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What's News

Business & Finance

Fed officials signaled in meeting minutes that they are likely to raise interest rates next month and grappled with how much further rates will need to increase in coming years. A1

◆ Comcast said it is in advanced stages of preparing a cash offer that would top Disney's all-stock, \$52.4 billion deal for Fox's entertainment businesses. A1

◆ Deutsche Bank executives have considered plans in recent weeks to eliminate close to 10,000 jobs. B1

◆ Uber said its first-quarter revenue climbed 70% from the prior year to \$2.59 billion, while gross bookings jumped 55%. B1

◆ Apple and Amazon are shopping for cities in which to build new corporate campuses, but Apple is doing so quietly. B1

◆ GE's Flannery warned investors that the company's big power business faces years of pressure. B2

◆ Stocks erased early losses after release of the Fed minutes. The Dow gained 52.40 points to 24886.81. B1

◆ Ackman's Pershing Square has built a stake in Lowe's valued at roughly \$1 billion as of Tuesday's close. B3

◆ Target said sales are rising, but recent investments in stores and online continue to weigh on profit. B3

◆ Sony wants to spend three more years readying its next videogame move. B4

◆ Kroger is buying Home Chef, aiming to boost the chain's online business. B3

World-Wide

◆ The Trump administration is using national-security laws to consider imposing new tariffs on vehicle and auto-parts imports. The president is asking for tariffs of as much as 25% on car imports. A1

◆ Talks on revamping Nafta have reached a stalemate, with Mexico and the U.S. hardening their positions. A9

◆ A North Korean official renewed a threat to call off a planned summit between Trump and Kim, and warned of a possible "nuclear-to-nuclear showdown." A8

◆ The Pentagon rescinded an invitation to China to participate in an international military exercise in the Pacific next month. A8

◆ The White House granted permanent security clearance to senior adviser Jared Kushner, his lawyer said. A4

◆ Trump can't block critics from reading his Twitter feed, a federal judge ruled, finding that doing so violates their free-speech rights. A4

◆ Federal prosecutors have launched a criminal investigation into sex-abuse allegations against Harvey Weinstein. A3

◆ Najib's government, during its final months in office, turned to Malaysia's central bank to pay off \$500 million in debts owed by 1MDB. A8

◆ Trump said he wanted to cut aid for the home countries of illegal immigrants based on the number of their citizens who crossed the border. A2

◆ Italy's president asked a political novice chosen by two antiestablishment parties to form a government. A9

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◆ Executive at ABC quits amid overhaul..... B5

NFL Rules Players on Field Must Stand for Anthem



UNFURLED: The NFL approved a new rule aimed at defusing the issue of players kneeling in protest during the national anthem. Players on the field will be required to 'stand and show respect' for the flag during the anthem, or they can choose to remain in the locker room until after the anthem. Dallas Cowboys players took to the field Wednesday at a training facility in Frisco, Texas. A14

Fed Signals June Rate Rise

Officials also debate long-term strategy as the need for economic stimulus recedes

By NICK TIMIRAO

WASHINGTON—Federal Reserve officials signaled they were likely to raise interest rates next month and grappled with how much further rates will need to increase in the coming years.

The debate is taking on urgency because rates could soon rise to a level that isn't designed to stimulate growth,

a stance the Fed hasn't deliberately taken for nearly a decade. Officials debated this month how to describe that strategy in the months ahead, according to minutes of their May 1-2 meeting, released Wednesday.

If the economy performs as expected, "it would likely soon be appropriate for the committee to take another step" in raising rates, according to the minutes.

Fed officials held their benchmark federal-funds rate steady at the May meeting in a range between 1.5% and 1.75%, a level low enough to continue spurring the economy. But a

few of them noted that if they continue gradually tightening policy, "before too long" the rate would be at or above a neutral level that neither stimulates nor slows growth.

As a result, some officials said "it might soon be appropriate" to change their postmeeting policy statement to drop language that for years has signaled the Fed expected to keep stimulating the economy.

They suggested that in future statements they stop saying the fed-funds rate "is likely to remain, for some time, below levels that are expected to prevail in the longer run."

The minutes didn't suggest

much worry about the economy overheating, and they instead suggested officials were likely to welcome a modest rise in inflation above the Fed's 2% target.

Consumer prices rose 2% in the year ended in March, according to the Fed's preferred inflation gauge, while so-called core prices, which exclude the volatile food and energy sectors, rose 1.9%. Inflation has run below the target for most

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◆ Big banks lobby to ease rules on swap transactions..... B10
◆ U.S. profit boom leaves Europe behind..... B12

Comcast Readies Cash Bid For Fox Assets

By SHALINI RAMACHANDRAN AND ERICH SCHWARTZEL

Comcast Corp. is escalating its threat to disrupt Walt Disney Co.'s megadeal to buy the bulk of 21st Century Fox Inc.'s assets, a potential move that could reshape the power structure in the entertainment industry.

Comcast said on Wednesday it is in advanced stages of preparing a cash offer that would top Disney's all-stock, \$52.4 billion deal for Fox's entertainment businesses. One major Fox shareholder is also urging the company to engage with Comcast, adding pressure as the cable giant gets ready to appeal directly to Fox shareholders.

Fox's board last year rejected Comcast's original bid, even though it exceeded Disney's offer, because directors believed it was more risky with regulators and would require the sale of too many valuable assets to win approval.

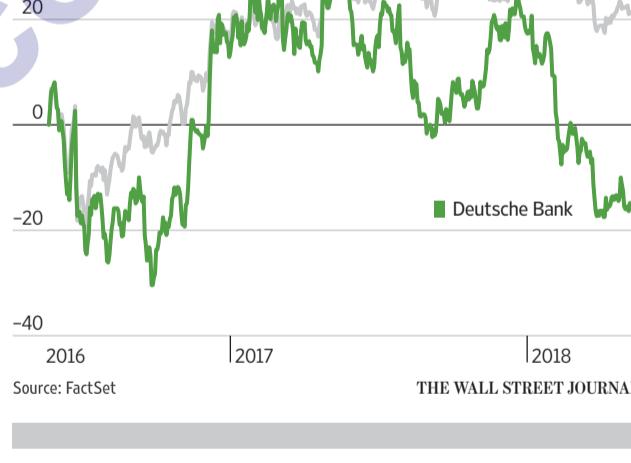
Since then, Comcast has been laying the groundwork to make a case for why it should be the one to acquire Fox's assets, setting the stage for a potential bidding war that would pit Comcast Chief Executive Brian Roberts against Disney CEO Robert Iger for businesses long controlled by media titan Rupert Murdoch.

The Fox assets—which range from international pay-TV distribution to cable networks and a stake in streaming giant Hulu—are some of the most-prized entertainment properties likely to come on the market for some time, and the Murdoch family's willingness

Pressure Builds on Deutsche Bank

The beleaguered German lender, whose shares have fallen by nearly a third this year, is considering eliminating about 10,000 jobs. B1

Share-price and index performance



Plumbing Firms, Drained by Labor Shortage, Tap Perks

Hawaiian vacations, craft beer and 'a lot of Zen' for workers willing to take the plunger

By JENNIFER LEVITZ

FORT COLLINS, Colo.—The fast-growing business offers all the perks a pampered Silicon Valley tech worker might expect: An on-site tap flows with craft beer and the kitchen is stocked with locally roasted espresso beans. There is a putting green and a smoker for brisket lunches. Next up: a yoga studio.

Welcome to the gushing job market...for plumbers.

Colorado's Neuworks Mechanical Inc. employs 75 plumbers but needs 15 to 20 more. To keep them happy, it offers "a lot of Zen," says business-development manager Jackie Sindelar. That includes a sharing exercise

that "brings out your raw emotions and makes you vulnerable," she says.

Drained from a labor shortage, the plumbing industry is throwing the kitchen sink at job candidates.

Bonfe's Plumbing, Heating & Air Service Inc. of South St. Paul, Minn., boasts an array of arcade games and a "quiet room"—a plush hangout space with insulated walls

painted a calming sky blue. It has a lockable door, a comfy couch, a recliner and a sound machine that babbles with the soothing audio of ocean waves.

"When people have a bad day they go in there," says Mr. Sindelar.

Please see PERKS page A10



Anyone available?

Jammed Courts Slow Immigration Policy

Backlog of cases has risen 25% since Trump took office; wide support for more judges

By LAURA MECKLER AND ALICIA A. CALDWELL

The nation's chronically overburdened immigration courts are becoming even more crowded as a wave of illegal immigrants enters the system and fewer are able to exit it.

The 334 immigration judges working nationwide each juggle dockets of some 2,000 cases. The backlog has reached nearly 700,000, more than double what it was six years ago, and the

average case is in court for more than two years.

This frustrates people on both sides of the immigration debate. Court hearings are scheduled for months or years into the future, delaying deportations for those who have no right to stay and putting off permission to remain for those who do.

The Trump administration has campaigned to increase

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◆ U.S. may tie aid to immigration..... A2

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Phillips Curve Faces Peril in Booming Japan



TOKYO— Standard models of the economy are built on a simple relationship: When unemployment goes down, inflation eventually goes up. That relationship, dubbed the Phillips curve, has looked sickly for years. In Japan, it may be dead, a preview of what central bankers may confront everywhere.

Japan, uncharacteristically, has been booming. Output grew 1.9% last year and, despite a first-quarter contraction, should grow more than 1% this year. That doesn't sound like much, but it's actually faster than Japan's long-term growth rate, given its shrinking population.

By several measures, the economy is overheating. Total activity is now 1.5% above normal capacity, the Bank of Japan estimates. Unemployment, at 2.5%, and businesses' spare capacity are both the lowest since 1993, when the 1980s property and stock bubbles were still deflating. There is more than one job opening for every active job seeker in all 47 prefectures. "This clearly means there is much more demand than sup-

ply," says Masatsugu Asakawa, vice minister of finance. "Almost every indicator has been great. The only mystery is the weak performance of prices."

Inflation in the year through April was just 0.4% when fresh food and energy are excluded. That's better than the outright deflation that generally prevailed from 1998 to 2012, but it's a far cry from the Bank of Japan's 2% target.

This is a problem, because if inflation gets stuck at or below zero, interest rates also get stuck at zero, robbing the central bank of its ability to stimulate the economy by cutting rates.

The Phillips curve is named for Alban William Phillips, a New Zealand-born economist who first identified the relationship in the 1950s. If the demand for labor and goods exceeds supply, it should bid prices and wages higher. But inflation also has an important psychological component. What people expect inflation to be helps determine the wages they agree to and how much firms raise prices. If expectations don't change, inflation can stay low even when tight labor mar-

No Spare Capacity, Yet No Inflation

Japanese unemployment is the lowest in 25 years, but inflation is barely above zero.



Sources: Haver Analytics (unemployment); National Statistics Center of Japan (CPI)

kets and limited capacity should push it up.

This model implies there are two ways to push inflation higher: Method A is to change people's expectations. Method B is to run the economy so hot for so long that wages and prices rise.

When Haruhiko Kuroda became governor of the Bank of Japan in 2013 with a mandate

to end deflation, he chose Method A. He set a target of 2% inflation in two years, to be achieved with an ambitious program of "quantitative and qualitative easing"—purchasing vast amounts of government bonds with newly printed money. He sought to jolt Japanese companies and workers into expecting higher inflation that would then lead to higher

wages, a virtuous circle.

But a consumption-tax increase hammered consumers in 2014 and then oil prices plunged, pushing inflation down. So Mr. Kuroda is now pursuing Method B: deliberately overheating the economy so firms are forced to pay higher wages and charge higher prices. And yet, as he said in a recent speech, psychology has frustrated that goal: "People's deflationary mind-set is more deeply entrenched than expected."

In response to higher costs and shortages, Japanese firms have done virtually everything except raise prices. Izumi Devalier, economist at Bank of America Merrill Lynch, notes the Japanese have long demanded better service than Americans (and paid extra for it). Firms are now reducing the quality of that service rather than raise prices and wages, she says. Some chain family restaurants no longer stay open 24 hours, and some department stores close 30 minutes earlier. Japanese inns are less likely to serve guests dinner in their rooms or prepare their beds for sleep.

Last year Yamato Holdings, a major package-deliv-

ery company, raised delivery charges and wages to address chronic labor shortages and poor working conditions. A sign that raising prices was now business as usual? Hardly: It took out full-page newspaper ads to apologize.

Morgan Stanley economic adviser Robert Feldman notes Japanese companies are deploying automation more creatively. Restaurants, for example, are using touch screens and conveyor belts to take and deliver orders, and convenience stores are using self-serve checkout machines instead of cashiers. This is nudging productivity growth up, while keeping a lid on prices.

Many of the forces holding down inflation in Japan could be in store for the U.S. and eurozone as their unemployment rates drop.

Yet, as in Japan, generating meaningfully higher wages may require running the economy so hot for so long that dangerous excesses such as asset bubbles emerge. Prosperous Japan isn't the cautionary economic tale it used to be, but for central bankers, its lessons are still worrisome.

A New Air Force Generation Takes Flight



HIGH HATS: Air Force Academy cadets tossed their hats as planes flew overhead during graduation in Colorado Springs on Wednesday.

RATES

Continued from Page One months since officials formally adopted it in 2012.

Officials at the May meeting said that because inflation has persistently run below target, it was too soon to conclude it would stay at that level. Many of them project inflation will soon run above 2%.

Several officials said they saw little change in the underlying inflation trend, and some said a temporary overshoot of the target "could be helpful" in pushing longer-run inflation expectations back up after they declined lower in recent years.

"This is a continuation of their communication to try to say, 'Look, we undershot 2% for a while. If we overshoot for a while, we don't have to act like our hair is on fire,'" said Seth Carpenter, chief U.S. economist at UBS and a former Fed official.

U.S. stocks erased early losses and closed higher

Wednesday after the release of the minutes. The Dow Jones Industrial Average ended up 52 points, or 0.2%, at 24887, after earlier falling as much as 0.7%.

The yield on the benchmark 10-year U.S. Treasury note fell to 3.003%, from 3.065% Tuesday—the largest one-day drop in two months. Yields fall as prices rise.

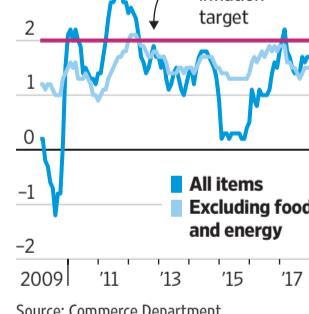
Fed officials in March penciled in three rate rises this year, including their increase that month, but were about evenly divided between those who favored three and those seeing four.

The minutes provided little new insight about how those projections have changed and instead framed two key questions. First, officials must determine the neutral setting for the fed-funds rate now that they expect the economy to grow faster than is sustainable over the long run.

After that, they must determine how much to push rates above neutral to slow growth and prevent the economy from overheating.

Inflation Pressures

Personal-consumption expenditures price index, change from a year earlier



Source: Commerce Department

2.9%—an approximation of neutral.

Estimates of the neutral rate matter because a consensus appears to be forming among Fed officials that they should stay on their current "gradual" path of raising rates by a quarter percentage point at roughly every other meeting until they reach neutral. The bigger debate is likely to be over what to do after they get there.

Some officials have said the Fed will need to push rates into restrictive territory, but others have suggested unease with deliberately pressing short-term rates higher than long-term rates, a so-called inversion of the yield curve that typically precedes a recession by a year or so.

Fiscal policy and trade policy remain considerable sources of uncertainty, the minutes showed.

Recently enacted tax cuts and a government spending increase are set to provide more stimulus to the economy. The minutes show little consensus so far on how much these changes could boost growth and price pressures.

At the same time, President Donald Trump has threatened to impose tariffs and other penalties against major trading partners, which could fuel uncertainty among U.S. businesses that rely on global suppliers.

Officials view "the range of possible outcomes for economic activity and inflation to be particularly wide," the minutes said. "The uncertainty surrounding trade issues could damp business sentiment and spending."

CORRECTIONS & AMPLIFICATIONS

Stephen Curry scored 35 points in Game 3 of the NBA Western Conference Finals on Sunday night. A Sports article on Tuesday about the Golden State Warriors star incorrectly said he scored 30 points.

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

children—who have drawn attention in recent weeks as some administration officials argue they should be sent back—meant bringing in "vulnerable" people who could themselves be susceptible to gang recruitment. Advocates for the children typically argue they are fleeing gangs and need a haven in the U.S.

Department of Homeland Security Secretary Kirstjen Nielsen, who also attended the event, faulted U.S. immigration policy for allowing known gang members to enter the U.S. because there was no legal way to bar them.

A long list of grounds for inadmissibility doesn't specifically include gang membership.

Trump says cut aid 'every time someone comes in from a certain country.'

but does include a variety of criminal reasons, many of which don't require conviction.

In April, Mr. Trump tweeted a threat to cut off aid to Honduras, in particular, amid frustration over a protest march of asylum seekers traveling from gang-ridden Central America through Mexico in hopes of entering the U.S.

The U.S. plans to send \$65.8 million in aid to Honduras in fiscal 2019, according to the State Department. Most of the funds go to violence prevention, justice and rule-of-law programs, along with funding for border and narcotics enforcement.

—Alicia A. Caldwell contributed to this article.



President Donald Trump said certain countries actively encouraged some of their citizens to leave for the U.S.

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U.S. NEWS

Weinstein Faces U.S. Sex-Crime Inquiry

BY NICOLE HONG
AND ZOLAN KANNO-YOUNGS

Federal prosecutors in Manhattan have launched a criminal probe into sex-abuse allegations against Harvey Weinstein, said people familiar with the matter, escalating law-enforcement scrutiny of the former Hollywood producer.

One issue in the investigation is whether Mr. Weinstein lured or induced any women to travel across state lines for the purpose of committing a sex crime, an offense that could allow for federal charges, some people familiar with the investigation said. The U.S. attorney's office for the Southern District of New York is leading the inquiry.

Some law-enforcement authorities have expressed frustration that local prosecutors haven't brought criminal charges against Mr. Weinstein. The veteran Hollywood producer faces sexual-harassment accusations from dozens of women, including allegations of rape and sexual assault.

Mr. Weinstein's lawyer, Benjamin Brafman, said he has met with federal prosecutors in Manhattan "in an attempt to dissuade them from proceeding" and will continue to meet with them in the coming weeks.

"Mr. Weinstein has always maintained that he has never engaged in nonconsensual sexual acts," he said.

The federal investigation into Mr. Weinstein is happening as the continuing probe by local authorities in New York has been marked by tensions between police and the Manhattan district attorney's office.

"How much longer can they let it linger?" said Michael Bock, who investigated Mr. Weinstein as a supervisor for the New York Police Department's Special Victims Division before retiring last year. "We believe he should be arrested."

Two NYPD officials said the NYPD is prepared to arrest Mr. Weinstein and is awaiting the green light from Manhattan District Attorney Cyrus Vance Jr., whose office has been criticized by some law-enforcement officials and women's groups for its decision not to charge Mr. Weinstein in 2015 for a sexual-assault allegation brought against him by an Italian model.

Danny Frost, a spokesman for Mr. Vance's office, said this week that the district attorney's current investigation into Mr. Weinstein is in "an advanced stage."

Women's Programs Under Scrutiny

Education agency looks into complaints of bias against men at Yale and USC

BY MELISSA KORN

Federal officials have opened investigations into whether programs supporting women at Yale University and the University of Southern California violate federal law by discriminating against men.

The U.S. Education Department launched the probes after receiving complaints from Kursat Christoff Pekgoz, a 30-year-old Ph.D. student in the English department at USC, according to letters detailing the investigations reviewed by The Wall Street Journal. The Education Department's Office for Civil Rights confirmed the investigations in letters to Mr. Pekgoz dated in January for USC and April for Yale.

In an interview, Mr. Pekgoz said that since men are a minority on campuses, women-only scholarships "feel unfair." He said he filed the complaint against Yale after determining that it had among the most offerings explicitly for women.

A Yale spokesman said the school "is committed to nondiscrimination on the basis of sex in all its programs." A USC spokesman said the school encourages fair treatment of all students, faculty and staff, is working with the Office for Civil Rights and "will take steps to address any issues they may raise."



STEVE REMICH FOR THE WALL STREET JOURNAL

Yale University in New Haven, Conn., says it 'is committed to nondiscrimination on the basis of sex.'

An Education Department spokeswoman said the Office for Civil Rights "is committed to neutrally and impartially assessing individual claims on their merits," adding that opening an investigation "is not an endorsement of the motives or agenda of a particular complainant nor is it a finding of wrongdoing."

Men make up 42% of college students nationwide, according to the National Student Clearinghouse Research Center, and have been in fairly steady decline since falling into the minority around 1980. The growing gender gap is due in part to rising college-going rates among women, and by economic recoveries boosting male-dominated sectors like construction and manufacturing, which draw men away from school.

The complaints tap into a concern among a faction of white men nationwide that

they are being left behind by affirmative action and other programs aimed at helping minorities and women.

Women's advocates counter that despite being overrepresented on campuses, women still have room to make up in terms of their presence at the top ranks of American corporations, and when it comes to compensation. Women receive only about two of every 10 degrees in high-paying STEM fields like computer science and engineering, and overall earn about 81 cents for every \$1 a man makes.

The government dismissed parts of Mr. Pekgoz's complaints, including concerns about Yale Women in Business and USC's Gender Studies Program and its Center for Feminist Research, after finding that they don't exclude or discriminate against men. But it will investigate Yale's Women Faculty Forum, Yale Women Innovators and five other groups or programs at Yale.

It is also looking into USC scholarships and fellowships that are advertised as being open only to females, and a Women in Science and Engineering group that excludes males.

IRS Warns States Against Workarounds on Tax Law

BY JOSEPH DE AVILA

The Trump administration is aiming new regulations at states looking to soften the loss of deductions under the new federal tax law.

The Internal Revenue Service and Treasury Department said new rules would be coming soon, in what appears to be a warning to states that have sought workarounds for residents who face a bigger tax bill—such as New York, New Jersey and Connecticut. All three sought workarounds for residents after the new law put a \$10,000 annual cap on state and local tax deductions.

"Taxpayers should be mindful that federal law controls the proper characterization of payments for federal income tax purposes," the IRS cautioned in a note.

Several states have passed or are considering legislation allowing taxpayers to make payments to charitable organizations controlled by local governments in exchange for credits against their state or local taxes. The legislation aims to let taxpayers deduct these payments as charitable contributions for federal income-tax purposes, while using the same payments to sat-

isfy local tax liabilities.

The \$10,000 annual cap on state and local tax deductions hits high-tax states such as New York, New Jersey and Connecticut particularly hard. In New Jersey and Connecticut, four out of 10 tax filers claimed more than \$10,000 in state and local taxes deductions in 2015, according to the Pew Charitable Trusts. In New York, that figure was more

Some high-tax states seek to make state and local taxes a charitable deduction.

than one-third of tax filers.

State lawmakers in Connecticut anticipated that their legislation would likely be challenged by the federal government but said they needed to attempt the change anyway. Gov. Dannel Malloy, a Democrat, hasn't signed the legislation yet, but his spokesman said the governor still intends to.

"It's no surprise that the Trump administration is once again targeting Connecticut

taxpayers," the spokesman said. "The Republican tax law disproportionately hurts families in our state and is an affront to the middle class."

In New Jersey, Gov. Phil Murphy, a Democrat, signed such legislation this month. New York passed a similar bill in response to the federal tax overhaul.

New York Gov. Andrew Cuomo, a Democrat, said the state would "continue to fight against this economic missile with every fiber of our being."

The IRS notice said the new federal regulations will "assist taxpayers in understanding the relationship between the federal charitable contribution deduction and the new statutory limitation on the deduction for state and local tax payments."

Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, welcomed the new federal regulations. "It's unfortunate that some politicians are still trying to discredit this new economic momentum in defense of high taxes and stagnant growth," Mr. Brady said. "I applaud the administration for responding to these gimmicks."

—Kate King contributed to this article.

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U.S. NEWS

Judge Thwarts Trump's Twitter Exclusion

Ruling says president can't block readers on platform because of their political views

BY REBECCA BALLHAUS

WASHINGTON—President Donald Trump can't block critics from reading his Twitter feed, a federal judge ruled, finding that doing so violates their free-speech rights.

