurant Tirade

A lawyer whose rant against  
Spanish speakers in a New York  
City eatery went viral posted an  
apology online on Tuesday, say-  
ing he was not a racist.

"Seeing myself online opened  
my eyes—the manner in which I  
expressed myself is unacceptable  
and is not the person I am," Aaron  
Schlossberg said in a post to his  
Twitter and LinkedIn accounts.  
"I see my words and actions hurt  
people, and for that I am deeply sorry."

Mr. Schlossberg became in-  
censed last week when he heard  
workers in a Manhattan restaur-  
ant speak Spanish. In the rant  
caught on video, he threatened  
to call Immigration and Customs  
Enforcement to have the work-  
ers "kicked out of my country."

In the uproar that followed, a  
complaint was filed with a law-  
yers' disciplinary committee; the  
building he was using as a busi-  
ness address terminated its  
agreement with him; and critics  
hired a mariachi band to play  
outside his apartment and former  
office space and they de-  
manded his disbarment.

*Associated Press*

### AIRPLANE SCARE

#### Passengers Evacuated From Smoking Plane

A smoking engine forced the  
evacuation of a plane at Newark  
Liberty International Airport.

United Airlines said air-traffic  
control tower notified the crew  
that smoke was coming from  
one of the engines when Flight  
2160 from San Francisco landed  
at about 2:30 a.m. Tuesday.

Passengers exited onto the  
taxiway and were bused to the  
terminal. No injuries were re-  
ported. Port Authority police  
said a hydraulic fuel leak is sus-  
pected as a cause.

*Associated Press*

### NEW JERSEY

#### Firefighter Settles Discrimination Suit

A New Jersey city will pay  
\$450,000 to settle a lawsuit  
with a deputy fire chief who al-  
leged he wasn't promoted be-  
cause he is white.

As part of the settlement  
with Plainfield, Jeffrey Courtney  
will be banned from city employ-  
ment and cannot disparage or  
defame the city in the future.

*Associated Press*

# LIFE & ARTS

WORK &amp; FAMILY | By Sue Shellenbarger

## Reinvention in a Digital Era

Can older employees stay in the game? Ways to stay current and valuable as workplaces favor the young and tech-savvy

**DO YOUR COLLEAGUES** at the office seem to be getting younger?

It looks that way to the millions of older employees in industries being disrupted in the digital era and favoring younger more digitally savvy workers, such as tech, entertainment, retailing and media. As more workers in their 40s and beyond plan to delay retirement until their mid-60s, a growing number will have to hustle to reassert their value to their employers.

A core question older employees face: Would your boss hire you again with the skills you have now? Being able to answer yes takes some smart moves to keep your skills fresh, your attitude upbeat and your personal style up-to-date.

Waiting to act until a buyout offer or other rumblings of cutbacks surface at your company is too late. "You can't wait until the ax is falling to get out of the way," says Judith Gerberg, a New York City executive coach.

Networking with younger colleagues and showing curiosity about what they do can help you stay abreast of changes, says Ellis Chase, a New York career-management consultant and author. "You have to break through your comfort zone and talk to that 28-year-old hotshot. Seek her out and ask, 'I'd love to learn more about this. Could you spend a half-hour with me? I'll take you to lunch,'" Mr. Chase says.

Jeff Fuerst, 52, spent eight years in his 40s as an inventory-management executive at Sears Holding Corp., the troubled retailer, in hopes of helping it turn around. He stayed abreast of technology and helped start a work-from-home program to help attract young recruits. As Sears continued to close stores, he kept his industry contacts fresh by attending meetings of professional groups.

In a transition initiated by one of those contacts, Mr. Fuerst left Sears three years ago for a position as a senior vice president at Integrated Merchandising Systems, a Morton Grove, Ill., merchandising and marketing agency. There, he's learning e-commerce and digital-marketing technology, and he has since been promoted to chief logistics officer. "If you don't react quickly to change, it's very hard to keep up," Mr. Fuerst says.

Forming ties and collaborating with colleagues at all levels is an important survival skill, Ms. Gerberg says. Make sure "you have somebody who, if your name comes up at a meeting to be fired, will say, 'Oh no, that person is great. I've worked with them,'" she says. If your group is targeted for buyouts, having friends inside the company also improves your chances of transferring to a new assignment in a different unit.

Karen Alber, 54, continued to advance her skills and build new contacts during stints at three separate beverage and food companies in the past 15 years, enduring major cost cuts and restructuring threats and leaving voluntarily in each case. She earned certifications in a field that didn't exist when she graduated from college in the 1980s—supply-chain management.

She joined professional groups and spoke at meetings. "I sometimes thought, 'Really? I have to get on a plane and go to a conference?'" Ms. Alber says. "But then I did it anyway." She took coaching courses because she enjoyed mentoring young colleagues.

She also volunteered for internal projects, including task forces for improving how



work got done. She sometimes worried, "If I go on this team, how am I ever going to get my job back?" Ms. Alber says. But she learned valuable skills, including managing cross-functional teams and delegating work she couldn't do herself, helping her advance to chief information officer.

"It became her brand," says Amy Ruppert, an executive coach who worked with Ms. Alber for years. "People knew, 'You can throw Karen Alber into anything and she'll

### Collaborating with colleagues at all levels is an important survival skill, one coach says.

run with it!'" Two years ago, Ms. Alber made a planned, voluntary move to a new career, co-founding the Integreship Group, a Chicago leadership-coaching firm, with Ms. Ruppert.

Many people face psychological roadblocks to learning new jobs or skills, says Andy Molinsky, a professor of organizational behavior at Brandeis University and author of a book on stepping outside your comfort zone. Older workers may feel resentful about having to stretch themselves when they've already worked for decades. Or they may think, "This doesn't feel like me," Dr. Molinsky says.

Some manage to venture into new terrain anyway, by developing a sense of purpose—a belief that making the effort is important for a reason you value deeply. Others manage to tweak, personalize or customize the

way they move into new roles, so that they feel more comfortable, he says.

One way to do this, consultants and coaches say, is to develop your personal style. That doesn't mean overhauling your wardrobe or appearance in an effort to look as hip as younger colleagues. "If you're in your 30s and you have stubble, maybe it's hunky. But if you're 70 and you've got gray stubble, it looks like you're homeless," says Peter Cappelli, a management professor at the Wharton School and author of "Managing the Older Worker."

New York image consultant Amanda Sanders advises choosing clothing and accessories that reflect current fashions, but making sure they also fit well and look good on you. Men can update their look by choosing trousers with tapered legs, leather shoes with double monk straps rather than laces, and contemporary glasses with tortoiseshell or colorful transparent frames. While an Apple watch suggests the wearer is tech savvy, "on someone older it looks like they're trying to be young," Ms. Sanders says. A better choice might be a classic watch with a leather band, she says.

Women should abandon outdated looks, such as a frumpy cardigan over a dress, in favor of a leather jacket or asymmetrical sweater, Ms. Sanders says.

Those whose hair is thinning can color it with highlights to lend more depth and thickness, she suggests. And gray hair is fine if it's healthy and styled in a contemporary way, Ms. Sanders says. "Wear your age as a badge of honor," she says. "If you believe it, they'll believe it."

♦ Work & Family Mailbox: Open desks for introverts and other topics ..... A10

### Stayin' Alive

To help go the distance late in your career:

- If your area is a likely target for cuts, explore potential assignments in other units.
- Look for problems you can solve for your employer to demonstrate your strengths.
- Consider updating your wardrobe and hairstyle with help from a trusted adviser.
- Participate when possible in off-hours socializing or charity events with colleagues.
- Take the initiative to get to know younger colleagues with skills you don't have.
- Volunteer to help with training or onboarding programs for new hires.
- Raise your hand for internal projects that will strengthen your network or skills.
- Update your professional credentials via training or refresher courses.
- Stay involved in professional organizations or your college alumni network.



FROM TOP: ILLUSTRATION BY ROBERT NEUBERGER; ISTOCK

### TRAVEL

## TWEENS: A HOTEL'S TOUGHEST CUSTOMERS



UNIVERSAL ORLANDO RESORT  
A suite at the Hard Rock Hotel Universal Orlando features memorabilia from Taylor Swift and Katy Perry.

BY ANDREA PETERSEN

**HOTELS ARE TRYING** to crack one of the trickiest riddles in the business: How do you keep a tween happy?

Children in that awkward age between 8 and 12 can be a headache for hotels. They flee at the sight of 5-year-olds coloring. Yet they may be too young to wander around a resort alone or to take part in the growing number of teen-oriented activities at hotels like dance parties. And their presence is likely to chase the teens away anyway. Now, hotels are coming up with new ways that they hope will engage tweens—and keep their families coming back for return visits.

Tweens "want cool. They don't want kiddie," says David Bartek, vice president for operations for Loews Hotels at Universal Orlando. Mr. Bartek oversees five properties near an epicenter of tweendom: The Wizarding World of Harry Potter, housed in two of Universal Orlando Resorts theme parks.

The hotels host tween-friendly poolside activities like Hula-Hoop

contests and water-balloon tosses. They've also added themed rooms such as the Future Rock Star Suite at the company's Hard Rock Hotel, which has a faux stage and memorabilia from tween idols Taylor Swift and Katy Perry. "Tweens are our customers and guests of the future," he says.

Children of all ages are playing a larger role when it comes to where and how their families travel. About 77% of travelers said children influenced the planning of vacation activities and 54% said they helped select the hotel, according to a 2018 survey of 2,967 leisure travelers conducted by marketing and research firm MMGY Global. That is up from 66% and 49%, respectively, in 2014. About one-third of travelers now say they are actually "at the mercy of our children when making vacation decisions."

When the Atlantis resort in the Bahamas opened its Club Crush teen nightclub in 2010, it was bombarded by tweens trying to crash it, despite its 13-and-over age rules. "They would say, 'We're old enough. Can we use the bathroom?'

Please see TWEENS page A11

## LIFE &amp; ARTS

MY RIDE | By A.J. Baime

## One Little Red Corvette Leads to Another



**Kim Burroughs, 43, a dentist from Gambrills, Md., on her 1962 Chevrolet Corvette, as told to A.J. Baime.**

When I was little, my sister and I both had Barbie dolls and Barbie Corvettes, which were toy cars that Barbie "drove." Mine was

purple, my sister's was silver, and we played with them all the time.

Jump forward to 1997. My father John Burroughs bought a 1959 Corvette. I helped him push the car off the trailer when it was delivered to his house in Sun-

derland, Md. I was starting dental school in the Baltimore area, so I was not around to help him restore it. He promised that this car would be mine someday, but I guess I got impatient.

In 2015, my boyfriend

Scott Chalk—who restores cars professionally—told me about a friend who had a 1962 Corvette that he had gotten in the 1970s. He had taken it apart intending to restore it but that never happened, and now he wanted to sell it. We went and saw the car; it had been painted red and all the parts were in boxes.

The year 1962 was the last of the first-generation Corvette, and the best in my opinion because the car came with a bigger 327 V-8 engine. In June 2015, I paid \$30,000 for mine. My boyfriend and I loaded it in a trailer and brought it home. We created lists of all the parts we had and all the parts we needed. I went to swap meets and Corvette shows to find parts. We spent some 60 hours underneath the car scraping off undercoating, which had probably been put on by a dealership when the car was originally purchased.

The underside of the trunk lid was still the original paint color so, a paint specialist used that to mix the right shade, which was called Honduras Maroon.

Along the way, we real-



**Kim Burroughs, top, bought her 1962 Chevrolet Corvette in 2015 for \$30,000—inspired by her father, who owns a 1959 model, and her childhood Barbie's car. Ms. Burroughs and her boyfriend completely restored her car, which earned a top award.**

ized that our restoration was going to be really nice, so we decided to have the car judged by the National Corvette Restorers Society (NCRS), which looks at how close a restorer can get a car to what it was the day it left the factory.

We finished our restoration in October 2016, which is fast for a job this big. On

April 8, 2018, we took the car to be judged by the Mason Dixon chapter of the NCRS, in Havre de Grace, Md. The car earned a "Top Flight" award, the highest you can get.

To think, it all started with a Barbie doll.

Contact A.J. Baime at [Facebook.com/ajbaime](https://Facebook.com/ajbaime).

## ADVERTISEMENT

## Showroom

To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

PORSCHE

Proudly Celebrating  
35 Years of Excellence

**ISRINGHAUSEN**



> 911	17 911 Carrera 4S Cabriolet PDK	Agate Grey/Grey	4K mi	CPO	\$132,900
	14 911 Turbo S Coupe PDK	White/Luxor Beige	20K mi	CPO	\$129,900
	13 911 Carrera S Cabriolet Manual	Agate Grey/Grey	29K mi	CPO	\$79,900
	07 911 GT3 RS Coupe Manual	Oslo Blue/Black	2K mi		\$289,900
	07 911 GT3 RS Coupe Manual	Arctic Silver/Black	18K mi		\$169,900
	97 911 Turbo S Coupe Manual, 1 Owner	PTS Night Blue/Grey	18K mi		\$449,900
	96 911 Turbo Coupe	Black/Black	36K mi		\$149,900



> MACAN/CAYENNE	17 Cayenne Platinum Edition	Jet Black/Black	14K mi	CPO	\$61,900
	16 Cayenne S	Black/Black	42K mi	CPO	\$62,900
	16 Cayenne Diesel	Carrara White/Black	27K mi	CPO	\$61,900
	16 Cayenne Diesel	Mahogany/Luxor Beige	25K mi	CPO	\$59,900



> BOXSTER/CAYMAN/PANAMERA	16 Boxster Spyder	Black/Black	3K mi	CPO	\$104,900
	13 Panamera GTS 1 Owner	Carbon Grey/Black	50K mi	CPO	\$59,900

> SPECIALTY/EXOTICS	16 BMW M4 GTS	Black Sapphire/Black	46 mi		\$115,900
	15 BMW M4 Convertible	Mineral White/Black	20K mi	CPO	\$58,900
	15 Mercedes-Benz SL 65 AMG Convertible	Black/Black	8K mi	CPO	\$135,900
	15 Mercedes-Benz G 63 AMG	Graphite/Light Brown Nappa	42K mi	CPO	\$99,900
	14 Mercedes-Benz E 63 AMG	Palladium Silver/Black Nappa	21K mi	CPO	\$59,900
	13 Ferrari 458 Italia	Bla Pozzi/Blu Scuro	13K mi		\$182,900
	89 Ferrari Testarossa 1 Owner	Rosso Corsa/Crema	2K mi		\$189,900
	89 Mercedes-Benz 560 SL	Arctic White/Grey	24K mi		\$49,900

All prices exclude Tax, Title, Registration and Licensing; Delivery and Handling Fees. Dealer is not responsible for pricing errors.

877-362-9770 | Springfield, IL

sales@isringhausen.com | [Isringhausen.com](http://Isringhausen.com)

• Specializing in Premium, Hard to Find Vehicles.

• Nationwide, Worry-Free Shipping

LEASE

BOATING

SUMMER YACHT CHARTER  
ONBOARD 164' WESTPORT

Accommodates 12 guests in 8 spacious staterooms. Full complement of water toys including 42' Yellowfin Tender. Experienced crew of 11—Excellent yacht for large families. Available in New England & Bahamas—Now \$195,000 p/w + exp.

Call 954-768-0707 or email [charter@moranayachts.com](mailto:charter@moranayachts.com)

LEASE

## 2017 Bentley Bentayga

White, Loaded. MSRP \$258,000  
2k miles, Buy for \$178,900

Nationwide delivery. We offer all current makes & models - for less. Call 7 days.

Trades accepted.

877.989.1500

[www.LEASEFAX.com](http://www.LEASEFAX.com)

PORSCE

Region's Largest Pre-Owned

Porsche selection means

**TOP DOLLAR PAID**

For your pre-owned Porsche

Please call Chris direct

at 203-546-6740 or email

[cpartelow@danburyporche.com](mailto:cpartelow@danburyporche.com)

BMW

BMW

## BMW Centennial

Celebrating its 100th anniversary, BMW produced 100 Centennial edition M760i xDrives for the world (5 of which were allocated to the U.S. market). Our dealership's owner was fortunate to have received one and his demo w/6,000 miles is now being offered for sale.

For details or appointment contact Carl Brand GSM 410-236-2313

**BMW of Towson**  
Kenilworth Dr. @ West Rd.  
Towson, MD 21204  
[www.bmwtowson.com](http://www.bmwtowson.com)

## BMW OF ROCKVILLE

YOUR  
HEADQUARTERS  
BMW  
833-899-9899 | [BMWRockville.com](http://BMWRockville.com)

**Q:** You wrote recently about employers replacing traditional one-desk-per-employee setups with unassigned desks and a variety of other spaces for meeting and socializing. What impact do these wide-open setups have on introverts?—M.S.

**her career prospects? Or should she wait to quit until after she finds a new job?**—R.R.

**A:** Those changes are certainly deal breakers, but staying for a few months longer isn't likely to hurt her prospects. Hiring managers can easily tie the abrupt change in her title and pay to the spinoff, rather than any failing on her part. They're also likely to understand that she wanted to continue working while seeking a new job. Meanwhile, encourage her to look for ways to turn her current assignment into a win, by helping solve problems caused by the transition or assuming leadership in some measurable way.

There's a lot of value in leaving any job as a winner, if possible. Staying for six to 12 more months would let her say in future interview that even though the terms of her employment were changed dramatically, she stuck it out long enough to assess her prospects there and make a contribution. Meanwhile, she should document her accomplishments so she can describe them in detail.

If the changes take too great a personal toll on her and you can afford to risk her being out of work for a while, it's time to move on.



**Q:** Regarding your recent story about phone snoopers who look over other people's shoulders to read their computer or smartphone screens: Did you find any apps or hardware options that protect users' privacy?

**A:** Screen filters that fit over a laptop, tablet or smartphone screen are the most widely used solution. They work like vertical blinds that permit users looking straight at the screen to see it clearly, but block the view from the periphery. 3M offers a selection of visual-privacy filters in various colors for monitors, laptops and smartphones.

Many commuters simply hold the flip covers on their smartphones partly closed to block bystanders' view.

**Q:** My wife started a new management

**P:** job last year but her division was

spun off a few months later, depriving her of her director title and forcing her to take a 35% pay cut. Will staying on that job hurt

## LIFE &amp; ARTS

FILM REVIEW | By Joe Morgenstern

# 'Solo': The Force Is Half-Awake

**THE WELCOME NEWS** in the matter of "Solo: A Star Wars Story" is that they found a good kid to grow into Harrison Ford's boots. That term isn't meant to diminish the actor's maturity. At 28, Alden Ehrenreich brings impressive skills behind a boyish face to a risky role. But the hero of this origin story about Han Solo has been conceived as a cocky kid with brash charms that foreshadow one of the most distinctive rogues in movie history, and Mr. Ehrenreich pulls it off, to the extent that anyone can consummate an impossible act of anticipatory mimicry. He can lower his pleasing voice to a con man's sardonic register; his cheeks seem dimpled, despite the absence of actual depressions, and his eyes seem to pick up reflected light from adventures not yet lived. But the neutral news about "Solo" is exactly that, its dramatic neutrality. Time ticks by at a drifty pace while lots of action of no great consequence grinds on.

What's most surprising about this younger Han is the unsurprising nature of his background. As a kid on the mean streets of the planet Corellia—darkly Dickensian streets in a movie that's depressingly dark overall—he boosted speeders and dreamed childhood dreams of owning his own ship. (The "Solo" part of his name turns out to be touching in an Ellis Island kind of way.) We first meet him on those streets as he's racing, and then car-chasing, with the love of his young life, Qi'ra, who's played appealingly by Emilia Clarke. They're desperate to escape an oppressive culture, and it's easy to wish them well in their travails and sudden separation, although their star-crossed reunion comes so quickly as to suggest an extremely small galaxy, or, more plausibly, the narrative problems inherent in a famously troubled production that lost its original directors and focus

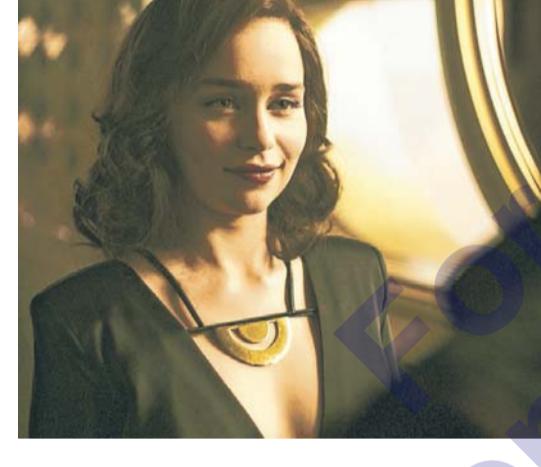
early on. (Ron Howard took over the direction, working from a script by Jonathan Kasdan and Lawrence Kasdan.)

The film's most momentous event is Han's first encounter—punishing and tumultuous at the outset—with the Wookiee warrior Chewbacca, who will become his co-pilot and cherished companion, and who is played, perhaps more plaintively than before, by Joonas Suotamo. (A personal note: My first "Star Wars" sighting came in 1976. At a preview for another film I saw a trailer with an image that was, according to everything I knew at the time, unfathomable—a space ship with some sort of giant, bleating ape at the controls.) Han speaks pidgin Wookiee well enough, so he gets Chewbacca's name, but immediately decides



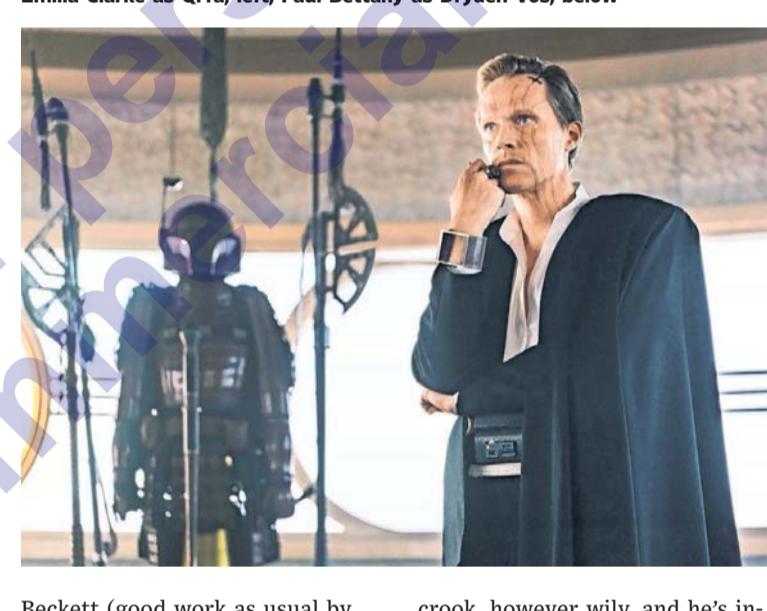
© LUCASFILM LTD. (3)

Alden Ehrenreich as Han Solo and Joonas Suotamo as Chewbacca, above; Emilia Clarke as Qi'ra, left; Paul Bettany as Dryden Vos, below



that it's too long and he'll have to shorten it.

The movie seems too long, partly because of its episodic structure—battle-chase-battle-battle-chase—but also because of what is, or isn't, at stake. Garden-variety villainy is afoot in the absence of a majestic villain like Darth Vader. The Rebel Alliance remains undreamed of. Han falls in not with principled revolutionaries but with a wily crook named



Beckett (good work as usual by Woody Harrelson) and his co-crook Val (an ill-used Thandie Newton). Beckett serves as Han's mentor, so there's that layer to their relationship; he's fatherly to a fault in warning Han not to trust anyone. Still, a crook is a

crook, however wily, and he's involved with a mob headed by Paul Bettany's Dryden Vos, an oily operator of high viscosity, yet none of it matters all that much in the cosmic scheme of things. Not until the last reel does a genuine surprise surface, and with it fra-

grant hints that something significant may be cooking on the distant desert planet Tatooine.

Even the action feels perfunctory, however impressive it may be on the surface. The most elaborate set piece is a train robbery—the train being a futuristic (or pastistic, given the "long time ago" part of the memo) creation that cruises the sides of vertical cliffs, but the sequence lacks the visual organization—the simple clarity—of its silent-era forebears. Donald Glover's Lando Calrissian is seductive in an unusually inclusive sense, given his romantic entanglement with L3-37, a faceless robot voiced by Phoebe Waller-Bridge. And if "Solo" is the origin story of a human hero, it is equally the celebration of a machine whose title transfers from Lando to Solo in the course of a card game. At the screening I attended, there were many laughs and some cheers of recognition, but the only applause line came with the definitive explanation of how a justifiably self-delighted Han Solo made the Kessel run in less than 12 parsecs in the Millennium Falcon.

## TWEENS

*Continued from page A9*

We just want to look," says Lauren Snyder, the property's chief marketing officer and executive vice president.

So Atlantis decided to open a tween-only nightclub, Club Rush, with karaoke contests and a smoothie bar, a year later. More recently, Atlantis has started allowing 9-to-12-year-olds to visit Club Crush in afternoons and early evenings without an adult, before the teens arrive for their mocktails and DJ dance party.

Rosewood Bermuda launched a bunch of supervised activities specifically for 8-to-11-year-olds in April, including hiking to a local cave and learning how to make traditional fish cakes.

The property made the move because tweens were avoiding the hotel's traditional children's program, which prevented their parents from being able to have alone time to go to the beach, play golf—or spend money at the resort's spa, says Paul Telford, the property's managing director.

The new tween activities take place away from the children's program area, so tweens "don't feel like they're going into a day care," Mr. Telford says. Rosewood Hotels & Resorts is launching a new program for tweens at all of its hotels in 2019.