Judge Naomi Reice Buch-

wald of the Southern District of New York ruled Wednesday that the president's blocking of Twitter users from viewing his feed based on their political speech "constitutes viewpoint discrimination that violates the First Amendment." She termed Mr. Trump's Twitter feed, on which he tweets multiple times a day on a variety of issues, a "designated public forum."

In July 2017, Columbia University's Knight First Amendment Institute filed a lawsuit alleging the president's habit of

blocking users who "disagreed with, criticized or mocked" him violated the free-speech protections of the First Amendment to the U.S. Constitution.

The judge's ruling named Mr. Trump and Dan Scavino, the White House social-media director, but said it applied to public officials more broadly.

"This case requires us to consider whether a public official may, consistent with the First Amendment, 'block' a person from his Twitter account in response to the polit-

ical views that person has expressed, and whether the analysis differs because that public official is the President of the United States," Judge Buchwald wrote. "The answer to both questions is no."

When a Twitter user blocks another, the blocked individual is unable to view the user's tweets. While Mr. Trump typically tweets from his personal account, @realdonaldtrump, rather than his official account, @POTUS, Judge Buchwald said he presents the ac-

count as "being a presidential account...and, more importantly, uses the account to take actions that can be taken only by the president as president."

Judge Buchwald opted not to issue an injunction against Mr. Trump blocking Twitter users.

"A declaratory judgment should be sufficient, as no government official—including the president—is above the law, and all government officials are presumed to follow the law as has been declared," she wrote.

The White House didn't return a request to comment.

"We're pleased with the court's decision, which reflects a careful application of core First Amendment principles to government censorship on a new communications platform," Jameel Jaffer, executive director for the Knight Institute, said in a statement. "The president's practice of blocking critics on Twitter is pernicious and unconstitutional, and we hope this ruling will bring it to an end."



Yemenis inspecting a destroyed building after it was hit by an alleged Saudi-led airstrike in the northern outskirts of San'a on May 10.

Weapon Sale to Saudis Questioned

BY DION NISSENBAUM

WASHINGTON—The Trump administration's plan to sell more weapons to Saudi Arabia is running into new resistance in Congress, where lawmakers are raising concerns about the kingdom's use of U.S.-made missiles that could threaten the deal.

Lawmakers from both parties said the U.S. hasn't done enough to ensure that the missiles aren't used by Saudi pilots to kill civilians in Yemen, and some want the administration to impose more conditions on Saudi Arabia's use of the weapons before they support the proposal, according to people familiar with the discussions.

Defense contractors, including Raytheon Co., are aiming to sell about \$2 billion worth of precision-guided missiles and other weapons to Saudi Arabia and the United Arab Emirates, the two nations leading a military coalition against Iran-backed Houthi militants, who have been trying for three years to seize full control of Yemen.

The war is central to the Trump administration's new push to contain Iran's influence in the Middle East. The U.S. has called on Iran to end its support for the Houthis. On Tuesday, President Donald Trump's administration imposed eco-

nomic sanctions on five Iranian officials it said had provided the fighters with long-range missiles to target Saudi Arabia.

U.S. support for the Saudi-led war has generated increasing opposition across the political spectrum in Congress. In March, the Senate, after a con-

airstrikes in Yemen by the Saudi-led coalition, and the United Nations estimates that those attacks have killed more than 4,000 civilians. April proved to be the deadliest month since the conflict began, with 236 civilians killed and an additional 238 injured by both sides, according to the United Nations Human Rights Office.

The U.S. provides the Saudi-led coalition with modest military support. U.S. planes refuel jet fighters carrying out airstrikes in Yemen, and U.S. military officers working with the Saudis offer limited advice. The U.S. doesn't provide the Saudi-led coalition with intelligence to select targets for airstrikes in Yemen, according to U.S. officials.

When Mr. Trump, a Republican, took office last year, he lifted a ban on the sale of precision-guided weapons to Saudi Arabia that had been imposed by his Democratic predecessor, Barack Obama.

Saudi Arabia has tried to allay U.S. concerns by developing an extensive list of hospitals, historic sites and other places that are supposed to be off-limits for airstrikes in most cases. The kingdom also has created a special team to review reports of civilian casualties.

But human-rights groups, U.S. lawmakers and some

within Mr. Trump's administration said Saudi Arabia hasn't done enough to allay their concerns.

"U.S. support for the Saudi-led coalition has had just devastating consequences since the conflict began three years ago," said Sen. Chris Murphy, (D, Conn.), one of the leading congressional critics of Saudi Arabia's war in Yemen. "Despite repeated pledges by the Saudis that they are going to take steps to minimize the harm to civilians that comes with the bombs supplied to them by the U.S., the situation just gets worse," Mr. Murphy said Tuesday at a conference in Washington on global arms trading.

Mike Miller, director of the State Department office that oversees military sales to other countries, said the U.S. continues to press the Saudis to do all it can to prevent civilian casualties and develop a political process to end the fighting.

"For the coalition forces to operate with a level of precision and care for civilian casualties and civilian harm is a tall order in the conflict, but it is something that we continue to stress," Mr. Miller told the same conference.

The fate of the proposed \$2 billion sale remains unclear.

Doug Cameron in Chicago contributed to this article.

Rosenstein Parries Attacks on the FBI

BY ARUNA VISWANATHA

Deputy Attorney General Rod Rosenstein defended the Justice Department and Federal Bureau of Investigation, calling their employees "some of the most patriotic and public-spirited American citizens" after President Donald Trump again accused the agency of spying on his 2016 campaign.

The public back-and-forth Wednesday was the latest between top U.S. law-enforcement officials on one side and the president and his allies on the other. It came a day before a meeting between Justice Department officials and GOP lawmakers on the FBI's use of a confidential informant in its initial probe of Russian election interference in 2016.

"One of the things that sometimes gets lost in the endless commentary about law enforcement is that some of the most patriotic and public-spirited American citizens work in the Department of Justice," Mr. Rosenstein said after a visit to the FBI's New York field office. Mr. Rosenstein later joined Mr. Trump at a roundtable immigration event on Long Island.

Mr. Rosenstein's defense

came after accusations from Mr. Trump and Republican lawmakers, without evidence, that the FBI embedded a spy in Mr. Trump's 2016 campaign as part of a campaign to keep him from winning. That followed months during which Mr. Trump and his allies in Congress and in the media alleged other improprieties concerning the FBI probe of Russia's efforts to meddle in the election and potential links to the Trump campaign.

Mr. Trump has denied collusion, and Moscow has denied election meddling.

The initial probe, begun in 2016, was taken over by special counsel Robert Mueller last year and has led to indictments and guilty pleas, including those involving several Trump campaign associates, for lying to federal investigators and other alleged crimes.

Mr. Rosenstein oversees Mr. Mueller's investigation, given Attorney General Jeff Sessions' recusal from the matter last year. On Wednesday, Mr. Trump in a series of tweets said "SPY-GATE could be one of the biggest political scandals in history!" and branded law-enforcement and intelligence authorities "the Criminal Deep State."

Kushner's Clearance Receives an Upgrade

BY REBECCA BALLHAUS

WASHINGTON—The White House granted permanent security clearance to senior adviser Jared Kushner this week, his lawyer said, three months after his interim clearance was downgraded as part of a larger push to tighten control of classified information.

Mr. Kushner's lawyer, Abbe Lowell, also said Wednesday that his client had been interviewed a second time by special counsel Robert Mueller, who is investigating whether Trump campaign associates colluded with Russia's efforts to interfere in the 2016 U.S. election.

President Donald Trump has denied collusion, and Moscow has denied election meddling.

Mr. Kushner, who is Mr. Trump's son-in-law, in late February saw his interim clearance downgraded from Top Secret/SCI-level to Secret, an administration official said at the time. The move limited the amount of classified information that could be accessed by Mr. Kushner, who has played a central role in crafting White House policy toward China, Mexico and Canada.

Mr. Kushner's permanent clearance allows him to once again access Top Secret/SCI-level information, according to a person familiar with the matter.

Mr. Lowell said his client's "application was properly submitted, reviewed by career officials, and went through the normal process."

BID

Continued from Page One
ness to sell these assets has come as a surprise to many in the media industry.

The rare acquisition opportunity, combined with the need to significantly expand overseas and acquire new distribution and content, is adding a dimension of urgency for both Comcast and Disney.

Comcast is dealing with a saturated pay-TV market at home and could find new growth with Fox's international assets in countries where the penetration of cable services is lower.

For Disney, a Fox tie-up would immediately give it an advantage in its fight with Netflix Inc. by bolstering the movies and shows available for its planned streaming service and giving it majority ownership in Hulu.

Earlier this month, The Wall Street Journal and others reported that Comcast was considering making a play to break up the Disney deal and had lined up around \$60 billion in financing.

While no final decision has been made on whether it will make a new run at Fox, Comcast on Wednesday said the work to finance the offer is well advanced.

The intended audience for Comcast's announcement is as much Fox investors as Fox management. The company is preparing to begin talks with Fox shareholders as soon as this week and wanted to send a message to them that it is serious about an all-cash offer, a person close to Comcast said.

Activist investor Chris Hohn would back a Comcast cash bid for Fox's assets over the current deal with Disney, the investor told Rupert Murdoch in a private letter Wednesday in which he urged the media mogul to engage with Comcast on a deal.

In the letter—a copy of which was reviewed by the Journal—Mr. Hohn disclosed he owned a 7.4% stake in Fox

and said he was unconcerned about regulatory risk with a Comcast-Fox deal.

Mr. Hohn also told Mr. Murdoch he believes the Murdoch family could have a conflict of interest that would lead them to support the Disney bid, at a lower price, because the all-stock deal would be better for their taxes than the cash offer from Comcast.

On the company's earnings call this month, Lachlan Murdoch, the executive co-chairman of 21st Century Fox, declined to comment on what he called speculation about Comcast. He said Fox was committed to its agreement with Disney, but

comcast's directors "of course are aware of their fiduciary duties on behalf of all shareholders."

Comcast attempted to allay the Fox board's prior concerns about regulatory approval and implied it would be willing to agree to a termination fee.

Comcast said the regulatory risk provisions and breakup fee

"would be at least as favorable to Fox shareholders as the Disney offer."

Because Comcast has yet to bid formally, Disney has no

plans to boost its offer or pres-

ent a mix of cash and stock, a person involved in the Disney-Fox transaction said.

21st Century Fox and Wall Street Journal-parent News Corp share common ownership.

Comcast's moves have complicated Disney's planned acquisition.

Over the past several months, Disney has operated on the assumption it would close the deal, including reorganizing the company and granting a contract extension to Mr. Iger so he could oversee the tie-up.

The takeover battle is the

clearest evidence so far of the potential implications for the government's lawsuit to block AT&T Inc.'s proposed acquisition of Time Warner Inc.

Comcast made its announcement Wednesday because its executives were worried Fox and Disney might rush a shareholder vote before the judge's decision on the AT&T-Time Warner deal came down, according to people close to Comcast. They said Comcast is still likely to wait until a judge rules on the AT&T deal before making

a formal offer, since the government's fight against AT&T was a key concern for Fox's board.

A decision in the AT&T case is expected by June 12.

The dates for the Disney and Fox meetings haven't yet been announced. Mr. Hohn has urged Fox to not set a day before the start of July, to give Comcast time to bid after the AT&T decision.

Even if the ruling is unfavorable for AT&T, Comcast may proceed with its Fox pursuit, one of the people said. The cable company's executives believe AT&T, as a national wireless and pay-TV provider, is subject to greater scrutiny than Comcast, which doesn't have national reach as a cable TV and broadband provider, the person said.

Disney executives see Comcast, which owns NBCUniversal, as having scale in content and broadband that would still trigger regulatory scrutiny, according to a person familiar with the matter.

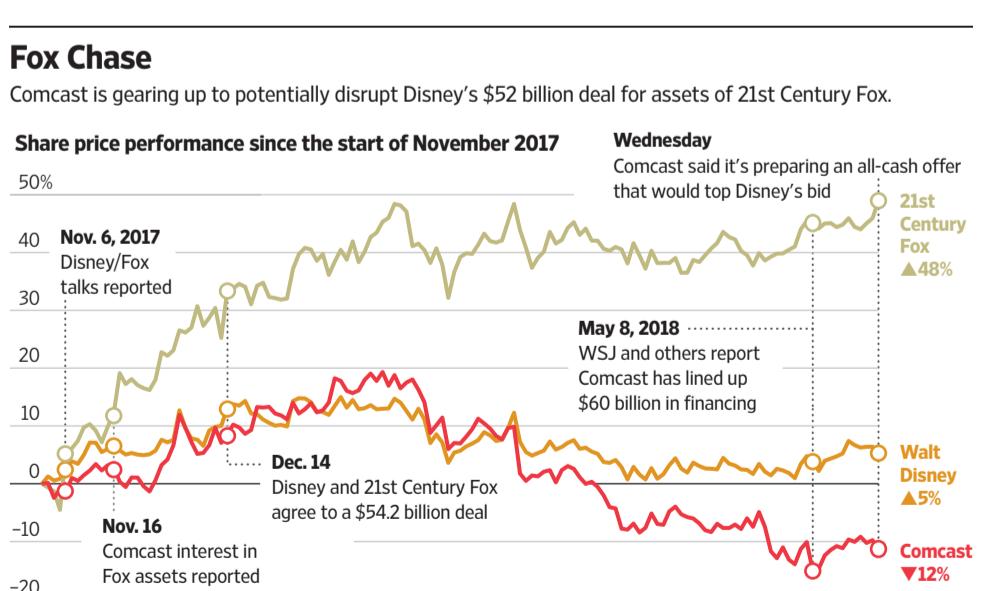
Comcast executives have already talked to Justice Department officials about their potential pursuit of Fox as part of discussions with regulators about the Disney-Fox deal, which is undergoing review, a person close to Comcast said.

—Ben Dummett and David Benoit contributed to this article.

Fox Chase

Comcast is gearing up to potentially disrupt Disney's \$52 billion deal for assets of 21st Century Fox.

Share price performance since the start of November 2017



THE WALL STREET JOURNAL.

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Together We Can Fight False News

We are taking action by removing fake accounts and working with fact-checkers. You can learn what to trust with our tips to spot false news.

1. Be skeptical of headlines.

False news stories often have catchy headlines in all caps with exclamation points. If shocking claims in the headline sound unbelievable, they probably are.

2. Look closely at the link.

A phony or look-alike link may be a warning sign of false news. Many false news sites mimic authentic news sources by making small changes to the link. You can go to the site and compare the link to established sources.

3. Investigate the source.

Ensure that the story is written by a source that you trust with a reputation for accuracy. If the story comes from an unfamiliar organization, check their "About" section to learn more.

4. Watch for unusual formatting.

Many false news sites have misspellings or awkward layouts. Read carefully if you see these signs.

5. Consider the photos.

False news stories often contain manipulated images or videos. Sometimes the photo may be authentic, but taken out of context. You can search for the photo or image to verify where it came from.

6. Inspect the dates.

False news stories may contain timelines that make no sense, or event dates that have been altered.

7. Check the evidence.

Check the author's sources to confirm that they are accurate. Lack of evidence or reliance on unnamed experts may indicate a false news story.

8. Look at other reports.

If no other news source is reporting the same story, it may indicate that the story is false. If the story is reported by multiple sources you trust, it's more likely to be true.

9. Is the story a joke?

Sometimes false news stories can be hard to distinguish from humor or satire. Check whether the source is known for parody, and whether the story's details and tone suggest it may be just for fun.

10. Some stories are intentionally false.

Think critically about the stories you read, and only share news that you know to be credible.



U.S. NEWS

In Georgia, Political Currents Run Deep

By CAMERON MCWHIRTER

ATLANTA—Democrat Stacey Abrams became the first black woman in the nation to win a major party nomination for governor on Tuesday, and in November will face off against one of two Republicans now locked in a runoff.

Ms. Abrams would have to overcome some entrenched obstacles to win the general election in Georgia. Republicans have dominated the state's politics and currently hold every major statewide office and control both houses of the General Assembly. Democrats haven't held the governor's seat since 2003.

Ms. Abrams won the primary with about 76% of the vote to Stacey Evans's 24%, after a rough campaign that pitted the former state House minority leader from Atlanta, who has hundreds of thousands of dollars in debt, against a white multimillionaire from the suburbs. Both ran on a progressive platform, saying they wanted to improve education, health care and transit.



Stacey Abrams won the Democratic primary Tuesday in the race to be the next Georgia governor.

Ms. Abrams, who would become the first African-American woman governor of any state if she wins the general election, called for "a Georgia that sees diversity as our

strength, and acceptance as our birthright" in her primary victory speech Tuesday night.

Her nomination comes as the South is growing with an influx of minorities and others

from northern states, as well as immigrants. Strategists in both parties have pointed to the demographic shift, as well as the growth of urban areas like Atlanta and Nashville, as

signs of coming political change for the region. Republicans have worked to reach out to minorities and young people in Georgia and elsewhere—so far with few results. But the GOP's base of older white voters has brought them repeated victories in statewide races across the region.

In the Republican primary, front-runner Lt. Gov. Casey Cagle failed to secure 50% of his party's votes and will face a July runoff against Georgia Secretary of State Brian Kemp.

Ms. Abrams, 44 years old, and Mr. Cagle, 52, have been involved in state politics for years. Ms. Abrams, a lawyer, led the Democratic Party as it fought to stay relevant in a chamber dominated by the GOP.

Ms. Abrams, who was endorsed by former presidential nominee Hillary Clinton, as well as liberal firebrands Sen. Kamala Harris (D., Calif.) and former presidential candidate Sen. Bernie Sanders (I., Vt.), now will draw even more national attention—and likely

visits from 2020 Democratic presidential aspirants coming to Georgia to stump on her behalf.

In Georgia, voters don't register with a party, but can request a primary ballot from either one when they get to their polling station. In this year's primaries for governor, about 600,000 people voted in the Republican primary, and about 550,000 in the Democratic primary.

Republicans are counting on their conservative base, people who voted for President Donald Trump and right-leaning independents. That coalition has been an uneasy one, with tensions arising between Trump voters and pro-business establishment Republicans over a range of issues in recent years, from gun-rights legislation to religious-liberty bills. Conservatives consider such bills as protecting religious expression, while some businesses view them as discriminatory toward gay people and others.

—Reid J. Epstein contributed to this article.

Abuse in Sports Draws Scrutiny

By RACHEL BACHMAN AND LOUISE RADNOFSKY

WASHINGTON—Members of a U.S. House panel pressed U.S. sports officials to explain how sexual abuse has gone on so long in Olympic sports and what the U.S. Olympic Committee and individual sports are doing to prevent it from happening again.

Six sports leaders testified on Wednesday to their actions to clean up Olympic sports after reported abuse by Larry Nassar, the longtime U.S. women's gymnastics team physician now serving an effective life sentence for child pornography and sexual-abuse convictions.

At one point in the hearing before the House subcommittee on oversight and investigations, acting USOC Chief Executive Susanne Lyons was asked why it took seven years for the USOC to launch the U.S. Center for SafeSport, a nonprofit that opened last year to investigate sexual-misconduct claims.

"Frankly, it took too long and we regret it did not open sooner," Ms. Lyons said. "It may have saved some of the tragedy that occurred."

Except for pointed questioning from a few subcommit-

tee members, the hearing had a subdued tone that contrasted with the anger of many abuse survivors and much of the public about years of unchecked abuse by Nassar and others.

Rep. Debbie Dingell, (D., Mich.), choked up when she spoke of Nassar's victims and raised her voice as she spoke to the testifying sports officials. "Honestly, I'm not reassured by your testimony because I don't hear a sense of urgency," she said.

Among those who testified were USA Gymnastics President and CEO Kerry Perry, USA Swimming President and CEO Tim Hinchey, USA Volleyball CEO Jamie Davis and USA Taekwondo Executive Director Steve McNally. Ms. Perry apologized for the abuse scandal in her opening remarks and subsequently, and said she was now leading a new organization.

The executives' mere presence reflected the breadth of the scandal that has rocked Olympic sports: All took over their positions after the first public allegations against Nassar surfaced in 2016.

Several U.S. representatives at the hearing emphasized the responsibility they think the USOC has in policing national governing bodies, something it

has often let the groups do themselves. Ms. Lyons told Rep. Gregg Harper, (R., Miss.), chairman of the House subcommittee, that monitoring governing bodies was "a top priority" for the USOC.

Nassar has been accused by more than 200 women and girls including elite gymnasts of assaulting them under the guise of treatment.

Many of those gymnasts have sought legal penalties from Nassar's employers, Michigan State University and USA Gymnastics, alleging broader institutional failures that allowed him to harm them.

The plaintiffs reached a \$500 million settlement agreement with Michigan State last week.

Wednesday's hearing also touched on abuse claims in taekwondo, volleyball and swimming, a sport in which more than 90 individuals have been banned from USA Swimming membership for sexual misconduct, Mr. Hinchey said.

Events of the past year, including the #MeToo movement and public testimony at Nassar's sentencing hearings last winter, prompted a sharp increase in reports of sexual abuse, said Shellie Pfohl, president and CEO of the U.S. Center for SafeSport. Ms. Pfohl testified that the center was receiving 20 to 30 reports a month last year.

"Now we're getting 20 to 30 reports per week," she said.

USA Gymnastics chief Kerry Perry apologized for the Larry Nassar sexual-abuse scandal. Five other Olympic officials also testified.

Seminary President Removed After Protests

By CAMERON MCWHIRTER

A prominent leader and minister in the Southern Baptist Convention, the Rev. Paige Patterson, was removed as president of a leading seminary, following protests regarding past remarks he made about women and domestic abuse.

Since the 1970s, Mr. Patterson has played a central role in the resurgence of conservative values in America's largest Protestant denomination, with more than 15 million members.

The board of trustees of Southwestern Baptist Theological Seminary in Fort Worth, Texas, voted to remove Mr.

The Rev. Paige Patterson's removal followed complaints about past remarks.

Patterson, 75 years old, after "much prayer" and a 13-hour discussion about challenges facing the seminary. He had been president of the seminary since 2003.

Mr. Patterson's removal follows complaints regarding remarks he made at a conference in 2014 about the attractiveness of a teenage girl, and a tape recording from 2000 of his remarks about how he counseled an abused woman to stay in her marriage.

A May 6 open letter, which

so far has the signatures of about 3,300 Southern Baptist women and some men, called for him to step down. "This pattern of discourse is unbefitting the sober, wise and sound character required of an elder, pastor and leader," the letter said. Through a seminary spokesman, Mr. Patterson declined to be interviewed.

In his own open letter on May 10, Mr. Patterson responded to the charges. "I wish to apologize to every woman who has been wounded by anything I have said that was inappropriate or that lacked clarity," he wrote. "We live in a world of hurt and sorrow, and the last thing that I need to do is add to anyone's heartache."

Mr. Patterson added: "I utterly reject any form of abuse in demeaning or threatening talk, in physical blows, or in forced sexual acts."

The seminary board appointed D. Jeffrey Bingham, dean of the seminary's school of theology, to become interim president. It said it had made Mr. Patterson president emeritus and invited him to live on campus with continued, unspecified compensation.

Supporters of Mr. Patterson created their own online petition, now with about 600 signatures, urging the board to stand by him. "Satan hates Paige," wrote Samuel Schmidt, a Kentucky pastor, in a letter accompanying the petition. He argued that calling for Mr. Patterson's ouster over statements made years ago was unfair.

—Dustin Volz

FBI Agency Rebuts Critics On Encrypted Phones

The Federal Bureau of Investigation sought to defend itself from mounting accusations that it had irresponsibly relied on inflated statistics about the number of encrypted phones investigators were unable to access last year, saying there was no evidence the error was due to impropriety.

"There is no indication that this was misconduct," an FBI official said Wednesday during a news briefing at the bureau's headquarters, adding that the error appeared to be the result of a computational mistake.

FBI Director Christopher Wray and other senior officials repeatedly told Congress and the public in recent months that law-enforcement investigators were unable to unlock nearly 7,800 devices last year due to strong encryption.

That figure was significantly overstated, the agency said late Tuesday.

Mr. Wray has ordered an independent review of the miscalculation by the FBI's inspection division, and the bureau's technology division is also reviewing the problem, FBI officials said Wednesday.

FBI officials declined to comment on the size of the encryption error, but said it was "significant." They said they hoped to identify or publish a corrected count soon, but wouldn't provide more details.