Hotels also are creating more adventurous excursions they hope will appeal to tweens. The Maybourne Hotel Group, which runs three luxury properties in London, teamed up with children's party organizers Sharky & George to launch new activities in March, including an elaborate treasure hunt around the British Museum for about \$600.

It begins with an actor, playing an MI5 agent and dressed in a trench coat, surreptitiously handing the children a letter that says the Rosetta Stone has been switched with a fake.

The children's mission: to follow a trail of clues and find the real one. "They end up seeing a lot of the exhibits in a fun way and they accidentally learn the stuff their parents want them to," says George Whitefield, a Sharky & George co-founder.

The children's club at Mohonk Mountain House in New Paltz, N.Y., is for children 2 to 12. But only children 7 and older are allowed to go rock climbing or try archery. That builds anticipation among the younger children—which can



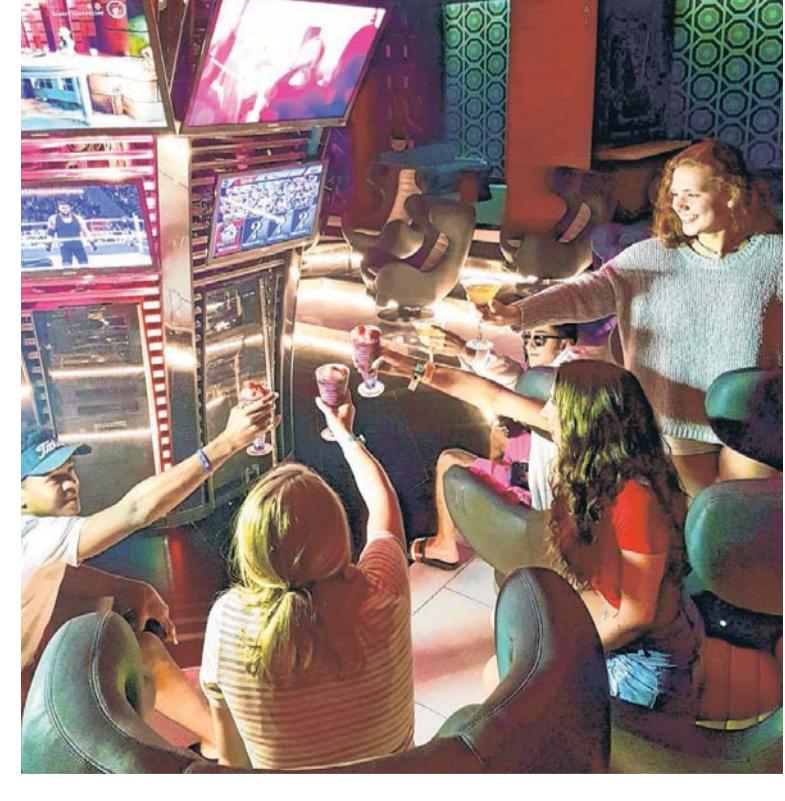
The Berei family, above, has taken advantage of offerings for tweens at Mohonk Mountain House. Young visitors to the Atlantis in the Bahamas, right.

prompt their families to make a return visit, says Alex Sherwood, Mohonk's director of hotel operations.

William and Thomas Berei, 9-year-old twins from Mountain Lakes, N.J., have been vacationing at Mohonk with their parents and older sister since they were babies and have participated in the resort's children's program since they were 2. The boys were excited to finally get to the older group.

"We get to do more challenging things," William says. "You can do rock scrambles that make your heart pump really fast."

Travelers should expect to see more pint-size spa-goers. While many hotels have long offered manicures and pedicures to the under-12 set, tweens are now getting a broader menu of treat-



ments. Some are serious splurges. In March, Acqualina Resort & Spa in Sunny Isles Beach, Fla., launched a Young Fan treatment for children 7 and up. (A parent is also required for the \$500 program.) It includes an hour-long massage for child and adult, time in

the steam room and a buffet of cookies and candy like Gummi Bears and Airheads.

Pink Sands Club Canouan in St. Vincent and the Grenadines has a new Texters Treat neck and shoulder massage to "help relax those all-important muscles for texting," for children 8 and up.



## OPINION

# The Last Temptation of Elon

**BUSINESS WORLD**

By Holman W. Jenkins, Jr.

Call of good-governance

types for Elon Musk to surrender his chairman's title to an independent eminence who can be appointed to ride herd on him?

Our answer, strictly from the shareholder's standpoint, is no. This good-governance nostrum, like many, is case-specific. It's a good idea for a company for which it is a good idea. It's not a good idea for Tesla because the main thing holding up the stock price is Mr. Musk's image as a conjurer, and any move suggesting the board is questioning his magical potency could be fatal for the Musk bubble.

Mr. Musk has fenced with analysts lately over whether he needs to raise fresh capital this year amid struggles to get the Model 3 into production. The discussion is modestly irrelevant, though, because Mr. Musk keeps laying out grand plans that will certainly require gobs of fresh capital in future years.

All this rests on the stock-and-debt-buying public adopting a hazy, not quite explicit belief that Mr. Musk represents the green future and that public policy will fall in line behind him and guarantee his success.

## Trump Courts Disaster With Iran

**POLITICS & IDEAS**

By William A. Galston

Trump administration's conditions for a new deal with

In a speech at the Heritage Foundation earlier this week, Secretary of State Mike Pompeo laid out the Trump administration's conditions for a new deal with Iran. These conditions include not only the permanent cessation of Iran's nuclear and ballistic missile programs but also the complete reversal of decades of Iranian regional policy. It is inconceivable that Tehran would agree to anything of the sort, which points to the real objective of the administration's policy—regime change.

Indeed, Mr. Pompeo said as much: He noted that Supreme Leader Ali Khamenei had been in power since 1989 and said the Iranian people wouldn't "abide the rigid rule of tyrants forever." Making sure no one missed the point, he also said, "At the end of the day, the Iranian people will get to make a choice about their leadership. If they make the decision quickly, that would be wonderful."

Meanwhile, the U.S. will impose the toughest and most comprehensive sanctions in history, including not only primary sanctions on Iran but also secondary sanctions on anyone who

continues to do business with the country. Conceding that this strategy will pose "financial and economic difficulties for a number of our friends," Mr. Pompeo made clear the administration wouldn't relent.

"We will hold those doing prohibited business in Iran to account," he said. "I've spent a great deal of time with our allies in my first three weeks. I know they may decide to keep their old nuclear deal going with Iran. That is certainly their decision to make. They know where we stand."

Mr. Pompeo's speech wasn't well received in Europe. British Foreign Secretary Boris Johnson termed the administration's demands a "new jumbo Iran negotiation" and declared—with uncharacteristic understatement—that success wouldn't be "very easy to achieve in anything like a reasonable time scale." Claiming that the U.S. had "walked away" from an agreement with clear benefits for the West, Mr. Johnson said that Europeans would be discussing "how to take it forward."

Federica Mogherini, the European Union's high representative for foreign affairs and security policy, went further. The Iran deal was "the result of more than a decade of complex and delicate negotiations," she said. "The normalization of trade and economic

relations with Iran constitutes an essential part of the agreement, which should be upheld by the international community." Noting that the agreement wasn't designed to address all issues in the West's relationship with Iran, Ms. Mogherini said that the U.S. secretary of state had not shown how scrapping the deal

"will make the region safer from the threat of nuclear proliferation" or put the Western alliance in a better position to influence Iran's conduct in other areas. "There is no alternative," she concluded.

In the short run, the Trump administration will probably be able to force the Europeans to halt economic dealings with Iran because their stake in the U.S. economy is orders of magnitude greater. In the longer run, however, this course of action risks permanent damage to the trans-Atlantic alliance. As the Brookings Institution's Suzanne Maloney puts it, "The casual disregard, the back of the hand that was given to Europeans" will be "incredibly counterproductive"

Tesla is entitled to move them perennially to the end of the line in favor of customers who are willing to fork up for the fully loaded (\$78,000) version.

Mr. Musk has discovered, or invented, a market for electric cars. And that's great. Whether buyers really want electric cars, or just want high-end emblems of green virtue, it can be a good business either way.

Unlike the DeLorean, Mr. Musk's vehicles live up to expectations as long as those expectations are reasonable. As this lesson is taken to heart, we expect to see fewer Teslas in Thanksgiving traffic on I-95 making the last miles to grandma's house on the back of a flatbed truck.

What we have yet to see, from Tesla or any other manufacturer, is that customers are willing to buy electric cars at prices resembling the cost of making them. Here may reside Mr. Musk's real missed opportunity. He could have aimed to become a niche maker of electric fetish objects, and done so at a price point that would not require endless subsidies from the taxpayer or stock investors.

He had a chance to show that an electric-car maker with realistic ambitions could be a profitable, self-sustaining member of the auto-manufacturing community. Right now, his fans are stuck with the hope that some combination of the Musk bubble plus public policy will make their bet on Tesla stock come out all right.

**BOOKSHELF** | By Ann Toews

## The False God Of 'Wellness'

### Everything Happens for a Reason

By Kate Bowler

(Random House, 178 pages, \$26)

### Natural Causes

By Barbara Ehrenreich

(Twelve, 234 pages, \$27)

We are responsible for our bodies and our well-being. With willpower and a bit of help from modern medicine, we can all overcome illness and live long lives. People with persistent health problems should pursue every conceivable cure, starting with eating more kale, practicing mindfulness and joining a gym.

In two new books two writers, both of them determined to face their mortality honestly, assail these and other current American falsehoods about the extent to which we control our own health. Kate Bowler, the author of "Everything Happens for a Reason, and Other Lies I've Loved," is a 37-year-old mother and Duke Divinity School professor with Stage 4 colon cancer. Barbara Ehrenreich, the author of "Natural Causes: An

Epidemic of Wellness, the Certainty of Dying, and Killing Ourselves to Live Longer," is a seasoned writer and, at 76, self-admittedly of age to die. Ms. Bowler believes in God; Ms. Ehrenreich is an atheist who takes comfort in the idea of an "animate universe" of life and possibility. They've both chosen to forgo extreme medical intervention and to face the inevitable.

As they grapple with what it means to die, they each return to their Ph.D. research—Ms. Bowler's on the American prosperity gospel, Ms. Ehrenreich's on cellular immunology—and identify, perhaps surprisingly, the same insight:

that the various ways we seek to support the ill, and the faith we place in man-made remedies, are deeply misguided.

Before her diagnosis, Ms. Bowler spent 10 years studying a belief characteristic of certain Christian churches that God rewards the faithful with health and wealth. She immersed herself in communities that sought proof of God's love primarily in their possessions and skipped right over Lenten suffering to Easter joy. On occasion, believers suggested Ms. Bowler examine her conscience for unresolved sins producing her physical pains.

As she begins to "battle" her disease—amid exhortations to be an optimistic warrior—she finds that she has unwittingly adopted a version of this prosperity gospel. With her dream job and picture-perfect family secure, she had doubted her vulnerability. She had tacitly expected God to grant her "a few shining accolades" and a full life as a wife and mother in exchange for her devotion.

"One moment I was a regular person with regular problems," she writes. "And the next, I was someone with cancer. Before my mind could apprehend it, it was there—swelling to take up every space my imagination could touch." In this new and fearful existence, Ms. Bowler meets doctors who lack satisfying answers or even the ability to empathize. She fumes that her mother-in-law has the privilege of complaining about aging and realizes that many sick people lack equitable access to clinical trials. None of it seems fair. She describes "control" as a drug that has us all hooked, whether we adhere to the prosperity gospel or simply a sense that our futures are in our own hands.

### Americans are hooked on a powerful illusion—that modern medicine, self-discipline and denial can together forestall death.

Ms. Ehrenreich goes after the same cultural illusion of mastery. In the late 1960s, she conducted doctoral research on macrophages, immune cells widely accepted as "good guys" in the fight against harmful elements in the body. "I could walk through the valley of the shadow of death, so to speak," she writes, "or expose myself to deadly microbes, and know no evil, because my immune cells and antibodies would keep me from harm." So when medical research reveals in 2008 that these heroes sometimes aid and abet the proliferation of disease, she feels nothing short of betrayal.

Revelations about a traitorous immune system lead to more questions and eventually to her realization that a whole host of supposedly ordered systems are in fact unpredictable. Ms. Ehrenreich finds reasons to doubt our faith in Western "rituals" of medical examinations, expensive wellness regimens and a glut of evidence-poor tests—bemoaning precious time spent trying, uselessly, to prevent all manner of ailment. "Conflict may be endemic to the human world, with all its jagged inequalities, but it must be abolished in the individual," she wryly concludes of the wellness movement. "To what end? To feel good, of course, which is the same as feeling powerless."

One of Ms. Ehrenreich's late chapters is a philosophical whirlwind that begins with a question, "Who is in charge?", and ends in utter, graphic despair. She denounces in turn monotheism's emphasis on the soul, the Enlightenment's emphasis on the self and capitalism's emphasis on personal branding, finally reducing one's choice of belief to animism or meaninglessness. The latter, she suggests, may soon be more manageable with psychedelic drugs that promote "the death of the self" and a fearless embrace of unity with the universe.

Ms. Bowler steers clear of prescriptions for the dying. Counter to Ms. Ehrenreich's claim that religious belief relies on coercion and pat answers, Ms. Bowler avoids both—indeed, wants to overturn the tendency toward both. She finds herself "floating" on the love and prayers of those around her in the months after her diagnosis—a fleeting feeling of God's presence that St. Augustine called "the sweetness." She yearns to relish her remaining moments with her beloved husband and son in "ordinary time," the part of the church calendar that falls outside the joyous—and sorrow-filled—holidays. What practical advice she does offer is directed at those who encounter the dying: what to say and not say, listed in two separate appendices.

Ms. Bowler's and Ms. Ehrenreich's observations about our culture-wide denial of bodily decay lead them down distinct paths of interrogation and discovery. For all their research, they are not prepared to give us easy answers. Still, their dry humor and raw, personal accounts help make thinking about our common fate bearable. We may have a few extra years yet to sip kale smoothies, run marathons and get tested for everything under the sun, but we ought not make physical health our ultimate hope.

Ms. Toews is a fellow at the Foreign Policy Research Institute.

## Remember the Pueblo, Mr. President

By Richard Miniter

North Korea released

three U.S. hostages in

the run-up to next

month's summit with President

Trump. It should follow up by

returning the USS Pueblo.

Sent to map North Korean

radar stations in January

1968, the spy ship, whose top

speed was 13 knots, was pur-

sued by North Korean gun-

boats. Machine-gun fire and

artillery shells raked the ship,

wounding 10 sailors, one fat-

ally. The former freighter

was armed only with two ma-

chine guns, tied down under

ice-covered tarps. Uncovering

and loading the jam-prone

guns, Cmdr. Lloyd "Pete" Bu-

cher later said, would have

heightened the risk to his

crew.

As the Pueblo desperately

sought to evade capture,

crewmens burned punch cards

to keep secrets from the en-

emy, and smoke poured out of

the vessel. Six fast gunboats

swarmed in. A pair of MiG

fighters circled overhead.

Surrounded and outgunned,

Bucher surrendered without

firing a shot.

That saved the lives of all

but one of 83 Americans

aboard, including two civilian

oceanographers. But Bucher's

decision was controversial. It

was the first surrender of a

U.S. Navy ship since 1807. Al-

though many cards were

burned, the loss of classified

material "would dwarf any-

thing in previous U.S. crypto-

logic history," a 1992 National

Security Agency report, classi-

fied until 2012, found. Some

admirals publicly demanded a

court-martial.

Seeing his crew beaten,

starved and tortured over 11

months in captivity, Bucher

repeatedly rallied them to per-

severe. When his captors

sought propaganda photos, he

led the men in raising their

middle fingers—claiming it

was the "Hawaiian good-luck

sign." Bucher's last written

confession is a masterpiece of

double-talk, translating harm-

lessly into Korean while clear

enough to any American:

"In summation, we who

have been rotating upon the

fickle finger of fate for such

long languid months give our

word to the Great Speckled

Bird that we will heretofore in

all sincerity cleanse ourselves

of rotteness and vituperations.

We solemnly await our

return to our loved ones so

that the fickle finger can be

replaced by the rosy fingers of

dawn and salvation. So help

me, Hanna."

Freed at last, the sailors

landed in San Diego on

Christmas Eve 1968 to cheers

and cameras. Bucher had lost

nearly half of his body

weight. Though scarred by

torture, hunger and disease,

all the prisoners survived.

Weeks later, Bucher faced a

board of inquiry, which rec-

ommended a court-martial.

Seeing his crew beaten,

starved and tortured over 11

months in captivity, Bucher

## OPINION

## REVIEW &amp; OUTLOOK

## When Carter Page Met Stefan Halper

**M**ultiple media sources have now confirmed that American academic Stefan Halper is the “top secret” informant the FBI asked to sidle up to Trump campaign officials in 2016. Some questions follow: Who asked Mr. Halper to keep tabs on the Trump officials, and when and why?

The answers go to the credibility of the Federal Bureau of Investigation’s claim that it didn’t open an official counterintelligence probe into Trump-Russia collusion until July 31, 2016. The answers might also show if Obama Administration officials knew about this mission, or if political actors working for the Clinton campaign such as Fusion GPS played a role.

One mystery concerns Mr. Halper’s interaction with Trump aide Carter Page. The New York Times reported on Friday that Mr. Halper’s contact with Trump officials happened only after the July 31 launch of the probe. The story notes that Mr. Halper reached out to campaign adviser George Papadopoulos “late that summer” and then to Mr. Page “in the ensuing months.” A Washington Post story adds that Mr. Halper sat down with Trump official Sam Clovis on either “August 31 or Sept. 1.”

But Mr. Page tells us he actually met Mr. Halper in mid-July, at a symposium at England’s University of Cambridge, where Mr. Halper is an emeritus professor. Mr. Page says the invitation to that event came much earlier—the end of May or early June. Mr. Page declined to say who invited him but says it was someone other than Mr. Halper.

Mr. Halper had a central role in the symposium. The event was hosted by the Centre for Research in the Arts, Social Sciences and Humanities (CRASSH), a Cambridge research institute. And the official organizer was another American academic and alumnus of Republican administrations named Steven Schrage. In a Facebook post at the time, Mr. Schrage explained that the event was supported by Cambridge’s Department of Politics and International Studies—Mr. Halper’s department.

## A Right To Try Arrives

**T**he House on Tuesday passed a bill that would allow some patients to seek medical treatments still in clinical trials, and this is a welcome end to some messy sausage-making. But it isn’t a GOP license to forget about the more fundamental bureaucratic obstacles to drug approvals.

The House passed 250-169 a bill sponsored by Senator Ron Johnson of Wisconsin that passed the Senate by unanimous consent last year. The bill is named for patients such as Wisconsin mother of three Trickett Wendler, who died in 2015 after a battle with ALS. Another is Jordan McLinn, a young boy in Indiana who has Duchenne muscular dystrophy.

The House over several months made changes to the Senate bill and then passed its own version this spring from House Energy and Commerce Chairman Greg Walden. Mr. Johnson then tried to move the House bill in the Senate, but Minority Leader Chuck Schumer blocked it for unexplained reasons.

The question since has been if the bill would die. Mr. Walden deserves credit for finally accepting the Johnson version instead of insisting on his own bill that would fail. The delta between the two versions involved in part who could “try” drugs—did a patient’s diagnosis have to be terminal?—but the differences aren’t worth derailing the project.

The core of the bill is to allow drug manufacturers and patients to enter into mutual agree-

## Congress resolves its differences on access to experimental drugs.

ments without government approval. Many drug companies will decline to provide experimental treatments because they fear this could distract from the goal of FDA approval. But right to try is still important as a message from Congress that patient and physician prerogative are more important than bureaucratic whim.

President Trump is eager to sign the bill, and he kicked off a speech on drug prices this month with some spontaneous lingua franca to FDA Commissioner Scott Gottlieb: ‘Where is Scott? Stand up, Scott. Stand up. And ‘right to try’ is happening, right? You have that moving? ‘Right to try.’ So important.’ Vice President Mike Pence has long been an advocate.

Right to try has moved because Americans perceive that new drugs aren’t reaching patients quickly enough, and they’re right. Discovering a new drug is perhaps the riskiest bet in all of American business. Three phases of clinical trials can last more than six years, and the third part involves as many as 3,000 patients. This model is untenable as discoveries target ever smaller patient populations in the emerging era of biomedicine.

Dr. Gottlieb has been updating FDA processes, but the movement could use more political firepower from Congress. Let’s hope the right-to-try moment is the first of many to help patients receive potentially life-saving treatments as soon as possible.

## Suffer the Little Children

**W**hat’s more important—finding a foster home for needy children, or identity politics? The answer from the political left is exacerbating a crisis in Philadelphia that is leaving hundreds of children to languish in group homes.

Catholic Social Services has worked in Philadelphia for decades and oversees about 100

foster homes. But two months ago the city abruptly halted referrals to the group because the Catholic charity holds Catholic beliefs about same-sex marriage. Last week several foster parents represented by the Becket Fund for Religious Liberty sued in federal court to resume the group’s foster-care placements.

Catholic Social Services works with children regardless of race, gender or sexual orientation. But on Catholic religious grounds the charity won’t certify same-sex or unmarried couples as foster parents, instead referring them to another state-approved organization. More than two dozen alternative agencies exist, and Catholic Social Services says no gay couples have even sought its help for certification, much less filed a complaint after being turned away.

Philadelphia has nonetheless denounced Catholic Social Services as discriminatory and launched an investigation into its practices. Unless the group agrees to provide written certifications for same-sex foster parents, the city will terminate its contract in June.

The Becket Fund suit argues that this is a breach of contract with Catholic Social Services. It also claims that Philadelphia is violating the

## Philadelphia sacrifices Catholic foster services to identity politics.

group’s right to religious liberty by penalizing it specifically for Catholic beliefs, and that the city is violating the First Amendment by compelling speech that Catholic Social Services opposes.

Beyond the law, Philadelphia’s coercion hurts the city’s most vulnerable children and the families who

want to care for them. One of the plaintiffs in this case is Cecelia Paul, who

has opened her home to more than 130 children

over the past 46 years. Philadelphia honored her as one of its foster parents of the year in 2015. But because Mrs. Paul is certified through Catholic Social Services, her home has been vacant since April.

Philadelphia claims foster parents like Mrs. Paul could simply work through another one of its partners. But switching can be a bureaucratic hassle, and the red tape is only part of the problem. Catholic Social Services provides its foster families with holistic support, building relationships that often last for years. The group’s social workers are there for midnight phone calls and weekend emergencies. “Mrs. Paul trusts them, relies on them, and she cannot imagine starting from scratch and fostering children without them,” the lawsuit says.

As the lawsuit notes, the real discrimination here is religious. Philadelphia is penalizing Catholic Social Services because its beliefs about marriage don’t mesh with progressive cultural values. To protect the city’s conscience, Philadelphia demands that Catholics violate their own. Who is really intolerant here?

## A timeline that contradicts claims by Justice and the FBI.

CRASSH and Mr. Halper’s department share a building where the symposium took place.

The event was titled “2016’s Race to Change the World,” and headlined the dueling perspectives of former Secretary of State Madeleine Albright and former GOP Congressman Vin Weber. According to the program, Mr. Halper kicked off the opening session

on July 11. Mr. Page confirms he met Mr. Halper for the first time at the symposium.

Another noteworthy participant was Sir Richard Dearlove. Sir Richard, a Cambridge alumnus, spent a near-40-year career at the British intelligence service, MI6, rising to its chief from 1999 to 2004. As such he overlapped with anti-Trump dossier author Christopher Steele, who was recruited by MI6 after graduating from Cambridge in the late 1980s, and who later ran the Russia desk. Sir Richard told the Washington Post in February that Mr. Steele’s reputation was “superb.”

Sir Richard is also friendly with Mr. Halper. The two men were part of a small group that ran the Cambridge Intelligence Seminar, an academic forum for researchers and one-time practitioners of spycraft. At least one of these sessions in 2014 featured eventual Trump National Security Adviser Michael Flynn. The duo made headlines in the United Kingdom in 2016 when they resigned from the organization, which Mr. Halper told the Financial Times was due to “unacceptable Russian influence on the group.”

For the record, Mr. Page says he had never interacted with the CRASSH program at Cambridge before that early summer 2016 invitation. And while he did not speak at the event, he says the organizers paid his round-trip airfare from New York.

Perhaps all of this is a crazy coincidence, but House Intelligence Chairman Devin Nunes is right to investigate. President Trump on Monday tasked Chief of Staff John Kelly with ensuring that Justice Department officials let congressional leaders review “classified and other information they have requested.” There’s no excuse for refusing to cooperate.

ments without government approval. Many drug companies will decline to provide experimental treatments because they fear this could distract from the goal of FDA approval.

But right to try is still important as a message from Congress that patient and physician prerogative are more important than bureaucratic whim.

President Trump is eager to sign the bill, and he kicked off a speech on drug prices this month with some spontaneous lingua franca to FDA Commissioner Scott Gottlieb: ‘Where is Scott? Stand up, Scott. Stand up. And ‘right to try’ is happening, right? You have that moving? ‘Right to try.’ So important.’ Vice President Mike Pence has long been an advocate.

Right to try has moved because Americans perceive that new drugs aren’t reaching patients quickly enough, and they’re right. Discovering a new drug is perhaps the riskiest bet in all of American business. Three phases of clinical trials can last more than six years, and the third part involves as many as 3,000 patients. This model is untenable as discoveries target ever smaller patient populations in the emerging era of biomedicine.

Dr. Gottlieb has been updating FDA processes, but the movement could use more political firepower from Congress. Let’s hope the right-to-try moment is the first of many to help patients receive potentially life-saving treatments as soon as possible.

## Philadelphia sacrifices Catholic foster services to identity politics.

group’s right to religious liberty by penalizing it specifically for Catholic beliefs, and that the city is violating the First Amendment by compelling speech that Catholic Social Services opposes.

Beyond the law, Philadelphia’s coercion hurts the city’s most vulnerable children and the families who

want to care for them. One of the plaintiffs in this case is Cecelia Paul, who

has opened her home to more than 130 children

over the past 46 years. Philadelphia honored her as one of its foster parents of the year in 2015. But because Mrs. Paul is certified through Catholic Social Services, her home has been vacant since April.

Philadelphia claims foster parents like Mrs. Paul could simply work through another one of its partners. But switching can be a bureaucratic hassle, and the red tape is only part of the problem. Catholic Social Services provides its foster families with holistic support, building relationships that often last for years. The group’s social workers are there for midnight phone calls and weekend emergencies. “Mrs. Paul trusts them, relies on them, and she cannot imagine starting from scratch and fostering children without them,” the lawsuit says.

As the lawsuit notes, the real discrimination here is religious. Philadelphia is penalizing Catholic Social Services because its beliefs about marriage don’t mesh with progressive cultural values. To protect the city’s conscience, Philadelphia demands that Catholics violate their own. Who is really intolerant here?

## LETTERS TO THE EDITOR

## Water’s Rising Because It’s Getting Warmer

Would the Journal run the op-ed “Objects Are Falling, but Not Because of Gravity”? That’s pretty similar to climate contrarian Fred Singer saying The Sea Is Rising, but Not Because of Climate Change” (op-ed, May 16).

No, ice is not accumulating on Earth—it is melting. No, Antarctica isn’t too cold for melting—warming oceans are eroding the ice from beneath, destabilizing the ice sheet. And no, legitimate scientific conclusions are not reached in op-ed pieces, but through careful peer-reviewed research.

That research shows that sea levels are rising and human-caused climate change is the cause. Don’t take our word for it; help yourself to the mountain of scientific literature showing as much. When water warms, it expands. When ice warms, it melts. To deny these facts is not just to deny climate change. It is to deny basic physics.

New York City experienced an additional 25 square miles of flooding from the approximately one foot of sea-level rise that has occurred due to human-caused warming. Without concerted efforts to reduce carbon emissions, it could experience as much as eight feet by the end of the century—permanently inundating most of Wall Street.

ASST. PROF. ANDREA L. DUTTON  
University of Florida  
Gainesville, Fla.

PROF. MICHAEL E. MANN  
Penn State University  
University Park, Pa.

Fred Singer leaves out any real evidence to refute research attributing the measured sea-level rise almost exactly to the measured thermal expansion of seawater and glacier melt.

SEN. SHELDON WHITEHOUSE (D., R.I.)  
Newport, R.I.

Our emissions will continue shaping how much seas rise in the coming decades. Taking this threat lightly endangers hundreds of communities in the U.S. and world-wide, and wastes the dwindling time we have to reduce our risk by cutting carbon emissions and investing in resilience. Since 1900, global sea level has risen by seven to eight inches.

Sea-level rise has brought more frequent flooding to dozens of coastal communities, including Atlantic City, N.J. and Charleston, S.C., where the number of floods has quadrupled since 1970. The pace of sea-level rise has recently doubled.

Mr. Singer acknowledges there’s “good data showing sea levels are in fact rising at an accelerating rate,” yet makes the unscientific claim that this is disconnected from rising global-warming emissions and temperatures. The risks are clear. Sea-level rise projections for 2100 range from one foot to more than eight feet—far greater than the six inches Mr. Singer claims. Swiftly reducing our global-warming emissions would give us the best chance to minimize sea-level rise, but our current emissions trajectory makes achieving the range’s low end more unlikely each day.

KRISTINA DAHL, PH.D.  
Union of Concerned Scientists  
Oakland, Calif.

NASA disagrees with Prof. Singer. A Feb. 13 paper notes: “Rising concentrations of greenhouse gases in Earth’s atmosphere increase the temperature of air and water, which causes sea level to rise in two ways. First, warmer water expands, and this ‘thermal expansion’ of the ocean has contributed about half of the 2.8 inches (7 centimeters) of global mean sea-level rise we’ve seen over the last 25 years . . . Second, melting land ice flows into the ocean, also increasing sea level across the globe.”

WENDY FLEISCHER  
Brooklyn, N.Y.

Melting ice is not the only thing that can raise the sea level. Note the eruption of hundreds of undersea volcanoes in the oceans and what they deposit. All of the rivers of the world flush millions of acre feet of mud and silt into the sea floor daily. During an undersea earthquake a tectonic plate could override another, affecting a thousand miles of sea floor, displacing a great deal of water and raising the sea level.

DAVID DARLOW  
Spokane, Wash.

## U.S. Allies Are Shortsighted on Iran’s Threat

Kudos to Daniel Henninger for seeing through the maze of contradictions posed by the Iranian nuclear deal (“America’s So-Called Allies,” Wonder Land, May 17). The Europeans placed money ahead of diplomacy and security in pushing the deal with Iran despite the fact that it was deeply flawed. President Obama took a winning hand created by economic sanctions and turned it into a losing one because he was desperate to make a deal.

Instead of punishing Iran for missing deadlines, President Obama rewarded Iran by offering concessions if it returned to the bargaining table. When all was said and done, the non-treaty that was signed was worth little because it didn’t even provide for anytime, anywhere inspections, something the U.S. said it would absolutely insist on at the start of the negotiations. Those who claim Iran is living

up to the terms of the agreement are naive at best.

President Trump took a dispassionate view of the deal and scraped it to gain one with real teeth to it. Our European allies, who don’t feel threatened by a nuclear Iran, have willingly overlooked its flaws to secure economic gain. They will be loath to give up trading with a country that just secured over \$100 billion thanks to the Obama administration. Once again, America will have to take the lead and do the heavy lifting.

ROBERT M. SUSSMAN  
Paradise Valley, Ariz.

The theory that President Trump’s moves to pull out of the Iran nuclear deal marks a new strategic direction would have some merit if he had the same skills, background and ability to line up our allies as the George H.W. Bush administration did with Iraq. Sadly, the contrasts couldn’t be greater.

TOM SCOTT  
Morgan Hill, Calif.

Who can argue Mr. Henninger’s perspicacious point that our European “allies” view President Obama’s nettlesome non-treaty nuclear deal with Iran solely through the prism of their raw commercial interests?

Living under America’s military umbrella since World War II has lulled Western Europe into thinking that trading with the enemy can guarantee the safety of Western civilization from those who don’t value the Western tradition.

JAMES HYLAND  
Beechhurst, N.Y.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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

LARRY YOUNG  
Ventura, Calif.

Numerous readers wrote to extol the virtues of solar panels. My only comment: If solar panels are so worthwhile, they shouldn’t need government subsidies or mandates.

ALEX PRIEGER  
Agoura Hills, Calif.

## OPINION

# Rough Social Justice at Evergreen State

By Jillian Kay Melchior

**H**ere's the math behind an academic hemorrhage: Between 500 and 600 fewer students will attend Evergreen State College next fall than in 2017, according to internal estimates. That means projected full-time enrollment is down as much as 17% from 3,500 last fall. When President George Bridges saw an internal email outlining these numbers, his impulse was to get the public-relations department to finesse them. Otherwise, he wrote, they "might end up appearing elsewhere in ways that will be used against us."

**The Washington college's enrollment plummets as even the left sours on protest-mob politics.**

Mr. Bridges has himself to blame. Nationwide, after administrators have capitulated to disruptive student activists, colleges have lost the support of donors, alumni, parents and prospective students. If there was one school you'd expect to defy this trend, it would be Evergreen, in Olympia, Wash. Founded in 1967, the college is proudly to the left of Berkeley and Middlebury. Its motto is literally "let it all hang out"—*omnia extares*—and radical activism has always been part of the pitch. But new records show that Evergreen hasn't been spared the backlash that has plagued schools like the University of Missouri. This time, it's coming from the left.

Evergreen's public controversy began with the "Day of Absence" last April. In earlier years, minority students and faculty held an annual one-day walkout, but in 2017 organizers instructed all whites to stay

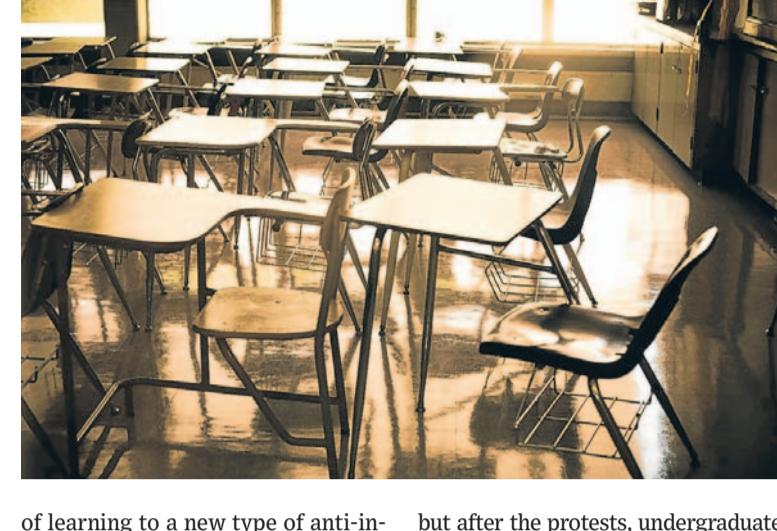
off campus. Biology professor Bret Weinstein declined, and in an email called the decree "a show of force, and an act of oppression itself." After the email circulated on campus, enraged students disrupted his class on May 23.

Police tried to respond, but protesters blocked them from the classroom. Later that day, Mr. Bridges ordered campus police chief Stacy Brown to accompany him to a meeting with student activists—but to leave behind her uniform and badge. Mr. Bridges stood passively as students interrupted Ms. Brown's speech with laughter, vulgar language and boos. The next day students occupied the library, using furniture to barricade the doors.

The protests grew so aggressive that many on campus feared for their physical safety. Mr. Bridges ordered the police to stay away. "If law enforcement were to come in," he said later, "there would be perhaps violence, perhaps damage to property, damage to students." Ms. Brown ultimately resigned, and this week plans to file a tort claim alleging a hostile work environment. Mr. Weinstein and his wife, who also taught at Evergreen, filed a similar lawsuit last fall. The college demanded their resignation as a condition of its \$500,000 settlement.

As the protests raged, Kirsten Shockley of Oregon gave administrators a warning. She and her husband lean left. Their son Jakob attended Evergreen, and they assumed their daughter would, too. But they were alarmed by what she called the "witch hunt" atmosphere and "erosion of free speech" on campus. As decision time approached, Ms. Shockley told Mr. Bridges in an email, "we are watching closely."

They didn't like what they saw. Ms. Shockley's daughter crossed Evergreen off her list, following the advice of her brother. "The way identity politics played out looked to us like a university going from a place



ISTOCK/GETTY IMAGES

of learning to a new type of anti-intellectualism," Ms. Shockley later told me. "Free speech and good discourse was lost—and then good teachers," she added. "This is about where the alt-left seems to be taking us."

Others joined the movement against Evergreen. Applications for fall 2018 are down 20%. Sandra Kaiser, Evergreen's vice president for college relations, claims the low application and enrollment numbers may not be as bad as they look because many students commit to Evergreen "at the last moment." She added that "we normally expect enrollment to decline in a full-employment economy," given that working adults, veterans and community-college transfers account for about half the student body.

At least someone is sick of all the winning. But an independent report on the protests, commissioned by Evergreen last October, reached a different conclusion. Published in April, it said that the declines in applications and enrollment were indeed "understood to be at least in part the result of the disruptions of last spring." Moreover, current students were fleeing. Retention rates had long been "relatively stable," the report said,

but after the protests, undergraduate retention "reached its lowest performance in over a decade." Only 60% of first-time, first-year students who enrolled last fall stayed through the end of the school year, "a full 8 percentage points below the prior year," the report said.

Among those who remain, many resent how the administration catered to the most radical students. "I feel like the rest of us are getting dragged through the mud for what's essentially a Marxist outburst," said James Stewart, who will graduate from Evergreen this spring.

Last fall, Mr. Stewart conducted an in-depth survey of some 50 students for his statistics class. Almost all called themselves progressive, but Mr. Stewart found "enormous internal backlash, especially from those who are approaching graduation or have a finger on the pulse of what's happening outside of Evergreen." More than one-third of the students said "academic mobbing" was a top concern, Mr. Stewart said. "They now feel like they can't speak their mind without getting attacked."

These findings bode ill for the college Mr. Stewart still loves. "Here's

what I know about identity politics: The most important color in the country is, was, and always will be green," he said. Half of Evergreen's funding comes from tuition. The external review found an impact on operational revenue so significant that it "will potentially generate another sense of 'trauma' on the campus."

Based on fall 2018 enrollment projections, nearly 25 full-time adjuncts will lose their jobs, provost Jennifer Drake wrote in a Feb. 15 email. The college has had to tap its emergency reserve fund for \$1.3 million so far to cover the costs of the "events of spring 2017," including legal settlements. Evergreen has delayed the construction of a \$42 million, 375-bed dorm.

In response to the growing crisis, Evergreen administrators have refused to accept responsibility. The external review gives them cover here, commending their "responsive and appropriate" actions amid the protests. It blames the media for having "imposed its own narrative on the events and transformed them into an example of 'a campus in meltdown.'" And it faults Mr. Weinstein for taking "advantage of this situation to make a national news story" and "make a political point."

Administrators have since doubled down on identity politics. Evergreen advertises a "bias response team" to handle perceived slights. It has increased funding for new social-justice administrators and support staffers. Evergreen employees now go through "cultural competency, sensitivity and antibias training." And in a May 14, 2018, email on "leaner leadership at Evergreen," Mr. Bridges outlined an administrative reorganization plan heavy on "equity and inclusion."

All this suggests things are going to get worse for Evergreen. Which would be rough social justice.

*Ms. Melchior is an editorial page writer at the Journal.*

## Before Meeting Kim, Trump Had to Repudiate the Iran Deal

By Tod Lindberg

**W**hen President Trump announced America's withdrawal from the Iran nuclear deal two weeks ago, critics warned the move would undermine U.S. credibility just when it was needed most: on the eve of negotiations with North Korea over its nuclear-weapons and missile programs. If Mr. Trump was willing to rip up the Iran deal, which had won the blessing of the United Nations Security Council and America's biggest allies, why would Kim Jong Un believe the U.S. would abide by any new agreement?

The counterargument from Trump loyalists was mainly to blame President Obama for failing to make the Iran deal binding. If it had been ratified as a treaty by a two-thirds vote of the Senate, the agreement would have been harder to depart. But Mr. Obama evidently believed that ratification was unattainable, unnecessary to ensure his successors' compliance,

or both. But what is done by executive action can be undone by executive action. America's credibility, therefore, wasn't on the line—even if Mr. Obama's might have been.

There's some truth in this, but it misses a more basic point. Mr. Trump campaigned against the Iran deal not in principle, but because he saw its terms as bad for the U.S. Even if you disagree, taking his criticism seriously shows why the high-stakes negotiations with North Korea all but required Mr. Trump to dump the Iran deal. If he had kept it in place notwithstanding his power to withdraw, Mr. Kim could seize on its provisions as the starting point for the coming negotiations. Why would Mr. Kim accept a worse deal for North Korea than what Iran had obtained? Leaving one bad deal still active would have established the precedent for another bad deal.

The fundamental problem with the Iran deal is that while it buys time, which is good, it seems to do so in the hope that Tehran will have a change

of heart over the 15-year course of the agreement. That fits with Mr. Obama's oft-expressed vision of history bending in a liberal arc. But the premise seems highly dubious. Moreover, as negotiations were wrapping up, Mr. Obama seemed if anything

**Otherwise North Korea could have demanded the same lenient terms, and negotiations would fail.**

more eager than Iran to conclude a deal. The flurry of American concessions at the end of the process raised suspicions that better terms might have been possible.

Hence the "four pillars" for a better agreement that French President Emmanuel Macron put forward last month during his visit to Washington: First, make the restrictions on Iran's nuclear programs permanent.

Second, add more-intrusive verification measures. Third, address Iran's ballistic-missile program (on which the current deal is silent). Fourth, find a way to curb Iran's regional adventurism, including in Syria.

What would the public think if a North Korea deal allowed Pyongyang to resume its nuclear program after 15 years? And included inspection procedures that were inadequate to verify compliance? And stood silent on North Korea's rapidly advancing ballistic-missile program? And provided Mr. Kim with billions of dollars upfront in sanctions relief and other assistance? That would be a dubious deal by any light, and would certainly be bad by Mr. Trump's terms.

Mr. Macron sought more time to negotiate new terms with Iran, and the U.S. might well have granted it before withdrawing—except for the press of events with North Korea. Mr. Trump needed to repudiate the deal before it became an impossible hindrance for his North Korea

negotiators, starting with Secretary of State Mike Pompeo.

Many of Mr. Trump's critics have demanded to know what comes next with Iran, as if war were the only alternative. It isn't. In the first place, the deal remains ambiguously in place even without the U.S. Iran hasn't withdrawn yet, and its nuclear activities so far don't seem to exceed what might be called ordinary cheating. This ambiguity may be fairly stable, as Mr. Macron plays "good cop" to Mr. Trump's "bad cop." France continues to seek progress on the "four pillars," with the inducement that Iranian concessions could draw the Americans back in.

More broadly, if Mr. Trump is right that he can obtain better terms from Mr. Kim, then a North Korea deal could become the template for a reworked Iran deal. In that sense the future of Iran's nuclear program may run through Pyongyang.

*Mr. Lindberg is a senior fellow at the Hudson Institute.*

## Facebook Tips the Scales in Ireland's Abortion Referendum

By Marcel de la Cruz

**F**acebook announced on May 8 that it would take it upon itself to monitor the Republic of Ireland's May 25 referendum on abortion by banning all ads on the topic from foreign groups. The announcement read, in part: "We are an open platform for people to express ideas and views on both sides of a debate. Our goal is simple: to help ensure a free, fair and transparent vote on this important issue."

The announcement featured plenty of incongruities. Facebook claimed that helping "protect the integrity of elections and referendums from undue influence" was "an issue we have been thinking

about for some time." But the social-media giant injected itself into a fierce debate over repealing Ireland's constitutional ban on abortion only 17 days before the vote. If the company indeed had a longstanding concern about election integrity, it should have announced its change of policy before the debate got started.

While Facebook claims to be acting in the spirit of democracy and transparency, its new policy isn't in line with Irish law. The 1997 Electoral Act prohibits foreign donations for "political purposes" to Irish politicians or organizations but doesn't say anything about foreigners buying online ads. Facebook is in fact limiting the right of free expression of those who use its platform in a

transparent effort to affect the referendum's outcome.

The truth is the Irish government and many in the traditional media have grown concerned that voters will reject their push for legalized abortion. Social media is one of the few avenues of public outreach left to those who oppose repeal of the Irish Constitution's pro-life Eighth Amendment, which voters overwhelmingly approved in 1983. An independent member of the Dáil Eireann, Ireland's lower house of Parliament, accused Prime Minister Leo Varadkar last week of lobbying Facebook to ban advertising related to the referendum on abortion. Legislator Mattie McGrath said the ban was "preventing campaigns

that have done nothing illegal from campaigning in a perfectly legal matter."

Facebook also announced in its May 8 statement that it would enlist the fact-checking help of

**The social-media giant deals a last-minute blow to the campaign against repealing restrictions.**

TheJournal.ie, an online newspaper. "Stories rated as false by TheJournal.ie will see their distribution significantly reduced," the statement said. If TheJournal.ie

has a reputation in Ireland, it isn't for neutrality. A quick look at the site's Daily Edge section reveals an editorial bias for the pro-repeal "yes" campaign. Recent featured articles bear headlines such as "Cillian Murphy sent a cake to Together for Yes to thank them for all their hard work" and "A bunch of Irish comedians including Aisling Bea and Sharon Horgan have made a video asking people to be their yes."

This site hardly seems a reliable partner in Facebook's stated effort to protect views on "both sides of the debate." Who checks the checkers?

As a co-founder of FrontPage.org, a website that has published articles in support of the Eighth Amendment, I have seen firsthand how Facebook puts its thumb on the scale. Earlier this month Facebook's ad service denied our attempts to promote two op-eds by journalist Bruce Arnold of the Irish Independent, Ireland's most popular daily newspaper. It also blocked our attempts to promote a letter signed by more than 100 Irish lawyers defending the Eighth Amendment.

Last week Facebook's Dublin lawyers rejected our request to restore FrontPage.org's ability to inform the Irish public on issues regarding the referendum. It isn't too late for the company to admit its mistake and reverse its decision. That would truly serve the interest of freedom, fairness and transparency.

*Father de la Cruz is a Catholic priest based in Ireland and co-founder of FrontPage.org.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Gerard Baker

Editor in Chief

Matthew J. Murray

Karen Miller Pensiero

Executive Editor

Managing Editor

John W. Miller

Chief Executive Officer

Chief Financial Officer

Chief Human Resources Officer

Chief Information Officer

Chief Legal Officer

Chief Marketing Officer

Chief Product Officer

Chief Strategy Officer

Chief Technology Officer

Chief Transformation Officer

Chief White Ops Officer

Chief Workforce Officer

Chief Yield Officer

## WORLD NEWS

# In Gaza, a Rare Opening Sparks Exodus

Accustomed to tight borders, Palestinians take advantage of Egypt's brief move

BY ABU BAKR BASHIR  
AND JARED MALSIN

KHAN YOUNIS, Gaza Strip—A taxi driver who hopes to move to Turkey. An aspiring law student. A father seeking opportunities for his children.

They are among the hundreds of Palestinians in the Gaza Strip who have rushed for the exit since Egypt opened its border last week.

It is a rare opportunity to leave a territory that has been largely sealed off from the outside world since Israel and Egypt tightened border controls after the Islamist group Hamas took power in 2007.

Egyptian President Abdel Fattah Al Sisi ordered the Rafah border crossing opened for a month after Israeli forces killed some 60 people during protests last week at Gaza's border with Israel.

The Egyptian border is usually open only intermittently, and thousands of people are on the waiting list.

Many Gazans who have come to the Egyptian border in recent days are united by unfulfilled ambition, frustrated by the collapsing Gaza economy and eager to jump-start lives that have been on hold.

"People used to work in the Gaza Strip and in Israel and make good money," said Imad Al Hamayda, who is 51 years old and unemployed. "Now, I



Palestinians in Khan Younis, Gaza Strip, on Tuesday waited to enter Egypt, which has ordered the Rafah crossing opened for a month.

ADEL HANA/ASSOCIATED PRESS

can't find words to describe how miserable the situation is."

Gaza residents with bags packed and children in tow have been arriving in recent days in Khan Younis, where they wait on plastic seats fixed to concrete bleachers in a converted sports club.

When their names are called, they file down a corridor to a separate room to be processed before boarding a bus to the nearby border.

Many have been trying to get out of Gaza for years.

Ashraf Sager said he had previously obtained a visa to travel to Jordan, but couldn't get permission to leave through the Israeli border.

"I'm searching for a good life for myself and my family," said Mr. Sager, who spoke by phone Monday from the club, where he said he was waiting with his wife and three children.

And some said they didn't plan to return. Mohamed Al Najar, 23, who was waiting in the club on Tuesday, said he was traveling to Egypt with

his mother and his father, who was seeking medical treatment.

Mr. Al Najar, a taxi driver, said he hoped to find work in Turkey one day, inspired in part by Turkish soap operas he had seen on television.

Israel and Egypt effectively sealed off Gaza after Hamas took power.

The border closure has devastated Gaza's economy and undercut the livelihoods of thousands of Palestinians.

Many used to work and study in Israel and in the

West Bank, which is governed by the Palestinian Authority.

Now, an estimated two million people live in an area the size of Washington, D.C.

A series of three wars between Hamas and Israel have compounded Gaza's woes.

The United Nations said in a report last year that Gaza was becoming uninhabitable due to a lack of work opportunities, the failure of the health-care system and other problems.

Gaza residents have grown

increasingly frustrated.

On Saturday, a young man set himself on fire on the street in Gaza City, shouting: "Curse the father of the government," as the flames seared his flesh and a crowd rushed to help him, according to video footage of the incident.

"There's a lack of hope," said Omar Shaban, a Gaza-based political economist. "One of the most destructive things for the Gaza population is not that they suffer now. They don't know when their suffering will end."

Many people waiting in Khan Younis in recent days said they supported last week's protests at Gaza's border with Israel, which coincided with the opening of the new U.S. Embassy in Jerusalem, which Palestinians also claim as their capital.

But many also said they stayed away, and some questioned the risk.

"It's fruitless," said Karam Abu Ereban, 18, who arrived at the border on Sunday and said he hoped to travel to Algeria to study law. "People go there and get shot for nothing."

In the converted sports club, a concrete building with a thin metal roof, Palestinians sat and talked to one another or pecked at mobile phones in recent days. Some stared ahead as if taking in an invisible soccer match.

Bilal, 27, who was waiting in the club on Sunday, said he was also planning to travel to Egypt to enroll in a master's degree program. "I need to travel," he said. "It is my future."

## General Is Picked to Lead Forces in Afghanistan

BY JESSICA DONATI  
AND NANCY A. YOUSSEF

WASHINGTON—Lt. Gen. Scott Miller was chosen as the next commander of U.S.-led forces in Afghanistan, senior military officials said, after two years in charge of the military's secretive Joint Special Operations Command.