An internal FBI estimate has calculated the true number of locked devices to be closer to 1,200, according to people who have seen the estimate.

At a Glance

Sales of new single-family homes, seasonally adjusted annual rate



Source: Commerce Department via St. Louis Fed

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ECONOMY

New-Home Sales Softened in April

Sales of new homes in the U.S. fell at the beginning of spring, reversing the stronger momentum seen in the first quarter.

Purchases of newly built single-family homes—a relatively narrow slice of all U.S. home sales—fell 1.5% to a seasonally adjusted annual rate of 662,000 in April, the Commerce Department said Wednesday. Economists surveyed by The Wall Street Journal had expected a 2.2% drop.

Purchases have risen in three of the past six months, while sales rose 11.6% in April from a year earlier. Still, the pace of new-home sales remains well below the elevated levels seen

before the 2007-09 financial crisis and recession.

More widely, housing market inventory has been tight, driving up home prices and pricing some potential buyers out of the market. The average sales price for new homes grew to \$407,300 in April, the highest price on records dating back to 1963.

Meanwhile, at the current sales pace, there was a 5.4-month supply of new homes on the market at the end of March, down from the 6.0 levels seen in the middle of 2017.

—Sharon Nunn

CAPITOL

Policy Changes Loom On Sex Harassment

Senators reached an agreement on bipartisan legislation to overhaul the Capitol's sexual-harassment policies, including prohibiting the use of taxpayer funds to pay settlements.

That requirement and other key provisions mirror a bill passed by the House in February, which would also make it easier for victims to report harassment. It would eliminate both the 30-day "counseling" period and mandatory mediation required by current policy. Cases involving lawmakers would be referred to the ethics committee in the chamber where the lawmaker serves.

The Senate bill, announced Wednesday, also would ensure that lawmakers found guilty of harassment who leave office be held responsible for repaying any settlement, including through nongovernment wages or retirement accounts, if necessary. Se

nior staff accused of sexual harassment wouldn't be personally liable if a case is settled.

The measure has the support of the leadership of both parties, and aides say the bill could see a vote by the end of the week.

—Natalie Andrews

EDUCATION

New Flexibility On Loan Forgiveness

The Education Department announced a new process to help people who sought to have their student loans forgiven for performing public service but unknowingly enrolled in repayment plans that disqualified them.

The Public Service Loan Forgiveness program, created in 2007, allows people in public-service professions—generally those working for the government or nonprofits—to have their student loans canceled after 10 years of full and on-time payments.

But in order to qualify, people must also enroll in eligible repayment plans—a step that tens of thousands of otherwise eligible people bungled, disqualifying them from the program. For example, some repayment plans, such as graduated repayment, which increases the size of payments over the life of a loan—are off limits.

The Education Department said it would now allow people who were denied loan forgiveness to ask for their applications to be reconsidered, and officials said they would consider people entered in a variety of different income-based plans.

—Michelle Hackman

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WORLD NEWS

North Korea Threatens to Cancel Summit

Envoy slams Pence as 'a political dummy' and warns U.S. could face a 'nuclear showdown'

By JONATHAN CHENG

North Korea's senior envoy for U.S. affairs renewed a threat to call off a planned summit with President Donald Trump and warned that Pyongyang could "make the U.S. taste an appalling tragedy it has neither experienced nor even imagined."

In its most direct language aimed at Washington following a recent rapprochement between the two countries, Choe Son Hui, the North's vice minister of foreign affairs, said if the June 12 talks were canceled, the U.S. could instead face off with North Korea in a "nuclear-to-nuclear showdown."

Ms. Choe's statement, issued through official state media, called out Vice President Mike Pence, to whom she re-

fined as "a political dummy."

Ms. Choe's comments followed strongly worded statements last week from other senior North Korean officials aimed at U.S. national security adviser John Bolton and at the South Korean government of Moon Jae-in, who has pushed for dialogue with Pyongyang to avoid a nuclear standoff.

It also comes after a meeting at the White House of Messrs. Trump and Moon, who have both staked their hopes—and their credibility—on a successful U.S.-North Korea summit, which has been planned for June 12 in Singapore.

As recently as two weeks ago, the planned summit in Singapore was shaping up to be the high point following a monthslong bout of diplomacy for North Korea, the U.S. and South Korea. Secretary of State Mike Pompeo made two trips to Pyongyang to meet with North Korean leader Kim Jong Un, while Messrs. Kim and Moon met for a summit at the

Pyongyang Renews Call on Defectors

SEOUL—For two years, Kim Jong Un's regime has demanded the return of a group of North Koreans who defected from the restaurant in China where they worked, claiming they were tricked into leaving and taken to South Korea against their will by Seoul's spies.

inter-Korean demilitarized zone.

In a sign of raised expectations for the summit, the White House Communications Agency earlier this week unveiled a commemorative coin to mark the planned meeting between Messrs. Trump and Kim.

But in the last two weeks, a series of ominously worded North Korean statements has changed the tone. Last week, Pyongyang warned the U.S.

Now, the fate of the 12 female waitresses and one male manager has become an unexpected flashpoint as the two Koreas seek to sustain a months-long diplomatic detente that has shown signs of unraveling.

In the past few days, the North has stepped up calls for the South to hand over the defectors, asserting again on Wednesday that they were abducted.

The defectors' precise loca-

tion is unknown, and neither they nor the owner of the restaurant in Ningbo, China, where they worked could be reached for comment. But the dispute over their fate shows the sorts of concessions North Korean officials are seeking from the South as the price of keeping the inter-Korean rapprochement on track.

South Korea's left-leaning government has said it won't return the workers.

Mr. Trump said the U.S. and North Korea remained in contact about the summit.

"Right now we're looking at it, we're talking about it, and they're talking to us," Mr. Trump told Fox News. "We have certain conditions. We'll see what happens. But there's a good chance."

Mr. Pompeo said Wednesday that the denuclearization of North Korea was the U.S.'s top national security priority. In remarks before the House For-

eign Affairs Committee, Mr. Pompeo said that, during his two recent meetings in Pyongyang with Mr. Kim, the North Korean leader expressed his desire for economic growth and aid from the U.S.

Ms. Choe, in her statement Thursday, took issue with an interview that Mr. Pence gave to Fox News earlier this week in which he suggested that the North sought the summit meeting with Mr. Trump.

She criticized the vice president for bringing up Libya in the context of denuclearization—a sensitive subject for North Korea, after Moammar Gadhafi was overthrown and killed in 2011, eight years after giving up Libya's nuclear weapons. Mr. Pence said the Libya model would only come about if North Korea failed to denuclearize.

Ms. Choe called Mr. Pence's words "unbridled and impudent."

—Michael C. Bender
and Jessica Donati
contributed to this article.

U.S. Drops Beijing From International Military Exercises

The Pentagon rescinded an invitation to China to participate in an international military exercise in the Pacific Ocean next month, signaling disapproval to Beijing for what U.S. officials say is its refusal to stop militarizing South China Sea islands.

By Gordon Lubold
in Washington and
Jeremy Page in Beijing

Defense Secretary Jim Mattis, after weeks of internal debate within the Pentagon, concluded that China shouldn't be allowed to participate in the American-led biennial Rim of the Pacific exercise, slated to begin in June, according to U.S. officials. The invitation's withdrawal hasn't been previously disclosed.

Chinese officials in Washington were notified of the decision Wednesday morning, said the U.S. officials. China's top diplomat, State Councilor Wang Yi, criticized the Pentagon's decision in comments while visiting the State Department Wednesday.

"We find that a very unconstructive move, nonconstructive move," Mr. Wang told reporters. "We hope the U.S. will change such a negative mind-set."

The exercise, also known as Rimpac, involves 27 nations in a display of international military cooperation.

An invitation from the U.S. to take part in the exercise carries political cachet, offering legitimacy and acceptance to military forces taking part, an important benefit for China as it seeks to expand its global influence.

Likewise, the U.S. move to rescind the invitation to China's People's Liberation Army also holds political significance. The U.S. ejected Russia, for example, after Moscow's incursion into Ukraine in 2014.

China's inclusion in the previous two Rimpac exercises, in 2014 and 2016, was among the most tangible results of an effort by both sides since late 2010 to stabilize military ties that had often been interrupted by China over American arms sales to Taiwan. The U.S. decision to revoke the invitation is likely to heighten tensions between Beijing and Washington amid fraught trade negotiations.

China in recent years has steadily developed and equipped islands, rocks and reefs across the South China Sea with military hardware, including communications jamming equipment, fueling fears it is trying to use force to settle longtime disputes over territorial claims.

Beijing says that it has "indisputable" sovereignty over all South China Sea islands and their adjacent waters, and that its new facilities are for defense and civilian purposes.



A Chinese ship participated in the American-led biennial Rim of the Pacific military exercises in Hawaii in 2016, also known as Rimpac.

Mr. Wang defended Beijing's efforts in the South China Sea, comparing them to the U.S. military's presence in Hawaii or Guam.

"China is only building civilian and some necessary defense facilities on our own islands," he said.

American intelligence officials also recently confirmed that China placed surface-to-air and antiship cruise missiles on some South China Sea islands, the U.S. officials said.

American officials in recent weeks asked the Chinese to remove the missiles, the U.S. officials said.

When the Chinese declined to remove the military hardware, American officials conveyed a warning that there would be potential costs for refusing to do so, the officials said.

Then last weekend, Beijing sent an H-6K heavy bomber to Woody Island, another Chinese-controlled island.

The recent events have reinforced the U.S. view that China had reneged on President Xi Jinping's pledge in 2015 that it wouldn't militarize the islands.

Pentagon officials called their move "an initial response" to China's militarization of the islands.

Embassy Malady Recalls Cuba Puzzle

BEIJING—A U.S. government employee in China suffered a brain injury after months of "abnormal" aural sensations, in an incident the Trump administration said bore similarities to mysterious illnesses that hit American diplomats in Cuba.

The State Department issued a health advisory to American citizens in China,

saying the unnamed employee "recently reported subtle and vague, but abnormal, sensations of sound and pressure."

The U.S. Embassy in Beijing identified the employee as an American citizen based in the southern city of Guangzhou, site of a U.S. consulate. The employee reported "a variety of physical symptoms" from late 2017 to April, before being sent to the U.S. for an evaluation, an embassy spokeswoman said. "The clinical findings of this evaluation matched mild traumatic brain injury."

—Chun Han Wong

Malaysia Drew From Central Bank to Pay 1MDB Debt

BY TOM WRIGHT
AND BRADLEY HOPE

KUALA LUMPUR—In its final months in office, the government of former Malaysian Prime Minister Najib Razak turned to the nation's central bank to pay off \$500 million in debt owed by the troubled state investment fund 1Malaysia Development Bhd., people familiar with the transaction said.

The fund, known as 1MDB, has been struggling to stay afloat, and the money helped cover an obligation due to an Abu Dhabi state fund at the end of 2017. The Malaysian fund said in December it came up with the money via an "ongoing rationalization program" that involved selling off holdings like power plants and land.

Instead, the people familiar with the transaction said, the money came from a land deal involving the central bank—raising new questions about the use of state assets to support a fund the U.S. Justice Department says is mired in fraud.

Mr. Najib, who was voted out of office this month, didn't respond to a request to comment. He has denied wrongdoing in the 1MDB affair, as has the fund. Malaysian investigations carried out during Mr. Najib's premiership cleared him.

The Finance Ministry didn't respond to a request to comment on the central bank land



Police last week removed items from ex-Premier Najib Razak's home.

precipice of default. The Middle Eastern fund stepped in with an emergency bailout, and Malaysia's Finance Ministry agreed to repay \$1.2 billion by the end of 2017.

As the deadline neared, the government turned to Bank Negara Malaysia, the central bank, the people familiar with the transactions said. The bank bought a piece of land from the government in December for two billion ringgit, about \$500 million, as part of a plan to construct a financial-education institution. The central bank publicly acknowledged the purchase at the time, and bank Gov. Muhammad Ibrahim said the bank had acted out of its own self-interest. Attempts to reach Gov. Muhammad for comment weren't successful.

Finance Ministry officials recently told Mr. Mahathir's government that the \$500 million went into a special-purpose vehicle set up by the Finance Ministry to repay a portion of the \$1.2 billion owed to Abu Dhabi, the people familiar with the transaction said.

How to repay 1MDB's debt is a major issue for the new government. Finance Minister Lim Guan Eng this week said \$36 million in interest payments is due at the end of May. He said he had instructed Arul Kanda, 1MDB's chief executive, to explain whether the fund has cash

to make this payment.

Discovery of the central bank's land deal is the latest in a string of revelations about the state of 1MDB. The finance minister on Wednesday publicly questioned whether nearly a billion dollars in investments listed by the fund truly existed or were worth anything. He ordered a new audit of the company by PricewaterhouseCoopers LLP.

Mr. Lim said after meeting with Mr. Arul Kanda that he found him "to be utterly dishonest and untrustworthy, and instructed the legal advisers to the Ministry of Finance to review his position as the president of 1MDB." Mr. Arul Kanda, who has been barred from leaving the country by the new government, declined to comment.

The fund, founded in 2009, took on debt of more than \$13 billion, about half of it via international bonds sold by Goldman Sachs Group. At least \$4.5 billion of the money raised was funneled out of the fund and used to buy mansions in the U.S. and a private jet and even to help finance Hollywood movies, according to civil asset-forfeiture lawsuits filed by the U.S. Department of Justice in 2016 and 2017.

The 1MDB fund has been selling assets to pay down its debt, including about \$4 billion in power plants to a Chinese state-owned company.

Canada Set To Block China Deal

BY PAUL VIEIRA

OTTAWA—Canada's Liberal government said it would block a nearly billion-dollar Chinese-led deal for a construction company on national-security grounds.

The decision came as U.S. lawmakers push legislation that would give Washington greater power to block deals between American and Chinese companies that could risk national security.

Canada in February ordered a national-security review of CCCC International Holding Ltd.'s plan to buy Toronto-based Aecon Group Inc. for 1.22 billion Canadian dollars (\$947 million), based on the C\$20.37 a share offer the Chinese company made last fall.

Aecon Chief Executive John Beck said the company was disappointed, although he said the company—which recorded C\$2.81 billion in revenue last year—would continue to be a leading player in Canada's construction and infrastructure market.

Aecon added in a statement the company is no longer pursuing a sale.

A spokeswoman for CCCC International wasn't immediately available to comment.

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WORLD NEWS

Europeans Pursue Overture To Russia

President Donald Trump's withdrawal from the nuclear deal with Iran has added fresh impetus to a European outreach to Russia—although European officials say existing tensions make it far from a thaw.

*By William Horobin
in Paris, Bojan
Pancevski in Berlin
and James Marson in
St. Petersburg, Russia*

French President Emmanuel Macron heads to St. Petersburg on Thursday seeking to leverage his candid relationship with Russian President Vladimir Putin to get Moscow's help for European efforts to preserve the deal and stabilize war-torn Syria.

His visit follows German Chancellor Angela Merkel's trip to Russia last week, where she also discussed the Iran accord and a natural-gas pipeline from Russia to Germany that the Trump administration has opposed.

Relations between Russia and European Union member states have been at post-Cold War lows amid Russia's military interventions in Ukraine and alleged interference in German and French politics.

But shared dissatisfaction with Mr. Trump's withdrawal from the nuclear deal with Iran has added a rare point of consensus.

"I think that's in part why the leaders of some countries are coming to us for talks with the Russian leadership," said Mikhail Bogdanov, a Russian deputy foreign minister.

In St. Petersburg, Mr. Macron is scheduled to meet with Mr. Putin and take part in an economic forum there.

During his first year in office, Mr. Macron has maintained close dialogue with Russia despite tensions over Syria, Ukraine, the poisoning of a former Russian spy in the U.K. in March, and allegations of Russian interference in France's presidential election last year.

The French leader has combined public rebukes of Mr. Putin with regular contacts and efforts to sustain strong economic ties despite EU-imposed sanctions. In a showy diplomatic gesture after taking office, Mr. Macron hosted Mr. Putin at the Palace of Versailles to mark 300 years of Franco-Russian diplomacy.

"I want a strategic and historic dialogue with Vladimir Putin, to tie Russia to Europe and not leave Russia to turn in on itself," Mr. Macron said in an interview this month with French weekly the *Journal du Dimanche*.

Outsider to Lead Italy Government

By GIOVANNI LEGORANO

ROME—Italy's president asked a political novice chosen by two antiestablishment parties to form a coalition government after more than two months of wrangling touched off by March elections that yielded no clear winner.

President Sergio Mattarella's appointment of Giuseppe Conte, a little-known law professor with virtually no political experience, on Wednesday marks a long-awaited milestone for the upstart 5 Star Movement and the far-right League, political insurgencies that are causing jitters among the European establishment and in the markets.

Mr. Conte must now present a list of cabinet ministers—a step that will be closely watched as a gauge of how forcefully the new Italian government plans to follow through on its promises to challenge European Union orthodoxy.

"I am about to start defending the interests of Italians in all places, in a dialogue with European institutions and representatives of other countries," Mr. Conte said. "I am looking forward to start working for real."

Both parties campaigned heavily on tax cuts, welfare spending for the poor and a crackdown on immigration, but often differed on specifics, clouding the prospect of them coming to an agreement.



Prime Minister-designate Giuseppe Conte has the parties' confidence, but scant political experience.

It took weeks to hash out a deal on their common program, an eclectic mix of euroskeptic economic policies and billions in tax cuts and stimulus spending.

The parties' two leaders, League chief Matteo Salvini and 5 Star head Luigi Di Maio, agreed that neither would serve as prime minister, choosing in Mr. Conte a leader

likely to allow them to call the shots. A key question will be whether the two are appointed to key ministerial positions, possibly as deputy prime ministers, according to people familiar with the talks.

Mr. Di Maio has been touted as a possible welfare and economic development minister, a post from which he would oversee the implemen-

tation of a signature 5 Star proposal: a universal basic income for the poor and unemployed. In that post he could also manage the repeal of a controversial pension reform introduced in 2011 at the height of the sovereign-debt crisis and widely credited for having helped avert a collapse of Italy's finances.

Mr. Salvini could become

minister of interior, in charge of the country's policy on immigration, according to people close to the negotiations. This would allow him to push through a crackdown on illegal immigration from Africa and the Middle East, which has been one of the League's main electoral promises.

Such appointments could limit the role of Mr. Conte, who hasn't been elected and has no political base, while the two leaders collectively earned more than 50% of the popular vote.

"He is a perfect Mr. Nobody, a perfect useful idiot," said Wolfgang Piccoli, co-president of political-risk consultancy Teneo Intelligence.

Insiders from both parties say the two groups haven't agreed on who would get some other ministerial jobs. A key obstacle has been agreeing on who should get the post of economy minister, which will be crucial in keeping the country's finances in check and send a signal of what kind of relationship Italy expects to have with the EU.

Mr. Salvini said he would be happy if Paolo Savona, a former minister who more recently became known for his euroskeptic views, got the top economy post.

But the 5 Star camp, which has been trying to soften the League's anti-euro stance, is harboring doubts he may be the right candidate, according to people familiar with their stances.

WORLD WATCH

Egypt

Government Arrests Prominent Opponents

The government intensified a crackdown on political opponents, arresting high-profile dissidents in raids on their homes as President Abdel Fattah Al Sisi prepares to begin a new term next month.

Those detained are among the country's most prominent non-Islamist activists, including three human-rights advocates, a satirist and a well-known labor lawyer.

The government is worried about "anyone who could mobilize people," said Mohamed Lotfy, director of the Egyptian Commission for Rights and Freedoms.

—Jared Malsin

Supreme Leader Defies U.S. Demands

Supreme Leader Ayatollah Ali Khamenei scoffed at U.S. demands that Tehran curb its military ambitions and issued his own demands to Europe to remain in the nuclear deal.

In his first speech since U.S. Secretary of State Mike Pompeo drew the U.S. line, Mr. Khamenei threatened to withdraw from the



ROAD BLOCK: Truck owners protested against high diesel prices on a highway in Luzania, near Brasilia, Brazil, on Wednesday.

deal and scale up Iran's nuclear work if Europe didn't meet seven conditions.

The conditions included a requirement European countries not raise the issues of Iran's ballistic missiles and regional presence—both key points of U.S. concern. He sought a European guarantee to buy Iranian crude oil to compensate for lost sales due to U.S. sanctions.

—Asa Fitch

Eurozone Commercial Activity Slowed Again in May

Business activity slowed for the fourth straight month, a survey of manufacturers and service providers showed.

Data firm IHS Markit said its composite purchasing managers index for the currency area—based on survey responses from

5,000 businesses—fell to 54.1 in May from 55.1 in April. That was the lowest reading in 18 months.

—Paul Hannon

Mexico

Farm Output Gives Economy a Boost

A pickup in industrial output and buoyant growth in services and farm production contributed

to Mexico's economy growing in the first quarter at its fastest pace in a year and a half.

Gross domestic product expanded a seasonally adjusted 1.1% from the fourth quarter of 2017, the National Statistics Institute said Wednesday. The increase, equivalent to an annualized rate of 4.6%, was the biggest since the third quarter of 2016.

—Anthony Harrup

AUTOS

Continued from Page One
lies and rivals, a confrontational approach that has yielded mixed results. The administration is locked in touchy negotiations over narrowing China's \$375 billion annual trade surplus with the U.S. So far, Beijing has refused to commit to much more than stepping up purchases of U.S.-produced commodities.

Negotiations over the North American Free Trade Agreement have bogged down as Mexican and Canadian partners resist U.S. demands for new auto rules, sunset clauses and dispute-resolution mechanisms. Meanwhile, other trading partners are challenging the administration's steel and aluminum tariffs, rejecting the U.S. national-security argument and planning retaliation.

Tariffs based on national-security arguments generally take months to execute, because the administration is required to conduct detailed studies that provide the rationale for such moves. Applying tariffs or another remedy under Section 232 of the 1962 law would require a lengthy investigation and report from the Commerce Department.

"There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry," Commerce Secretary Wilbur Ross said in a statement announcing



Vehicle imports from Japan and Europe would be the likely target.

the probe late Wednesday. Mr. Ross said he initiated the investigation following a conversation with Mr. Trump.

The investigation into possible auto tariffs also is expected to be more involved and potentially last longer than the administration's 10-month study of aluminum and steel tariffs, an official said.

The probe will look into cars, sport-utility vehicles, vans and light trucks, the Commerce Department said in a statement, adding that the investigation will "consider whether the decline of domestic automobile and automotive parts production threatens to weaken the internal economy of the United States."

The Trump administration is expected to invite public

comment and hold a hearing on the issue.

The latest move will face opposition from lawmakers and much of the auto industry, who will argue that such duties hurt as many as they help. "The U.S. auto industry is thriving and growing," said John Bozzella, chief executive of the Global Automakers group, which represents foreign-based producers in the U.S. "This path leads inevitably to fewer choices and higher prices for cars and trucks in America," he said.

Many Republicans have criticized Mr. Trump's tariffs on steel and aluminum, saying they had a bigger impact on U.S. allies than on China, whom officials blame for a global glut. By contrast, many

Democratic lawmakers have applauded Mr. Trump's direction on trade.

It wasn't immediately clear whether tariffs would be recommended at the end of the in-

vestigation or how broadly they would apply. For example, Nafta partners, which are closely involved in U.S. auto production, might be exempt. The moves appeared to target Japanese and European auto makers.

ald Trump wants to put in any new deal in a bid to bring manufacturing jobs back to the U.S.

These include removing the international arbitration panels that currently resolve commercial disputes and creating a sunset clause that would end the deal every five years unless explicitly renewed. Both Mexico and Canada have described those measures as unacceptable.

Trade negotiators from the U.S., Mexico and Canada missed an informal deadline to reach a deal last week that would have given the U.S. Congress enough time to review and vote on it before new law-

makers take office next year.

People familiar with Mexico's negotiating position say the U.S. is trying to bully Mexico into accepting a deal centered on autos that wouldn't require the U.S. Congress's approval—referred to as "Skinny Nafta"—without making concessions on the other issues.

"We can easily look at the 'skinny deal' as an alternative and that's something that the president can consider," U.S. Treasury Secretary Steven Mnuchin said in a television interview Monday. But Mexican negotiators have now signaled they aren't interested in a partial deal. —Robbie Whelan

partment would make in a Section 232 investigation or what final decision the White House would take.

The Trump administration has often expressed interest in barriers to auto imports. It has several departments assessing whether it can hold imported vehicles to stricter environmental rules as a way to raise their costs, compared with domestic-made cars and trucks.

Tariffs on imported vehicles would face opposition from a number of interest groups, from foreign trading partners to domestic dealers of imported cars. Opposition in Congress is building, especially among those with auto makers in their states.

—Michael C. Bender contributed to this article.

Talks to Rewrite Nafta Stall on New Demands

Talks to renegotiate the North American Free Trade Agreement have reached a stalemate, with Mexico and the U.S. hardening their positions and both sides accusing one another of intransigence and inconsistency.

Mexico and the U.S. have clashed in recent weeks over U.S. demands for tighter automobile manufacturing rules and over the so-called America First provisions that President Don-

Under World Trade Organization agreements, the U.S. currently charges tariffs—essentially a tax at the border—of 2.5% on light cars and of 25% on trucks coming from countries where the U.S. doesn't have a trade pact.

Mr. Trump and Mr. Ross have repeatedly criticized the low U.S. car tariffs, and Mr. Trump has threatened "reciprocal" or "mirror" tariffs to raise U.S. duties to the level of other countries.

Mr. Trump won the 2016 presidential election with a protectionist message that appealed to manufacturing areas of the Midwest.

Some within the administration have resisted tariffs, and it isn't clear what recommendations the Commerce De-

IN DEPTH

PERKS

Continued from Page One

Bonfe. "They literally check out for a while." Mr. Bonfe, a veteran plumber and president of the 120-employee family business, could use the room himself some days, noting that the labor market is "the hardest I have ever seen."

Plumbing employers are plugging on-site spa treatments, exotic trips and jet-ski outings. The Sunny Plumber—which serves the southwest with the slogan "Bright and Shiny and Won't Show Our Hiney"—has job announcements offering free laundry service and "a suite at the Arizona Cardinals games for you and your family."

In Manassas, Va., My Plumber Heating & Cooling is trumpeting "biweekly, on-site massages." Across Virginia, Wisler Plumbing Inc.'s February radio recruitment ad promised "a hot breakfast every morning."

"We do that to set ourselves apart," says President James Wisler, of the daily 7 a.m. repast that can include sausage, gravy

and biscuits.

Kerry Stackpole, executive director of the Plumbing Manufacturers International, a trade group, describes the race for talent as very real. And the profession's reputation of being a bit of a drip presents an obstacle to recruiting and drawing new people to the field.

"It's the butt crack; it's the slob," sighs S.J. Peters, the executive director of a Midwestern plumbing group, referring to tired misperceptions swirling around the trade.

U.S. job openings hit a record 6.6 million in March, with the construction industry—where plumbers are heavily employed—seeing one of the largest jumps.

Building, needed repairs and retirements are fueling demand for plumbers at the same time the U.S. jobless rate in April fell below 4% for the first time since late 2000.

"Our phone is ringing off the hook but we don't have the bandwidth," says Jonathan Bancroft, chief executive of Morris-Jenkins Inc. in Charlotte, N.C. The plumbing, heating and air-conditioning company is one of many offering to train un-



Hard at play at Bonfe's Plumbing, Heating & Air Service.

Candidates know the fringe benefits are overflowing, according to Alex Kramien, chief operating officer of George Morlan Plumbing Co. in Portland, Ore.

A few weeks ago, he started aggressively recruiting out of state—offering to cover moving costs—and says "pet insurance has been brought up more than a few times in interviews." (He's looking into it and he gets the appeal: He says his own father spent \$1,200 for cancer treatment for his goose George.)

Meanwhile, Mr. Kramien waves concert tickets, "week in paradise" Hawaii trips, and use of the company-owned beach house and condo on the Oregon Coast. New plumber jobs at his company pay \$44.84 per hour plus benefits.

Plumber Jason Braukman briefly left George Morlan, drawn by signing bonuses and opportunities elsewhere, but says the company's benefits lured him back.

"We're like top dogs now," he says of plumbers.

That reality is one reason Wyatt Hepworth recently unveiled a new indoor basketball court at his business, Any Hour

Electric, Plumbing, Heating & Air in Orem, Utah. He also made the company gym "six times larger."

His technicians get other job offers weekly. Watchful managers whisk employees being courted by competitors off on company time, he says, for a half-day of fun, like jet-skiing.

And of course, "everyone is going to get swag," he says of Any Hour's shirts, caps, sunglasses and backpacks for the whole family.

A promise of a "brand new truck" that plumbers can drive home is helping Wilder, Ky.-based Jolly Plumbing, says operations director Scott Sharrock.

Jolly—where "A Flush Beats a Full House"—has its own indoor basketball court, two 72-inch televisions for sports viewing and allows plumbers to use Jolly's building and large fully remodeled kitchen anytime for personal family shindigs.

"We have had a couple big parties with a lot of beer cans left over," says Mr. Sharrock, adding that basketball games have led to busted ceiling tiles.

But the extras, he says, are necessary. "We can't hire plumbers fast enough."

COURTS

Continued from Page One

arrests and deportations of illegal immigrants. The number of pending cases has increased by more than 150,000—a 25% jump—since Donald Trump took office. The monthly increases during the Trump administration exceed all but the last two months of the Obama administration.

"The winner is an alien who has a really lousy case, because they get to be here for years waiting for a case to come up," says Judge Lawrence Burman, of Arlington, Va. His calendar is full through 2020, and he has scheduled hearings on the docket of a future judge who has not yet been hired. Immigration judges aren't permitted to speak to the media; Mr. Burman spoke in his capacity as an official with the union representing immigration judges.

Devin O'Malley, a spokesman for the Justice Department, said more cases are being completed since Mr. Trump took office, and he blamed the Obama administration for the court's troubles.

"Undoing years of neglect takes time," he said in a written statement, expressing confidence that the Justice Department "will ultimately create an immigration court system that serves the national interest and introduces speed and efficiency without compromising due process."

Visits to several immigration courts turned up similar scenarios: Cases are called, and when an immigrant needs time to find a lawyer, or produce the right paperwork, or hear back from the immigration agency on a pending application, the case is rescheduled.

The way advocates of tougher immigration enforcement see it, the backlog allows people who should be deported to linger in the U.S., and encourages others to come or stay illegally, knowing it could take years for them to be removed.

Mr. Trump and others have cited the case of Apolinario Altamirano, who was arrested by Immigration and Customs Enforcement agents in 2013 but released on bond while his case moved through the immigration courts in Arizona.

While waiting, Mr. Altamirano, then 29 years old, allegedly shot in the head a Mesa, Ariz., convenience-store clerk named Grant Ronnebeck, as the clerk counted money Mr. Altamirano had put down for a pack of cigarettes. The clerk died, and Mr. Altamirano was charged with murder. That was in 2015. The criminal case is pending, and he remains in an Arizona jail.

"Grant Ronnebeck's murder is a direct result of your agency's failed policies," Rep. Paul Gosar (R., Ariz.) told a then-Obama administration official during a 2016 congressional hearing.

Lawyers representing immigrants also decry the long waits. Delays make it difficult to try cases, as evidence grows stale and clients change addresses. It is hard to recruit pro bono lawyers, because they know they may be tied to the case for years. Immigrants likely to win in court are instead stuck in limbo.

A court hearing for a 32-year-old Honduran woman



ICE agents, shown frisking illegal immigrants at a Manhattan processing center in April, are authorized to arrest almost anyone they find in the U.S. illegally.

JOHN MOORE/GETTY IMAGES

who crossed the Rio Grande in south Texas in 2014 is now scheduled for December 2019.

According to the woman and her lawyer, her parents and brother were murdered in Honduras by attackers trying to force them from their land, and her husband was attacked. She is now seeking asylum in the U.S. Her pro bono lawyer, Samad Pardesi, says he plans to argue that as a member of this family, she faces persecution if sent back to Honduras.

Her hearing, originally scheduled for the fall of 2016, has been postponed three times. When a new judge was hired for the court, the case was reassigned, pushing back the date. The new judge bumped her date, twice, so she could hear the case of someone in detention, a higher priority, according to her lawyer.

During the final years of Barack Obama's presidency, ICE targeted for arrest a narrower category—recent border crossers and those convicted of serious crimes. Nearly everyone else was let go on the theory that the government had limited resources and had to set enforcement priorities.

The Trump administration says it targets for arrest all illegal immigrants charged, convicted or suspected by ICE of any crime, along with anyone previously ordered deported. ICE agents also arrest almost anyone else they find in the U.S. illegally. During the first half of fiscal year 2018, 33% of those arrested by ICE had no criminal convictions, compared with 13% in 2016.

The president has requested funding from Congress for 10,000 more ICE agents in a push to nearly triple the size of the force.

When new cases land in court, government lawyers are less likely to agree to exercise prosecutorial discretion to close them based on the circumstances of the immigrants involved, or to give them time

to apply for a status that would let them stay legally. In 2016, under the Obama administration, judges exercised such discretion to close more than 25,000 cases. In 2017, 8,600 people received such treatment. Such closed cases can later be reopened at the request of the government or the immigrant.

"We see almost no prosecutorial discretion anymore," says Barry Frager, an immigration lawyer in Memphis. "We consider those days to be over."

The Trump administration has also stepped up reopening previously closed cases. An

agency official says ICE directed its lawyers to systematically review those cases. During fiscal year 2017, 21,000 previously closed cases were put back on the calendar, a 42% increase from 2016.

That was the case with Hugolino Garcia Matul, a 44-year-old Guatemalan native, who came to the U.S. illegally in 1997 and works in a turkey-processing plant in rural Missouri. In 2010, he was arrested for driving without a license and, in 2011, put into deportation proceedings. In 2012, the government agreed to administratively close the case because Mr. Garcia had been in the U.S. for many years and hadn't committed a serious crime, his lawyer says.

Last year, he got a notice from the government that his case would be put back onto the court's calendar. His case is scheduled for a status hearing in September, and his lawyer expects the merits hearing will be sometime in 2021.

Periodic shifts in court priorities, during both the Obama and Trump administrations, have contributed to the backlog.

Under Mr. Obama, judges were told to move the cases of immigrant families and children to the top of their dockets, which pushed older cases involving single adults to the back of the line.

Mr. Trump scrapped that directive. He transferred about 100 judges to courts near the Mexican border and to some cities with large caseloads. That meant cases at their home courts had to be rescheduled. The redeployment occurred when border crossings were at their lowest levels in at least 45 years, leaving many judges with little to do in their temporary assignments, according to several judges.

A report prepared for the Executive Office of Immigration Review, the agency that runs the immigration courts, by outside consultants con-

cluded that temporarily re-signed court personnel had trouble catching up with their own work after returning to their home courts.

This month, the Justice Department announced it was again temporarily deploying 18 immigration judges to the border.

There is wide support for hiring more immigration judges. In this year's budget, Congress has authorized 484 judge positions, up from 319 in 2015. Just 334 are currently on the job, partly because of a lengthy hiring process. Unlike most federal judges, immigration judges work for the Justice

The case backlog frustrates people on both sides of the immigration debate.

fewer continuances, saying efficient courts are in the "national interest." It also informed judges that their job evaluations will be tied to how many cases they complete.

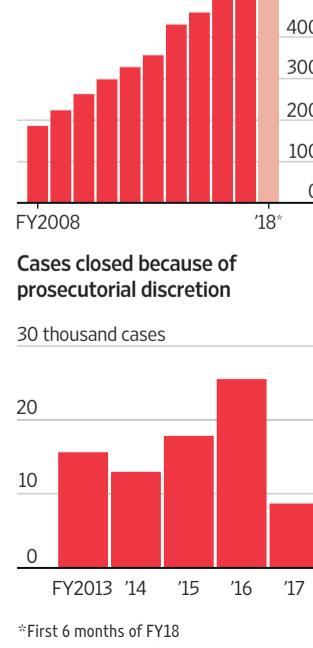
"Meritless cases or motions pending before the immigration courts...should be promptly resolved consistent with applicable law," Attorney General Jeff Sessions wrote in a December memo to court staff.

Last week, Mr. Sessions issued a new directive instructing immigration judges not to set aside cases by administratively closing them, although he didn't order the reopening of all previously closed cases. He also is expected to overturn a 2014 Board of Immigration Appeals decision that guarantees most asylum applicants the right to a full hearing, even if they lose their cases at an earlier stage.

The administration has lobbied for changes that would reduce the number of people who have the right to go to court in the first place. It wants Congress to make it harder to pursue an asylum claim. It also wants to change the law so more children who arrive at the border alone can be quickly deported without seeing an immigration judge first.

Art Arthur, a former immigration judge who now works at the conservative think tank Center for Immigration Studies, recommends "bright line" standards for immigration judges in deciding routine matters such as when to delay a hearing, when to grant asylum and when judges should grant "cancellation of removal," which allows someone to legally stay in the U.S.

If unauthorized migrants were quickly deported, he says, fewer would try to cross in the first place. "If you create the perception that you can't stay forever, fewer people will enter," he says, "and in the long run, the numbers [in court] will fall."



*First 6 months of FY18

Source: Executive Office for Immigration Review, Justice Department

THE WALL STREET JOURNAL.

GREATER NEW YORK

Transit Fix Will Cost \$43 Billion

Estimate laid out in private briefing to MTA board members; some worry about funding

BY PAUL BERGER

The Metropolitan Transportation Authority estimates it will cost \$43 billion and take about 15 years to turn around New York City's struggling subway and bus systems, according to a person familiar with the plan.

That is on top of the approximately \$50 billion in capital improvements the systems are likely to need over the next 15 years, the person said.

But the person said New York Gov. Andrew Cuomo asked that the estimates laid out to MTA board members at a private briefing on Tuesday be re-

moved from the plan when New York City Transit President Andy Byford presented it at a public meeting of the MTA board on Wednesday morning.

"The cost breakdown was in the plan, but it was taken out at the express direction of the governor's office," the person said.

The plan publicly presented by Mr. Byford on Wednesday didn't include cost estimates.

Mr. Cuomo's office initially referred questions about why the estimates were removed to the MTA. "There was absolutely nothing removed at the request of the governor's office," said MTA spokesman Jon Weinstein.

A spokeswoman for Mr. Cuomo, Dani Lever, said: "We have not seen any plan and when we do, we will review it."

The plan would cost \$19 billion over the first five years,

\$18 billion over the following five years, and \$6 billion in the final five years, according to the person.

At the beginning of Wednesday's board meeting, MTA Chairman Joe Lhota said that it was premature to release estimates.

"Our experience at estimating project costs is woefully inadequate and makes the MTA subject to ongoing criticism, if not ongoing ridicule," Mr. Lhota said.

After Wednesday's meeting, Mr. Lhota said in a news conference that he had had "a very, very high-level discussion with the governor about this plan."

The plan calls for the rapid acceleration of work to modernize the subway's signal system. Mr. Byford told board members: "We will update on costs once we are sure of the figures."

MTA commissioners welcomed the plan on Wednesday. But several cautioned that securing funding would be a problem.

The five-year plans are usually hammered out between

Tallying the System

50,000: Size of workforce

8 Million: Bus and subway riders carried each weekday

5,700: Number of buses

326: Bus routes

665: Miles of subway tracks

50-plus years: Age of about 40% of subway signal equipment

city and state officials over months or, sometimes, years. The current \$33 billion plan, which runs through 2019, includes about \$2.7 billion of city funding and about \$8.6 billion from the state of New York. Much of the remainder is raised through federal grants, borrowing, cash and the sale of assets.

The plans must be approved by a four-member board made up of representatives of the governor, New York City's mayor, the state Senate and Assembly.

Last year, Mr. Cuomo declared a state of emergency at the agency following a spate of major subway disruptions and a derailment that injured dozens of riders. Mr. Cuomo, who controls the MTA, feuds regularly with New York City Mayor Bill de Blasio over MTA funding.

Democrats Give Nods To Cuomo And James

BY CORINNE RAMEY

HEMPSTEAD, N.Y.—In a flurry of progressive rhetoric, blue signs and "Moving Forward" branding, state Democrats on Wednesday officially endorsed New York City Public Advocate Letitia James for state attorney general and Gov. Andrew Cuomo for a third term.

The proceedings, during which delegates from across the state met at Hofstra University, were largely perfunctory. The formal endorsements of Mr. Cuomo and even Ms. James, who entered the race this month after the abrupt resignation of former Attorney General Eric Schneiderman, had been viewed as foregone conclusions. But the convention illustrated a party, led by longtime members of the state's political establishment, touting its progressive values while simultaneously fighting rogue challengers from the left.

"It's kind of like a family reunion," former presidential candidate Hillary Clinton said of being at the convention, before endorsing Mr. Cuomo for a third term.

"This is my party, too," said Cynthia Nixon, the activist and former "Sex and the City" ac-

New York City Public Advocate Letitia James won the party's endorsement for attorney general.



tress who sought, but didn't receive, the Democrats' endorsement for governor.

At a Long Island Rail Road station Wednesday morning, she said: "I am attending the convention today because New York Democrats deserve to have at least one actual Democrat running for governor at their state convention."

Mr. Cuomo, speaking to reporters after receiving Mrs. Clinton's endorsement, dismissed Ms. Nixon's comments, calling New York the most progressive state in the nation.

The endorsements, officially called nominations, grant candidates automatic spots on the Democratic ballot in the fall primary. Candidates who aren't nominated by the party can earn a spot on the ballot by receiving at least 25% of the delegates' vote or by collecting voter signatures.

Mr. Cuomo, who has served as governor since 2011, received more than 95% of the votes. Among those who spoke on his behalf was his mother, Matilda Cuomo. Grinning, she declared her son "the best person for the job. That's it."

In the attorney general race, Ms. James, law professor Zephyr Teachout and Verizon executive Leecia Eve competed for the party's endorsement.

Ms. James earned more than 85% of the vote. She repeatedly promised to "resist, sue and defend" and noted she is "walking softly in high heels but carrying a big law book."

The delegates also nominated Comptroller Thomas DiNapoli, who was unopposed, for another term. Lt. Gov. Kathleen Hochul easily won the lieutenant governor nomination over challenger New York City Councilman Jumaane Williams.

Welcome to the Big Apple: Fleet Week Gets Under Way



ON THE TOWN: The USS Arlington, from Norfolk, Va., a San Antonio-class amphibious transport dock with several hundred Marines from Camp Lejeune, N.C., arrived Wednesday as 2018 Fleet Week New York kicked off. More than 2,300 sailors, Marines and Coast Guardsmen will take part in this year's celebration of the sea services.

GOP Picks Dutchess Official to Run for Governor

BY JOSEPH DE AVILA

New York Republicans are betting Dutchess County Executive Marc Molinaro can accomplish something GOP candidates have failed to do since 2002: win a statewide race.

The party formally nominated Mr. Molinaro as its gubernatorial candidate Wednesday at the GOP convention at the Ziegfeld Ballroom in Manhattan. He is running on a platform focused on reducing taxes, taking on political corruption and trimming state government.

"I don't come from wealth or fame, and I wasn't born in a political dynasty. I'm no television star," Mr. Molinaro said at the convention. "I'm just an everyday New Yorker with a calling and some hard-earned know-how."

Any Republican faces huge hurdles in November to successfully challenge presumptive Democratic candidate Gov. Andrew Cuomo, a two-term incum-

bent whose father, Mario Cuomo, served three terms as New York governor starting in 1983. Andrew Cuomo's campaign also has \$30 million in the bank. And Democratic voters are expected to be fired up by their dissatisfaction with President Donald Trump.

A recent poll from Siena College found three-quarters of voters surveyed didn't know Mr. Molinaro. But New York Republican Party Chairman Ed Cox said Mr. Molinaro was equipped to pull off an upset.

Mr. Molinaro is "one of our most capable political figures," Mr. Cox said. Mr. Molinaro declined to disclose how much money his campaign has raised.

Mr. Molinaro's critics said he is a talented politician capable of tailoring his message depending on the crowd, whether it is conservative, moderate or liberal. "He's the consummate politician, and he's a good one," said Elisa Sumner, chairwoman of the Dutchess County Democratic



Marc Molinaro faces huge hurdles in his bid to become governor.

New York. At the age of 18 he was elected to the village's board of trustees. When he was 19, Tivoli voters elected him mayor for the first of six terms, and he served till 2006.

Joel Griffith, the current mayor of Tivoli, went to high school with Mr. Molinaro. He said at the time he thought "it was little bit square" that his friend was running for mayor. Since then, politics has become part of Mr. Molinaro's life, Mr. Griffith said.

"He is really sharp, he works like a devil, and he is really into government and public service," Mr. Griffith said. "He really believes that government can make a positive difference in people's lives, from the village level to the state capital. That's like in his DNA."

Mr. Molinaro grew up in Tivoli, a village on the banks of the Hudson River in upstate

Party. "He convinces everybody that he is on their side—and underneath it all, I think he does whatever is expedient at the moment."

When asked for comment, Mr. Molinaro said: "I really believe in being authentic with the people you serve. I believe in lis-

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GREATER NEW YORK

NYC Co-Op Living Gone Wrong

Dispute with board has left an 81-year-old woman without a working bathroom for months

BY JOSH BARBANEL

At the age of 81, Ana Martinez-Sanchez expected to be living in the lap of luxury. Forty years ago, she purchased a modest one-bedroom apartment in what is now a fancy Fifth Avenue co-op on the edge of Central Park.

But for the past eight months, the retired nurse said she hasn't had a working bathroom.

Ms. Martinez-Sanchez has been caught up in a battle with her co-op board over renovations that date back 40 years, and bills for repairs that have been in dispute for 18 years. Because of the dispute, she said, the board has barred her from bringing in her own plumber to fix leaking bathroom pipes in the apartment or filing permits for a second, illegal bathroom added during an earlier renovation.

After a reporter for The Wall Street Journal inquired about the bathrooms, the board offered to have the building's plumber disable the illegal bathroom and fix one that is legal. But Ms. Martinez-Sanchez said she is holding out for her own plumber, worried that the building's plumber would ignore her wishes.

"We simply wish she would cooperate," the board said in a statement.

Instead, every day, Ms. Martinez-Sanchez said she takes the elevator to the lobby of Brisbane House, at 1215 Fifth Ave., and walks down a flight of stairs to a closet-like toilet next to the laundry room. She showers at her health club and hauls a basin of water from her kitchen to the bathroom.

The building declined to discuss the details of the dispute, but said "the board and management of Brisbane House strongly disagree with Ms. Martinez-Sanchez's accounts of these events."

Co-op boards in New York have strong powers. They can fine owners or even evict them for violating rules. Disputes can drag on for years.

At the Dakota, the famous 1884 co-op at West 72nd Street and Central Park West, one such dispute has left a ground-floor apartment with basement space vacant since 1999.

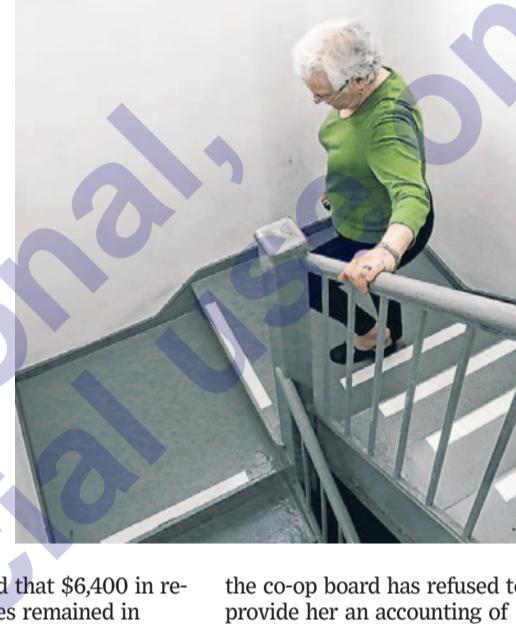
The apartment owner, Robert A. Siegel, a developer, sued the board in 2015, saying it had thwarted his plan to convert the basement space, previously used as an art studio, into four bedrooms. He complained that the board had demanded \$1.8 million in exchange for approving his plans



Ana Martinez-Sanchez, an 81-year-old retired nurse who owns a co-op at 1215 Fifth Ave. in Manhattan, above, has not had a working bathroom in her apartment for eight months. She fetches water from a kitchen sink or uses a bathroom in the building's basement.