Gen. Miller, a decorated special-operations soldier, will be the ninth U.S. general in 17 years to take charge of the war in Afghanistan and the first to be appointed under President Donald Trump. The Pentagon declined to comment until the decision is formally announced.

As JSOC commander, Gen. Miller headed some of America's most-secretive missions, pursuing suspected terrorists



Lt. Gen. Scott Miller, second right, in Afghanistan in 2014.

there and later served multiple combat deployments to Afghanistan and Iraq.

If all goes as expected, Gen. Miller will take over the Afghan war at a time when a fragmented, Taliban-led insurgency remains in control of swaths of the countryside and is renewing a push into major cities, despite the arrival of thousands of additional U.S. forces.

Last week, the Taliban overran the capital of Farah province, taking over key government buildings before being driven out by U.S. fighter jets in support of local forces. It was the first near-loss of an Afghan provincial capital since the Taliban overran Kunduz in 2016.

Mr. Trump decided last year to send about 4,000 additional troops, bringing the

number of American personnel to around 14,000.

Gen. Miller has served in Somalia, Afghanistan and Iraq, and now will head a mission that is now heavily dependent on American special-operations forces that are backing local Afghan army and police units. The Afghan government took over the war against the Taliban in 2014, but it continues to rely on the U.S. for most of its funding and extensive military support.

Gen. Miller faces a complex job in Afghanistan, where the war has grown more complicated in recent years, as Washington accused rival countries such as Russia and Iran of backing the insurgency, charges Moscow and Tehran deny.

—Michael Phillips contributed to this article.

## U.S. Adds Sanctions On 5 Iran Officials

BY IAN TALLEY

WASHINGTON—The Trump administration imposed sanctions on five Iranian officials it said are responsible for providing Yemeni rebels with long-range missiles being used to target Saudi Arabia.

The U.S. action on Tuesday is part of a broader White House strategy to isolate Iran and rein in Tehran's support for proxies involved in conflicts across the Middle East.

The U.S. Treasury Department added five officials linked to the Islamic Revolutionary Guard Corps' Al-Quds Missile Command and related programs, including Mahmud Bagheri Kazemabadi, the missile unit's commander. The IRGC, Iran's elite military unit, already is under U.S. sanctions.

"Their actions have enabled the Houthis to launch missiles at Saudi cities and oil infrastructure," Treasury Secretary Steven Mnuchin said. "They have also disrupted humanitarian aid efforts in Yemen and threatened freedom of navigation in key regional waterways."

Iran's mission to the United Nations didn't respond to requests to comment.

U.S. and United Nations officials say Iran provided the Houthis rebels in Yemen with the Qiam-1 ballistic missile, an Iranian long-range surface-to-surface guided missile. The Houthis have fired such weapons at Saudi targets over the past several months, including major oil facilities critical to global crude supplies.

"These designations expose the extent of Iranian support to the Yemeni missile program," said Behnam Ben Taleblu, an Iran expert at the Foundation for Defense of Democracies, a think tank that has long called on Washington to impose more aggressive penalties against Tehran.

Although the Houthis don't have nuclear weapons, the Qiam-1 missile is capable of carrying a nuclear warhead, Mr. Taleblu said, adding to Western officials' worries about regional proliferation of weapons of mass destruction.

By imposing sanctions on the Iranian officials allegedly involved in proliferation of weapons of mass destruction, the U.S. is also trying to increase the pressure on allies to take a harder line on Tehran.

**URBI ET ORBI** | By Francis X. Rocca

## Catholic Church Faces a Fight Over Gay Blessings

ROME—Reports that Pope Francis told a sex-abuse victim that God made him gay have drawn headlines this week, with many observers inferring a new level of acceptance of homosexuality, which the catechism of the Catholic Church describes as "objectively disordered."

The Vatican spokesman declined to confirm or deny the statement, citing a policy of not commenting on the pope's private conversations.

But no aspect of Pope Francis' five-year reign has been better known or more controversial than his conciliatory approach to gay people, most famously expressed in his 2013 words about gay priests: "Who am I to judge?"

Conservatives have been prompt to argue that Pope Francis' statements on homosexuality, confirmed or otherwise, don't conflict with church teaching or suggest toleration of homosexual acts, but simply reflect the basic Christian message of God's love for all people.

**Y**et the pope's stance has encouraged a greater openness to homosexuality among the church's hierarchy, leading to calls for the appreciation not just of gay people but of gay relationships. That trend is straining any appearance of a consensus on the subject within the church.



Pope Francis, left, at the Vatican on Monday, in 2013 said about gay priests, 'Who am I to judge?'

Protestants may receive Catholic Communion only in highly exceptional cases.

Pope Francis has written that "there are absolutely no grounds for considering homosexual unions to be in any way similar or even remotely analogous to God's plan for marriage and family."

Father Martin says the potential for confusion is high.

"If a priest stands up, in his collar especially, and says a prayer at a reception, some people might come away and say, 'Isn't that great, that the Catholic Church approves this now?'" he said. "It would be misleading to people and in a sense unfair to the couple, too."

Yet it's hard to imagine the Vatican under Pope Francis categorically forbidding priests around the world from such activity. Not only would such a prohibition clash with the welcoming tone the pope has adopted toward gays; but it would also conflict with the emphasis he has placed on the exercise of individual conscience in moral decision-making.

As more governments around the world legalize same-sex marriage, the Catholic Church's internal debate over whether to recognize such unions—and if so, how—is likely to get only more intense and fractious.

—Francis X. Rocca is the Journal's Vatican correspondent. This column appears from time to time.

Several bishops in Belgium and Germany have called for allowing priests to bless couples in committed same-sex relationships.

Cardinal Reinhard Marx of Munich, a top adviser to the pope, opposes a uniform policy on the matter, but says individual pastors should make arrangements on a case-by-case basis.

The situation is different in other parts of the world. The Rev. James Martin, author of "Building a Bridge," a book about the church's relationship with gay Catholics, says he has never heard of Catholic priests in the U.S. formally blessing same-sex unions inside a church. He says some Ameri-

can priests do show support in other ways, such as saying grace at a wedding reception or celebrating a private Mass with the couple later on. "But all of these priests have done so very cautiously."

Most church leaders in Africa are adamantly against blessing same-sex unions.

"I'm sure there are elements of value in an adulterous situation. Does that mean we must bless adulterous unions?" said Cardinal Wilfrid Napier of Durban, South Africa. "If same-sex unions are going to be blessed, is the church going to say, 'OK, you can bless polygamous ones?'"

Pope Francis has shown a willingness to let different

parts of the world-wide church go their own way on important matters, including how to translate the Mass into local languages and whether to allow divorced people in second marriages to receive Communion. This month, the pope indicated that it was up to the German bishops conference to decide whether to allow some Protestants to receive Communion in Catholic churches in Germany.

That last decision drew a public denunciation from Dutch Cardinal Willem Eijk, who said the pope should have given the Germans "clear directives, based on the clear doctrine and practice of the church," that

# BUSINESS & FINANCE

© 2018 Dow Jones &amp; Company. All Rights Reserved.

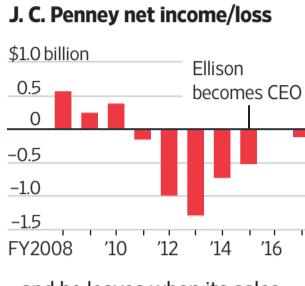
\*\*\*\*\*

THE WALL STREET JOURNAL.

Wednesday, May 23, 2018 | B1

**Job Hop**

Marvin Ellison joined Penney when it was in crisis...

**J.C. Penney net income/loss**

...and he leaves when its sales are still weak...

**Same-store sales, annual change**

...to join Lowe's, which hasn't kept pace with Home Depot.

**Same-store sales, annual change**Source: S&P Global Market Intelligence  
THE WALL STREET JOURNAL.

JESSICA A. STEWART/THE ST. JOSEPH NEWS-PRESS/ASSOCIATED PRESS



## Penney's Chief Moves to Lowe's

Marvin Ellison must help rejuvenate chain; department-store turnaround unfinished

By SUZANNE KAPNER  
AND SARAH NASSAUER

J.C. Penney Co., struggling to reverse its decline, is losing its chief executive to Lowe's Co., another retailer trying to fix itself.

Marvin Ellison, who joined Penney in 2014 and became CEO the following year, shifted

the department-store chain away from apparel toward appliances. Last year, he closed more than 100 stores and slashed jobs. But the company's sales have sputtered, and its once-iconic stature has diminished as losses have piled up.

Lowe's, meanwhile, has been searching for a new CEO to boost results at the home-improvement chain, which faces pressure from an activist investor as it labors to keep pace with the rapid revenue gains at Home Depot Inc.

"This is arguably the most challenging and competitive re-

tail market that we've seen in over 50 years," Mr. Ellison told analysts last week on a conference to discuss Penney's quarterly earnings. He previously worked at Home Depot and Target Corp.

Many traditional chains like Penney continue to struggle as spending moves to the web and **Amazon.com** Inc. squeezes retailing profits. Toys 'R' Us Inc. is liquidating all its U.S. stores and **Sears Holdings** Corp. continues to shrink. **Nine West** and **Claire's Stores** filed for bankruptcy protection in recent months.

The turnaround program

The strong U.S. economy and low unemployment are helping some big chains that have managed to close weaker locations, invest in store improvements and capture more online orders. Last week, Walmart Inc. and **Macy's** Inc. reported rising same-store sales for the latest quarter.

On Tuesday, Lowe's said it had hired Mr. Ellison and he would join the seller of paint and plywood on July 2. Penney shares fell 6% to \$2.35 while Lowe's shares slipped 1.9% to \$85.75.

"The turnaround program

that Ellison put in place at JCP has partly delivered but is still far from complete," said Neil Saunders, managing director of GlobalData Retail, a consulting firm. His "exit will also raise speculation that he is not particularly optimistic about the future prospects of JCP," Mr. Saunders said.

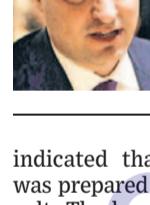
Penney "is in a much better position today than it was four years ago," a company spokeswoman said, noting that dur-

*Please see LOWE'S page B2*

◆ Heard on the Street: Penney is running out of luck..... B14

## Shareholders Rebuke Wynn Resorts on Pay

BY CHRIS KIRKHAM



**Matt Maddox**  
got an  
additional  
50,000 shares  
after he  
became chief  
executive.

our stockholders through the process."

In a separate filing Tuesday, Wynn Resorts announced that the board's compensation committee would be composed of three new female directors who were appointed last month.

Shareholders voted strongly in favor of two women, Patricia Mulroy and Betsy Atkins, nominated as board members.

Compensation for several top executives at Wynn Resorts this year reflected long-term stock grants that were awarded last year. Matt Maddox, who became the company's chief executive officer

after Mr. Wynn resigned in February, received a stock grant of 200,000 shares valued at \$19.2 million last year. Kim Sinatra, executive vice president and general counsel, received 100,000 shares valued at \$9.6 million.

Mr. Maddox received an additional 50,000 shares after he took over as CEO in February, according to securities filings.

Mr. Maddox and Ms. Sinatra would be eligible to receive a portion of that money next year if they meet certain performance targets; the stock would fully vest in November 2021.

A company spokesman pre-

viously said that last year's stock awards were part of a renewal of Mr. Maddox's and Ms. Sinatra's employment contracts, and that earlier long-term stock grants had expired. He added that a third-party consultant hired by the company found that Mr. Maddox's compensation was in line with a group of other casino, hotel industry and fashion CEOs.

Mr. Maddox's annual base salary is \$2 million, the same as Chairman and CEO James Murren of MGM Resorts International and below that of Sheldon Adelson, chairman and CEO of Las Vegas Sands

*Please see WYNN page B2*

HEARD ON THE STREET | By Spencer Jakab

## At Last, There Is an Alternative to Stocks

"What's gonna make you bearish?"  
Hedge-fund

manager David Tepper posed this question one morning five years ago, helping cement his reputation as a market sage. The "taper tantrum" was roiling equity markets world-wide, and futures were lower, but the founder of **Appaloosa Management** asserted in a CNBC interview that so much money was being pumped into the economy by central banks globally that taking refuge in zero-yielding safe assets was silly.

The S&P 500 rallied to close 17 points higher that day and has had a total return of 85% since then.

An earlier "Tepper rally" after a similar TV appearance in September

2010 had seen the index jump and go on to gain nearly 60% by the time of his May 14, 2013, encore.

The phenomenon most responsible for the epic bull market now in its 10th year isn't FOMO—fear of missing out—but TINA—there is no alternative. While there has been plenty of debate about exactly how unorthodox monetary policies like quantitative easing helped the economy, it is no mystery how they boosted stock prices. The lousy return on riskless assets such as Treasuries practically forced investors to pay up for riskier ones, as Mr. Tepper so presciently asserted.

The three-month Treasury bill, which has never offered a negative annual return based on data since 1928, saw its yield plunge from nearly 5% in

*Please see HEARD page B2*

**INSIDE**

### INTEL PATCHES ITSELF UP AFTER ATTACKS

**CYBERSECURITY, B4**

### RETAIL FIGHTS WEB WITH SHOP CRAWLS

**PROPERTY REPORT, B6**

## Media Pro to Lead Univision

BY BENJAMIN MULLIN

**Univision Communications** Inc. has tapped media veteran Vincent Sadusky as chief executive, succeeding Randy Falco at the troubled Spanish-language broadcaster, according to people familiar with the matter.

Mr. Sadusky, the former CEO of broadcaster Media General Inc. and a longtime executive at Univision rival **Telemundo**, is slated to start as soon as June 1, one of the people said.

A spokeswoman for Univision declined to comment.

Mr. Sadusky will join Univision at a tumultuous time for the company, which earlier this year announced it was scrapping a planned initial public offering that would have offered a long-desired exit for the media firm's private-equity owners.

Shortly after, The Wall Street Journal reported that Univision's board was preparing to search for new leadership and had hired a consulting firm to review the business for significant cost cuts.

In the wake of the canceled IPO, Univision replaced its chief financial officer and then announced that Mr. Falco had informed the board that he planned to retire at the end of 2018, when he will turn 65.

The March announcement was a surprising move given that Univision in November had extended Mr. Falco's employment agreement for two additional years, through January 2020. At the time, some people familiar with the mat-

ter said Mr. Falco had begun to lose favor with the board in recent months. Mr. Falco was at Univision since January 2011.

Mr. Sadusky brings years of experience in Spanish-language media. He serves on the board of Hemisphere Media Group, a U.S. broadcast and cable TV company aimed at U.S. Hispanic and Latin American markets. He previously worked at Telemundo.

*Please see CEO page B2*



Vincent Sadusky is very experienced in Spanish-language media.

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	G
Abraaj Group.....B12	General Electric.....B14
Advanced Micro Devices.....B4	Genesis Global Trading.....B12
Alibaba Group.....B13	NXP Semiconductors.....B14
Alphabet.....B4,B5	Omnicom Group.....B5
Amazon.com.....A1,A3,B1,B4	Open Door Labs.....B6
Appaloosa Management.....B1	Psy Group.....A4
Apple.....B4	Qualcomm.....B4,B14
B	I
Bank of America.....B12,B13	Intel.....B4
Beijing Bytedance Technology.....B13	J.C. Penney.....A6
Best Buy.....A6	JPMorgan Chase.....B12
bitFlyer.....B12	K
Boeing.....B13	Kazatomprom.....B14
Brookfield Asset Management.....B6	KeyCorp.....B13
C	L
Cambridge Analytica.....A4	Las Vegas Sands.....B1
Cameco.....B14	Lennar.....B6
Caterpillar.....B13	LNR Partners.....B6
Claire's Stores.....B1	Lowe's.....B1,B13,B14
Coinbase Global.....B12	M
Comerica.....B13	Macy's.....B1,B6,B14
ConocoPhillips.....B13	Madison Dearborn Partners.....B2
Credit Suisse.....B13	Media General.....B1
Cross River Bank.....B12	Meritage Homes.....B6
D	E
D.E. Shaw.....B2	MGM Resorts International.....B1
Didi Chuxing Technology.....B13	Micron Technology.....B13
F	G
EIG Global Energy Partners.....B3	Microsoft.....B4
Facebook.....A6,B1,B4	Motorola Solutions.....B4
Fidelity National Information Services.....B5	N
Facebook.....A6,B1,B4	NBCUniversal.....B2
Fidelity National Information Services.....B5	Neurala.....B4
P	Nexstar Media Group.....B2

## INDEX TO PEOPLE

A	I
Arreaza, Alejandro.....B13	Ishii, Curtis.....B12
Asubonten, Charles.....B12	J
Berman, Geoffrey S.....B3	Johnson, Ron.....B2
Bezos, Jeff.....A6,B4	Jong Kim.....B13
Bozichiev, Elizabeth.....B6	K
Burke, Peggy.....B6	Kocher, Paul.....B4
C	Kucibinski, Peter.....B14
Cutts, Leanne.....B5	M
Davenport, Andrew.....B3	Maddox, Matt.....B1
Desrochers, Real.....B12	Malek, Christyan.....B13
E	Mccabe, Chris.....A6
Ellison, Marvin.....B1,B13,B14	McGuire, Brendan.....B3
F	Meir, Edward.....B14
Falco, Randy.....B1	Mulvee, Suzanne.....B6
Fritsch, Carsten.....B13	N
Fyfe, David.....B13	Naqvi, Arif.....B12
G	Niblock, Robert.....B2
Gruenberg, Martin.....B12	O
	Oh, Aaron.....B13
P	Zamel, Joel.....A4
	Parno, Bryan.....B1

## WYNN

Continued from the prior page Corp., whose base salary was \$5 million last year.

Outside proxy advisory firms Institutional Shareholder Services and Glass, Lewis & Co. had both recommended that shareholders vote against the company's compensation plan. Among other things, the firms noted that the long-term stock grants to Mr. Maddox were unusually large and didn't clearly lay out performance goals.

This year's proxy filing also showed a high disparity in pay between the company's median employee (\$44,437) compared with the compensation for former CEO Mr. Wynn (\$34.5 million), a ratio of 1 to 777. In a report released earlier this year, compensation-data analysis firm Equilar Inc. found in a survey of more than 350 companies that the median employee-to-CEO ratio for midsize firms such as Wynn Resorts, with market capitalization between \$3 billion and \$25 billion, was 1 to 138.

A Wynn Resorts spokesman said the company expected the ratio would be signifi-



Kim Sinatra executive vice president, received 100,000 shares valued at \$9.6 million.

long pattern of sexual misconduct by Mr. Wynn. The Journal also reported that he paid \$7.5 million to a manicurist at his Wynn Las Vegas resort who in 2005 told people Mr. Wynn had forced her to have sex with him.

Mr. Wynn has said it is "preposterous" that he would assault a woman. In response to previous articles, a lawyer for Mr. Wynn has sent a statement on his behalf saying he "declined to participate in The Wall Street Journal's reporting because it is clear that the Journal has no intention of treating him fairly." In late April, the lawyer added that "Mr. Wynn has not engaged in any nonconsensual sexual relations with any of the women upon whom the Journal has relied on its reporting."

After the Journal published its first article on sexual-misconduct allegations involving Mr. Wynn and female employees on Jan. 26, Wynn Resorts' stock price fell by more than 18% over the next two trading days, wiping out nearly \$3 billion in market value.

The company's stock price has since rebounded, following a series of moves the company made to settle outstanding litigation involving Mr. Wynn, allowing him to sell his stake.

At last week's annual meeting, shareholders barely mentioned Mr. Wynn during a question-and-answer session and focused instead on the company's plans in Macau and Las Vegas.

Instead, Univision has tried

cantly lower in the future, since Mr. Wynn no longer works for the company. A lawyer for Mr. Wynn didn't respond to requests for comment Tuesday.

Mr. Wynn resigned from his roles as the company's chairman and CEO in February and sold off his entire 12% stake for \$2.1 billion in March. The moves came after a January article detailed allegations of behavior that cumulatively would amount to a decades-

## BUSINESS & FINANCE

# Toll Brothers Hit as Margins Slip

By CHRIS KIRKHAM

Shares of high-end home builder **Toll Brothers** Inc. fell 10% after the company reported lower-than-expected profit margins for the three months ended April 30.

There has been concern among investors that a rise in mortgage rates since January could be a deterrent to the home-building industry. Average rates for 30-year fixed mortgages last week rose to a seven-year high of 4.61%, according to mortgage giant Freddie Mac.

But Toll Brothers executives said on a conference call with Wall Street analysts Tuesday that the rise in rates hasn't affected the company's business so far, citing strong sales in lower-cost markets such as Boise, Idaho, where buyers might be more sensitive than higher-end customers to fluctuations in interest rates. The company focuses largely on high-end homes with average price tags double those of other large builders, and executives said those buyers are less susceptible to fluctuations in mortgage rates.

"Our clients have much higher credit ratings. They put more money down," said Chief Executive Doug Yearley. "It's generally easier for them to get a mortgage because they're not tapped out when rates go up a little bit."

Adjusted gross profit margin for Toll Brothers was 22.5% for the second quarter ended in April, below the company's previous guidance and down from 24.3% in the same quarter last year. The company said profit margins for the quarter were down because of some specific operational issues: delays on some particularly profitable homes in California, and a push to



A Toll Brothers home under construction last year. Toll faces higher costs for labor and lumber.

### Home Builder Stumbles

Toll Brothers' share price plunged Tuesday amid concerns about higher

mortgage rates and lower profit margins.

**Net profit**

\$200 million

2Q 2018\* \$111.8 million

150

100

50

0

FY 2016 '17 '18

\*Ended April 30

Sources: S&P Capital IQ (income); FactSet (shares)

**Share price**

\$54

Tuesday \$39.46

▼10%

50

46

42

38

Jan. Feb. Mar. Apr. May

THE WALL STREET JOURNAL.

dian lumber.

Jack Misenko, a home-building analyst with Susquehanna Financial Group, said the disappointing gross profit margin could mostly be attributed to one-time operational issues. But he said the timing wasn't great, because of investors' concerns about how interest rates could affect the housing market more broadly.

"Most investors right now are hypersensitive to rising rates and the potential impact on demand," he said. "This is a tough quarter to have some operational issues."

Overall, Mr. Misenko said he is still seeing strong home-buying demand. Demand is related more to the economy, rising equity in one's current home, or life events such as a new marriage or the birth of a child, he said. "I think there's very few people who buy a house solely based on where mortgage rates are," he said.

sell condominium inventory in New York City to generate cash for other priorities.

Shares in Toll Brothers closed at \$39.46 on Tuesday.

The company has also been

affected by higher costs for labor and materials, particularly lumber, which has risen to records in 2018 after the Trump administration's decision last year to place tariffs on Cana-

## LOWE'S

Continued from the prior page

ing Mr. Ellison's tenure the

company strengthened its balance

sheet by retiring \$1.4 billion

in debt.

Mr. Ellison, 53 years old, is jumping to a much bigger company. Lowe's takes in more than five times as much revenue as Penney, and its market capitalization of roughly \$73 billion compares with less than \$1 billion for the department-store chain.

Penney, which is based in Plano, Texas, said Tuesday it was launching a search for a new CEO. It created an office of the chairman consisting of the chief financial officer, the chief information officer and other executives who will manage the day-to-day responsibilities until a successor is found. Its board elected lead

director Ron Tysoe chairman, replacing Mr. Ellison.

Mr. Ellison joined Penney when it was in crisis following former CEO Ron Johnson's failed experiment to revamp the 116-year-old chain. While Mr. Ellison stabilized sales, the company remains challenged. It is carrying a hefty debt load and is unprofitable. It lost \$78 million in the most recent quarter, compared with a \$187 million loss a year earlier.

Penney's same-store sales for the three months to May 5 rose a scant 0.2%, short of the company's expectations and strong results from rivals such as Macy's.

Some analysts had become disillusioned with Mr. Ellison's plan for turning around Penney, noting he was shifting into lower margin categories like appliances without fixing the core apparel business.

Lowe's said in March that its current CEO, Robert

Niblock, would retire after 13 years in the top role. That announcement came one week after three new directors joined the company's board following criticisms from activist investor D.E. Shaw & Co. that Lowe's had underperformed Home Depot in recent years.

Lowe's was set to release its first-quarter results Wednesday morning. In February, the Mooresville, N.C.-based chain reported falling sales and lower-than-expected earnings for its fiscal fourth quarter.

The retailer agreed to pay

Mr. Ellison a base salary of

\$14.5 million and a target bonus of \$2.9 million. He will also receive a signing bonus of about \$6 million in stock grants and options that will potentially pay out over the next three years. Mr. Ellison earned the same base salary at Penney.

Before joining Penney, Mr.

Ellison spent a dozen years at Home Depot. He rose through the ranks, ending up in the job of executive vice president in charge of the do-it-yourself chain's roughly 2,000 U.S. stores. He was the first African-American to join its senior ranks and left for Penney after missing out on the top job at Home Depot.

Mr. Ellison is expected to draw on his Home Depot playbook to improve Lowe's customer service, online presence and professional business, said people familiar with the matter.

At Home Depot, for example, Mr. Ellison had sales associates wear bright orange vests to make it easy for shoppers to differentiate them from employees doing other tasks and decided employees shouldn't stock shelves during the busiest hours, the people said.

—Cara Lombardo contributed to this article.

Tuesday

1.9307%

Cash No Longer Trash

Three-month Treasury yield

15%

10

5

0

2008 '10 '15 '18

Source: FactSet

THE WALL STREET JOURNAL.

With the cashlike

instruments now yielding 1.93%, their highest since the collapse of Lehman Brothers, worrywarts can once again earn at least a bit of money on the sidelines.