BESS ADLER FOR THE WALL STREET JOURNAL (3)



and changed the space's certificate of occupancy without consulting him.

The Dakota said the board's actions hadn't impeded Mr. Siegel and that he was responsible for the delays.

In February, a judge in State Supreme Court in Manhattan ruled that Mr. Siegel's suit had been filed too late. Mr. Siegel has since filed a motion to reargue the point.

Ms. Martinez-Sanchez, an immigrant from Cuba, said she was one of the original purchasers when her Fifth Avenue building was converted to a co-op in 1978.

Her then-husband set about rebuilding their apartment.

She said they got permission from the board to take over an unused elevator shaft and expand the apartment into the hallway landing. They added a second bedroom and second bathroom. They didn't receive permission to add the bathroom.

In 1991, the couple was sued after a downstairs neighbor was renovating and discovered that Ms. Martinez-Sanchez's husband had cut into the floor slab to fit a large Jacuzzi tub.

After nine years of litigation, Ms. Martinez-Sanchez agreed to pay the board about \$46,000, according to a settlement agreement. The agree-

ment noted that \$6,400 in repair charges remained in dispute and both sides were instructed to negotiate in good faith.

That came back to haunt Ms. Martinez-Sanchez in 2014, when a leak appeared in her main bathroom. The building superintendent came to turn off the water and noticed the second, illegal bathroom, she said. Ms. Martinez-Sanchez said he then wouldn't let her plumber in to fix what she called a minor problem.

She said she was told she would have to pay the old bill, which now came to about \$15,000, with late fees.

Ms. Martinez-Sanchez said

the co-op board has refused to provide her an accounting of the money they say she owes.

Last August, the board sent a letter ordering her not to turn on the water valves in her bathroom because of leaks. She has been without a working bathroom since.

Brisbane House said that once the illegal bathroom is removed, "the water supply to the one legitimate bathroom in the apartment can be restored."

"They feel they are very powerful," Ms. Martinez-Sanchez says of the co-op board. "They say whatever they decide, that's it. I have to pay whatever they bill."

GREATER NEW YORK WATCH

SANDY HOOK SHOOTING

Six More Families Sue Alex Jones

Six more families of the Sandy Hook Elementary School massacre victims sued right-wing radio host Alex Jones for alleged defamation Wednesday for claiming the shooting was a hoax and the relatives are paid actors.

An FBI agent who responded to the shooting joined the families as a plaintiff in the lawsuit filed in Bridgeport Superior Court in Connecticut. The families of two other victims filed similar defamation lawsuits against Mr. Jones last month in Travis County, Texas, where his media company, Infowars, is based.

A gunman killed 20 first-graders and six educators at the Newtown, Conn., school on Dec. 14, 2012. The families say Mr. Jones's comments have tormented them and subjected them to harassment and death threats by his followers.

Mr. Jones didn't immediately respond to a message seeking comment Wednesday.

The lawsuit seeks monetary and punitive damages, attorney fees and other costs. It doesn't say exactly how much money the families are seeking.

After the first two lawsuits were filed last month, Mr. Jones responded in a YouTube video, saying that the families are being used by the Democratic Party and the news media and that he believes Sandy Hook "really happened."

—Associated Press

EDUCATION

Newark Chooses New Schools Leader

New Jersey's largest city has picked its own schools chief for the first time in 22 years.

The Newark Board of Education unanimously chose longtime district administrator Roger Leon to be the new superintendent on Tuesday, though contract negotiations are ongoing. Mr. Leon beat out three other finalists, including interim Superintendent Robert Gregory.

Newark formally regained control of its schools earlier this year. The state had taken them over in the mid-1990s after years of mismanagement and academic underperformance.

The state's board of education voted last September to return local control to Newark, citing the district's improved performance.

New Jersey became the first state in the country to approve the takeover of local school districts in the late 1980s, and eventually took control of school districts in Jersey City, Paterson and Camden in addition to Newark.

—Associated Press

Schools Chief Questions Student Screening

BY LESLIE BRODY

New York City's new schools chancellor on Wednesday questioned the rationale for public schools that screen students by ability, a key element of admissions at many schools in the nation's largest district.

"Why are we screening for admission?" Chancellor Richard Carranza asked at an unrelated press event. "I don't get that. We're a public school system in one of the most diverse cities...in the world. Why are we screening kids in a public school system? That's, to me, antithetical to what I think we all want for our kids."

New York City has developed a complex system of school choice, partly as a way to keep students from higher-income families enrolled. Many public middle and high schools assess applicants by a range of factors including test scores, grades, attendance, behavior and interviews. Every year, schools rank applicants and students rank their preferred schools, and the Department of Education announces matches in April.

Mr. Carranza, who started the job April 2, gave no indication of plans to eliminate screening. Instead, he emphasized schools should use multiple measures, rather than a single test, for evaluating students.

A spokeswoman said afterward that his comments meant he wants to better un-



Chancellor Richard Carranza, shown in April, said he encouraged efforts to devise integration plans.

derstand the details of the screening system so he can determine what to do about it. She said 28% of New York City public schools use screening in admissions, and the Department of Education was working with superintendents to promote admissions methods that don't use screening, and end its use when possible.

Proposals to alter admissions to foster diversity in schools are currently flashpoints in several neighborhoods. In Manhattan's District 3, which covers parts of Harlem and the Upper West Side, many schools screen by a mix

of academic measures, and the Department of Education has proposed setting aside a quarter of seats in each middle school for low-performing students from low-income households. By city data, most children in that district with low test scores last year were black or Hispanic.

Mr. Carranza said he encouraged community efforts to devise integration plans, and expects the citywide School Diversity Advisory Group to produce a list of short- and long-term recommendations by December.

Mayor Bill de Blasio said he

agreed schools had to focus more on multiple measures of ability and less on test results. "We're certainly going to look at screened schools because that's something that deserves to be evaluated," he said.

The mayor and chancellor were talking at an event to announce the growth of 3-K, a free early education program for 3-year-olds. They said more than 5,000 children will attend this fall in six high-need areas including East Harlem, the South Bronx and Brooklyn's Bedford-Stuyvesant neighborhood, at a cost of \$66 million.

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Worth Checking In

Airport hotels, once dismissed as bleak sleeping barns for travelers, are becoming hip, with fancy food, sleek gyms and touches of luxury



BY SCOTT MCCARTNEY

New York

THE WINDOWS in each guest room have seven layers of sound-proofing material and are more than 4 inches thick. Quiet matters at an airport hotel.

The TWA Hotel, built around Eero Saarinen's iconic terminal at New York's Kennedy Airport, will open next spring with 1960s flair, modern road-warrior requirements and an expected average room rate of \$250 a night.

Like airports themselves, airport hotels are going upscale. They once were seen as low-rate sleeping barns for stranded travelers, sleepy flight crews and bargain hunters. Now they are becoming destinations hosting fancy conventions and weddings. Some travelers even use airport hotels as their base for vacation or business instead of going downtown, especially if they have early-morning or late-night flights.

The modern and sleek Hilton Amsterdam Airport Schiphol has a spa with sauna and steam rooms. At the airport in Vancouver, British Columbia, the Fairmont has afternoon tea, live music seven nights a week and a "fish valet" and freezer to store your catch until departure. The deteriorating Radisson LAX in Los Angeles had a \$75 million renovation and became a Hyatt Regency with food from local Asian and Latin American chefs. No need to go out to eat—trendy local food comes to you.

An airport hotel building boom is under way because the economics of airport hotels turn out to be so strong. Last year, 73.7% of rooms at U.S. hotels within a shuttle ride of an airport were occupied, according to STR Inc., a hotel research firm based in Hendersonville, Tenn. The overall occupancy rate for U.S. hotels was 66%. This explains why three office buildings

in the Century Boulevard area in front of LAX are being converted into hotels.

Hotels that are part of airports, either built into terminals or connected by walkways, do even better, with 80% occupancy last year and an average daily room rate of \$179. That's more than \$50 a night higher than the average U.S. hotel rate in 2017.

Beyond the 14 operating hotels connected to U.S. airports, Minneapolis-St. Paul will open an on-site InterContinental Hotel in July with private TSA access. San Francisco plans to open a Grand Hyatt adjacent to Terminal 2 next July. Work is under way on a new InterContinental next to a terminal at Atlanta's giant airport. Chicago officials have asked for proposals on building a hotel adjacent to O'Hare Airport's international terminal and for sprucing up the O'Hare Hilton when Hilton's lease expires at year's end.

Road warriors say they look for different amenities at airport hotels than other locations and will pay a premium for walking distance.

"Shuttles are one of the most irritating elements at an airport," says Tommy Daniels, a former high-mileage sales executive who now runs the Frequent Traveler Awards, a group that honors leading programs annually.

Airport hotel rooms need to have blackout curtains for daytime sleeping, frequent travelers say, along with soundproof windows. It helps if the staff is trained to be quiet during the day, travelers say.

Another must: early breakfast service, starting at 5 a.m., so travelers can catch early-morning flights with a full stomach. Fast, 24-hour room service is another



Behind the building boom in airport hotels? Strong economics and good occupancy rates.

necessity for airport hotels, since people are checking in and departing at odd hours. Club lounges with long hours are another plus.

"The number one thing someone is using an airport hotel for is convenience," says Brandon Feighner, a Los Angeles-based director for CBRE Hotels' consulting practice.

Travelers also covet flexible check-in and checkout. The Novotel Bangkok Airport charges for a 24-hour period rather than set in-and-out times. If you arrive in the middle of the night, you get the room for 24 hours rather than having to check out by noon.

At JFK, the Saarinen building was almost torn down twice before preservationists stepped in. After that, JFK's operator tried twice to redevelop it before settling on Tyler Morse's idea to turn it into both an

airport hotel and a destination for aviation enthusiasts.

Mr. Morse, a veteran hotel operator and chief executive of MCR Development LLC, says he studied the airport hotel landscape before deciding where to spend money on the JFK project. What he concluded travelers most wanted was a better experience even when they were stuck at the airport, not a lousy experience because they were stuck at the airport. "Think about airport hotels: None are good, but they do great" financially, he says.

That's particularly true around New York airports. Neither LaGuardia nor Kennedy has walkable hotels on-site, and most nearby badly need refurbishment. "I think bleak would be a flattering term," says Carter Wilson, STR's vice president

The TWA Hotel will be built around a former terminal, above, at Kennedy Airport. At left, the Grand Hyatt DFW in Texas and below, a 'fish valet' for the Fairmont Hotel at the airport in Vancouver, British Columbia.

for consulting and analytics.

The asbestos-filled, lead-paint covered Saarinen building, with its giant, sweeping concrete roof and midcentury modern elegance, will become a hotel lobby surrounded by six restaurants and eight bars. The restoration is painstaking: Workers needed to replace 186 windows, each one a unique size.

The building is a structural masterpiece studied closely by generations of architects. There are no columns inside—only four giant outside piers support the wavelike concrete roof the size of Madison Square Garden.

A 50,000-square-foot convention and meeting space is being built underground. A 1956 TWA Constellation aircraft will sit on top and become one of the bars. Two seven-story hotel towers will have a total of 512 rooms, each about 325 square feet with a 1960s martini bar and cans of Tab diet cola in the refrigerator. There will be a 10,000-square-foot fitness center that will not be, Mr. Morse says, "a typical crappy hotel gym."

Mr. Morse licensed the TWA trademark and name from American Airlines, which bought TWA's assets in 2001. Hotel workers will wear 1962-style TWA uniforms. A 1962 Chrysler Newport, built the year the TWA terminal opened, will be used to drive guests to terminals. (It's walkable from the JetBlue terminal.) All power outlets in rooms will be waist-high, a modern convenience.

And in perhaps the ultimate mix of nostalgia and convenience, Mr. Morse bought 512 rotary phones on eBay and had the guts replaced with electronics to turn them into digital phones.

ANATOMY OF A SONG | By Marc Myers

OZZY OSBOURNE RECALLS 1971'S 'PARANOID'

GETTY IMAGES
The band Black Sabbath around 1970 included, from left, Bill Ward, Tony Iommi, Ozzy Osbourne and Geezer Butler.

IN EARLY 1971, when Black Sabbath released its second album, "Paranoid," in the United States, the band was among only a few groups pioneering hard rock driven by metallic-sounding guitar riffs and wailing vocals.

The title song, released as a single, helped push the album to No. 12 on the Billboard chart and quickly inspired a wave of heavy-metal bands.

Recently, Ozzy Osbourne and engineer Tom Allom talked about the song's evolution. Mr. Osbourne will begin his "No More Tours 2" tour in the U.S. in August, and Mr. Allom recently co-produced Judas Priest's new album, "Firepower." Edited from interviews.

Ozzy Osbourne: Growing up in the Aston section of Birmingham, England, I had one pair of pants. Our house was tiny, and my mum and dad were factory workers with six kids. We had zero.

At home, we'd put on family shows. My sisters sang, and we'd eventually get around to a sing-

long. But I didn't take singing seriously until I heard the Beatles.

You have to understand, it was like going to bed one night when everything was gray and dismal and waking up to a world that was sunny and alive. The Beatles painted a bright future for kids. I imagined Paul McCartney marrying one of my sisters.

As soon as I was able, I worked. I had jobs in a slaughterhouse, in factories and on building sites. But I couldn't seem to hold on to a single one.

My first "musical" job was testing car horns. My mother used to work on the factory floor of a company that made car parts. I'd be there in a soundproof booth listening to different types of horns. It drove me nuts.

I wasn't cut out to work 9 to 5. I couldn't do it. My attention-deficit problem made working a monotonous job impossible.

When I was 17, my father went into debt to buy me a small 60-watt Vox speaker system with a

Please see OZZY page A13

LIFE & ARTS

ART REVIEW

Whipping Up Sincere Confections

Best known for paintings of treats, Wayne Thiebaud is also surprisingly talented when it comes to works on paper

BY PETER PLAGENS

New York

IT'S PRACTICALLY impossible to think of California painter Wayne Thiebaud as a controversial artist. His creamy, deliciously reductive paintings of cakes, ice cream cones, gumball machines and trays of delicatessen food are beyond the negative reach of most critics. Even his pictures of exaggeratedly Alpine San Francisco street intersections and semi-phantasmagorical views of the Sacramento River are more friendly than weird. But a wall text in "Wayne Thiebaud, Draftsman," his current exhibition of 83 drawings at the Morgan Library & Museum, quotes him as saying, "I believe very much in the tradition that art comes from art and from nothing else." Mr. Thiebaud also said in an onstage, opening-night conversation with curator Isabelle Dervaux that his depictions of slices of pie on plates derived from a simple formalist desire to put triangles on ovals. In today's cultural climate, it's a good thing that Mr. Thiebaud is almost unassailable at age 97.

The youthful Mr. Thiebaud wanted to be a pilot during World War II, but talent and some trade-school training landed him a job at an Army poster-producing desk. His original ambition, after being mus-



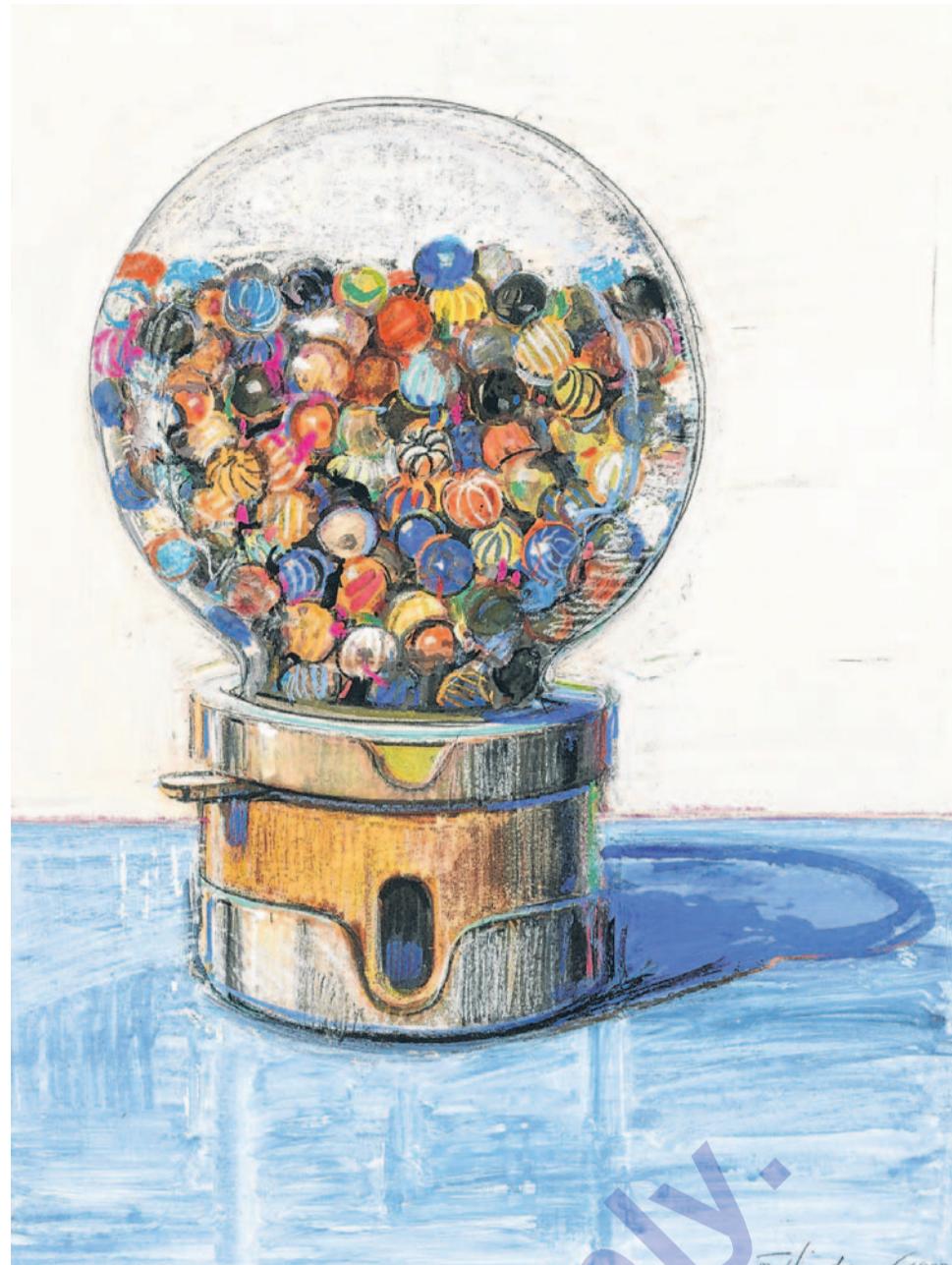
tered out, was to become a cartoonist, and he still admires the invention and austerity in George Herriman's pioneering comic strip, "Krazy Kat." As a teacher—Mr. Thiebaud was an art professor for more than half a century—he fa-

'Perhaps the best orthodox draftsman in American art of the past half-century'

mously painted and drew alongside his students. The charcoal drawing "Toys" (1971) is his own smart solution to a classroom assignment, in unconventional composition, to draw four objects, in proportion, each touching one edge of a

sheet of paper left empty in the middle. He also asked students to copy drawings by famous artists, which he did as well. Two superb examples—one of an Honoré Daumier and one of a Giorgio Morandi replete with signature—punctuate the show.

Mr. Thiebaud took an unpaid leave from his junior-college teaching job in 1956-57 to spend time in New York, where he got to know Abstract Expressionism and befriended Willem de Kooning and Franz Kline. He made some brushy paintings that De Kooning told him had all the "signs of art" but nothing really to say. Back in California—where the chairman of the brand new art department at the University of California at Davis enticed him to join the faculty by pointing out the window at a big



Wayne Thiebaud's 'Candy Ball Machine' (1977), above, and 'Self Portrait' (c. 1970), above left

tree and promising Mr. Thiebaud a roll of canvas as thick as its trunk—he began his metamorphosis back to clean figurative painting.

Mr. Thiebaud's first 1960s still-lifes of lusciously painted common objects got him included in initial surveys of that new thing, Pop Art. He wasn't nearly ironic enough to be a true Pop artist, but the early association hurt neither his career nor reputation. The artist, though, hasn't closed off any interest in art outside his by-now-trademark optimistic semirealism. One of the sketches in the exhibition is of the famously pro-abstraction critic Clement Greenberg as he lectured on Hans Hofmann at the UC Berkeley museum in 1986.

The art world these days is filled with artists whose good art is tainted, if not relegated to the storeroom,

by their being or having been bad persons. The problem with Wayne Thiebaud is somewhat the opposite. Because Mr. Thiebaud is such an unassuming, commonsensical, and educated-by-experience artist, as well as an uncommonly nice person (at least to his audience), we're inclined to like his drawings even more. Or at least to forgive him for a relative clunker such as "Untitled (Reclining Nude)" (1982), a straight academic pastel study that's not improved by the silhouette of a Gauguin-inspired voyeur in the background.

Whatever the forced cavils of a given reviewer, Mr. Thiebaud is perhaps the best orthodox draftsman in American art of the past half-century, with only Claes Oldenburg, and his wickedly casual proposals for impossible monuments,

in the running. And Mr. Thiebaud's sincerity toward his supremely accessible subject matter is a respite from the gaudy vacuity of the omnipresent Jeff Koons toward his. Mr. Thiebaud also strives to be philosophical about the nature of art itself: "To call everything art is an obfuscation for the students and fails to clarify what we're trying to get at as painters," he has said. "Painting is concrete, but art is abstract. I don't think we know what art is. But we know a lot about painting." As this exhibition makes abundantly clear, Mr. Thiebaud knows an awful lot about drawing, too.

Wayne Thiebaud, Draftsman

The Morgan Library & Museum, through Sept. 23

Mr. Plagens is an artist and writer in New York.

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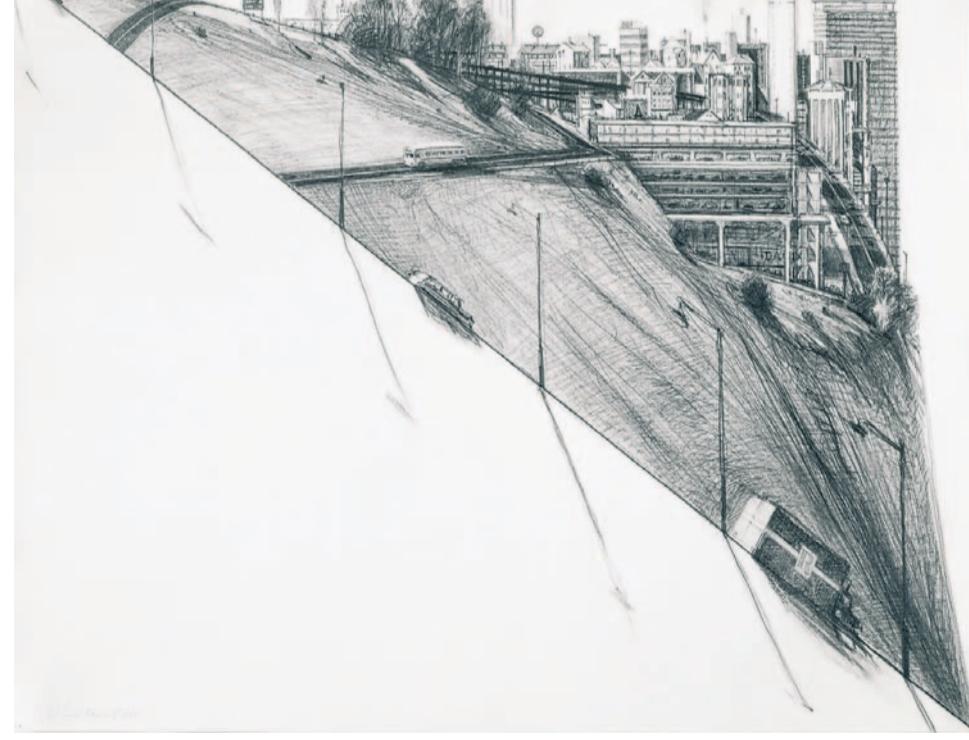
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Mr. Thiebaud's 'Diagonal City' (1978), above, and 'Candy Sticks' (1964), below



LIFE & ARTS

BOOKS

Short Stories for Summer Reading

Looking for a summer book? This season brings a crop of new short-fiction collections—even ‘microfiction,’ the shortest of all

BY ELLEN GAMERMAN

ENDLESS SUMMERS don't have to include endless stories.

The coming weeks are shaping up to be unusually busy for fans of short fiction. New collections arriving in the spring and summer will take readers from the swamps of Florida to poolside in Los Angeles, from a Brooklyn street party to a chat room for parakeet lovers, from the realm of time travel to the clutches of a hurricane.

"I've never published this many story collections in the same season," said Tom Mayer, senior editor and vice president at W.W. Norton & Co. The publisher is putting out six collections this year, up from two last year.

Sales of fiction short stories and anthologies have fluctuated year to year but increased overall. Sales passed 1.7 million books in 2017, up from 1.5 million in 2015, according to NPD BookScan, which covers most of the U.S. trade print book market.

Short stories allow writers to respond faster to changes in politics and pop culture than they could with a novel. If a novel is a slow burn, a short story is a stick of dynamite.

"Short stories have an interesting lasting power—they are so compressed, they lodge themselves in you like a little stone," said author A.M. Homes. In that way, she said, short fiction is unlike many salt-and-sand-crusted beach reads, which can melt away from memory quickly in the heat.

Florida

By Lauren Groff (released June 5) Readers can practically feel the mosquitoes buzzing at their necks in stories Ms. Groff started writing a decade ago after moving to Florida. The state, she said, is not just a physical place, but a frame of mind

that taps into "pervasive and boiling dread." In her stories, predators bite, hurricanes destroy and nature does not forgive. "When you go outside, there are so many things that want to kill

you," said Ms. Groff, author of the 2015 National Book award finalist "Fates and Furies." She spent years in various northern U.S. cities before moving to Gainesville for her husband's family business. Ms. Groff, a mother of two, writes tales that sometimes put children in peril, including one about sisters abandoned on an island (hungry, they eat a tube of ChapStick) and another about an emotionally abused boy whose father collects snakes. She is not worried about offending her Florida

OZZY

Continued from page A11 microphone. That got me gigs. No other band then had a singer with his own PA system.

In 1967, I joined a band with local guys. We called ourselves Rare Breed. Then we were Earth. In '68, [bassist and lyricist] Geezer Butler came up with a new name, Black Sabbath, on a ferry returning home from gigs in Hamburg, Germany. He said Earth wasn't a powerful enough name.

At Birmingham pubs, we played hard rock and tried to change the vibe. We never called our music "heavy metal." I never got my head around that term. It's meaningless.

We just played rock in an uncommercial way. The only competition we had then was Deep Purple, Led Zeppelin and maybe Leslie West's Mountain. There was nobody else like us. We were punks before punks.

Eventually, in 1969, we were signed to Vertigo Records. We recorded our first album, "Black Sabbath," in no time in late '69. We could do it fast because we had broken-in our songs at gigs on the road before we recorded.

Tony [Iommi] would come up with whacked-out riffs like no other guitarist. Whenever he came



neighbors with the book, she said, because her friends understand the ambivalence and ambiguity in her stories about this state. "You can't exactly delineate what Florida is," Ms. Groff said, "because it's a hundred different things."

Days of Awe

By A.M. Homes (June 5)

In the title story, a Holocaust survivor taps into a theme of the collection when he describes the way people

a lot, especially when I was in the closet, was my body, was my attractions," he said. The book looks at the physical body and the connections between people, whether that's a man with a mysterious scar on his back or an encounter with conjoined twin sisters. In several stories, Mr. White drops in on Forney Culpepper, an aspiring writer exploring his identity after his father dies and his mother abandons him. The author, a truck driver's son raised in Possumneck, Miss., studied acting in order to tap into the motivations of the people in his stories. "It made me realize that if I don't care about my characters, nobody else will."

Fight No More

By Lydia Millet (June 12)

Ms. Millet's book "Love in Infant Monkeys," a series of linked tales about animals and celebrities that was a finalist for the Pulitzer prize in 2010, was her first book of short fiction. "Fight No More," her second collection, centers on real estate in Los Angeles, exploring how families come apart in a world that is different from what they imagined. In one story, "The Men," a send-up of "Snow White and the Seven Dwarfs," a real-estate agent is beset by small men doing odd jobs in her house after her husband leaves her for another woman. Eventually, when the seven men grow more menacing—one looks at her like she's

lunch as he eats a burrito on her couch—she makes her escape. The author adds new layers of compassion with this book, said her editor, Mr. Mayer. "For me," he

said, "she's pioneering a kind of satirical empathy."

If You See Me, Don't Say Hi

By Neel Patel (July 10)

The 35-year-old Los Angeles author's literary debut is inspired by his experience as a first-generation Indian American, "the only brown kid in class" growing up in Champaign, Ill. "I remember when I was a child, a lot of people didn't even know what an Indian was—people assumed I was Native American, and they found my religion bizarre, being a Hindu," he said. In the book, which features many Indian American characters, a woman seduces a cable guy after a botched Internet date with another man. The title story examines a bond between two brothers that ruptures after one insults the other's white girlfriend. Another piece follows an unhappy wife in her arranged marriage to an anesthesiologist. "It was a life, I guess," she thinks.

New Micro: Exceptionally Short Fiction

Edited by James Thomas and Robert Scotellaro (Aug. 7)

The "microfiction" collection features more than 130 stories by nearly 90 authors, every work 300 words or less. In "The Polka-Dot Shirt" by David Shumate, a soldier adopts a new persona

when he accidentally takes another man's suitcase. In Joy Williams's "Clean," a boy visiting his friend's sick iguana is killed in a drive-by shooting. In "Local Woman Gets a Jolt," by Jennifer Pieroni, a wife reconsiders her marriage in a storm. ("It wasn't until lightning struck Mi-

chaela that she realized she married an idiot.") In "Letting Go," by Pamela Painter, a couple asks a stranger to snap a cellphone picture at the edge of the Grand Canyon and then falls into the abyss. "Micros can focus more keenly, without the lengthy side paths of exposition and back story," Mr. Scotellaro said. "They can travel straight to what is vital in a piece."

Baby, You're Gonna Be Mine

By Kevin Wilson (Aug. 7)

Characters include a journalist who can jump through time by slashing his throat with a razor and a boy who wants to dress as his dead brother for Halloween. An image of teen girls making fake blood, which sparked the collection's story about a slumber party, struck Mr. Wilson years ago. Diagnosed with Tourette

syndrome, he relates some of his inspiration to his neurological disorder. "I have these flashes that just pop into my head, and they work on a loop, and every time they flash I think about them a little longer," said Mr. Wilson, whose novels include the 2017 book "Perfect Little World" and the 2011 best seller "The Family Fang." Novels require space and planning, he said, but short stories arrive in a hurry. "For me,

it almost feels like an out-of-body experience to write it," he said. "As you're writing, you can ride that wave all the way to the end."

A Lucky Man

By Jamie Brinkley

A bracing story in the collection, "I Happy Am," is an exploration of race and class inspired by the author's memories of summer camp, when he attended a program run by nuns that took city kids by bus to the New York suburbs to play in swimming pools at the homes of rich white people. The book published in early May—the literary debut for the 42-year-old native of the Bronx and Brooklyn—prominently features African-American male main characters. "In that way, the collection is sort of an investigation of masculinity, specifically black masculinity," Mr. Brinkley said. "I'm trying to explore these characters in all their intimacy and privacy and vulnerability." The author said he is also thinking about the burdens created by gender identity, comparing the expectations of what boys are supposed to be to "clothes that don't fit very well."

JULIETTE BORDA


Days of Awe
By A.M. Homes
(June 5)
In the title story, a Holocaust survivor taps into a theme of the collection when he describes the way people

hold the history of previous generations inside them. "We carry it with us, not just in our grandmother's silver," he says, "but in our bodies, the cells of our hearts." Two stories pick up with a Los Angeles clan that Ms. Homes wrote about almost 30 years ago in the short-story collection "The Safety of Objects," a work that examines a family's emotional paralysis after the youngest child is killed by a snake. The new collection finds one of the daughters striving for her independence, desperate to overcome the grief that has enveloped her home for years. The author said she is not sure why that family keeps coming back to her. "I don't even know their last names," she said. "They are a Los Angeles family that's living the dream turned nightmare."

Sweet & Low

By Nick White (June 5)

The 33-year-old author became interested in writing about gay characters, particularly in the South, after he came out in his early 20s. "I think my work always leads me to the things that I fear the most, and one of the things that I feared

up with a riff for a song, I'd go, 'You ain't gonna top that one. That's unbelievable.' But he would, every time. Geezer was very clever with words.

When we finished recording songs for our second album in London, Rodger Bain, our producer, said we needed one more, about three minutes long. He said, "Just jam something."

Tom Allom: It was evening when Rodger noticed we needed another song. Tony stayed behind at Regent Sound Studios on Tottenham Court Road to work on the riff.

Tom Allom: We recorded the band's instrumental tracks for "Paranoid,"

up with a riff for a song, I'd go, "You ain't gonna top that one. That's unbelievable." But he would, every time. Geezer was very clever with words.

The rest of us went off to a pub on nearby University Street. Before long, Tony came by. He said he had come up with an idea. We had another round and went back to the studio.

Mr. Osbourne: Tony played us the riff, and I hummed to get the pattern of the song for the melody. Sometimes, if I couldn't hum a better melody than what Tony was playing, I'd just join him on his riff. That's what I did on "Paranoid" (scats the melody).

Tom Allom: We recorded the band's instrumental tracks for "Paranoid,"

and Ozzy's scatting at Regent, where I worked as a staff engineer.

We only had a 12-input console and a small array of mics.

Mr. Osbourne: Once I had the song's melody, Geezer wrote lyrics for it. He came up with the title—"Paranoid." I kind of knew what paranoid meant. It was a word being used a lot around then. People would say, "Oh, he's paranoid." But I wasn't really sure. I said to Geeze, "What does 'paranoid' mean?" He freaked out that I didn't know.

Mr. Allom: Ozzy's lead vocal on "Paranoid" was done about a week later at Island Studios on Basing Street in Notting Hill.

Ozzy put on the headphones and recorded his vocal. He kind of followed Tony's guitar riff. The way Ozzy set the melody in sync with the guitar riff was brilliant.

Mr. Osbourne: I recorded the words Geeze wrote out. But at the time, I didn't know what the words meant. I just knew the song made me feel good. My vocal on "Paranoid" was pure emotion. It's the way I sing. The soul came from where I grew up, where life was poor and freaking painful.

Mr. Allom: Rodger had this way of

simple and straightforward. It was pretty dry—not too much reverberation. Just a little bit of a slap-back delay on Ozzy's voice to give it an Elvis Presley feel.

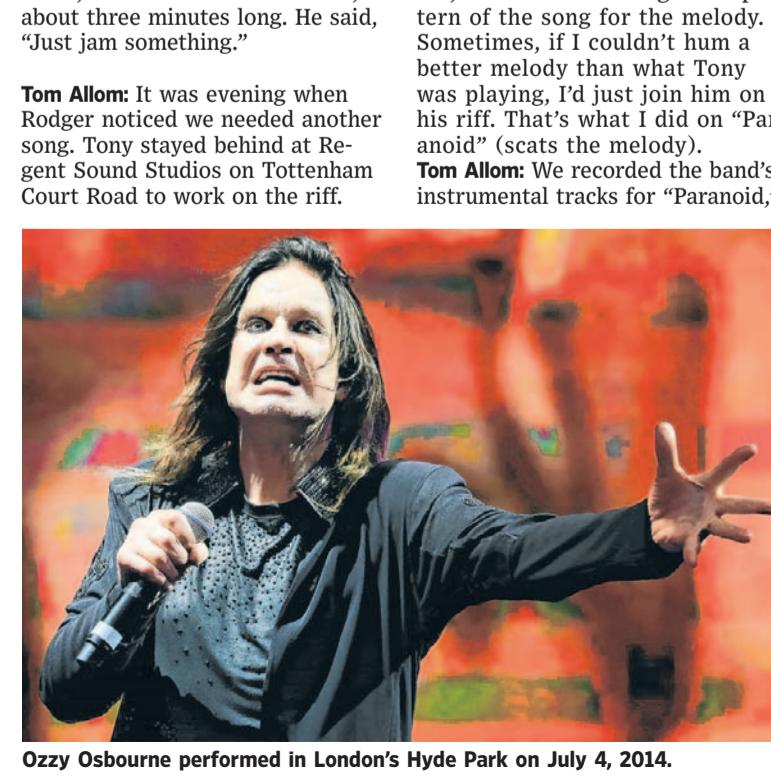
Mr. Osbourne: Originally, the title of our second album was going to be "Walpurgis," which was the name of one of our songs. It was some kind of pagan thing. We figured we'd play off a black magic theme, a witches' night or something.

At some point, Rodger said, "What does 'Walpurgis' mean? Why don't you call it 'War Pigs'?" I thought to myself, "What's a war pig?"

But rather than call the album "War Pigs," the record company changed it to "Paranoid." Once they heard the song, they realized it had potential as a single. But the artwork was already done, so they kept the war pigs on the cover.

After the single came out in the U.K. in the fall of 1970, we sang "Paranoid" on Britain's "Top of the Pops" TV show. I have no idea if the audience got what we were doing. The song was so different from any of the other pop acts on the show.

"Paranoid" is a part of me now. I sing it at every gig. It's my encore and my anthem. It's ingrained into my soul. "Paranoid" is Ozzy, and Ozzy is "Paranoid."



GETTY IMAGES

OZZY

Continued from page A11

microphone. That got me gigs. No other band then had a singer with his own PA system.

In 1967, I joined a band with local guys. We called ourselves Rare Breed. Then we were Earth. In '68, [bassist and lyricist] Geezer Butler came up with a new name, Black Sabbath, on a ferry returning home from gigs in Hamburg, Germany. He said Earth wasn't a powerful enough name.

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Tony [Iommi] would come up with whacked-out riffs like no other guitarist. Whenever he came

SPORTS

FOOTBALL

NFL Adopts New Anthem Policy

Under a new policy approved by owners, players can stay in the locker room—or, if they're on the field, they have to stand

BY ANDREW BEATON

THE NFL made sweeping changes to its national anthem policy Wednesday in a bid to quell a controversy that has rattled the league for two years and drew the ire of President Donald Trump.

Under a new policy approved by NFL owners this week at a meeting in Atlanta, teams can be fined if their players are on the field during the national anthem and do not "stand and show respect" for the flag. Players, however, now can elect to remain in the locker room until after the national anthem. They had previously been required to be on the field for it.

The new policy also allows individual teams to enact their own policies concerning player protests during the anthem. This leaves the power to the teams on how, or if, to discipline their players that violate the new rules.

"It was unfortunate that on-field protests created a false perception among many that thousands of NFL players were unpatriotic. This is not and was never the case," NFL commissioner Roger Goodell said in a statement. "We believe today's decision will keep our focus on the game and the extraordinary athletes who play it—and on our fans who enjoy it."

The rule change was followed by a swift response from the NFL Players Association, which rejected the notion that the protests were unpatriotic and said it was an avenue for the players to draw attention to social and political issues they care about.

The NFLPA said it would review the policy and "challenge any aspect of it that is inconsistent with the collective bargaining agreement" and said the new rules contradict statements made to player leadership about "the principles, values and patriotism of our League."

"The NFL chose to not consult the union in the development of this new 'policy,'" the NFLPA said in a statement. "NFL players have shown their patriotism through their social activism, their community service, in support of our military and law enforcement and yes, through their protests to raise awareness about the issues they care about."

The move comes after two consecutive seasons in which player protests during the national anthem grabbed headlines and thrust



Above, Houston Texans inside linebacker Benardrick McKinney stands with teammates during the national anthem before a game against the Jacksonville Jaguars in December. Left, Colin Kaepernick has accused the NFL of blackballing him for his political views.



the country's most popular sport into the center of a controversy that became increasingly political. The protests began in 2016, when players such as

former San Francisco 49ers quarterback Colin Kaepernick knelt during the national anthem to draw attention to issues of racial inequality and social justice.

NFL rules did not expressly require players to stand during the anthem. When the controversy initially flared up, owners declined to change the rules and instead hoped that the demonstrations would peter out—all while facing mounting pressure from concerned sponsors, fans and political figures. Instead of fading away, though, the spotlight on this issue only intensified this past season.

In a September speech, Trump as-

sailed the protests as unpatriotic and referred to a generic kneeling player as a "son of a bitch." That was followed by a weekend when more players than ever knelt, in what amounted to a direct response to the president's remarks.

In another instance this season, Vice President Mike Pence walked out of a game after players knelt during the anthem. After the news came Wednesday, Pence tweeted "#Winning" with an image of a story about the rule change.

Still, in the wake of that uproar, the league left the rules the same. Although potential changes were discussed during owners meetings during the season, the prevailing message afterward was that the rules were just fine.

The potential for changes in the rules centered on two issues: whether players should be on the field at all during the national anthem, and if so, whether they should be required to stand.

Until a change in 2009, players were not required to be on the

field at that point. Now, the requirement that players have to be on the field has been stripped away. And clubs will be fined if players go on the field and do not stand. According to the league's statement, Goodell "will impose appropriate discipline on league personnel who do not stand and show respect for the flag and the Anthem."

"Our focus is not on imposing any club rules, fines or restrictions," Jets CEO Christopher Johnson said in a statement. "Instead we will continue to work closely with our players to constructively advance social justice issues that are important to us."

The league's decision on this matter has the potential to inflame an already tense labor situation with players who were using the protests as a vehicle to draw attention to racial inequality and social justice. Relations between the league and the NFL Players Association have already been inflamed over other high-profile spats, such

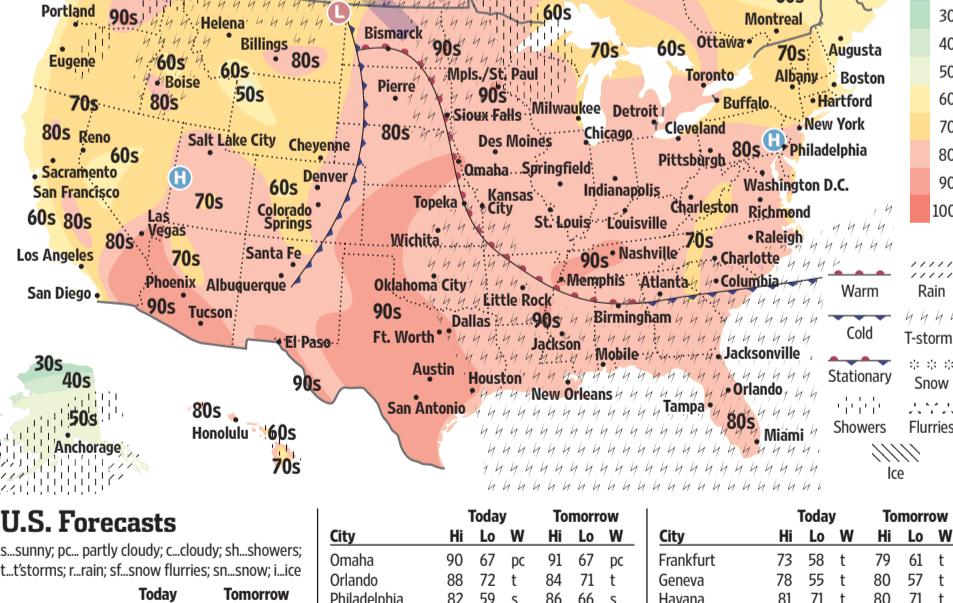
as the suspension of Dallas Cowboys running back Ezekiel Elliott.

Because these rules were part of the NFL's manual on game operations, not the collective bargaining agreement, they were subject to change without the players' approval. Meanwhile, the league and all 32 teams face a grievance from Kaepernick, who catalyzed the movement in 2016. Kaepernick, who was an unsigned free agent for all of last season, has accused the league of blackballing him for his political views.

Additionally, safety Eric Reid, Kaepernick's former 49ers teammate and another face of the protests, has gone unsigned this off-season and has also filed a grievance.

That was followed by action from the NFLPA, which escalated its fight for players rights saying at least one team violated league rules by asking Reid about his intentions during the anthem during the free agency process. Those grievances remain ongoing.

Weather



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

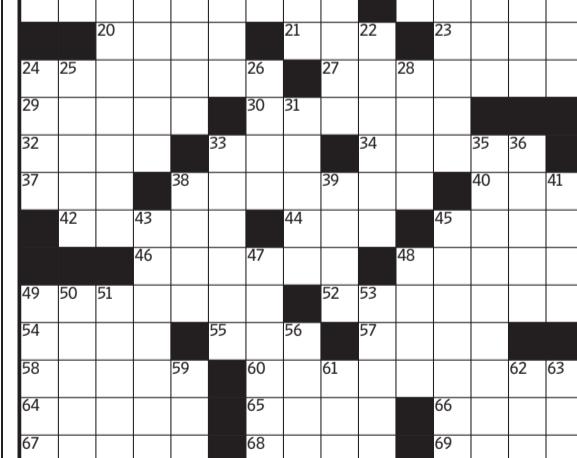
City	Hi	Lo	W	Hi	Lo	W
Anchorage	57	42	pc	56	43	c
Atlanta	83	69	t	80	69	t
Austin	92	68	pc	93	71	s
Baltimore	82	58	s	85	67	s
Boise	82	60	pc	85	58	pc
Boston	66	56	s	87	66	s
Burlington	73	59	pc	85	62	pc
Charlotte	82	66	t	87	67	c
Chicago	84	62	pc	90	68	pc
Cleveland	80	57	s	85	65	s
Dallas	92	71	pc	94	72	s
Denver	83	53	s	86	57	pc
Detroit	84	58	s	87	64	s
Honolulu	85	74	pc	85	74	s
Houston	90	71	pc	90	73	s
Indianapolis	84	60	s	89	67	s
Kansas City	87	67	pc	86	66	t
Las Vegas	94	71	s	90	64	s
Little Rock	87	69	t	88	69	t
Los Angeles	68	56	pc	68	57	pc
Miami	84	75	t	82	74	c
Milwaukee	79	61	pc	85	63	t
Minneapolis	90	72	pc	90	70	pc
Nashville	90	67	s	87	68	s
New Orleans	88	75	t	88	74	t
New York City	80	61	s	87	67	s
Oklahoma City	87	66	pc	91	68	s

International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	74	60	pc	73	60	t
Athens	80	67	s	85	69	pc
Baghdad	104	77	s	104	76	s
Bangkok	89	79	t	90	78	t
Beijing	91	64	c	90	64	t
Berlin	76	57	pc	79	59	pc
Brussels	73	57	t	77	60	t
Buenos Aires	64	43	s	64	47	s
Dubai	100	82	s	101	85	pc
Dublin	61	50	pc	65	50	pc
Edinburgh	65	45	s	63	46	s

The WSJ Daily Crossword | Edited by Mike Shenk



STEALTH MODE | By Jeff Chen

- Across**
- 1 Product sold with the Magic Keyboard
 - 5 Pocket full of food
 - 9 Mob bosses
 - 14 Revealing utterance
 - 15 Put out
 - 16 Ingrediente de chili
 - 17 *iPad, e.g.
 - 20 Creator of stories
 - 21 Many a "Brady Bunch" character
 - 23 Prayer leader
 - 24 *Mouthful of tobacco
 - 27 *The nerve!" elictor
 - 29 It might get you into deep water
 - 30 "Rumble Fish" author
 - 32 Sacred chests
 - 33 Morse code bit
 - 34 Base for bortsch
 - 37 When single
 - 38 *Eats
 - 40 Trouble
 - 42 High muck-a-muck
 - 44 Fifth in a series of twelve
 - 45 Many a Rwandan
 - 46 Matches
 - 48 Paint finish
 - 52 *Pioneering video game
 - 54 Katana part
 - 55 Common logic gate
 - 57 "James and the Giant Peach" author
 - 58 Player's gutsy declaration
 - 60 Clandestine activity, and a hint to answering the starred clues
 - 64 Appropriate
 - 65 Man's genus
 - 66 "Ain't She Sweet?" composer
 - 67 Trapped like Katniss in "The Hunger Games"

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

- 68 Mole's place
69 Arby's offering
Down
1 Cousin of Gomez
2 Kid's cry
3 Spot remover, of a sort
4 Islamic leaders
5 World Heritage Site in Jordan
6 "As I see it..."
7 They get chalked up by hustlers
8 Email address part
9 Shares an email with
10 "When We Were Very Young" poet
11 First-class
12 Readily available
13 Comes across as
18 Phileas Fogg's heading
22 One working around diamonds
24 Ink cartridge color
25 "Scheherazade" setting
26 Senate leader
28 MGM founder
31 Call from behind closed doors
- 33 Where boxers get exercise
35 "Short summary" or "free gift," e.g.
36 Passive protest
38 Pack members, in brief
39 Door fastener
41 Breather
43 Make an awe-inspiring dunk?
45 #Starring John-Chos, e.g.
47 Noteworthy eras
48 Trade a few blows
49 Reuben Award-winning cartoonist Roz
50 Warren Moon, for about a decade
51 Skateboarder's jump
53 Famed Parisian theater
56 Man in the corner
59 Arya Stark's father
61 "West Point of the South," for short
62 According to
63 Packed indication

Previous Puzzle's Solution



OPINION

REVIEW & OUTLOOK

The Art of a Banking Deal

Headlines portray Congress as a swamp of dysfunction, but the House on Tuesday showed that the parties and chambers can work together by passing a bipartisan Senate banking reform, 258-159. Notwithstanding its shortcomings, the bill is an important step away from excessive government controls.