Mr. Tepper noted in January that he believed bond prices remain key to stock values and that, at that point, stocks looked "cheap." But yields have risen since then, while stock prices are at the same level.

Mr. Tepper seems to be diversifying, putting \$2.3 billion of his own money into an entirely different asset: the Carolina Panthers. Could it be third and long for stocks?

## CEO

Continued from the prior page

for a decade, including as chief financial officer from

1999 to 2004.

Univision is grappling with rising content costs and an industrywide shift in the television landscape, with more pay-TV subscribers cutting the cord in favor of streaming services, a trend that has lowered TV ratings and reduced the value of television companies. Meanwhile, **NBCUniversal's** Telemundo has

## BUSINESS NEWS

# Ex-Valeant Executive Convicted In Scheme

BY REBECCA DAVIS O'BRIEN

A Manhattan federal jury found a former executive at Valeant Pharmaceuticals International Inc. guilty of charges that he defrauded the pharmaceutical giant through a multi-million-dollar kickback scheme.

The former Valeant executive, Gary Tanner, and his co-defendant, Andrew Davenport—the former chief executive of Philidor Rx Services, a specialty mail-order pharmacy involved in the scheme—were both convicted Tuesday on all four criminal counts they faced, including honest services wire fraud and money-laundering conspiracy.

"We are of course disappointed in the verdict, but we look forward to addressing the many legal and evidentiary issues on appeal," said Brendan McGuire, a lawyer for Mr. Tanner. A lawyer for Mr. Davenport didn't immediately respond to a request for comment.

"As a unanimous jury has found, Gary Tanner sold his loyalty to Andrew Davenport for \$9.7 million," Manhattan U.S. Attorney Geoffrey S. Berman said in a statement. "Unbeknownst to his employer, Tanner became the fox guarding the henhouse."

The trial is the first criminal prosecution to emerge from multiple investigations into Valeant's sales practices. Some of the investigations are continuing. Valeant has said it is cooperating with the various investigations, including the one in Manhattan.

Several current and former Valeant executives testified at the nearly three-week-long trial of Messrs. Tanner and Davenport. "We believe the jury's verdict reflects the facts of the case," a spokeswoman for Valeant said in an emailed statement.



**A Santos well in Australia last year. The oil-and-gas company rejected Harbour Energy's \$10 billion takeover offer as undervalued amid the recent recovery in prices.**

BRENDON THORNE/BLOOMBERG NEWS

# Australian Oil Giant Snubs U.S. Bid

By MIKE CHERNEY

Santos Ltd. of Australia rejected a more than US\$10 billion acquisition offer by Harbour Energy Ltd. on Tuesday, calling the offer undervalued given recent oil-price gains.

The rejection comes after private-equity-backed Harbour—set up by EIG Global Energy Partners in 2014 to hunt for oil and natural-gas assets outside the U.S.—raised its offer twice in recent days to woo Santos. The latest proposal, made Monday, offered US\$5.21 a share for

Santos, and was contingent on the Australian company hedging some of its future oil output.

Santos, one of the largest independent oil-and-gas companies in the Asia-Pacific region, has now ended talks with Harbour. It said the latest offer represented a 4.6% increase from the original non-binding proposal of US\$4.98 a share, made in April. Since then, Brent oil prices have risen 14% and share prices of other Australia-listed energy peers have risen 18% on average, Santos said.

The offer "does not repre-

sent a full value of the company and, when combined with the associated risks, is not in the best interests of Santos shareholders," Santos said.

Harbour said late Tuesday it is disappointed with the decision given that the deal would have offered a "compelling premium" for Santos.

"There was insufficient engagement with Santos on valuation, no meaningful attempt by Santos to discuss a realistic price which could be supported by any reasonable set of technical and commercial assumptions, and an unwillingness by their board to explore means of closing the gap between the offer and their expectations," Harbour said.

equity firms are showing fresh interest in energy as global oil prices recover.

In rejecting the proposal, Santos said it believed the offer was too low given the recent increase in oil prices and rally in energy-company shares. It also balked at taking on foreign-exchange risk for its roughly 120,000 mom-and-pop shareholders.

Santos also said the private-equity structure of the deal was too complex, and that executing its existing strategy would unlock more value for its shareholders than selling to Harbour.

## INTESA SANPAOLO

### NOTICE TO SHAREHOLDERS

(pursuant to Article 84 of Consob Regulation no. 11971/1999)

#### REGISTRATION WITH THE COMPANIES REGISTER OF TURIN OF THE RESOLUTION ADOPTED BY THE SPECIAL MEETING OF INTESA SANPAOLO S.P.A. APPROVING THE MANDATORY CONVERSION OF THE SAVINGS SHARES INTO ORDINARY SHARES

#### TERMS AND MODALITIES FOR THE EXERCISE OF THE WITHDRAWAL RIGHT BY THE INTESA SANPAOLO SAVINGS SHAREHOLDERS

Intesa Sanpaolo S.p.A. ("Intesa Sanpaolo" or the "Company") hereby announces that on 22 May 2018 (the "Registration Date") the resolution, by means of which the Special Meeting of the Company, held on 27 April 2018 (the "Special Meeting"), approved the mandatory conversion of the savings shares into ordinary shares (the "Mandatory Conversion") and the consequent amendments of the Company's Articles of Association, was registered with the Companies Register of Turin. The Special Meeting's resolution followed the approval by the Extraordinary Meeting, whose resolution was registered on 22 May 2018 as well.

##### Withdrawal right and entitled shareholders

Since the Mandatory Conversion will result in an amendment of the provisions of the Company's Articles of Association relating to the rights of the savings shareholders, such savings shareholders of Intesa Sanpaolo who did not take part in the resolution adopted by the Special Meeting (the "Entitled Shareholders") will be entitled to exercise the right of withdrawal, pursuant to Article 2437, paragraph 1, letter g), of the Italian Civil Code (the "Withdrawal Right").

It should be noted that, pursuant to Article 127-bis, paragraph 2, of Legislative Decree No. 58 of 24 February 1998 (the "TUF"), any person on whose behalf savings shares of Intesa Sanpaolo were registered after the record date of the Special Meeting (i.e. 18 April 2018) but prior to the opening of the Special Meeting shall be deemed included among those who did not concur to the approval of the resolution (and, therefore, entitled to exercise the Withdrawal Right).

##### Liquidation value

The liquidation value of Intesa Sanpaolo's savings shares which may be subject to the exercise of the withdrawal right is equal to Euro 2.74 per share and has been determined in accordance with the provisions set forth under Article 2437-ter, paragraph 3, of the Italian Civil Code, making reference to the arithmetic average of the closing prices of Intesa Sanpaolo's savings shares on the market in the six months before the publication of the notice of call of the Special Meeting (i.e. 6 February 2018).

##### Withdrawal statement

The main terms and modalities for the exercise of the Withdrawal Right have been illustrated in the Board of Directors' Report, prepared pursuant to Article 125-ter of the TUF and to Article 72 of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended (the "Issuers' Regulation"), made available to the public on 20 March 2018 at the Company's registered office and published on the Company's website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section) and on the authorised storage system ([www.emarketstorage.com](http://www.emarketstorage.com)).

In this respect, it should be noted that in accordance with Article 2437-bis, paragraph 1, of the Italian Civil Code, the Withdrawal Right may be exercised by the Entitled Shareholders, for all or part of the savings shares held, by means of a registered letter with return receipt (the "Withdrawal Statement") to be sent within fifteen calendar days of the Registration Date – and, therefore, by 6 June 2018 (the "Exercise Term"). Reference will be made to the postmark date to determine whether the Withdrawal Statement was served within the relevant term.

The Withdrawal Statement must be sent to "Intesa Sanpaolo S.p.A., Piazza San Carlo, 156, 10121 Turin – to the attn. of the Ufficio Soci" and contain the following information:

- (i) the identification details, the fiscal code, the address (and a telephone number and email address, if available) of the withdrawing shareholder (the "Withdrawing Shareholder") to which any communications concerning the Withdrawal Right shall be sent;
- (ii) the number and type of savings shares for which the Withdrawal Right is being exercised;
- (iii) the indication of the intermediary holding the account where the shares in relation to which the Withdrawal Right is being exercised are registered, together with the details of the aforesaid account;
- (iv) the declaration that such shares are free of pledges or other liens in favour of third parties.

A form for withdrawal is available on the Company's website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

Pursuant to Article 23 of the Banca d'Italia-Consob Regulation of 22 February 2008, as subsequently amended (the "Banca d'Italia-Consob Regulation") the entitlement to exercise the Withdrawal Right pursuant to Article 2437 of the Italian Civil Code is certified by a communication of the relevant intermediary to the issuer (the "Communication"). The Withdrawing Shareholders are required to ask the intermediary, authorised to keep the accounts according to law, to provide the Communication to the Company in the manner provided under the applicable legal and regulatory framework.

The Communication by the intermediary shall certify the following:

- the continuous ownership, by the Withdrawing Shareholder, of the Intesa Sanpaolo savings shares in relation to which the Withdrawal Right is being exercised, before the beginning of the Special Meeting, the resolution of which entitles the exercise of the Withdrawal Right until the date of the issuance of the intermediary's Communication (included), taking into account the requirements set forth under Article 127-bis, paragraph 2, of the TUF;
- the absence of pledges or other liens on the savings shares of Intesa Sanpaolo in relation to which the Withdrawal Right is being exercised; otherwise, the Withdrawing Shareholder shall send to the Company, as a condition for the admissibility of the Withdrawal Statement, a specific declaration by the secured creditor or by such other person who has other liens on the shares, with which such person gives his/her irrevocable consent to carry out the liquidation of the shares object of the Withdrawal Right, in accordance with the instructions given by the Withdrawing Shareholder.

Please note that the Withdrawing Shareholders are required to ensure that the information contained in the Withdrawal Statement is correct and send such communication within and no later than the Exercise Term. The Withdrawal Statements sent after the abovementioned term and/or lacking the necessary information and/or not accompanied in due course by the relative Communication will be considered as inadmissible.

##### Share disposal restrictions

As provided under Article 2437-bis, paragraph 2, of the Italian Civil Code and applicable regulations, the authorised intermediary will issue the Communication and at the same time freeze the relevant shares (and therefore the shareholder will not be allowed to dispose of such shares), until the time of their liquidation. As a result, until the end of the liquidation process, the same shares may not be transferred by their respective holders, who therefore will temporarily not be able to realise their investment.

##### Liquidation process

Without prejudice to the above, in case one or more savings shareholders exercise the Withdrawal Right, the liquidation process of the shares subject to withdrawal will be carried out in accordance with the provisions set forth under Article 2437-quater of the Italian Civil Code, pursuant to which:

- (i) the directors of the Company shall offer the shares of the Withdrawing Shareholders to the other savings shareholders and ordinary shareholders proportionally with the shareholding held; such option right may be exercised within a period of at least 30-days of the filing of the offer with the competent Companies Register; the shareholders who exercise the option right have also a pre-emptive right (*diritto di prelazione*) for the purchase of the shares for which no option right has been exercised, provided that they so request at the time of exercise of the option right; in the event that any of the shares for which the Withdrawal Right has been exercised have not been acquired by the Company's shareholders, such shares can be offered on the stock market by the directors of the Company;
- (ii) in the event that any of the shares for which the Withdrawal Right has been exercised are not being purchased in the previous phases, the Company shall purchase such shares using available reserves even in derogation of the quantitative limits set forth under paragraph 3 of Article 2357 of the Italian Civil Code.

Please note that the execution of the Mandatory Conversion is conditioned upon the amount owed to those who elect to exercise the Withdrawal Right not exceeding Euro 400 million at the end of the pre-emption (*diritto di opzione*) and pre-emptive (*diritto di prelazione*) rights offering period concerning any offer to the Intesa Sanpaolo shareholders of the shares held by the withdrawing savings shareholders. Therefore, in the event of failure to execute the Mandatory Conversion, the shares in relation to which withdrawal rights were exercised will be released from the disposal restriction described in the paragraph above ("Share disposal restrictions") and will be returned to the free disposal of the Withdrawing Shareholder; the liquidation process concerning said shares will consequently be interrupted.

For further information on the liquidation process of the shares subject to withdrawal pursuant to Article 2437-quater of the Italian Civil Code please refer to paragraph 1.19 of the Board of Directors' Report.

The Company will provide relevant information on the liquidation process in relation to the shares subject to withdrawal within the terms and in the manner provided for by the applicable laws and regulations.

Turin, 23 May 2018

## TECHNOLOGY

WSJ.com/Tech

HECTOR GUERRERO/BLOOMBERG NEWS  
An Intel design center in Guadalajara, Mexico. There are no known reports of criminals using the vulnerabilities to steal data.

# Chip Flaws Hound Intel

**More patches needed for Spectre and Meltdown until new processors come out**

BY ROBERT McMILLAN

**Intel** Corp. plans to release patches for a new vulnerability affecting its chips, the second time this year it has addressed flaws known as Spectre and Meltdown. The fix is unlikely to be the last.

Inspired by the January disclosure of the bugs, security researchers are digging into chip attacks and uncovering even more flaws, said Paul Kocher, an independent cryptography expert who with others discovered Spectre.

Spectre and Meltdown sent the world's chip makers scrambling to fix design flaws long present in most of the world's processors. The latest discovery, disclosed Monday by Intel,

**Microsoft** Corp., **Alphabet** Inc.'s Google and others, is a new variant on Spectre.

**Advanced Micro Devices** Inc., **Qualcomm** Inc. and ARM, owned by **SoftBank Group** Corp., said their products also are affected.

Security researchers say this latest bug, a twist of the Spectre flaw called Variant 4, is complex, making it less of a threat since it is more difficult for hackers to exploit than the Meltdown bug. But it won't be the last such discovery, they say.

"There are going to be lots more vulnerabilities found over the next five years; no question about it," Mr. Kocher said.

Research into hardware attacks has heated up in recent years and was given a further boost from the publicity generated by Spectre and Meltdown.

At the annual security and privacy conference for the Institute of Electrical and Electronics Engineers, held in San

Francisco this week, there were nearly 30% more papers submitted covering computer hardware security than last year, said Bryan Parno, a Carnegie Mellon University professor and one of the conference's organizers.

The Spectre and Meltdown discoveries "will likely draw additional interest to the area" of hardware hacking, he said.

An Intel spokesman declined to comment on whether the company was expecting to patch more hardware flaws in the future. In a Monday blog post, Intel wrote: "We know that new categories of security exploits often follow a predictable life cycle, which can include new derivatives of the original exploit."

While Spectre and Meltdown affect most of the world's chips, they have been a particular problem for Intel, which commands 95% of the market for server and personal-computer processors.

There are no known reports of Spectre and Meltdown attacks being used by criminals, but security researchers are worried they can be used to steal data such as passwords from cloud-computing servers or desktop PCs surfing the internet.

Intel has addressed Spectre and Meltdown with software updates, but the company expects to fix these bugs at the chip level in new processors released later this year. Intel doesn't expect the problem to have a material impact on its finances.

While there are more bugs likely to come, not every discovery will be on par with Meltdown and Spectre, said Ryan Permeh, a former Intel security architect who is now chief scientist with security vendor Cylance Inc.

"These things happen every three-to-five years," he said.

—Ted Greenwald contributed to this article.

# Amazon's Tool for Facial Recognition Fans Privacy Fears

BY JAY GREENE

**Amazon.com** Inc. found itself thrust into the contentious issue of government surveillance on Tuesday after dozens of civil-rights organizations called on the tech giant to stop selling its facial-recognition technology to law-enforcement organizations.

The retail giant has been selling the technology as a means to help authorities identify suspects in surveillance footage, according to documents the American Civil Liberties Union obtained from police departments through public-records requests.

The uproar comes amid increasing concerns worldwide about the extensive reach of powerful tech companies, the massive quantities of information they collect and analyze and the potential for abuse of people's privacy and data.

The ACLU and other civil-rights organizations sent a letter to Amazon Chief Executive Jeff Bezos expressing "profound concerns" about the potential misuse of the technology, which Amazon calls Rekognition.

"We demand that Amazon stop powering a government surveillance infrastructure that poses a grave threat to customers and communities across the country," the groups wrote in the letter.

Amazon didn't directly comment on law enforcement's use of Rekognition, saying the company requires customers to "comply with the law and be responsible" when they use its services. It cited positive uses of the technology, such as helping amusement parks find lost children.

"Our quality of life would be much worse today if we outlawed new technology because some people could choose to abuse the technology," the

company said in a statement.

Other technology companies also work with U.S. police departments to apply facial-recognition technology to video surveillance and body cameras footage. **Motorola Solutions** Inc., for example, is working with the artificial-intelligence startup **Neurala** Inc. to make body cameras that learn to identify a suspect or a missing child and spot them in crowds.

Amazon introduced Rekognition in 2016 as part of its Amazon Web Services cloud business. The technology is essentially a matching algorithm, where customers can teach the service to pick out individuals by tagging images stored on its servers. Its facial-recognition technology can then scan other photos and videos to detect specific people.

**Civil-rights groups sent CEO Jeff Bezos a letter citing the potential for misuse.**

The accuracy of facial recognition generally depends on the quality of the images and video uploaded and tagged, and the technology gets better as it collects more data.

Facial recognition has long been developed by tech companies, including **Facebook** Inc., **Alphabet** Inc.'s Google, **Apple** Inc. and **Microsoft** Corp., as part of their social media, photo storage or other services.

Civil-rights advocates are worried about growing state surveillance. China, for example, has expanded the use of facial recognition, recently capturing three suspects who were attending concerts.



Facebook CEO Mark Zuckerberg, as he arrived at the European Parliament in Brussels on Tuesday.

EU

*Continued from page B1*  
dent Antonio Tajani said the format was his idea.

Other members were dissatisfied with the substance of Mr. Zuckerberg's responses. Speaking to reporters after the hearing, German leftist Gabriele Zimmer called them "very general answers." Jan Philipp Albrecht, the German member of Parliament from the Green Party who led the GDPR negotiations, told reporters: "I am shocked that Zuckerberg didn't take this seriously at all."

In response to questions about the Cambridge Analytica scandal, Mr. Zuckerberg said Facebook has more tightly restricted the data that outside apps can access and has suspended 200 apps it suspects of having misused user data shared on or through Facebook. He said the company is reviewing thousands more apps and expects more to be removed.

He also said Facebook is working to more broadly protect the integrity of elections, including by encouraging voters to go to the polls and by working with governments to identify misinformation threats in real time. The issue is of interest to Parliament members, who face elections next spring.

Mr. Zuckerberg also stressed Facebook's commit-

ment to Europe, announcing that it would hire an additional 3,000 employees in the region to reach a total of 10,000 by the end of the year.

Seated around a hoop-shaped table in an intimate wood-paneled room in the European Parliament, roughly a dozen European lawmakers individually interrogated the chief executive.

Manfred Weber, the leader of the largest group in the European Parliament, the European People's Party, said more regulation for the company was needed and raised the issue of Facebook's market dominance. "We should discuss breaking up the Facebook monopoly. Can you convince me not to do so?"

Liberal member Guy Verhofstadt also dug into the question of the company's market power, stressing that self-regulation wouldn't be enough to control the company. "We have a big problem here," he said, asking Mr. Zuckerberg to decide whether he wants to be remembered "in fact as a genius who created a digital monster that is destroying our democracies and our societies."

In response, Mr. Zuckerberg said the company "exists in a very competitive space, where people use a lot of different tools for communication" adding that advertisers have "a lot of choice" in terms of where they choose to advertise.

The hearing comes amid greater scrutiny of tech giants

by authorities and regulators around the world, who are increasingly looking to Europe for direction on how to rein in the Silicon Valley firms over their privacy policies, market power, tax payments and other issues.

The GDPR, the EU's new privacy law, is one such piece of legislation. Mr. Zuckerberg said the company would be compliant with the new rules by Friday, adding that a large portion of European users already reviewed and consented to the new privacy policies designed to meet the demands of the new law.

Brussels is the first stop for Mr. Zuckerberg as he seeks to calm tensions with European officials. On Wednesday, Mr. Zuckerberg will travel to Paris, where he will attend a government-organized lunch with executives from Uber Technologies Inc., Microsoft Corp. and other firms about using technology to promote the common good.

EU and European national regulators for years have been among the most active worldwide in trying to bridle Facebook. A working group of several EU data-protection watchdogs brought sanctions against the company for prior changes to its privacy policies, though some of those decisions were thrown out in court. Some EU regulators are also investigating the company's use of data about users of chat app WhatsApp, which it bought in 2014 for \$22 billion.

—Deepa Seetharaman contributed to this article.

We're saying "yes" to the future of energy.

Tomorrow's next big thing is out there, an idea waiting to be brought to life. We strive to be a partner who

paves the way for you to reach whatever dreams, goals, or "impossible" things you want to achieve.

That's why we innovate, expand, invest, research, and build solutions across 50 states and the full energy spectrum. We're designing solutions that remove the limits in your path. We're building the future of energy.



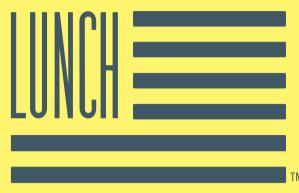
**Southern Company**

southerncompany.com/imagine

We live in a remarkable time, when the promise of digital technology to genuinely improve human lives has accelerated in unimaginable ways. Enterprises expect to collaborate across numerous locations and schools can connect their students with insights from around the world. Healthcare providers can deliver patient care over digital connections. And connectivity is so intertwined that we take it for granted, turning wonders into daily expectations. There is an optimism that is exciting and awe-inspiring. Digital technology promises to make a meaningful impact on humanity. See what's changing. [spectrumenterprise.com](http://spectrumenterprise.com)

**Spectrum**  
ENTERPRISE

©2018 Charter Communications. All Rights Reserved. Not all products, pricing and services are available in all areas. Restrictions may apply. Subject to change without notice. All trademarks remain property of their respective owners.



*For personal, non-commercial use only.*

**DROPPING OFF LUNCH  
TO A SENIOR COULD BE  
THE PICK-ME-UP  
YOU NEED.**

Volunteer for Meals on Wheels  
[AmericaLetsDoLunch.org](http://AmericaLetsDoLunch.org)



MEALS on WHEELS®



## BUSINESS NEWS

# Alphabet, Facebook Pulled Down Pay For Software CEOs

By THEO FRANCIS

The highest-paid software executive of 2017? That was Gary Norcross, chief executive of **Fidelity National Information Services Inc.**, at \$29.1 million.

Fidelity National, also known as FIS, is a bank-technology provider. Mr. Norcross has led the Jacksonville, Fla.-based company since January 2015. His total compensation increased 46% from \$20 million the previous year, according to regulatory filings. The company's total shareholder return, which reflects share-price appreciation and dividends, was 26% last year.

A spokeswoman said \$11.1 million of Mr. Norcross's pay last year included a special bonus for integrating SunGard, which FIS acquired in late 2015. She said most of his pay is tied closely to performance and aligned with shareholder interests.

The median pay figure for the software and services industry, which included 24 full-year CEOs as of April 30, was \$10.7 million, below the overall median of \$12.1 million for full-year CEOs at all S&P 500 companies, according to a Wall Street Journal analysis of proxy filings by S&P 500 firms. Median total return for software companies was 33%, compared with about 19% overall.

Low-paid founders helped bring the median pay down. Larry Page, CEO of Google parent **Alphabet Inc.**, made just \$1. Facebook Inc. founder Mark Zuckerberg made \$8.9 million,

## High Earners

Highest-paid software and services CEOs in 2017

CEO/COMPANY	SHARE- HOLDER PAY	TOTAL PAY IN MILLIONS
<b>Gary Norcross</b> Fidelity National	26%	\$29.1
<b>Robert Kotick</b> Activision Blizzard	76	28.7
<b>Shantanu Narayen</b> Adobe Systems	80	21.9
<b>Pierre Nanterme</b> Accenture	16	19.8
<b>Daniel Schulman</b> PayPal	87	19.2
<b>Ajay Banga</b> Mastercard	48	18.7
<b>Virginia Rometty</b> IBM	-4	18.6
<b>Devin Wenig</b> eBay	27	17.7
<b>Brad Smith</b> Intuit	25	16.4
<b>Francisco D'Souza</b> Cognizant	28	12.5

Note: Industry groups defined by Standard & Poor's. Shareholder return reflects 1-year total shareholder return through the month-end closest to each company's fiscal-year end.

Source: MvLilo LLC (pav); ISS Analytics

most of which consisted of personal and home-security services. As defined by Standard & Poor's, the industry group includes the CEOs of such traditional software firms as Adobe Systems Inc. and Intuit Inc., as well as cloud-computing and social-networking giants like Alphabet and Facebook. It also includes firms like Fidelity National, money-order giant Western Union Co. and credit-card giants Visa Inc. and Mastercard Inc.



Larry Page, CEO of Google parent Alphabet, made \$1 in 2017.

## Ad Giant WPP Loses HSBC Account to Rival

By ALEXANDRA BRUELL

Mindshare's services for American Express Co. are also up for review.

WPP has had a particularly tough time over the past couple of years and is forecasting no revenue growth this year. Account losses exacerbate those struggles and spook investors already growing skeptical of the ad holding company and its model—and Mr. Sorrell's sudden departure doesn't help. WPP is currently conducting a search for his replacement.

WPP shares, which rose slightly to \$91.42 on Tuesday, are off 17% from the start of last year.

Mr. Sorrell built WPP into an ad-services giant through an aggressive acquisition strategy. For years, the agencies enjoyed longtime relationships with clients. But more recently advertisers have come under pressure to cut back and rethink their advertising models.