The Dodd-Frank Act turned banks into tightly-regulated utilities. Even some Democratic Senators who voted for the 2010 law—here's looking at you, Claire McCaskill of Missouri—have experienced regrets as many small banks have closed branches and restricted lending due to a regulatory crush. Between 2012 and 2017, Capital One cut 32% of its branches while SunTrust slashed 22%, including about half of its locations in rural areas. Since 2009, 137 community banks in California have closed.

Meantime, big banks have grown bigger. The three largest—J.P. Morgan, Wells Fargo and Bank of America—hold 32% of deposits, up from 20% in 2007. About 45% of new checking accounts last year were opened at one of the big three. Keep this in mind when you hear Democratic cries that Republicans are “rolling back” regulation to aid the biggest banks. Dodd-Frank was the real gift to the banking giants, which as always have more resources to cope with more regulation.

Senate Banking Chairman Mike Crapo's bill relaxes some of the most onerous regulations for community banks and liberates regional institutions from too-big-to-fail rules. Most significantly, the bill raises the asset threshold for banks subject to “enhanced prudential standards” to \$250 billion from \$50 billion.

These stress-testing and liquidity rules were intended to prevent big bank failures and contagion, but they have hampered growth among their smaller competitors and driven more business to the “shadow” banking system. The bill would also simplify a maze of administrative mandates under Dodd-Frank and other laws. This should help smaller banks focus on serving customers rather than regulators.

We would have preferred House Financial Services Chairman Jeb Hensarling's Choice Act, which exempted banks from Dodd-Frank's most onerous rules if they maintain a simple 10% leverage ratio. This seems to be the cleanest, least

politicized way to balance the economy's need for credit with taxpayer safety.

The giants say they are overcapitalized, and it's true that their balance sheets are far stronger than before the 2008 panic. But as long as they benefit from insured deposits, and the likelihood of a federal rescue in a crisis, very high capital standards are better taxpayer protection than regulation that inevitably fails to predict the next panic.

It's disconcerting that the Senate bill erodes capital standards by exempting central bank deposits for custody banks. This carve-out would mainly benefit the constituents of Democratic Senators Elizabeth Warren, Chuck Schumer and Dick Durbin—i.e., State Street, Bank of New York Mellon and Northern Trust. But other banks like J.P. Morgan and Citibank offer custodial services, and it's a matter of time (and fairness) before they get the same dispensation. Meanwhile, the Federal Reserve is proposing to reduce the leverage ratio for the giants.

The bill also reclassifies investment-grade municipal bonds as “high quality liquid assets” though they're not. Muni debt isn't actively traded, though its tax exemption makes it attractive for big banks to hold and reduces borrowing costs for state and local governments. Treating munis as liquid assets would expand demand for this debt. Do cities like New York need another spending subsidy?

* * *

The Senate bill incorporates about three dozen provisions that originated in the House. Mr. Hensarling wanted to add dozens more that have large bipartisan support. But Senate Republicans worried that Democrats who have been getting beat up by the left would flee if they had to vote on an amended bill.

Democrats should be able to take a few knocks from Ms. Warren in return for getting a big political dividend at home. At least Majority Leader Mitch McConnell has agreed to hold a vote later this year on another package of House financial reforms. Thirty-three Democrats in the House and 16 in the Senate voted for the bank reform, which shows how onerous the Dodd-Frank regime is.

This is one more assist to economic growth that never would have happened if Hillary Clinton were President.

Turkey's Currency Meltdown

Investing in emerging markets is like watching the tides without the moon as a guide. Capital flows in and out in surges, and woe to the country that gets caught with bad policies when the tide suddenly goes out. Argentina has been getting that re-education of late, and now Turkey is watching capital flee for safer climes.

Turkey's lira fell as much as 5% on Wednesday, and it's lost more than a fifth of its value this year, adding to a long decline that is forcing extreme monetary measures to compensate. Much of the blame lies with President Recep Tayyip Erdogan, as Turkey has been running a current-account deficit that is on trend to exceed 6% of GDP. Turkey has been growing rapidly but the growth has been heavily financed by dollar-denominated investment.

Meanwhile, Mr. Erdogan has been beating the central bank like it's Syria's Bashar Assad. In Ankara this month, he called high interest rates “both the mother and father of all evils.” Investors took this to mean he's exerting political control over Turkey's central bank even as inflation has reached nearly 11%.

With capital fleeing, Mr. Erdogan is getting higher interest rates in any case as the central bank tries to stem the lira panic. On Wednesday the bank lifted a key lending rate to 16.5% from

13.5%. Consider this the price of the lost credibility of Turkish institutions under Mr. Erdogan's increasingly authoritarian rule. Dictators are rarely good economic managers because they want to dictate fiscal and monetary policy as much as they do every political choice.

The pressure on Turkey and other emerging markets has also been exacerbated by a rising U.S. dollar, as investors anticipate stronger American growth in the wake of tax reform and deregulation. The U.S. Federal Reserve is raising interest rates, which is another reason for capital flows out of emerging markets.

There are many places to invest in a growing global economy, and at the margin there's little reason to take a risk on Mr. Erdogan's policy whims. The countries that are best equipped to weather a flight to dollar quality are those with a sound fiscal ledger, a credible central bank and pro-growth policy instincts.

Mr. Erdogan has wanted to keep interest rates low before the June 24 parliamentary and presidential elections when he hopes to consolidate even more power. That calculation has boomeranged with the lira panic, so look for him to blame the currency rout on foreigners and Western politicians. Turks would be smarter to hold Mr. Erdogan accountable.

The IRS Bursts Cuomo's Tax Illusion

Democrats pan the GOP's tax reform as a windfall for the wealthy, so linger on the irony: States run by progressives have spent months concocting plans to preserve a tax preference for the rich known as the state-and-local tax deduction. But now the Trump Administration appears to be putting the kibosh on the strategy sessions in the likes of California and New York.

On Wednesday the Treasury Department put out a notice that “informs taxpayers” that the Internal Revenue Service intends to promulgate regulations on the tax treatment of “certain payments made by taxpayers” that count as a “credit” against state and local taxes.

The reference is to schemes cooked up by innovative minds in places such as the California state legislature. Democrats are trying to set up a “California Excellence Fund” so that taxpayers can claim donations to the fund as a credit against state tax liability.

This is intended as a work-around for the \$10,000 cap on the state-and-local tax deduction in the new tax reform. Before reform six states claimed more than half of the deduction's benefit, which cost about \$100 billion a year. New York and California alone raked in about a third of the cost due to their punishing rates on high earners (13.3% in California).

The fake philanthropy idea has always been legally dubious. Jared Walczak of the Tax Foundation noted in a paper earlier this year that

case law and IRS regulations “generally require charitable intent for a contribution to be deductible,” which means the person doesn't receive a substantial benefit. In the current work-arounds, the only point is to lower tax liability. The politicians in Sacramento and Albany are not charities. A victims' fund would be more appropriate.

Treasury says the rules “will make clear that the requirements of the Internal Revenue Code, informed by substance-over-form principles, govern the federal income tax treatment of such transfers.”

The state-and-local deduction is sacred to Democrats because it conceals from voters the full cost of high taxes and spending. This explains rhetorical flights such as New York Governor Andrew Cuomo's John Paul Jones reference that “we have not yet begun to fight” the GOP tax law. By Election Day this year he may be escalating to Churchill: We will fight on the Southhampton beaches, we will fight on the Hudson River estates . . .

Democrats may have other ideas to supplant federal tax law as they wait to repeal the rate cuts if they take back Congress. But meantime the IRS message is: Knock it off. The message is also a warning to taxpayers that they shouldn't count on this or other gimmicks to reduce their tax burden. They should try voting for state and local politicians who won't drive them out of the state.

About that California and New York charity work-around: Sorry.

OPINION

LETTERS TO THE EDITOR

Time for Vocational Education Renaissance

Regarding Oren Cass's “Not Everyone Should Go to College” (op-ed, May 18): In my senior year of high school, I enrolled in an elective course in electronics that met daily for two hours each day, consisting of one hour theory, one hour lab practical. We learned basic electronics that covered theory, analysis and design. We even built our own printed circuits, but as important I developed a deep respect for our no-nonsense but very caring teacher and my fellow classmates who were exceedingly bright but not necessarily inclined to go to college.

The payoff for my classmates was that out of high school, they had a marketable skill and competed very well for entry-level jobs in the electronics and telephone industries. I went on to complete undergraduate and graduate degrees, and was a better college student for having taken the electronics course. I've had successful professional careers and the good fortune to work alongside very intelligent individuals who happened to not have a college degree but had first-rate minds. You should not have to find yourself at 18 years of age without marketable skills that would allow you to start on a lifetime apprenticeship of learning.

RANDY GASTON

Savannah, Ga.

Many Americans seem to believe that it is better to have attempted college and failed than to settle for vocational training while in high school, even though vocational skills directly contribute to work experience, employment and financial gain.

ALEXANDER J. BORTONE

Pensacola, Fla.

CYNTHIA KOKAWA LERNER
Los Angeles

In Massachusetts there aren't enough slots for students interested in vocational education, primarily because students and parents view the schools as ways to get employable skills and prepare a student for further education.

Vocational education is more expensive than an academic high school. Ask any principal of a vocational school who is recruiting teachers who can prepare students for traditional jobs like auto mechanic, plumber, aviation mechanic and those needed for advanced manufacturing. There are plenty of private-sector options for these professionals.

The private sector can play a key role in advocating for more funds directed toward vocational education.

JOSEPH M. DONOVAN
Canton, Mass.

Haspel, the CIA, Government and Morality

In his comments on Gina Haspel (“At the CIA, Immorality Is Part of the Job,” op-ed, May 17), Fay Vincent suggests that morality is at best tangentially related to the rule of law. The great tradition of Western jurisprudence would strongly disagree. Moses and Jeremiah, Plato, Aristotle, Jesus, St. Paul, St. Augustine, Aquinas, Luther, Calvin, Barth, Bonhoeffer, Frederick Douglass and Martin Luther King Jr.—all uniformly affirmed that justice, morality and positive law are intimately connected in any good society. Statecraft, certainly no less than war, must be conducted within the confines of legal norms connected to broader moral principles, or else it is nothing more than an exercise of raw power. The rule of raw power is the obverse of the rule of law.

PROF. DAVID W. OPDERBECK

Seton Hall University School of Law

Newark, N.J.

Our moral betters told us that Gina Haspel, a three-decade veteran of the CIA nominated by President Trump to direct the agency, should not be confirmed by the Senate because she once ran a rendition site where suspected al Qaeda operatives were subjected to enhanced interrogation. At that time these interrogation techniques were legal under American law, were the same techniques U.S. Special Forces were exposed to as

PAUL BLOUSTEIN
Cincinnati

For a newspaper that prides itself on campaigning for liberty, your publication of Fay Vincent's piece is surprising. Mr. Vincent's argument boils down to advocating for the right of the “deep state” to operate without the knowledge and approval of the citizens whose taxes make its work possible and in whose name the CIA's evil (“immorality”) is perpetrated. Sen. Frank Church fought for citizen oversight of the “deep state.” Here in Idaho he remains a hero.

MICHAEL HOFFMAN
Coeur d'Alene, Idaho

Our moral betters told us that Gina Haspel, a three-decade veteran of the CIA nominated by President Trump to direct the agency, should not be confirmed by the Senate because she once ran a rendition site where suspected al Qaeda operatives were subjected to enhanced interrogation. At that time these interrogation techniques were legal under American law, were the same techniques U.S. Special Forces were exposed to as

to low- and middle-income students. Imagine if a congressional committee put forward a bill designed to improve national security by slashing defense spending. It would be rightly ridiculed as a step in the wrong direction.

Simplification, innovation and targeted deregulation are valuable goals, and (contrary to Prof. Guelzo's assertions) ones long sought by colleges and universities that have consistently supported many of the proposals in the Prosper Act.

It isn't that the entire bill is flawed. But as long as it harms students and families, it will continue to be opposed by colleges, veterans and other stakeholders.

TERRY W. HARTLE
American Council on Education
Washington

Pepper ... And Salt

THE WALL STREET JOURNAL



“Don't sell yourself short, Mr. Pierce. I find you very perverse.”

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OPINION

With Kim Jong Un, There's No 'Win-Win'

By Nicholas Eberstadt

North Korea, the world's nuclear-armed auto dealership from hell, is turning up the high-pressure sales tactics. After months of charm that had secured Kim Jong Un a summit with President Trump in Singapore next month, Mr. Kim has now pivoted without warning. Pyongyang canceled meetings with South Korea, complaining of military exercises with the U.S., which Washington promptly called off at Seoul's request. North Korea is also threatening to scrap the Singapore parley unless de-nuclearization is taken off the agenda.

If U.S. diplomats treat North Korea like a normal state, negotiations will be as futile as in the past.

There's no need for Kremlinology here. These are standard North Korean shakedown techniques, honed to perfection by three generations of regime negotiators. Mr. Kim is probing for pre-emptive concessions before his big get-together with Mr. Trump. Such techniques have proved successful in the past, which is why today North Korea is for all intents and purposes a nuclear state. If the U.S. wants a different outcome this time, it is going to have to adopt a radically different approach.

On book tour in Ohio a few weeks ago, someone asked me if Donald Trump would finish out his term. The room was full of liberals and left-of-the-Democrats. I pointed out that House Minority Leader Nancy Pelosi and other top Democrats have said that they have no interest in impeachment even if their party wins back Congress. I predicted—with the usual caveats about the perils of political prognostication—that Mr. Trump would not only finish his term but win re-election, due to the divisions within the Democratic Party.

'Resistance' types crave impeachment desperately, but can't be bothered to do much of anything about it.

Loud gasps all around. Some people were so peeved—at me!—that I had to remind them: "I'm not a warlock. I don't make anything happen."

Many Democrats are surprised Mr. Trump has hung on this long. Magical thinking is legion on the left. A recent Rasmussen poll finds that 41% of Democrats believe the president will be impeached and removed from office by 2020—more than the 36% who think the voters will reject him in 2½ years.

But how would that happen? Despite its legal-linguistic trappings—"high crimes and misdemeanors," "counts," "hearings," "trial"—impeachment is a political process. This GOP president has nothing existential to fear from this GOP Congress. Should a Big Blue Wave occur, Mrs. Pelosi's plans don't include divisive hearings—and even if Democrats won every Senate race, they'd still be well short of the two-thirds needed to remove Mr. Trump from office.

Only one man can give the anti-Trump left what it wants: Robert Mueller. His investigation is the beginning, middle and end of impeachment fantasies.

From Clintonian centrist Democrats to Berniecrat socialists to revolutionary communists, no member of the "resistance" is lifting a finger, much less taking to the barricades, to demand the removal of the president.

The most important thing for American negotiators to understand is that North Korea is a "revisionist state"—one that is deeply aggrieved by, and fundamentally opposed to, the current configuration of the international chessboard. It regards South Korea as an illegitimate monstrosity that must be wiped off the map so the Kim family can gather the whole Korean race (the "minjok") under the peninsula's true "independent socialist" government.

Given that worldview, North Korea regards the U.S. as the villain whose security architecture has permitted the vile "South Korean puppets" to survive. Thus the imperative for Mr. Kim to amass an arsenal of nukes and long-range missiles. The eventual goal is a showdown in which Pyongyang would make Uncle Sam blink and abandon Korea.

None of the ordinary rules of diplomacy apply with North Korea. For a revisionist state, negotiations constitute war by other means. That means there is no "win-win," no "getting to yes." This is not like entering into a trade deal with Belgium. North Korean officialdom believes only in "win-lose" outcomes: To leave anything on the table for the other side is positively unpatriotic if it is at all possible to do otherwise, because the "other side" is the enemy.

Further, North Korea does not recognize the legitimacy of the outside world's laws. It sees contracts, treaties and understandings with other governments as entirely contingent, depending on whether they serve Pyongyang's purposes at the moment.



ASSOCIATED PRESS

President Trump and Kim Jong Un are set to meet next month in Singapore.

As long as a deal is deemed beneficial, North Korea will adhere. The instant it is deemed disadvantageous, North Korea will not hesitate to violate it, renounce it, or simply walk away.

If American diplomats insist on treating North Korea more or less like any other state, the coming negotiations will bring hapless results no different from those of the past, even as the peril for the U.S. and its allies grows ever greater. Instead the Trump administration should consider a totally new approach. A few suggestions:

- *No more front-loaded benefits for Pyongyang.* North Korea always takes the money and runs. Any incentives the White House dangles must be withheld until the end of the process,

after Mr. Kim proves satisfactory compliance with the deal, as determined by the U.S. alone. To approach negotiations otherwise is to invite Mr. Kim's back-room tactics.

- *Demand small, concrete signs of good faith upfront.* This would help the U.S. determine whether Mr. Kim has any intention of honoring his promises. If not, it would be better to know sooner rather than later. The "ask" need not relate to denuclearization, and it should be something Pyongyang could deliver almost immediately.

- *Be unflinchingly prepared for diplomatic failure.* Unfortunately, that is the most likely outcome for any negotiators with North Korea who resolutely intend to promote American interests. Mr. Trump must be ready to walk away, as Ronald Reagan did at Reykjavik, Iceland, in 1986.

debts now long in default. Mr. Kim's Bureau 39, the unit that manages the regime's overseas slush fund, surely has the cash to right this wrong. If the regime cannot honor even commercial contracts, how can it be trusted on a nuclear deal?

By the same token, the U.S. could ask Mr. Kim to disband the Anti-Imperialist National Democratic Front. This is a Pyongyang-based group of purported South Korean dissidents who relentlessly endorse the Kim family regime and broadcast calls for Seoul's overthrow. If Mr. Kim cannot at least implicitly signal South Korea's right to exist, how can he be trusted on denuclearization?

- *Insist that North Korean state media publish Mr. Kim's promises.* The usual diplomatic parchment won't cut it. Instead the U.S. should demand that the terms of any deal be printed in Korean on the front page of the Rodong Sinmun, the official party newspaper, as well as broadcast on regime-controlled radio and television. The North Korean elite and the Kim family's subjects must see what Pyongyang has committed to with Washington. It is entirely possible that Mr. Kim would not dare reveal to his people what he has promised, for fear of domestic ramifications. But if so, he never intended to keep his pledges.

- *Be unflinchingly prepared for diplomatic failure.* Unfortunately, that is the most likely outcome for any negotiators with North Korea who resolutely intend to promote American interests. Mr. Trump must be ready to walk away, as Ronald Reagan did at Reykjavik, Iceland, in 1986.

In this case the U.S. must be prepared to redouble its efforts at "threat reduction." To its credit, the Trump administration has already increased the international economic pressure on Pyongyang and worked to keep American allies united. The White House must be ready to continue in this direction. If negotiations fail, the U.S. and its allies must move swiftly to minimize the North Korean menace without Mr. Kim's assent.

Mr. Eberstadt is a political cartoonist at the American Enterprise Institute and a founding director of the Committee for Human Rights in North Korea.

The Left Waits for Godot—Er, Mueller

By Ted Rall

Trump haters are content to fête the former FBI director from the comfort of their sofas, waiting for Godot as they stare down at their Apple Watches for the notification alert of their dreams—breaking news that Mr. Mueller has dug up enough dirt to force impeachment or resignation à la Richard Nixon.

Rudy Giuliani claims Mr. Mueller's staff assured Mr. Trump's attorneys that no scenario leads to frog-marching The Donald out of the White House. "All they get to do is write a report," Mr. Giuliani told CNN. "They can't indict. At least they acknowledged that to us after some battling." If true, the end of the Mueller investigation would mark the anticlimactic finale of one of the weirdest dramas in recent political history.

Millions of voters and activists who despise Mr. Trump sit on their hands, passively watching as Mr. Mueller puts out a report.

To see how strange this is, think of Nixon. He, like Mr. Trump, was under constant fire from much of the media and faced a wide-ranging investigation, led by special prosecutor Archibald Cox. But the left didn't just sit around and watch and hope for Cox to nail Nixon. That proved wise, since Nixon fired Cox. Political pressure mounted in the halls of Congress as well as on the streets, forcing Nixon to replace Cox with Leon Jaworski.

As Woodward and Bernstein worked their sources, Democrats held hearings, and Cox and then Jaworski issued subpoenas, the left kept up the heat. In large part as the continuation of the antiwar movement, there were numerous street protests across the country, including the takeover by anti-Nixon radicals of the Statue of Liberty on April 20, 1974, and, a week later, a demonstration at the Lincoln Memorial where 10,000 people demanded impeachment. Large crowds gathered in Lafayette Park, across from the White House, for three days before Nixon announced his resignation.

There's nothing like that now. "The resistance" stages significant anti-Trump protests once a year—the Women's Marches in January. Two so far. Mr. Trump must be terrified.

You can still buy "impeach Nixon" ephemera on eBay. Where are the "impeach Trump" buttons and bumper stickers? No matter, let

Mr. Mueller take on Mr. Trump. No need to crud up your car.

What does it say about the state of the American left that they're unable to make a case to the public for the impeachment they desperately want?

It's not surprising that Pelosi-led Dems in Congress are gun-shy. Like most Beltway pols, they're always re-fighting old battles. They remember how Bill Clinton's impeachment hurt Republicans' poll numbers and don't want to make the same mistake.

But what about the populist left? As demonstrated by their wins in

recent primaries, progressives have the momentum within the Democratic tent. But it's not enough. Leftists need more than energy and raw numbers. Grass-roots organizing is essential.

As long as the "resistance" is more of a coincidence than an organization, Mr. Trump can rest easy. Unless Mr. Mueller comes up with something.

Mr. Rall is a political cartoonist and author of "Francis: The People's Pope," the latest in a series of graphic-novel biographies.

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WORLD NEWS

Irish Clergy Lower Voice on Abortion Vote

Church takes low-key stance on keeping ban amid rising resistance to faith-based appeals

A vote this week on whether to repeal Ireland's constitutional abortion ban has sparked an emotional debate across the country, on street signs, social media and television and radio shows. An anti-abortion group even erected a giant "NO" on a landmark hill on Ireland's west coast.

*By Paul Hannon
in Dublin and Francis X. Rocca in Rome*

But one voice, long dominant in Irish society, has spoken softly this time: the hierarchy of the Catholic Church.

In the U.S., Catholic bishops and priests are prominent figures in the antiabortion movement, appearing at the annual March for Life in Washington and praying in front of abortion clinics. By contrast, Irish clergy have played a generally low-key role, appealing to the faithful to keep the ban through sermons and handouts at Sunday Mass but staying largely out of the public debate.

That reticence reflects an increasing public resistance to appeals to traditional faith, partly due to a wave of church-related scandals, ranging from clerical child abuse to church-run homes for unmarried mothers, where many were forced to give up their children for adoption.

"The church has to pay the price for the failures of priests and religious and bishops in the past," says Bishop Kevin Doran, chairman of the Irish bishops conference's committee for bioethics. "But we still have to continue calling for justice for the unborn."