While WPP has lost a number of accounts in recent years, including AT&T Inc. and Volkswagen AG, the holding company isn't alone. The media-buying sector is mired in a tumultuous period in which many clients have reviewed their ad-buying relationships in an attempt to cut costs, adapt to a faster-paced digital environment and rebuild trust amid concerns around opaque media-buying practices.

Despite its challenges, WPP recently won some media business for U.K. retailer Tesco PLC.

Omnicon referred calls to new client HSBC. WPP's GroupM, the ad-buying division that includes Mindshare, didn't respond to a request for comment.

"We have selected PHD as our preferred Media Planning and Buying Supplier as they demonstrated strong strategic skills and advanced digital transformation capabilities," Ms. Cutts said in a statement.

WPP has long had a close relationship with HSBC. Its Mindshare agency has been handling the media account for over a decade. WPP-owned agency J. Walter Thompson also performs some creative duties for the bank.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated May 23, 2018, and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of Shares. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. In jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

## Notice of Offer to Purchase All Outstanding Shares of Common Stock of ARMO Biosciences, Inc.

at \$50.00 Per Share, Net in Cash

by Bluegill Acquisition Corporation,

a wholly-owned subsidiary of

Eli Lilly and Company

Bluegill Acquisition Corporation, a Delaware corporation ("Purchaser") and wholly-owned subsidiary of Eli Lilly and Company, an Indiana corporation ("Lilly"), is offering to purchase all of the outstanding shares of common stock, par value \$0.0001 per share (the "Shares"), of ARMO BioSciences, Inc., a Delaware corporation ("ARMO"), at a purchase price of \$50.00 per Share (the "Offer Price"), net to the seller in cash, without interest and less any applicable tax withholding, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 23, 2018, and in the related Letter of Transmittal (which, together with the Offer to Purchase, as they may be amended or supplemented from time to time, collectively constitute the "Offer"). Stockholders of record who tender directly to Computershare Trust Company, N.A. (the "Depository") will not be obligated to pay brokerage fees or commissions or, except as may be set forth in the Letter of Transmittal, transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees or commissions.

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT ONE MINUTE PAST 11:59 P.M. EASTERN TIME, ON JUNE 21, 2018, UNLESS THE OFFER IS EXTENDED OR EARLIER TERMINATED.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated May 9, 2018 (as it may be amended from time to time, the "Merger Agreement"), by and among ARMO, Lilly and Purchaser. The Merger Agreement provides, among other things, that, following the consummation of the Offer and subject to certain conditions, Purchaser will be merged with and into ARMO pursuant to Section 251(h) of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), with ARMO continuing as the surviving corporation and becoming a wholly-owned subsidiary of Lilly (the "Merger"). In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") (other than (i) Shares owned by ARMO immediately prior to the Effective Time, (ii) Shares owned by Lilly or Purchaser at the commencement of the Offer and owned by Lilly or Purchaser immediately prior to the Effective Time or (iii) Shares held by any stockholder who is entitled to demand and properly demands appraisal of such Shares pursuant to, and who complies in all respects with, Section 262 of the DGCL and who, as of the Effective Time, has neither effectively withdrawn nor lost its rights to such appraisal and payment under the DGCL with respect to such Shares) will be converted into the right to receive an amount in cash equal to the Offer Price without interest, less any applicable tax withholding.

The Offer is not subject to a financing condition. The obligation of Purchaser to accept for payment and pay for Shares validly tendered (and not properly withdrawn) pursuant to the Offer is subject to the satisfaction of the conditions set forth in Section 15 of the Offer to Purchase (collectively, the "Offer Conditions"), including the Minimum Tender Condition (as defined below) and the Antitrust Condition (as defined below).

The term "Expiration Date" means June 21, 2018, unless the expiration of the Offer is extended to a subsequent date in accordance with the terms of the Merger Agreement, in which event the term "Expiration Date" means such subsequent date.

The Board of Directors of ARMO has unanimously: (i) determined that the Offer, the Merger and the transactions contemplated thereby (collectively, the "Transactions") are fair to and in the best interests of ARMO and its stockholders; (ii) duly authorized and approved the execution, delivery and performance by ARMO of the Merger Agreement and the consummation by ARMO of the Transactions; (iii) declared the Merger Agreement and the Transactions advisable; (iv) recommended that ARMO's stockholders tender their Shares in the Offer; and (v) resolved that the Merger shall be governed by and effected under Section 251(h) of the DGCL.

The Merger Agreement contains provisions that govern the circumstances under which Purchaser is required or permitted to extend the Offer and under which Lilly is required to cause Purchaser to extend the Offer. Specifically, the Merger Agreement provides that: (i) if any Offer Condition (as set forth in Section 15 of the Offer to Purchase) other than the Minimum Tender Condition has not been satisfied or waived, Purchaser shall, and Lilly shall cause Purchaser to, extend the Offer for one or more consecutive increments of not more than ten business days each (or such longer period as Lilly and ARMO may agree), until such time as such conditions have been satisfied or waived; (ii) Purchaser shall, and Lilly shall cause Purchaser to, extend the Offer for the minimum period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission or its staff thereof or The Nasdaq Stock Market applicable to the Offer; and (iii) if each Offer Condition (other than the Minimum Tender Condition) shall have been satisfied or waived, and the Minimum Tender Condition shall not have been satisfied, Purchaser may (and if so requested by ARMO, Purchaser shall, and Lilly shall cause Purchaser to), extend the Offer for one or more consecutive increments of not more than ten business days each (or for such longer period as may be agreed between ARMO and Lilly); provided that ARMO shall not request Purchaser to, and Lilly shall not be required to cause Purchaser to, extend the Offer on more than three occasions. In each case, Purchaser shall not, and is not required to extend the Offer beyond the Outside Date, without ARMO's consent. The "Outside Date" means November 9, 2018.

The "Minimum Tender Condition" means that there shall have been validly tendered (and not validly withdrawn) prior to the expiration of the Offer that number of Shares that, when added to the Shares then owned by Lilly or Purchaser, would represent a majority of Shares outstanding as of immediately following the consummation of the Offer.

The "Antitrust Condition" means that any applicable waiting period (or any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the anti-competition laws of Germany and Austria, shall have expired or otherwise been terminated.

If the Offer is consummated, Purchaser will not seek the approval of ARMO's remaining stockholders before effecting the Merger. Lilly, Purchaser and ARMO have elected to have the Merger Agreement and the transactions contemplated thereby governed by Section 251(h) of the DGCL and agreed that the Merger will be effected as soon as practicable following the consummation of the Offer. Under Section 251(h) of the DGCL, the consummation of the Merger does not require a vote or action by written consent of ARMO's stockholders.

Purchaser expressly reserves the right to waive, in its sole discretion, in whole or in part, any Offer Condition or modify the terms of the Offer, except that ARMO's prior written approval is required for Purchaser to, and for Lilly to permit Purchaser to: (i) reduce the number of Shares subject to the Offer; (ii) reduce the Offer Price; (iii) waive, amend or modify the Minimum Tender Condition or the Termination Condition (as defined below); (iv) add to the Offer Conditions or impose any other conditions on the Offer or amend, modify or supplement any Offer Condition in any manner adverse to the holders of Shares; (v) except as otherwise provided in the Merger Agreement, terminate, extend or otherwise amend or modify the Expiration Date of the Offer; (vi) change the form or terms of consideration payable in the Offer; (vii) otherwise amend, modify or supplement any of the terms of the Offer in any manner adverse to holders of Shares; or (viii) provide for any "subsequent offering period" in accordance with Rule 14d-11 of the Exchange Act. Purchaser and Lilly may not waive the Minimum Tender Condition or the Termination Condition.

The "Termination Condition" means that the Merger Agreement shall have been terminated in accordance with its terms.

Any extension, delay, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof, and such announcement in the case of an extension will be made no later than 9:00 a.m., Eastern time, on the business day after the previously scheduled Expiration Date.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not properly withdrawn as, if and when it gives oral or written notice to the Depository of its acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments from Lilly and Purchaser and transmitting such payments to tendering stockholders. Under no circumstances will Lilly or Purchaser pay interest on the Offer Price, regardless of any extension of the Offer or any delay in making such payment.

In all cases, Purchaser will pay for Shares validly tendered and accepted for payment pursuant to the Offer only after timely receipt by the Depository of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company ("DTC") pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (ii) the Letter of Transmittal, properly completed and duly executed, with all required signature guarantees and (iii) any other documents required by the Letter of Transmittal or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal and such other documents.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, tenders are irrevocable, except that if we have not accepted your Shares for payment within 60 days of commencement of the Offer, you may withdraw them at any time after July 22, 2018, the 60th day after commencement of the Offer, until Purchaser accepts your Shares for payment.

For withdrawal of Shares to be effective, the Depository must timely receive a written or facsimile transmission notice of withdrawal at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the names in which the Share Certificates are registered, if different from that of the person who tendered such Shares. The signature(s) on the notice of withdrawal must be guaranteed by an "eligible institution," unless such Shares have been tendered for the account of an "eligible institution." If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Shares. If Share Certificates representing the Shares to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the physical release of such Share Certificates, the name of the registered owners and the serial numbers shown on such Share Certificates must also be furnished to the Depository.

Withdrawals of tenders of Shares may not be rescinded and any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. Withdrawn Shares may, however, be re tendered by following one of the procedures for tendering Shares described in Section 3 of the Offer to Purchase at any time prior to the scheduled expiration of the Offer.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

ARMO has provided Purchaser with ARMO's stockholder list and security position listings for the purpose of disseminating the Offer to Purchase, the related Letter of Transmittal and related documents to holders of Shares. The Offer to Purchase and related Letter of Transmittal will be mailed to record holders of Shares whose names appear on ARMO's stockholder list and will be furnished for subsequent transmittal to beneficial owners of Shares to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

The receipt of cash by a holder of Shares pursuant to the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes. See Section 5 of the Offer to Purchase for a more detailed discussion of the U.S. federal income tax treatment of the Offer. You are urged to consult with your own tax advisor as to the particular tax consequences to you of the Offer and the Merger in light of your particular circumstances (including the application and effect of any U.S. federal, state, local or non-U.S. income and other tax laws).

The Offer to Purchase and the related Letter of Transmittal contain important information. Stockholders should carefully read both documents in their entirety before any decision is made with respect to the Offer.

Questions or requests for assistance may be directed to the Georgeson LLC (the "Information Agent") at the address and telephone numbers set forth below. Requests for copies of the Offer to Purchase and the related Letter of Transmittal may be directed to the Information Agent or to brokers, dealers, commercial banks or trust companies. Such copies will be furnished promptly at Purchaser's expense. Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or the Depository) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

**Georgeson**

1290 Avenue of the Americas, 9th Floor

New York, NY 10104

Shareholders, Banks and Brokers

Call Toll Free: 1-866-695-6078

Via Email: ARMO@GEORGESON.COM

# THE PROPERTY REPORT

## Retailers Roll Out Shop Crawls

Groups create events to lure customers away from online competitors

By ESTHER FUNG

America is crawling with crawls.

Store owners and downtown planning committees in cities around the U.S. are organizing shop crawls—often with alcohol flowing—to spark consumer interest in an era of online shopping.

In recent months shoppers were treated to a three-hour vintage- and salvage-shop crawl in Kenosha, Wis.; a summer-shop crawl in Iowa City, Iowa, complete with cocktails; and a 10-day needlepoint shop crawl across Washington state, Oregon and California.

Landlords and store owners are looking for ways to generate buzz as consumer tastes are changing quickly and e-commerce is siphoning sales revenue. For the past two years, large retailers such as **Macy's Inc.** have been shrinking their bricks-and-mortar portfolios at a faster-than-usual pace, which has hurt some locations more than others.

Net absorption of retail space in the U.S. slowed to 11 million square feet in the first quarter of this year, the lowest since 2012, according to data from CoStar Group. This year, announced store closures have accounted for 95 million square feet as of early May and seem poised to exceed the 105 million square feet logged last year.

More retailers are focusing their energies on sprucing up remaining stores, adding cafes and electrical outlets for customers to grab a coffee or charge their phones.

Landlords also are boosting budgets for events that pro-

vide experiences for shoppers, such as free yoga or movie nights.

"You've got to create excitement and engagement with consumers to keep them coming back," said Suzanne Mulvey, director of research and senior real-estate strategist at CoStar Group.

The needlepoint tour, which took about 18 months to plan, brought 16 women earlier this month to stores like Shipwreck Beads, Luv2Stitch and A Stitch in Time. The organizers gave them a canvas to work on throughout the trip and they visited stores along the way to attend classes and pick up sets of threads.

"More and more needlepoint shops are closing. The expenses are too high; people don't have time to do needlepoint. We wanted to support shops and needlepoint classes," said Elizabeth Boziewich, editor of Needlepoint Now, an Elmira, Ore.-based magazine and co-organizer of the "Rolling Stitch Party and Shop Crawl" tour. Ms. Boziewich and her co-organizer, Laura Taylor, plan to do another tour in 2020.

In the Midwest, a vintage and salvage store started the Kenosha Vintage Shop Crawl last year, bringing customers on a yellow school bus to hunt for reclaimed barn wood, "Zero" electric desk fans, vintage clothing and jewelry across another four stores in the area.

Against The Grain, which hosts the ticketed events, limits the three-hour crawls to 28 people each so that all can fit into the stores.

"Every shop has food and drinks, and the shop owners tell you about the shop and how they started. You get to see a little bit behind the scenes," said Kenosha resident Peggy Burke, who has joined the crawl twice.

She added that it also



The summer shop crawl in Iowa City, Iowa, last week included about 20 stores and 250 participants, with cocktails and food.

turned out to be a bonding experience with other participants.

Other store owners have been happy with it, said Amy Ross, store manager at Against The Grain. "We've brought different people who

wouldn't have heard about the shops."

The crawl is held nearly monthly with a different theme each time, keeping it fresh for repeat customers.

In Iowa City, Downtown District officials held the annual summer shop crawl last

Friday, where 250 attendees walked around 20 participating stores with a customized glass in hand containing cocktails or nonalcoholic drinks doled out at each store.

With drinks and appetizers being a big motivator, organiz-

ers said they have to control the number of tickets to ensure stores don't run out of beverages.

"250 is as high as we'd go," said Betsy Potter, director of operations at Iowa City Downtown District.

## Kushner and LNR Negotiate Debt

By PETER GRANT

In 2007, when New York's go-go commercial real-estate market was near its peak, **Kushner Cos.** purchased the office tower at 666 Fifth Ave. in Manhattan for what was then a record \$1.8 billion using mostly debt.

Now, that debt is moving to center stage as Kushner Cos. works to complete a deal to bring in **Brookfield Asset Management** as a roughly 50% partner in the 39-story tower, according to people familiar with the matter.

The deal would shore up 666 Fifth Ave.'s balance sheet and provide hundreds of millions of dollars for an overhaul of the building that has been a financial headache for Kushner Cos. for years, the people said.

If the transaction succeeds, Kushner Cos. would maintain 50.5% stake in the property. Kushner Cos.'s partner in the property, **Vornado Realty Trust**, would exit and essentially be replaced by Brookfield. But before that deal can take place family-owned Kushner Cos. must reach an agreement with **LNR Partners LLC**, the special servicer of the debt on the building that totals more than \$1.4 billion, which comes due in February.

Kushner Cos. contends that only about \$1.1 billion of that debt needs to be repaid, according to the people familiar with the matter. It is unclear whether LNR agrees with that assessment. Kushner Cos. and LNR are negotiating, the people said.

Kushner Cos.'s efforts to salvage its investment in 666 Fifth Ave. have come under intense scrutiny since Jared Kushner, the scion of the family and President Donald Trump's son-in-law, took a senior White House job. Concerns have persisted among Trump critics and others that Mr. Kushner might use his powerful position to assist his family with 666 Fifth Ave. even though Mr. Kushner



New York's 666 Fifth Ave. is tied to Trump adviser Jared Kushner.

sold his stake in the property to a trust controlled by other family members.

Abbe Lowell, a lawyer for Mr. Kushner, has said his client "has an ethics agreement...with which he is in full compliance."

The story of the debt on the building—and the reason why Kushner Cos. believes it doesn't have to pay the full \$1.4 billion—goes back to when the family purchased the building in 2007, before Mr. Trump decided to run for president.

Most of the debt was sold to investors as commercial mortgage-backed securities that were supposed to be repaid in 2017.

But by 2011, the financial

strain on 666 Fifth Ave. was so acute Kushner Cos. had to renegotiate in debt what was then \$1.215 billion in debt and bring in Vornado as a 49.5% partner. Both Vornado and Kushner Cos.

agreed to put in as much as \$110 million in fresh capital for leasing costs, upgrades, operating shortfalls and other costs.

The commercial real-estate industry was in such bad shape then that creditors were more inclined than they are today to restructure troubled debt rather than foreclose on a property, said real-estate debt experts. Creditors were especially inclined to cut deals when borrowers were willing to put up more equity, as Kushner Cos.

and Vornado did.

"Back then, when liquidity was in such short supply, there weren't that many games in town, so you cut a deal with the existing guy," said Manus Clancy, senior managing director of Trepp LLC, which tracks the real-estate debt market.

According to loan documents reviewed by The Wall Street Journal, in exchange for the fresh equity, LNR in 2011 agreed to extend the debt maturity until February 2019. LNR also agreed to cut the debt into a senior \$1.1 billion piece and a \$115 million junior piece.

Since then, Kushner Cos. and Vornado have only paid debt service on the senior debt. Interest on the junior debt has accrued to the point that the total debt load is now \$1.4 billion, according to loan documents and Vornado financial filings.

The issue now being negotiated between Kushner Cos. and LNR is how much, if any, of the junior debt needs to be repaid, according to some of the people familiar with the matter.

The loan documents state that in the case of a "capital event," meaning a sale or refinancing, the senior debt would be repaid first. After that—in what is known in the real-estate industry as a capital "waterfall"—Vornado and Kushner Cos. would be repaid the fresh equity they put up in 2011, along with a return on that equity.

The rest of the proceeds would be split between the junior debt holder and the owners, the loan documents say.

Kushner Cos. maintains that, under the Brookfield deal, not enough proceeds are being generated to pay the junior debt anything, according to people familiar with the matter. But the loan documents define a capital event as an "arm's length sale" or a refinancing. They are ambiguous when it comes to what happens if Kushner Cos. brings in a partner to replace Vornado.

## Startup Opens Door For a Home Trade-In

By LAURA KUSISTO

Soon it may be nearly as easy to trade in an old home for a new one as it is to dispose with a used car.

**Open Door Labs Inc.**, a San Francisco startup that buys homes in cash and turns around and flips them, is getting into business with home builders. The partnerships will offer new-home buyers a "trade-in" feature that will allow them to buy a new home without having to worry about the hassle of selling the old one.

If the idea catches on, it could pose a threat to the residential brokerage industry. Traditional real-estate agents wouldn't be needed in the kind of deals being contemplated.

Opendoor has been piloting the program in select markets, starting with Las Vegas in 2017 with **Lennar Corp.**, the country's largest home builder by revenue, which is an investor in Opendoor. Opendoor said it facilitated the purchase of \$40 million of homes last month through its partnerships with Lennar and other home builders, including **Meritage Homes Corp.**

Now, Opendoor is rolling out a larger program in which any customer buying a new home will have this option in any of the nine markets where Opendoor operates. Opendoor expects the program to be available in roughly 20 markets by the end of the year.

"Very often there's the friction involved in figuring out how to sell the first home," said Stuart Miller, chief executive of Lennar. This program "takes the friction out of the transaction."

Nate Harbacek, Opendoor's head of corporate development, said the aim is to replicate the experience of buying a new car. He pointed out that the current process of buying

a new home on the contingency of selling an existing one can be pricey and have a negative stigma. Opendoor will give a cash offer for a house within 24 hours, he said. The program appeals to home builders because a large share of their customers already own a home and many of them need to use the equity from that property to help with a down payment for a new one.

Mr. Miller said buyers delay trading up for a new home because they don't want the hassle of painting, fixing things up and showing their home.

*The concept could pose a threat to traditional real-estate agents.*

"Now we can speak to potential customers and say, 'You don't have to procrastinate. We can help facilitate a group that will buy your home,'" Mr. Miller said.

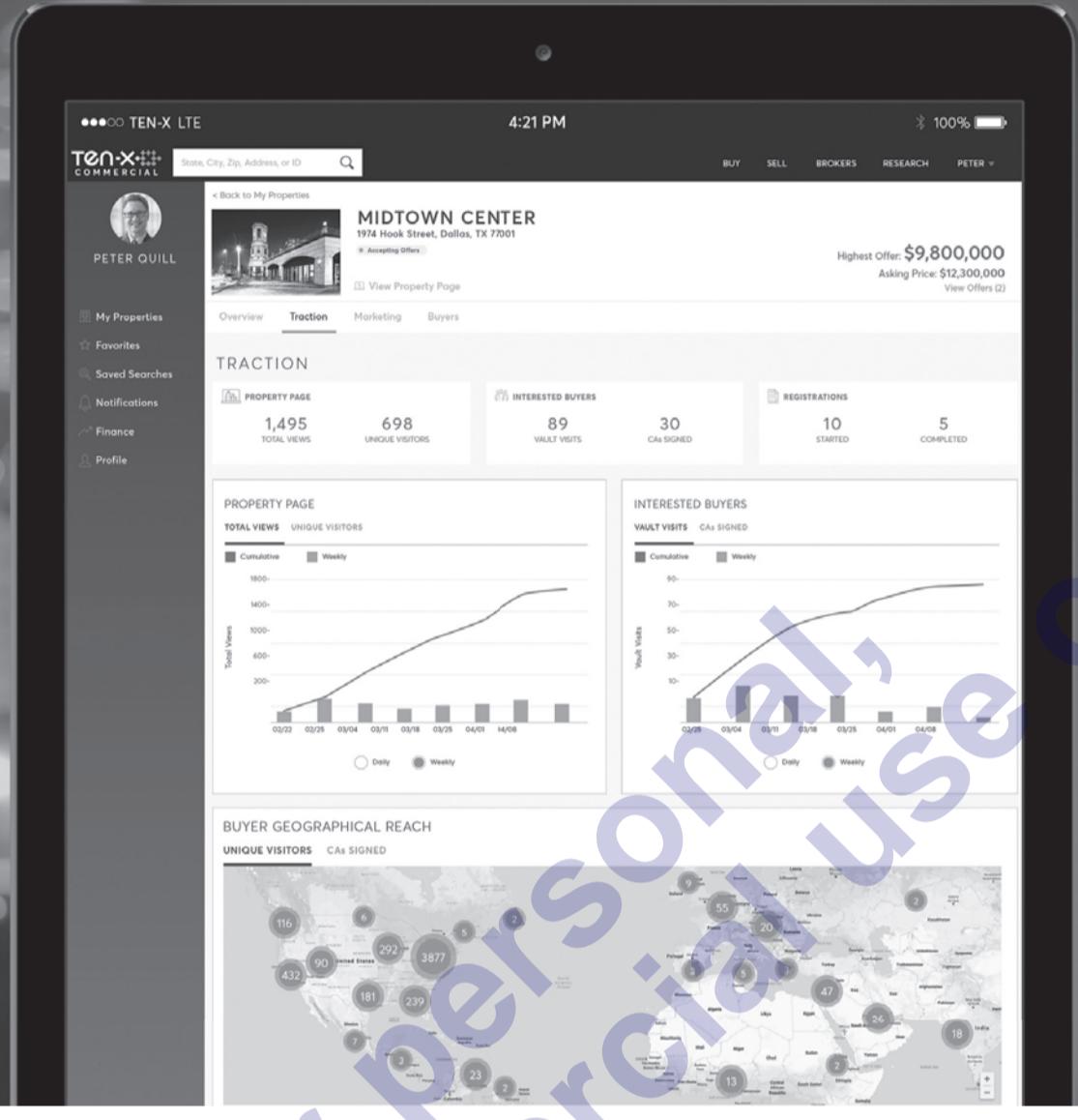
Opendoor offers cash to homeowners based on a market analysis, and turns around and resells the homes, aiming to make a profit in fees and potential home-price appreciation after making modest improvements. The company will work with new-home buyers to allow them to wait until their new home is ready before they move out, which can take months.

That introduces a welcome degree of flexibility for sellers. But it also potentially introduces more risk for Opendoor because there is a longer lag time between when Opendoor makes an offer and takes possession of the home, leaving open the possibility that home prices flatten or decline.

# THE NEW TEN-X COMMERCIAL DASHBOARD

# TRANSACTIONS SIMPLIFIED

The new Ten-X Commercial dashboard gives you greater transparency and control, enabling more informed business decisions. From this real-time window into buyer interest and activity, you can monitor and manage all of your Ten-X listings in one place.



**BID ONLINE JUNE 4 – 6**  
**ART VAN FURNITURE**  
CHICAGO, IL  
48,000 SF RETAIL

**BID ONLINE JUNE 4 – 6**  
**HOLIDAY INN EXPRESS & SUITES**  
ZAPATA, TX  
70 ROOMS HOTEL

**BID ONLINE JUNE 18 – 20**  
**1011 GLENDALE-MILFORD**  
CINCINNATI, OH  
114,532 SF INDUSTRIAL

**BID ONLINE JUNE 18 – 20**  
**371 HOES LANE**  
PISCATAWAY, NJ  
138,629 SF OFFICE

**BID ONLINE JUNE 18 – 20**  
**EASTRIDGE MEDICAL**  
HIGHLANDS RANCH, CO  
23,119 SF OFFICE

**BID ONLINE JUNE 18 – 20**  
**HOOKSETT VILLAGE SHOPS**  
HOOKSETT, NH  
252,813 SF RETAIL

**TEN-X**  
COMMERCIAL

Ten-X Commercial is the only end-to-end, online transaction platform for commercial real estate. Beyond "list and click," we empower buyers, sellers and brokers with data-driven technology and comprehensive marketing tools to expand visibility and decrease time to close.

**10X.COM/WJ** | **888-770-7332**

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables** The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, May 22, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.56 0.06

AES AES 12.20 0.14

Aflac AFL 45.50 0.09

AGNC Inv AGNC 19.11 -0.01

ANGI Homes ANGI 15.06 0.47

Ansys ANSS 163.45 -0.09

ASML ASMEL 202.54 0.03

AT&T T 32.43 -0.16

AbbottLabs AbbottLabs 61.39 -0.72

AbbVie Abbott 106.23 -0.77

Albion AMBD 386.33 7.18

Accenture ACN 155.33 -1.61

ActivationBlk ATVI 71.35 -0.10

AdaptiveSystems ADBE 238.78 0.69

AdvanceAuto AAPL 115.33 -0.32

AdMicroDevices ADM 12.98 -0.01

Aegon AEG 6.79 -0.01

AerCap ARGC 55.36 -0.61

Aetna AET 177.21 -0.51

AffiliatedMng AMS 167.45 0.61

AgilentTechs AIGL 64.00 0.00

AgriCoEagle AGCO 12.23 -0.03

AlproTech ALPR 167.71 -1.73

Altair Techs ALT 76.39 -0.07

AlaskaAir ALK 58.18 0.24

Albermarle ALB 102.34 -1.73

Alcoa AA 49.69 -0.68

AlexandraEst ARE 123.88 0.37

AlexionPharm ALXN 119.01 -0.36

Alibaba BABA 195.87 -1.77

Alkermes ALGN 29.86 -0.06

Allegany ALGE 7.84 0.38

Allergan ALL 78.67 -1.01

Allianz AGO 154.98 0.77

AllianceData ADS 212.74 0.05

AllianzEnergy LNT 40.28 -0.01

AllisonTransn ASN 43.99 -0.36

Allstate ALL 95.88 -0.27

AllyFinancial ALLY 27.46 0.36

AlnylamPharm ALNY 13.62 -0.01

Alphabet GOOG 1069.73 -9.85

Alphabet GOOGL 1075.33 -0.01

Altaba AAAA 76.51 0.51

AlticeUSA ATUS 19.01 -0.01

Altisource ALIS 55.21 -0.43

Amazon.com AMZN 158.00 -0.46

Amidco AMDF 45.50 -0.06

## NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that had a new 52-week intraday high or low in the latest session. % CHG=Daily percentage change from the previous trading session.

Tuesday, May 22, 2018

Stock	52-Wk Sym	% Hi/Lo Chg	Stock	52-Wk Sym	% Hi/Lo Chg	Stock	52-Wk Sym	% Hi/Lo Chg
AXA Equitable	EQH	22.00 ...	EraGroup	ERA	12.92 -1.56	MobileMini	MINI	47.63 -2.7
AbraxisPetrol	AXAS	3.27 -0.4	Everbridge	EVBG	45.60 -3.3	Moelis	MCG	59.85 -0.5
AdobeSystems	ADBE	243.9 -0.3	Evolve	EVOL	111.85 -0.7	MomentPharm	MNTA	23.90 -1.7
AerCap	AER	56.26 -1.1	ExpeditorsInt'l	EXPD	9.80 -0.3	MudrickCapA	MUDS	9.94 ...
AlignTech	ALGN	306.11 -0.3	ExtractionOil	XOG	17.00 -0.5	Naceo Security	NSCC	107.16 0.5
Allianz	ALL	61.50 1.6	FCB Financial	FCB	16.50 1.0	NaNometrics	NANO	19.00 -0.2
AmerExpress	AXP	103.20 -0.1	FFIN	FFIV	176.33 -0.3	Nasdaq	DAQ	91.94 0.3
AmexCarPetrol	AMCP	64.65 -1.45	FIRTECH	FRONTEC	21.50 2.6	NatBankHoldings	NBHC	38.86 -0.4
AnsofCarPetrol	APC	72.70 -1.7	FTSI	FTSI	22.60 ...	NatlOilwell	NOV	45.00 -0.1
Atriv	ATRV	98.79 -0.1	FarmersCapBk	FFKT	54.35 -0.5	NavigatorConsult	NCI	24.37 -0.7
ArQule	ARQL	4.20 -0.4	AGM	92.83 0.9	Nelnet	NML	62.40 -0.4	
AshlandGlobal	ASH	79.68 -0.2	FirstBancCorp	FBNC	20.80 -0.3	NetwerkResources	NTWK	19.90 -3.7
AssociatedBank	ASB	27.95 -0.1	FIFB	FIFB	8.13 -0.1	NetwerkResources	NTWK	19.90 -3.7
AssdbankWt	ASLWS	1.70 -0.1	FirstBankCorp	FBP	15.39 -0.1	NetwerkResources	NTWK	19.90 -3.7
AssurantPfdD	AIZP	105.89 -0.6	FirstCapBk	FCDC	11.00 -0.1	NetwerkResources	NTWK	19.90 -3.7
AstraZeneca	AZN	37.30 0.8	Fiserv	FISV	12.90 -0.3	Nike	NKE	72.19 0.3
AtlCapitalBchs	ACBI	21.00 -0.7	FltDefiance	FDEF	63.11 0.4	Nielsen	NE	36.16 1.2
AxonEnterprise	AAXN	62.20 3.5	FirstFinBkhs	FFIN	54.10 -0.4	NoBility	NBL	37.67 -0.4
BHPBilliton	BHP	52.14 -0.7	FirstInterBank	FIBK	44.41 -0.5	NorthwestPipe	NWPK	21.91 -1.9
BHPBilliton	BHP	47.92 -0.4	FirstMerchant	FRMK	46.74 0.2	NoSkinEnt	NSK	81.58 -0.1
BP Prudhoe	BPL	31.80 -0.2	FirstMidWestBnk	FBMB	26.29 1.1	OrallyTech	ORLY	28.40 -0.2
B.RileyNts2023	RILYH	25.30 4.4	FirstCash	FCFS	94.90 -0.3	OasisPetrol	OAS	13.13 -3.5
Balchem	BCP	96.42 0.4	Five9	FIVN	34.99 -1.0	OccidentalPetrol	OPY	86.38 -1.0
BanUnited	BNK	43.91 0.8	FoundationMed	FMI	88.75 -2.5	OhioValleyBanc	OVBC	50.85 -0.5
BioLifeSols	BLFS	9.25 2.8	FranklinEle	FELE	47.35 -0.2	Oille'sBargain	OLLI	71.45 -2.9
Bio-RadLab B	BIOB	295.00 7.3	GDS Holdings	GDS	42.33 -4.4	OneSmartInt'lEduc	ODIE	12.34 0.0
Blucora	BCOR	37.40 -1.1	GTY TechUn	GTYH	11.00 -0.1	PB Energy	PBF	46.40 -0.2
BoiseCascade	BCC	46.80 -1.2	Genefin	GFN	11.30 -0.4	PCConnection	CNXN	30.35 -0.5
BostonPrvFin	BPFH	17.25 ...	GenesysHealthcare	GEN	2.19 0.8	PEDE	PEDE	6.20 -0.2
BostonPrvFin	BPFH	11.80 3.2	GeoPark	GPR	17.00 -0.2	PJT Partners	PJT	56.62 0.9
BrookfieldCP	BRK	17.90 0.3	GlobusMedical	GMED	52.84 0.5	PROS	PRO	36.83 -1.9
Brown&Brown	BRO	28.60 0.1	GlobalRgn	GRK	35.54 -0.5	PacWestBancorp	PACW	55.12 -0.1
Brown&MawnBank	BRC	47.65 0.1	GranTierraRealty	GTR	34.58 0.1	ParkHotels	PT	31.73 -0.1
Buckle	BKE	26.25 -2.9	GTE	GTE	3.52 -2.0	PearbodyEnergy	BTU	42.71 -3.0
CGI Group	CGI	60.96 0.1	GHL	GHL	28.55 -0.1	PentaMacTr	PTMT	18.76 -0.2
CiscoSvstarWt	CMSHW	0.47 -2.6	GRIF	GRIF	10.00 -0.1	Petroleum	PPRT	25.35 -0.4
CONSOL Energy	CEIX	45.68 -1.8	GlobeBank	GWBK	32.65 -0.5	Perficient	PRFT	25.35 -0.4
CVR Refining	CVRB	23.65 -0.9	GlobeLane	HLME	47.36 -0.4	PetroChina	PTR	82.69 0.4
Cactus	WHD	37.50 0.6	Hexcel	HXL	72.34 -0.9	PureAcquisition	PACQ	102.00 -0.4
CaliforniaRscs	CRC	40.72 -3.0	HibbettSports	HIBB	29.90 -2.3	PureEnergy	PURE	104.55 -2.3
CanNaturalRes	CNR	38.20 -1.3	HillPointEnergy	HPE	7.60 -3.6	QEOP	QEOP	13.75 -2.9
CarolinaFin	CARO	43.34 -0.4	Intelsat	INTL	279.00 -0.3	RBB Bancorp	RBB	29.37 0.6
CarpenterTech	CRS	60.48 -0.2	Intl Fcstone	INTL	49.14 0.1	RDI Industries	RDI	6.50 0.8
CarrollJr	CRZO	28.72 -0.7	Icon	ICLR	127.72 0.6	RJL Industries	RJL	6.78 -0.4
Celaneas A	CE	116.34 -0.8	Illumina	ILMN	273.00 0.9	RonaldJames	RJF	102.17 1.1
CenterStateBank	CSFL	32.11 1.1	ImperialOil	IMBD	33.55 -0.4	RecreoPharma	REPH	12.90 0.6
ChartIndustries	GTLS	66.20 -0.1	IndependentBank	INDB	77.55 0.9	Renasant	RNST	48.58 0.8
ChenierePplnBpts	COP	33.96 -0.1	IndependentBank	IBTX	79.00 -1.0	Retrophin	RTRX	28.62 0.7
ChinaLodging	HTHT	177.15 0.9	InfuSystem	INFU	3.05 3.4	RioTinto	RIO	59.66 -0.3
ChitBchsrs	CIVV	24.74 0.8	Intelsat	I	15.23 -1.3	Robertson	RHO	65.36 -1.0
Coastal	COV	17.73 0.8	Intl Bch	IBOC	44.00 0.6	RudolphTech	RTEC	33.15 -0.1
ColubiaPrv	COPW	72.72 0.7	IconRadent	ICUI	279.00 -0.3	RUB Bancorp	RUB	29.37 0.6
CommonsBchsrs	CBCH	66.17 -0.1	Impred	IRMD	19.25 -0.5	S&P Global	SPGI	201.50 -0.3
ComstockRks	CRK	66.01 -0.1	IPR	IPR	12.45 -0.1	S&P Bancorp	STBA	45.91 0.2
ConocoPhillips	COP	71.71 -0.8	LandstarCapital	LADR	11.67 0.3	SantanderFin	SANT	80.00 -2.2
ContainerStor	TCS	62.11 -0.2	LandmarkPfd	LMRKN	20.22 -2.2	SandPedgeMS II	SD	1.74 1.1
ContinentalRscs	CLR	69.91 -2.0	Landtronics	LTDX	2.95 -3.2	SantanderCons	SC	20.36 -0.5
CoreLogic	CLGX	52.54 -1.1	Leaf	LEFR	10.20 -1.0	SeaCoastBegl	SCBF	31.84 1.7
Costco	COST	201.77 -0.3	LendLndExpedWt	LIND	12.95 -0.2	ServiceSource	SREV	4.35 -0.7
Cree	CRE	46.15 -0.5	LindbladExpedWt	LINDW	2.50 11.1	Shutterfly	SFLY	96.58 -1.8
CrestwoodEquity	CEOP	32.65 2.9	Lumex	LMNX	27.90 -0.2	SimmonsFirstNat	SFN	31.90 -0.5
Cullen/Frost	CFK	121.66 -1.0	Luxfer	LXFR	18.39 -4.5	SiriusXM	SIRI	7.00 0.8
DenburyRscs	DNR	4.75 -4.2	Mabri	MBFI	51.33 -3.4	SpiritRealtyWt	SRCW	8.32 -0.3
DiamondOffshore	DO	20.98 -0.8	Marc	MRC	21.21 -3.1	StevensonMadden	SHOO	52.15 -0.7
DiamondDkErner	FANG	138.14 -3.3	Mavil	MVO	10.00 -3.3	SunCokeEnergy	SX	13.48 -0.3
DorchesterMrls	DMLP	18.90 2.3	Mcatawa	MCB	11.56 -0.2	SuncorEnergy	SUNE	41.82 -0.2
E'TRADE	ETFC	66.07 0.6	MammethEnergy	TUSH	36.46 -3.6	SuperiorEnergy	SPN	12.73 -1.5
EastWestBnck	EWB	72.72 0.7	MarathonOil	MRO	22.12 -1.6	Synopsis	SNV	55.40 -0.1
EmcraeFin	EMCF	35.00 6.1	MastechDigital	MHH	18.42 -0.2	Syntel	SYNT	31.76 1.9
Elrogen	EGN	71.97 -3.5	Medfast	MED	131.37 -0.3	Tcf Fin Wt	TCFW	9.80 0.0
Enerplus	ERF	13.49 -5.9	Medpage	MEDP	43.17 1.4	Tcf Fin Wt	TCF	26.77 -0.3
Enovatlnt'l	ENVA	35.25 -3.3	Mercerlnt'l	MER	16.40 -0.3	Tjx	TJX	88.75 3.2
Enservo	ENSV	1.44 10.9	MesLab	MESL	178.06 -5.1	TrowPrice	TROW	123.47 0.6
EnsignGroup	ENSG	35.40 3.1	Methanex	MEOH	71.60 -0.1	Tsystech	TCMD	45.18 1.0
EnterpriseFins EFS	EFS	55.35 -0.2	MetropolitanBnk	MCB	51.42 1.6	TuttleTech	TTGT	46.41 -0.1
Equinor	EQR	27.48 -0.1	MirataTherap	MRTX	94.30 -0.3	Urogen	TGEN	3.95 1.3

## Dividend Changes

Dividend announcements from May 22.

Company	Symbol	Yld%	Amount



## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24834.41** ▼178.88, or 0.72%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.42 20.38  
P/E estimate \* 16.32 17.64  
Dividend yield 2.17 2.33  
All-time high 26616.71, 01/26/18

## BANKING &amp; FINANCE

## U.S. Banks Log Record Quarterly Profit

By RYAN TRACY  
AND TELIS DEMOS

**WASHINGTON**—U.S. banks notched a record quarterly profit to start 2018, newly released data show, a result of the new tax law, rising interest rates and an improving economy.

The industry reported \$56 billion in net income for the first quarter, up 27.5% from the year-ago quarter, the Federal Deposit Insurance Corp. said Tuesday. The new U.S. tax law gave banks a boost, but profits still would have been \$49.4 billion without it, the FDIC said. The previous record was the second-quarter profit of \$48.1 billion last year.

That profit surge, driven by

jumps in trading revenue and lending income, helped banks comfortably exceed their cost of capital for the first time in over a decade.

Banks' return on equity was 11.44%, the highest level since 2007.

That is a strong indication that banks have managed to adapt their businesses to new regulations put in place following the 2008 financial crisis. They also have been helped by consumers and businesses that, at the moment, are both eager to borrow and paying back their loans.

Indeed, consumers and businesses are falling behind on their bank debts at the lowest rate in years. U.S. banks' overall noncurrent-loan

rate fell to 1.34% in the first quarter, setting a postcrisis low, according to the data.

The Federal Reserve's recent moves to raise interest rates have so far been helpful for banks. Net interest income for banks rose 8.5% from a year ago to \$131.3 billion, and their average net interest margin was 3.32%, up from 3.19% a year ago. That is the widest margin since at least 2013.

That margin measures banks' lending income versus what they pay to attract deposits. The fear among some investors is that banks will need to pass on higher rates to depositors faster than they can reprice their loans or make new ones.

But so far, depositors have

proved to be mostly loyal, even to banks paying little interest. While some rates, such as for online savings accounts, have ticked higher, the megabanks that are increasing their deposits—such as **JPMorgan Chase & Co.**, **Bank of America** Corp. and **Wells Fargo & Co.**—are also the ones paying some of the lowest rates to depositors.

"Large institutions have benefited more than community banks from rising short-term interest rates," FDIC Chairman Martin Gruenberg said.

There are, however, signs of trouble in credit-card lending. Net charge-offs of bad card debts increased 16% from a year ago. Analysts and bankers

have debated whether this is a blip or an early warning that consumers are overstretched. Banks' card-loan balances fell 5% from the fourth quarter, the only major loan category to decline sequentially.

Beyond cards, the FDIC said that banks' reaching for more yield by making longer-term loans, which are typically riskier because there is a greater chance of an adverse event over time, was a point of worry.

Loans and securities held by banks with maturities longer than three years are hovering at around 35% of banks' total assets, the highest level in 20 years. The biggest growth has been in loans that are due in more than 15 years.

## Return to Form

U.S. banks' quarterly return on equity has well exceeded the 10% threshold for the first time since 2007.



Source: FDIC

THE WALL STREET JOURNAL.

## For Small Lenders, Bitcoin Is a Moneymaker

By CHRISTINA REXRODE

To many banks, bitcoin and other digital currencies are a mania, or worse. But to a handful of small lenders, they are a moneymaker.

Take **Silvergate Bank**, a three-branch lender that until recently focused mostly on local businesses in the San Diego area. Last year, its assets nearly doubled to \$1.9 billion from \$978 million, largely because of business flowing in from crypto-related companies.

Big banks' decision to largely shun the crypto world has left an opening for smaller lenders such as Silvergate, **Metropolitan Bank Holding Corp.** in New York and **Cross River Bank** in Fort Lee, N.J. In part their decision reflects an environment where community banks often struggle to differentiate themselves, given larger firms often can offer consumers and businesses largely unmatched conveniences with their geographic reach and deployment of mobile and other technology.

These banks are taking a calculated risk to embrace an untested new market that is associated with a variety of hazards, itself a striking stance in the staid world of banking. Virtual currencies remain unpredictable, defined by wild price swings, increasing regulatory scrutiny and a relative lack of transparency that banks in a postcrisis world tend to avoid.

"They're taking on a risk, and going against the inherent view [of crypto] that 'It's all evil over there, don't touch that stuff,'" said Brian Stoekert, a partner at consulting firm Stratis Advisory, which specializes in crypto businesses. "But then there's also a view of, 'OK, well, they've got to get banked somewhere.'"

So far, the Main Street banks have landed customers



SANDY HUFFAKER FOR THE WALL STREET JOURNAL

CEO Alan Lane's Silvergate Bank nearly doubled its assets last year largely from crypto businesses.

that are well known in the crypto world, including the exchanges **Coinbase**, **BitFlyer** and Kraken, which allow users to buy and sell digital currencies.

Many Wall Street banks are resisting the idea of trading crypto. Others have restricted customers from using credit cards to buy digital currency. Bitcoin has dropped by more than half since its December record.

"Banking in this ecosystem," said Silvergate Chief Executive Alan Lane, "is not for the faint of heart."

Mr. Lane, 56 years old, said he became interested in cryptocurrencies several years ago after reading some predictions about how they would replace the need for banks. Along the way, he learned about crypto exchanges and related companies that, despite a proposition that is largely anti-bank, still need bankers. Silvergate,

which is privately held, said it now banks about 250 crypto companies.

Mr. Lane said he isn't conflicted about being a banker to crypto businesses. "At what point as a banker do you pull

Many Wall Street firms are resisting the idea of trading cryptocurrencies.

your head out of the sand?" he said. "Every banker should be learning about the technology."

The business can take several forms. Exchanges that let customers buy and sell virtual currency need a place to store their customers' money and a way for them to convert crypto to dollars. Other crypto

companies call banks for help with normal expenses like rent and payroll.

**Genesis Global Trading** Inc., a digital-currency trading firm, has been banking with Silvergate for several years. Genesis Global CEO Michael Moro acknowledges that a bigger bank would have some advantages. But he said he appreciated Silvergate's openness to the crypto world, especially after watching other crypto companies go out of business after losing their bank relationships.

"I sat down with Alan early on and he cared about bitcoin," Mr. Moro said. "He really believed in the potential of what this might become, and honestly it sort of was a refreshing take given the sentiments expressed by some of the other banks, especially the biggest ones."

Mark DeFazio, CEO of the six-branch **Metropolitan West**

Bank, said that doing business for digital companies has allowed his company to increase fee income, which more than tripled in 2017, largely from crypto transactions. The bank has also been able to build up deposits without racking up interest expenses or installing lots of costly new locations, which are often the tactics employed by small banks to juice deposits.

"You could just keep building branches, which is a bad strategy," Mr. DeFazio said. "We noticed a long time ago that the payments world was changing."

The regulatory framework for cryptocurrencies, and for how banks can interact with them, is still uncertain. **Silicon Valley Bank**, of Santa Clara, Calif., which is known for embracing disruptive technologies, has done business with crypto exchanges but has more recently decided to focus on companies working with blockchain, the technology that enables crypto trading.

"You're getting some level of guidance from regulators, but there's not total clarity," said Jake Moseley, head of the bank's national fintech practice. "We're being selective at this stage until we get greater clarity."

The U.S. Treasury's Financial Crimes Enforcement Network said that anti-money-laundering laws apply to companies that transmit or issue digital currencies and the banks handling those transactions. The banks that have adopted the crypto strategy say they have kept banking regulators well-informed and have rejected clients that don't meet their standards.

"I don't look down on anybody who looks at this and says, 'Gosh, it's risky,'" said Mr. Lane, the Silvergate CEO. "We're just very blessed that we have a culture here where we took an interest early."

## Another Calpers Executive Leaves

By HEATHER GILLERS

The nation's largest public pension fund is wrestling with more turnover in the executive suite following the abrupt departure of its chief financial officer.

Charles Asubonten, who joined as finance chief less than eight months ago, "no longer works" at the **California Public Employees' Retirement System**, a Calpers spokesman said Tuesday. He declined to describe the circumstances surrounding the executive's exit. "It's a personnel matter, so I can't say anything more," he said by email.

Mr. Asubonten was "separated from his position" on May 16, according to the California State Controller's Office.

Mr. Asubonten couldn't be reached for comment.

The unexpected development follows the surprise announcement last week that Calpers Chief Investment Officer Ted Eliopoulos would leave by year-end. Mr. Eliopoulos attributed the decision to "significant health considerations" for his younger daughter.

Several other top Calpers officials have left or announced plans to depart, including longtime fixed-income chief Curtis Ishii and private-equity managing investment director Real Desrochers.

Calpers plans to hire a search firm to find a new finance chief. Chief Compliance Officer Marlene Timberlake D'Adamo will serve as interim finance chief until the position is filled.

Mr. Asubonten succeeded Cheryl Eason, who began a new job as vice president and chief financial officer of Royal Roads University in British Columbia. Ms. Timberlake D'Adamo was interim CFO until Mr. Asubonten arrived.

Calpers said when Mr. Asubonten was hired that he came from a private-equity firm and had 20 years of experience in "many aspects of finance and investments" across five continents in areas ranging from mining to energy to health care.

The CFO doesn't oversee Calpers's \$355 billion in investments; that job belongs to the chief investment officer. The CFO is responsible for managing everything from Calpers's budget and accounting to risk management and financial planning.

## TPG Explores Managing Abraaj's Health-Care Fund

U.S. private-equity firm **TPG** is in talks with investors in **Abraaj Group**'s \$1 billion health-care fund about taking

By William Louch,  
Simon Clark  
and Nicolas Parasie

over management of the fund's hospitals and clinics in developing countries, people familiar with the matter said.

Talks between investors in the fund, including the Bill & Melinda Gates Foundation, and

TPG executives are at an early stage and an agreement hasn't been reached, the people said. TPG would likely manage the health-care assets through its Rise fund, the people said. The \$2 billion fund aims to make what are called impact investments capable of earning profits and providing measurable improvements to the quality of life of people on low incomes. TPG manages more than \$82 billion, according to its website.

Abraaj, founded in 2002 by deal maker Arif Naqvi, raised

\$1 billion in 2016 from more than 20 investors to help provide affordable health care to people in Africa and Asia. The health-care fund has invested in Indian hospitals, Kenyan clinics and a diagnostics business in Pakistan, fund documents show.

Like TPG's Rise fund, Abraaj marketed its health-care venture as an impact fund that could assist the poor and make money for wealthy investors. Abraaj's health-care initiative was derailed by the

dispute with investors over how their money was being used. The disagreement concerned money allegedly not being used for its stated purpose of building hospitals and clinics in Africa and Asia, the Journal has reported.

TPG's Rise fund has famous backers, including U2 lead singer Bono, film producer Jeff Skoll and British entrepreneur Richard Branson. TPG recently appointed former U.S. Secretary of State John Kerry as an adviser to the Rise fund.

## Mutual Funds

Data provided by LIPPER

Fund	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %	Net NAV	YTD Chg %		
<b>Baird Funds</b>																						
American Century Inv	47.18	-0.23	8.7	10.48	-2.8	US Small	37.45	-0.32	4.4	14.66	-0.05	2.0	10.80	-0.01	1.0	10.30	-2.2	10.90	-0.26	3.1		
American Funds CI A	40.97	-0.11	0.9	CorBndl	10.83	-0.2	US SmCpVal	39.85	-0.33	5.1	14.66	-0.05	2.1	10.80	-0.01	1.0	10.30	-2.2	10.90	-0.26	3.1	
AmpcA p	93.12	-0.16	7.7	BlackRock Funds A	19.66	-0.2	US TdgVal	25.92	-0.24	4.3	14.66	-0.05	2.1	10.80	-0.01	1.0	10.30	-2.2	10.90	-0.26	3.1	
AMutlA p	52.71	-0.07	3.5	BlackRock Funds Inst	19.66	-0.2	US TdgVa p	9.82	-0.1	0.7	14.66	-0.05	2.1	10.80	-0.01	1.0	10.30	-2.2	10.90	-0.26	3.1	
BalA p	27.16	-0.08	0.4	Bodge & Cox	17.81	-0.02	1.5	BalC	13.80	-0.05	4.4	14.66	-0.05	2.1	10.80	-0.01	1.0	10.30	-2.2	10.90	-0.26	3.1
BondA p	12.44	-0.27																				

## MARKETS

# Venezuela Sanctions Are Bullish for Oil

**Penalties on South American country to have greater effect on supply than Iran's**

BY ALISON SIDER  
AND JULIE WERNAU

New U.S. sanctions on Venezuela's oil production are expected to further crimp the country's output and reduce global supply even more than sanctions on Iran—a development that could provide another boost to rising crude prices.

Oil prices in the U.S. have risen more than 19% this year to \$72.13 a barrel, driven in large part by OPEC cutbacks and supply disruptions. These forces, along with rising global demand for oil, have combined to shrink what had been a supply glut that dragged U.S. prices below \$30 a barrel in 2016 before they recovered.

The Trump administration's decision this month to exit from the Iran nuclear agreement and restart sanctions stoked concerns that global output could decline further. Now, Venezuela is emerging as possibly a greater and more immediate risk to global oil supply.

Washington announced fresh

sanctions on Monday after condemning as a "sham" the process that led to President Nicolás Maduro's re-election on Sunday. A long period of production declines in the South American country is about to get much worse, analysts said.

The "physical impact" of the Venezuelan situation on the global oil market is much more significant than that of Iran, said Christyan Malek, an oil analyst at JPMorgan Chase & Co.

Sanctions are likely to make it harder for Venezuela to keep producing and exporting crude, which would squeeze refiners and force them to find new sources of the heavy crude that Venezuela produces.

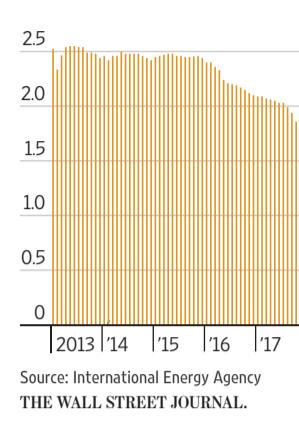
Venezuela's decline has also inadvertently bolstered efforts by the Organization of the Petroleum Exporting Countries to tighten the market by restraining production. Venezuela is producing around 550,000 barrels a day less than the cap it is subject to under the agreement.

"The free fall in Venezuela has already pushed compliance with the Vienna Agreement off the charts," the International Energy Agency wrote in a monthly report last week. The country's decline coupled with losses in Mexico account for about 40% of the oil that OPEC and its allies have been holding off the market, the IEA said.

## Plummeting

Venezuela's oil production has dropped dramatically amid a spiraling economic crisis.

### Monthly crude-oil production



Source: International Energy Agency  
THE WALL STREET JOURNAL.

Many analysts predict Venezuela's output will continue to drop. David Fyfe, chief economist at Gunvor Group, said Venezuela's declining production together with the broadened sanctions in Venezuela mean output will likely drop an additional 500,000 barrels a day, placing Venezuelan production below 1 million barrels a day by the end of 2018.

Analysts at ClearView Energy Partners think the fears may be overblown. They said the Trump administration held

off on measures that would have taken more direct aim at Venezuela's oil sales, perhaps in an effort to avoid causing oil prices to move higher as summer driving season begins. The effect might only be indirect, forcing Venezuela to use cash to buy diluent, a product it needs to blend with its output, ClearView said.

But oil analysts like Mr. Malek believe the greater supply threat resides in Venezuela, not Iran. He predicts "no change" at all for the Islamic Republic's oil exports. He said Iran will likely circumvent U.S. economic sanctions by exporting more barrels to countries like Turkey and India.

Iran sanctions are likely to be smaller, slower and more uncertain in terms of their impact on the oil market compared with Venezuela's decline. Countries have 180 days to show they are ramping down Iranian oil imports or face restricted access to U.S. financial institutions; it is unlikely that some of Iran's biggest customers will comply.

Previous sanctions on Iran reduced the flow of its oil by 1 million barrels a day, but this time there is likely to be less international cooperation, analysts said.

The European Union is still trying to salvage the deal to

keep Iran's oil flowing, even though some major oil producers like Total SA have announced plans to leave the country if they don't get waivers. China, the largest buyer of Iranian crude, still supports the nuclear agreement and hasn't historically abided by U.S. restrictions on Iranian oil.

Analysts at Citigroup said the disruption to Iran's output could be 200,000 barrels a day higher than it previously thought. The bank recently raised its oil-price forecast for this year by \$10 a barrel and now expects prices to average \$75 a barrel this year due to the combined impact of declines in Venezuela and Iran.

Analysts agree that any disruption to Venezuela's oil industry, the country's main source of foreign reserves, will deepen its economic crisis.

The broadened sanctions impede Venezuela's ability to sell its foreign assets and prohibit Americans from buying any debt owed to Venezuela. That includes accounts receivable—or debts owed for oil sales—at its state-owned oil company, Petróleos de Venezuela SA.

Venezuela's oil output slid around 23% over the course of last year, according to International Energy Agency fig-

ures. And the collapse is picking up steam. Venezuelan crude output has dropped by an additional 200,000 barrels a day this year, to stand at 1.42 million barrels a day, a 15-year low and a striking reversal of fortune for a country with the world's largest oil reserves.

Further complicating efforts, U.S. oil giant ConocoPhillips, one of dozens of creditors coming after Venezuela for expropriated assets and unpaid settlements, recently won a court ruling on the Dutch island of Curaçao, authorizing its local subsidiary to seize assets held there by PdVSA. Asset seizures from the area, a significant departure point for Venezuelan crude, may have already affected PdVSA's ability to export to Asia, according to Alejandro Arreaza, an economist at Barclays.

Data in the coming months will show the magnitude of the impact of sanctions and asset seizures, he said.

"It was believed that this production decline would slow and stabilize, but now that is not the case because of this sanctions situation," said Carsten Fritsch, an analyst at Commerzbank. "It is now reasonable to think this deterioration continue at stronger pace."

—Christopher Alessi contributed to this article.

## Treasuries Flat After Fair Sale Of Notes

BY AKANE OTANI

U.S. government bonds stalled as a dearth of economic data and a relatively uneventful debt auction left many investors on the sidelines.

The yield on the benchmark 10-year U.S. Treasury note settled at 3.065%, unchanged from Monday.

Yields, which fall as bond prices rise, slipped overnight as

Italian government bonds—

CREDIT MARKETS which had weakened as investors braced for politi-

cal uncertainty under the country's new government—recovered some of their losses. They then wavered between small advances and declines, with some analysts attributing the lull in trading to a dearth of economic data on the calendar.

Bond yields largely held steady after the Treasury sold \$33 billion of two-year notes at a high yield of 2.59%, slightly lower than where they traded before the auction.

The absence of a so-called tail—when the highest yield the Treasury sold in the auction exceeds the highest yield expected when the auction began—suggested there was fair demand among investors for the bonds, something analysts said helped keep the market steady.

The yield on the two-year note, which is often sensitive to changes in investors' expectations for Federal Reserve policy, settled at 2.570%, unchanged from Monday and below its May 16 closing high of 2.589%.

Investors may have also been holding off from making big moves ahead of the release of Fed minutes later in the week, analysts said.

## Chinese Firms Take New Fundraising Tack

BY JULIE STEINBERG  
AND LIZA LIN

Some of China's most valuable private technology companies are seeking new ways to raise capital to fund their ambitious expansion plans at home and abroad.

Ride-hailing firm Didi Chuxing Technology Co. is in talks with potential investors about a sale of convertible bonds that could later be exchanged into stock in the Beijing-based company, according to people familiar with the matter. It isn't known how much Didi is trying to raise in this manner, but the company recently accelerated talks about a potential initial public offering that could take place later this year, people familiar with the matter previously told The Wall Street Journal.

Another rapidly expanding Chinese startup, Beijing ByteDance Technology Co., in recent weeks issued about \$300 million in convertible bonds to private-equity firm KKR & Co., according to other people familiar with the matter. The company, which owns a popular Chinese news-aggregation app called Jinri Toutiao, was valued at \$22 billion in an equity fundraising round in late 2017, according to an individual familiar with that transaction.

Representatives for Didi, ByteDance and KKR declined to comment.

The emerging trend is a re-



Ride-hailing company Didi Chuxing is talking to investors about a sale of convertible bonds.

sult of technology companies' expansion efforts, which have involved heavy spending on marketing and other costs to acquire customers and fend off rivals.

Selling convertible securities allows companies to raise capital with less dilution to existing shareholders, while giving buyers of the instruments an opportunity to reap additional gains if and when the debt converts into stock down the road.

The securities, which have both stock- and bond-like characteristics, typically pay investors interest for an initial pe-

riod and can be converted into shares in the issuing company, often at a predetermined price or price range. The annual interest payments on convertible securities also can be a few percentage points lower than rates on traditional unsecured bonds.

Some technology companies that previously sold convertible securities before going public include Chinese e-commerce firm Alibaba Group Holding Ltd. and music-streaming company Spotify Technology SA. When Alibaba issued such instruments in 2012, investors in effect were

given the right to swap the convertible securities for common shares in the company at a discount to Alibaba's IPO price at which it went public in 2014.

In the case of Spotify, the company issued \$1 billion in convertible debt to a group of investors in 2016, also about two years before it went public. Sea Ltd., a Southeast Asian digital entertainment and e-commerce company backed by Tencent Holdings Ltd., also issued convertible securities before it went public on the New York Stock Exchange last year.

Private companies selling

### Show Me the Money

Venture-capital investments in China, quarterly



Note: Equity financing into China-based, venture-capital-backed startups

Source: Dow Jones VentureSource

THE WALL STREET JOURNAL.

convertible bonds often have a road map for an eventual IPO, typically within 12 to 18 months, said Aaron Oh, head of structured equity origination for Asia-Pacific at Credit Suisse Group AG. If an IPO doesn't materialize, however, companies could be on the hook to repay debtholders.

Didi and ByteDance are among a new wave of Chinese internet and technology startups that eventually could challenge the dominance of Alibaba and Tencent in some areas. Both startups have raised funds by selling equity several times in recent years.

Didi as of the end of 2017 had raised more than \$20 billion in equity and debt funding, according to Dow Jones VentureSource, and the company was valued at \$56 billion in its last private fundraising round.



J.C. Penney shares fell 6% after CEO Marvin Ellison said he was leaving the retailer for Lowe's.

## Financials in Front

Financial stocks outperformed the other 10 sectors in the S&P 500 on Tuesday.

### Performance, minute by minute



Source: FactSet

THE WALL STREET JOURNAL.

## Industrials Pull Down Stocks in Late Trading

BY RIVA GOLD  
AND ALLISON PRANG

U.S. stocks slid as investors weighed the latest trade tensions between the U.S. and China and as

President Donald Trump said his June summit with North Korean leader Kim Jong Un "may not work out."

Shares waffled between small gains and losses before turning lower in the final 90

minutes. Industrial stocks—which powered Monday's rally on news the U.S. would suspend its efforts to apply tariffs to \$150 billion in Chinese imports—were among the biggest losers.

Boeing was the biggest drag on the blue chips, falling \$8.90, or 2.5%, to \$355.02, while Caterpillar dropped 2.72, or 1.7%, to 156.20.

Mr. Trump said Tuesday he isn't satisfied with the China trade talks and separately said his planned June 12 summit

with Mr. Kim may not happen, adding to uncertainty.

The Dow Jones Industrial Average fell 178.88 points, or 0.7%, to 24834.41, after rising Monday above 25000 for the first time since March. The S&P 500 fell 8.57 points, or 0.3%, to 2724.44 and the Nasdaq Composite dropped 15.58 points, or 0.2%, to 7378.46.

Financial stocks were a bright spot, climbing 0.6% in the S&P 500. Those shares rallied ahead of a House vote on a bill that would relieve small

and regional lenders from a number of restrictions tied to the 2010 Dodd-Frank financial overhaul. After the close, the House passed the Senate-approved bill.

The KBW Bank Index, which comprises 24 different banks including large lenders such as

Bank of America and smaller firms like KeyCorp and Comerica, closed up 0.9%.

In corporate news, shares of Micron Technology climbed 3.55, or 6.4%, to 59.03 after the memory-chip maker unveiled a \$10 billion stock-buyback plan. Shares of J.C. Penney fell 15 cents, or 6%, to 2.35 after Chief Executive Marvin Ellison said he was leaving the company to run home-improvement retailer Lowe's. Shares of Lowe's fell 1.64, or 1.9%, to 85.75.

The Stoxx Europe 600 edged up 0.3% while the U.K.'s FTSE 100 rose 0.2% to a record close. In Asia early Wednesday, Japan's Nikkei and Hong Kong's Hang Seng Index were each down 0.7%.

### AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. 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.

### FOUR-WEEK BILLS

## MARKETS

# Copper Misses Out on Commodities Rally

BY AMRITH RAMKUMAR

After hitting a nearly four-year high in 2017, copper prices have slumped this year, a worrying signal for the global economy even as stocks, oil and other markets have rebounded.

Prices of copper have fallen 4.9% in 2018, though they climbed Monday and Tuesday to close at \$3.1190 a pound. The metal is underperforming the S&P GSCI Index of 24 commodities by its widest margin over the past two decades, other than at the start of 2016, according to an analysis by WSJ Market Data Group of comparable periods.

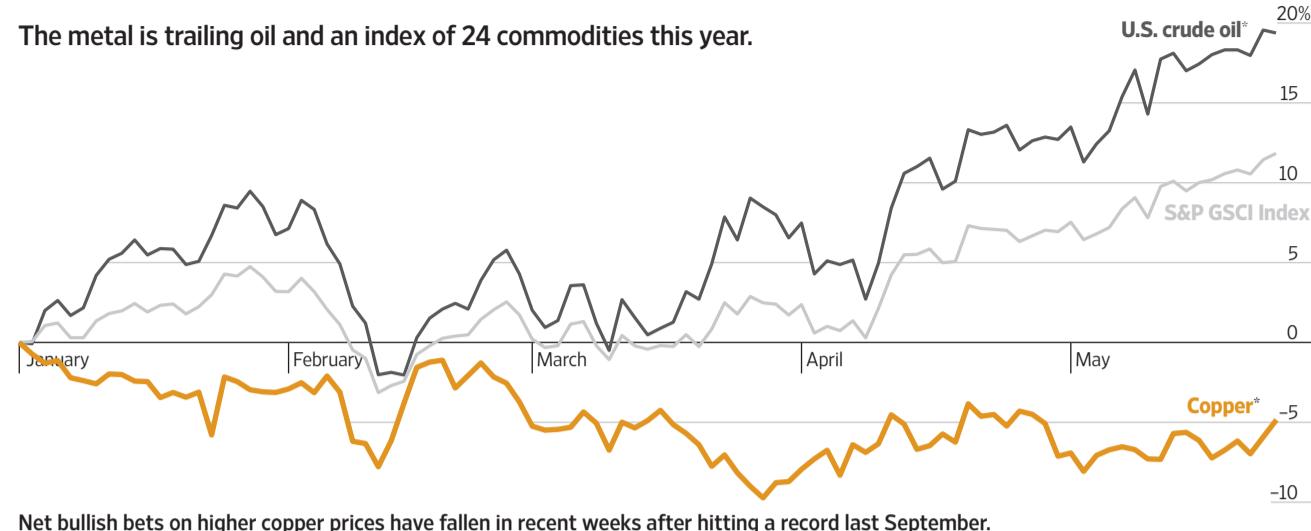
The gap is a bearish sign for some investors because copper is used to build everything from airplanes to smartphones. Copper's weakness is especially notable because oil has added 19% this year and on Monday closed at its highest level since 2014. Oil and copper are two of the most actively traded commodities, and some investors trade the two together in a single basket.

Some analysts fear that protectionist trade policies will lead to slower activity and ultimately a weaker global economy. That could reduce consumption of materials such as copper. A long-feared economic slowdown in China, the world's largest commodities consumer, and recent data in Europe and Japan have only compounded those worries.

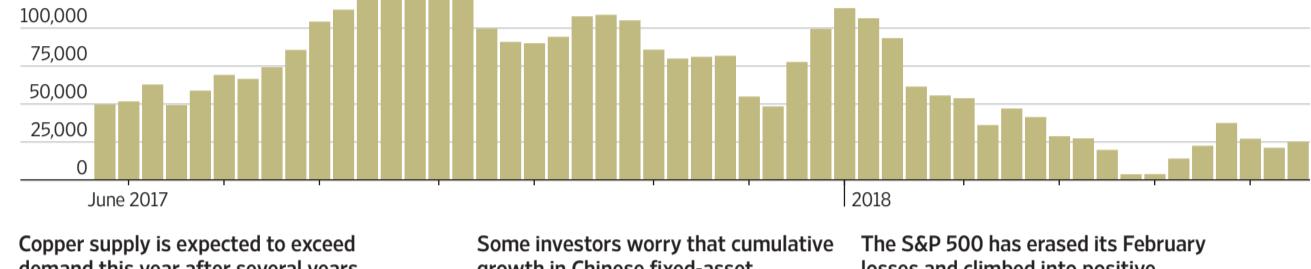
"Growth isn't as synchronized as it once was," said Edward Meir, a strategist at broker-dealer INTL FCStone. "Copper is reacting more to that slowdown."

Recent Chinese data showed that a closely watched gauge of construction activity rose 7% in the January-April period from a year earlier, less than economists' median estimate for a 7.4% gain. China accounts for roughly half of the world's copper consumption,

The metal is trailing oil and an index of 24 commodities this year.



Net bullish bets on higher copper prices have fallen in recent weeks after hitting a record last September.

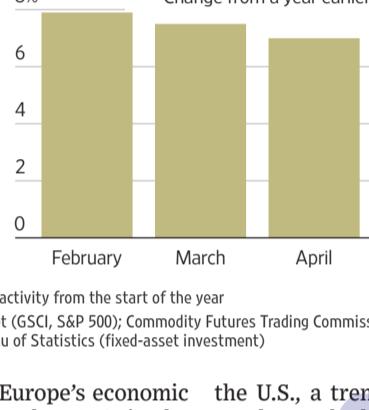


Copper supply is expected to exceed demand this year after several years of market deficits.



\*Front-month price †Projections ‡A measure of construction activity from the start of the year  
Sources: WSJ Market Data Group (copper, oil performance); FactSet (GSCI, S&P 500); Commodity Futures Trading Commission (bets); International Copper Study Group (supply); Chinese National Bureau of Statistics (fixed-asset investment)

Some investors worry that cumulative growth in Chinese fixed-asset investment‡ will continue slowing.



The S&P 500 has erased its February losses and climbed into positive territory for the year.



THE WALL STREET JOURNAL.

making the metal more sensitive to economic data from the country.

Meanwhile, Japan's economy contracted in the first three months of 2018 because of weak private consumption and business investment, putting the brakes on the nation's longest growth streak in 28

years. And Europe's economic growth slowed to 1.7% in the first quarter, according to the European Statistics Agency, compared with a 2.3% clip in the U.S.

Some analysts see copper's lackluster performance as another signal that growth momentum has shifted back to

the U.S., a trend that has recently pushed up Treasury yields and the dollar and contributed to worries about tighter financial conditions. Higher bond yields tend to make copper and other commodities less attractive to some investors, while a stronger dollar makes them more

expensive for overseas buyers. "You can't ignore the dents in the bullish argument for copper and the global economy," said Tyler Richey, co-editor of investment research publication the Seven Report. "There's a lot of concerns out there."

Some commodities bulls

called off, but those that go ahead will do so in the face of rising protectionism in trade and potential tariff wars, which could blow up companies' plans for international growth or cost savings.

They also could disrupt the multicountry supply chains that many companies have built over the past two decades.

For U.S. companies, a White House that is unpredictable both in domestic competition policy and in international disputes won't help.

Deals might not be as-

sessed on their own merits alone but become bargaining chips in wider negotiations, particularly with China.

This could help in some cases—like Qualcomm's deal for NXP Semiconductors,

which appears more likely to get approval in China if the U.S. eases sanctions on China's ZTE, a telecommunications equipment firm. But it will more likely hurt if Congress pushes through a

bill that will make it easier to block Chinese deals in the U.S.

Despite these numbers,

bankers and investors say the boom isn't yet frenzied.

This year's volumes may

have been swelled by U.S. activity held back from the final quarter of last year when executives waited to see how they would be affected by the White House's plans for corporate tax rates.

Multiples are elevated,

though: U.S. bidders have

been valuing targets at about

15 times trailing earnings before interest, taxes, depreciation and amortization on average for the past few years,

according to Thomson Reuters,

although that has

dropped to just under 13

times so far this year. The

highest average multiple hit

before the financial crisis

was 14.5 times in 2005.

It won't take much to

push this deal-making wave

from one that seems a bit

heated to one that looks very

risky indeed.

—Paul J. Davies

## OVERHEARD

Can you have your yellowcake and eat it too?

Back in December, money-losing Canadian uranium miner Cameco saw its shares jump by nearly one-fifth after it decided to slash production. It helped that Cameco's main rival, Kazakhstan's Kazatomprom, also promised to slash output around that time. The total cuts by the two big players amount to over 25 million pounds a year.

Uranium prices jumped for a while, but they are now slightly below their November level, according to UX Consulting, as there is still plenty of surplus. It wouldn't help if some other big source of supply comes onto the market, but it was reported Monday that a proposed Virginia mine with around 120 million pounds of potential reserves blocked by state authorities will get a hearing in the U.S. Supreme Court.

Cameco's healthy glow faded in an instant with the shares falling nearly 7% on Tuesday.

## J.C. Penney Is Running Out of Luck

J.C. Penney's CEO, Marvin Ellison, is jumping ship. Investors who have been hanging on to the stock in hope of a turnaround might want to do the same.

Mr. Ellison, who previously spent 12 years at Home Depot, is being poached from Penney to head Lowe's, Home Depot's rival.

That relatively successful Lowe's thinks he is someone worth poaching is noteworthy: Despite his talents, he still couldn't save J.C. Penney.

The stock, which sank 12% when the company reported first-quarter earnings on Thursday, dropped 6% in Tuesday's trading.

The company has no immediate successor lined up. Instead, the CEO's office will be run by a committee—not a good look at a time when decisive action is badly needed.

The company closed more than 100 stores last year. It has been squeezed by other discount retailers like Walmart and Target, which have tightened their inventory and improved their selections through smart partnerships.

Meanwhile, fellow mall-based retailer Macy's reported a second consecutive solid quarter and close competitor Kohl's pleased investors on Tuesday with its own set of upbeat quarterly figures.

In other words, the signs are becoming clearer that Penney's problems aren't industrywide but specific to the retailer.

It seems less and less likely that Penney's decline can be reversed.

A CEO leaving with no notice certainly won't help.

—Elizabeth Winkler

## HEARD ON THE STREET

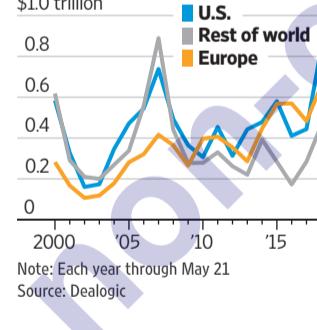
Email: heard@wsj.com

WSJ.com/Heard

## Global Deal Wave Poses a Danger

## Riding the Wave

Value of announced mergers and acquisitions, by bidder's origin



billion of deals even before more deals announced Monday, including General Electric's \$11 billion rail merger with Wabtec. The biggest jump though has come in U.S. cross-border deals.

Overseas, U.S. bidders have struck almost \$180 billion worth of deals so far this year, which is more than \$90 billion above the same period last year and \$70 billion above the previous year-to-date peak in 2007.

These deals could yet be

called off, but those that go ahead will do so in the face of rising protectionism in trade and potential tariff wars, which could blow up companies' plans for international growth or cost savings.

They also could disrupt the multicountry supply chains that many companies have built over the past two decades.

For U.S. companies, a

White House that is unpre-

dictable both in domestic

competition policy and in

international disputes won't

help.

Deals might not be as-

assessed on their own merits

alone but become bargaining

chips in wider negotiations,

particularly with China.

This could help in some cases—like Qualcomm's deal for NXP Semiconductors,

which appears more likely to

get approval in China if the

U.S. eases sanctions on

China's ZTE, a telecommunications equipment firm. But it will more likely hurt if

Congress pushes through a

bill that will make it easier

to block Chinese deals in the

U.S.

Despite these numbers,

bankers and investors say the boom isn't yet frenzied.

This year's volumes may

have been swelled by U.S. activity held back from the final quarter of last year when executives waited to see how they would be affected by the White House's plans for corporate tax rates.

Multiples are elevated,

though: U.S. bidders have

been valuing targets at about

15 times trailing earnings before interest, taxes, depreciation and amortization on average for the past few years,

according to Thomson Reuters,

although that has

dropped to just under 13

times so far this year. The

highest average multiple hit

before the financial crisis

was 14.5 times in 2005.

It won't take much to