Along with Northern Ireland, Poland and Malta, Ireland is one of few European countries to outlaw abortion in all or most cases. More than 150,000 Irish women have traveled to



A nun and a priest, above, attend a rally in Dublin in support of the abortion ban, while activists backing repeal demonstrate in the capital.

the U.K. to terminate unwanted pregnancies since 1980.

Friday's vote is expected to be close. A May poll by Ipsos Mori for the Irish Times found 44% of voters support repealing the ban, while 32% want to keep it, and 17% are undecided. The gap has been narrowing in recent weeks.

Irish secularization marks a deep change in a country where the church's authority went largely unquestioned when the 1983 constitutional abortion ban came into force. In 1981, 93% of the Irish described themselves as Catholic. By 2016, that figure had fallen to 78%, with much of the decline having come in the previous decade.

The campaign leading the call to retain the ban is a close ally of the church, but has taken the clear lead in calling



for the Irish to vote no.

When Catholic bishops take a strong position on an issue, public opinion tends to move in the opposite direction, and religion is especially unpopular among Irish youth, said John McGuirk, spokesman for the Save the 8th campaign, named after the Eighth Amendment of

the constitution that instated the ban. "If we were relying on the church to win this, it wouldn't work," he said.

Ahead of the referendum, bishops have released pastoral letters, instructed their priests to preach on the sanctity of life and released a weekly handout in the churches on

Catholic teaching. However, they have adopted a soft tone.

In his sermon, "a priest has to be sensitive to the fact... there might be women there who have had abortions," Bishop Doran said in an interview.

"We have to care careful not to appear to be suggesting that the Catholic bishops have a monopoly on this" issue, he said.

The country has gradually been undoing the close relationship to the church that developed after Ireland gained independence from the U.K. in 1922.

Many campaigning to lift the ban see it as another, significant step in moving toward a church-state relationship more like the U.S. and other European nations.

The government is advocating a repeal of the ban, and has appointed a female cabinet

Deep Debate

Polls show support for changing Ireland's constitution to allow abortion...

■ Yes ■ Undecided ■ Other ■ No

Overall 44% 17% 7% 32%

...with younger voters more strongly in favor of repealing the ban...

18-24 52% 12% 9% 27%

25-34 53% 17% 7% 23%

35-49 49% 18% 7% 26%

...while older voters lean toward 'no'...

50-64 37% 18% 8% 38%

65+ 30% 17% 6% 47%

...and urbanites back repeal by a wider margin than their rural counterparts.

Urban 46% 16% 8% 30%

Rural 39% 19% 6% 36%

0% 25% 50% 75% 0%

*Won't vote or refused to answer.

Note: Some results don't add up to 100% due to rounding.

Source: An Irish Times/Ipsos Mori poll of 1,200 respondents released May 16; margin of error ±3 pct. pts. (poll)

THE WALL STREET JOURNAL.

minister who is a practicing Catholic and a mother of two to lead its appeal. Many others have also reconciled their faith with support for repeal.

"I come from a very religious background," said Jonathan O'Brien, a lawmaker of left-leaning Sinn Fein who sat on the nonpartisan committee that recommended the referendum. "But I don't believe my personal beliefs should play a part. Terminations are part of a woman's health care."

The low profile adopted by the church troubles people like Fiona O'Hanlon, a 54-year-old doctor who is campaigning to retain the ban. "I was very puzzled as to why the Catholic Church wouldn't be pushing it," she said. "I think they should be talking about it more. They shouldn't be afraid."

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Deutsche Weighs 10,000 Job Cuts

Beleaguered German lender's cost-reduction plan could eliminate 1 in 10 employees

BY JENNY STRASBURG

Deutsche Bank AG executives have considered plans in recent weeks to eliminate close to 10,000 jobs, or about 1 in 10 employees, as part of moves to accelerate cost-cutting, according to people familiar with internal bank discussions.

The latest plan, with cuts that likely would extend into 2019, follows months of thorny debate over how fast and deep job losses should be at the beleaguered German lender. The process has divided senior executives and left investors unconvinced.

The bank's shares have fallen by nearly one-third this year and are at their lowest since a crisis of confidence hit the bank in late 2016.

High-level clashes over staffing and budgets and conflicting opinions from outside investors and bank executives

reveal the depth of Deutsche Bank's continuing struggles.

The lender's supervisory board and senior executives will confront investors Thursday in Frankfurt at its annual shareholder meeting. They will face a proposal to break up the company and probing questions about last month's chief executive handoff and the tough choices the lender has to make.

It has been a messy year for Deutsche Bank: The April 8 ouster of CEO John Cryan in the middle of his management contract shook employees and

appeared botched to some clients and investors.

Less than two weeks earlier, Mr. Cryan told Deutsche Bank's 97,100 employees in a public memo that he was "absolutely committed" to the job, hoping to draw support from the supervisory board, people involved in internal discussions said.

Instead, the board ousted the Briton, replacing him with a German Deutsche Bank lifer, Christian Sewing.

Ahead of the April 26 first-quarter earnings call, Deutsche's efforts to get a grip

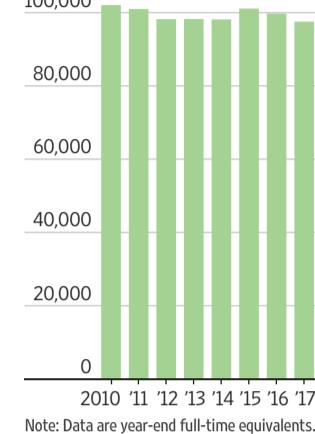
on head count sparked a last-minute debate. Executives talked about announcing plans to cut 5,000 jobs. However, some worried that number would overwhelm investors, according to people briefed on the private discussions, and the bank elected not to cite a number.

Late last year, battles over 2018 budgeting were contentious, leaving executives frustrated, people close to the process say. One internal exercise in November required business heads to propose their

Please see JOBS page B2

Slow to Shrink

Deutsche Bank's global workforce



Note: Data are year-end full-time equivalents.
Source: company filings
THE WALL STREET JOURNAL.

PERSONAL TECHNOLOGY

By David Pierce

Let a Phone Double as Your Main Computer

What's the difference between your phone and a computer? Seriously, look at your phone, and at your laptop. What separates them? You're probably thinking about power, memory and all the Serious Stuff phones can't do.

For years, that was right. Phones were painfully slow next to desktops and laptops. Now, though, the iPhone's processor bests the MacBook's in many tests.

Most recent handsets can handle video editing and intense games, plus Word and Excel. A few even have software that adapts to the big screen to serve up an experience virtually identical to a traditional PC.

The phone has unique advantages, too: It's likely the device you use most and carry with you always. It can access your most important files and personal data. In many ways, your phone might be a better computer than your computer. If you're going to pay as much as \$1,000 for it, it better be.

Using a phone as your primary computer isn't always easy: Apple's iOS and Google's Android software weren't designed with desktop multitasking in mind. The idea works, though. In my testing, I discovered the only things my phone lacks to greatly increase its usefulness are a big screen and a keyboard. And I can fix that.

Over the years, lots of companies have devised ways to bridge the gap between phone and PC. In 2011, there was Motorola's Lapdock, an otherwise-useless clamshell powered by its Atrix 4G phone. Most recently, Razer's Project Linda advances the idea that a phone could slot into a laptop's palmrest to double as a trackpad. Apple patented a similar idea in 2017.

For now, it's best to go a simpler route, with a Bluetooth keyboard and a display connection. I've come to like Logitech's Keys-To-Go (\$70 at Apple.com, bundled with an iPhone stand). It's light and durable enough to stay in my bag all the time.

To connect an iPhone to a display, you'll need an HDMI cable, which works with nearly any modern television or monitor, plus Apple's \$50 Lightning Digital AV Adapter. Many Android phones will work with a USB-to-HDMI cable. (You can use an Apple TV or Chromecast to connect wirelessly to a big screen, but it's a bit more hassle.)

These accessories have completely changed the way I think about my phone. A few days ago, I boarded my train only to discover I'd left my laptop at home. No prob-



Visitors to Apple's new headquarters, at the California campus in September. The company plans a major new customer-service facility.

Uber's Revenue Grows By 70%

BY GREG BENINGER

As Uber Technologies Inc. makes preparations for a possible initial public offering next year, the ride-hailing company is showing it can deliver soaring sales growth like a younger startup.

The San Francisco company's first-quarter revenue rose 70% from the prior year to \$2.59 billion, while gross bookings, a measure of how many rides and fresh-food deliveries were made, jumped 55%, according to a financial statement released by Uber.

Uber swung to a profit of \$2.46 billion from a loss of \$847 million in the year-earlier quarter, due chiefly to a \$3 billion gain from the sales of both its Southeast Asian and Russian operations. Without that gain, Uber would have shown a loss of roughly \$550 million, narrower than in the past four quarters.

When compared with the fourth quarter, Uber's improvement for the first three months of this year was modest: Revenue rose 7.5% and gross bookings were up 4.3%.

"We plan to reinvest any overperformance even more aggressively this year, both in our core business as well as in big bets like Uber Eats globally," said Uber's new chief executive, Dara Khosrowshahi, in a statement, referring to its prepared-food delivery service.

Uber on Wednesday made several unrelated announcements that could have varying effects on its future financial statements. First, the company said it would start paying some health-related benefits for drivers and couriers in Europe and possibly elsewhere, potentially

Please see UBER page B2

Apple Quietly Seeks Second Home

BY TRIPP MICKLE
AND VALERIE BAUERLEIN

RALEIGH, N.C.—The world's two most valuable technology companies—**Apple** Inc. and **Amazon.com** Inc.—are shopping for cities in which to build new corporate campuses. But with one of them, you would hardly know it.

Apple Chief Executive Tim Cook this month met secretly with North Carolina Gov. Roy Cooper to discuss possibly putting a major new customer-service facility in the Raleigh-Durham area, said a person familiar with the meeting. The undisclosed meeting was tucked into Mr. Cook's very public agenda, which included delivering Duke University's commencement address and taking selfies with shoppers at an Apple Store.

The secrecy of Apple's ef-

fort contrasts starkly with Amazon's approach. While Amazon's effort to find a second headquarters city has proceeded with the fanfare of an Olympics host-city search, Apple is hunting for its newest U.S. location with the stealthy deliberateness it employs in developing a new iPhone.

Since it announced plans in January for the campus to house technical support staff, Apple has said little about the effort. Mr. Cook has limited his public comments, saying during a March television interview that Apple wouldn't be discussing its search because it doesn't believe in the "beauty contest" approach.

An Amazon-like competition creates "a case where you have one winner and a bunch of losers," he said, while Apple's process is designed to avoid "putting people through a ton of work to select one" city. "The best things we can do in business is find the win-win," the Apple CEO said.

Apple's approach has ad-

vantages, said Jay Biggins, executive managing director at Biggins Lacy Shapiro & Co., a corporate-location strategy firm. By limiting publicity, companies can exert more control over the process, avoid being overrun with outreach from cities and focus negotiations to get more of what they want, he said.

The confidential search is more conventional. Mr. Biggins estimates that more than 90% of companies place new campuses or relocate existing head-

quarters without saying where they are looking, and most don't even say they are looking.

Please see APPLE page B2

Swelling Ranks

Apple is considering a new U.S. campus for a workforce that has more than tripled since 2008.

Apple employees world-wide



Note: Employee totals as of September. 2008-2014 totals include full-time equivalent employees, as well as temporary employees and contractors.

Source: the company
THE WALL STREET JOURNAL.

INSIDE



EXITS MAGNIFY SCARCITY OF WOMEN CEOS

MANAGEMENT, B5



TRADING STOCKS VIA BLOCKCHAIN

MARKETS, B10

European Banks Engineer a Risk Shift

BY MAX COLCHESTER

A European government-controlled fund is delving deeper into opaque trades that could potentially expose taxpayers to bank losses, something postfinancial-crisis rules were meant to protect against.

The European Investment Fund, controlled by European governments and a handful of big banks, is pushing into a fast-expanding niche market in which banks pay a fee to investors to cover potential losses on loans.

The maneuvers are a form of synthetic securitization because no actual assets change hands. But they allow banks to free their balance sheets to make more loans without selling assets or issuing equity. Skeptics say the deals allow European banks to look healthier than they actually are. Although the trades allow banks to shift risk for regulatory capital purposes, they can also leave bank balance sheets more leveraged.

"The concern is that banks are creating an illusion of transfer of risk," said Michael

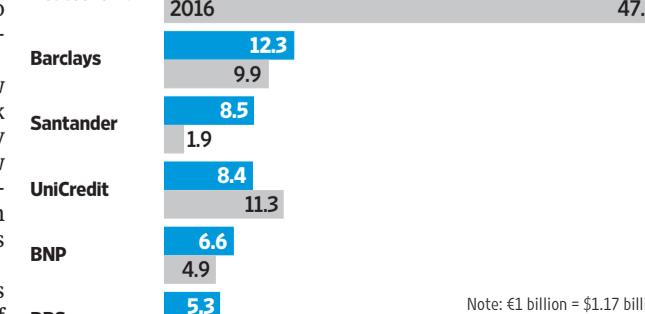
Osnato, a partner at law firm **Simpson Thacher & Bartlett LLP**.

If European governments want to recapitalize or subsidize the banking sector, then they should just inject equity or other loss-absorbing capital, not use complex structures, said Peter Hahn, professor at the London Institute of Banking & Finance. "At least it's more visible and you know what the real exposure is."

Fund executives say the

Capital Relief

Value of synthetic securitizations by big European banks



Note: €1 billion = \$1.17 billion

Source: the companies

THE WALL STREET JOURNAL.

deals help boost lending to small businesses. Proponents also argue they put European banks on a more equal footing with rivals elsewhere.

U.S. banks, for example, are able to bundle and sell, or securitize, most of the mortgage loans they make. That is thanks to the involvement in that market of government-controlled firms **Fannie Mae** and **Freddie Mac**. That process allows U.S. banks to free their balance sheets and make

more loans. Securitization got a bad name during the financial crisis in both Europe and the U.S. But "now perceptions are changing" among European regulators, said George Passaris, head of securitization at the European fund. These synthetic securitizations, once known as capital-relief trades, have been rebranded by investors in Europe as "risk-sharing" trades.

The trades typically work like this: The bank bundles loans—usually to companies—and calculates the capital it needs to hold against potential defaults on that portfolio. The bank then pays a fee to an investor, such as the European Investment Fund, a hedge fund or pension fund, to insure against a chunk of the future losses.

If the underlying loans default, the bank can claim compensation from the investor up to a predefined amount. Investors insist the bank also takes the risk of some loss on the loans to ensure they aren't being handed dud credits. The

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Please see TECH page B4

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JOBS

Continued from the prior page
own head counts for 2018, which would be considered alongside the bank's overall cost targets.

After repeatedly missing targets, executives told investors last year they would do better. They aimed to end 2018 with fewer than 95,000 employees, according to internal figures discussed with The Wall Street Journal.

However, business heads in November were actually proposing to expand the overall staff—adding around 5,000 more than the new target—to almost 100,000 employees companywide. At the time, investment-banking co-heads Garth Ritchie and Marcus Schenck—known to some colleagues as “Garcus”—wanted to add around 700 employees from their most recent head count, the internal proposals show.

Eventually, the company-wide year-end 2018 target was lowered to around 95,600 employees. That was the base projection before last month’s CEO change.

A similar impasse over bonus payments went on for two months, becoming a face-off over €200 million (\$236 million), a fraction of the eventual bonus pool.

When the supervisory board conducted year-end performance reviews in December, some management-board members were barely talking to each other, people close to the bank say.

New CEO Mr. Sewing,

whose background is mainly in audit, risk control and retail banking, has vowed to bring faster decision-making and cost discipline to the job.

Doubts about the lender’s strategy haven’t eased, including about its ability to earn enough in investment banking and trading while cutting enough costs to make up for a dearth of profits elsewhere.

Deutsche Bank’s challenges start at home, where retail banking is a low-margin business.

Globally, once-juicy profit sources like bond trading and complex lending have been whittled by regulation and competition. Unlike other big European lenders, Deutsche Bank lacks a powerhouse private bank or credit-card business.

European banks have struggled to compete with U.S. banks since the financial crisis after U.S. regulators forced lenders to shed assets and boost their capital cushions. Those moves were painful but freed those banks to grow again. U.S. banks also have a home-market advantage—a massive market for deals and trading, helped more lately by financial-system deregulation under the Trump administration.

Even among European banks, Deutsche Bank has been a straggler, buffeted by big legal bills and outdated technology.

It also has suffered more turnover of top management than most of its peers, at the CEO level and lower, including among key managers running investment-banking businesses, its life blood.

“We called drivers ‘partners,’ but didn’t always act like it,” Uber said Wednesday, announcing the insurance. “We

Continued from the prior page adding significant costs to a business model that has relied on individual contractors rather than fully compensated employees.

Separately, Uber announced it would shutter its self-driving-vehicle operations in Arizona two months after a fatal crash there, but it would continue on in several other cities.

Uber deems driverless cars crucial to its future business, though it is an expensive endeavor.

Also on Wednesday, Uber said a consortium of three investors—Coatue Management, Altimeter Capital and TPG Capital—will seek to buy between \$400 million and \$600 million in shares from existing investors at about \$40 a share, implying a valuation of \$62 billion. That exceeds the \$33 a share, or roughly \$48 billion valuation, that SoftBank Group Corp. paid when it bought about \$6.5 billion worth of Uber shares in January.

The Japanese tech investor, which now holds a 15% stake, could potentially sell some of its shares for a quick profit, though a person familiar with the matter said it isn’t expected to do so. Investors and employees will have about a month to decide whether to sell in a scheduled tender offer, starting in late May.

Under its European insurance plan, Uber said initially about 150,000 independent workers across the European Union would benefit beginning in June, provided they have worked minimum levels over the prior two months. The coverage addresses both driving injuries and sick pay for severe illnesses unrelated to driving.

Uber is also offering other benefits, such as a lump-sum payment of €1,000 (\$1,179) or £1,000 (\$1,343) for maternity and paternity leave.

“We called drivers ‘partners,’ but didn’t always act like it,” Uber said Wednesday, announcing the insurance. “We

Continued from the prior page

focused too much on growth and not enough on the people who made that growth possible.”

Uber said it is paying for the European insurance through a “multimillion-dollar deal” with French financial giant AXA SA.

Labor activists in the U.S.

and Europe have launched an array of lawsuits demanding worker rights and benefits for people who work in the so-called gig economy, where apps

distribute individual tasks like

delivering food or washing laundry to people the company

regards as independent contractors.

In the U.S., Uber does insure

drivers with vehicle-accident

protection up to \$1 million

while driving for the company.

And it offers drivers some dis-

cuted insurance for disability

or death to a driver. But these

programs don’t go as far as

what will be offered in Europe.

The moves come as Mr.

Khosrowshahi, who joined the

company last summer, has

been paring costs and

making

preparations toward meeting a

goal of a 2019 IPO.

The offering is

expected to be one of the

largest in recent memory.

Though not required to as a

privately held company, Uber

now has released detailed

results dating back to last year’s

first quarter.

By most metrics, the nine-

year-old company, with some

17,000 employees and its formi-

able valuation, bears little re-

semblance to a startup. And

Uber has few if any public-

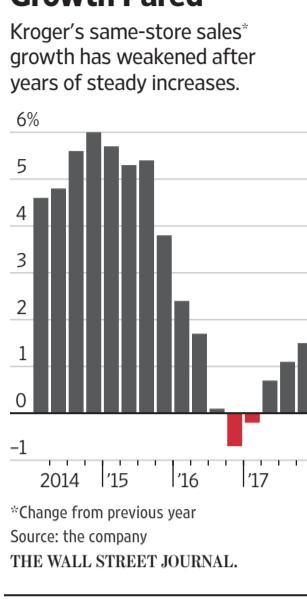
market peers, so making any

BUSINESS NEWS

Kroger Expands Online Meals Offerings

By HEATHER HADDON

Growth Pared
Kroger's same-store sales* growth has weakened after years of steady increases.



Kroger Co. is buying **Home Chef**, the largest private meal-kit company in the U.S. by sales, its second deal in as many weeks aimed at bolstering the supermarket chain's online business.

The deal—valued at \$200 million initially and at as much as \$700 million if Home Chef hits performance targets—comes about a week after the Cincinnati-based grocer took a roughly \$250 million stake in British online grocery operator **Ocado Group PLC**. The companies are poised to open a series of automated warehouses for grocery delivery in the U.S.

Kroger, the largest U.S. supermarket chain by stores and sales, is pushing to shake up

its business model amid competition on several fronts. **Amazon.com Inc.** is ramping up delivery service and discounts at Whole Foods stores for Prime members, and **Walmart Inc.**'s investments in its stores and technology are paying off. Deep discounters, meanwhile, have pressured Kroger to slash costs as weak food-price inflation hasn't boosted sales as grocers had hoped.

"We are not blind or ignoring what is going on in the space," said Yael Cosset, Kroger's chief digital officer, in an interview Wednesday.

Kroger faces shareholder pressure to innovate. The company's same-store sales growth has weakened after years of steady increases, and shareholders have punished

Kroger for long-term investments that have weighed on immediate profits. Kroger's stock price is down more than 10% so far this year.

The deal is valued at up to \$700 million if Home Chef hits its performance targets.

Kroger executives said Wednesday they are aware of the changes sweeping the food retail sector but are pursuing new ways to sell food in response to customer demand, not Amazon, and that discussions with other compa-

nies about deals continued.

Meal kits offer their own risks. The business is extremely competitive, with over 100 meal-kit companies operating online. A number of grocery stores have started their own meal-kit lines, including Kroger, whose existing Prep+Pared meal kits would fold into Chicago-based Home Chef, which is expected to operate as a stand-alone company.

Making boxes of premeasured ingredients for meals has proved to be operationally challenging and tough to do profitably. **Blue Apron Holdings Inc.** is starting to sell its kits in **Costco Wholesale Corp.** stores after a series of operation challenges led to a drop in subscribers. Startups are increasingly looking to

team up with supermarkets to gain new customers.

Some analysts expect more deals between meal-kit companies and food retailers as consumers want to buy the boxes both in stores and online. Pentallact Inc., the food consultancy, projects that the multibillion-dollar meal-kit market will continue to grow by about 20% annually.

Home Chef has sought a niche in accessible meal kits that aren't as involved to make as some of those sold by Blue Apron and some other competitors. Executives said the company's menus and focus on consumer data proved a good fit for Kroger, which seeks to cater to mainstream shoppers and use technology to closely study buying patterns.

Ackman Takes Roughly \$1 Billion Stake in Lowe's

By CARA LOMBARDO

William Ackman's **Pershing Square Capital Management LP** is joining another activist investor in **Lowe's Cos.**, hoping to profit as the retailer tries to make improvements under a new chief executive.

Pershing Square has built a stake in the home-improvement chain valued at roughly \$1 billion as of Tuesday's close in what is expected to be a friendly investment, according to people familiar with the matter. Lowe's had a market value of roughly \$78.3 billion at Wednesday's close.

Mr. Ackman disclosed the position at a conference in New York on Wednesday, said the people, who were in attendance. He had built it up over the past 45 days, they said.

The people said Mr. Ackman supports Lowe's incoming Chief Executive Marvin Ellison, who during 12 years at Home Depot Inc. was credited with improving customer service and e-commerce and expanding its professional business. On Tuesday, it was announced that Mr. Ellison would leave his position as CEO at struggling retailer J.C. Penney Co. to take the top job at Lowe's, where he is expected to draw from the same playbook he used at Home Depot.

Lowe's CEO Robert Niblock said in March he would retire, a week after three new directors joined the board as part of an agreement with activist investor **D.E. Shaw & Co.**, which owns about a 1% stake.

Home Depot's same-store sales growth has outpaced that of Lowe's over the past several years. Lowe's stock

had also sharply lagged behind that of Home Depot over the past year, before closing up more than 10% Wednesday following upbeat guidance and news of Pershing Square's involvement.

A Lowe's spokesman said the company is aware of reports of Pershing Square's stake and it is committed to creating value for all shareholders.

Mr. Ackman agrees with D.E. Shaw's view that Lowe's is lagging behind Home Depot and could do more to capitalize on an improving real-estate market, the people said.

The stake would put two activists in the top 16 holders in the company, according to the people.

Mr. Ackman has pledged to remain out of the headlines after a rough performance stretch hit his fund. He has recently taken several new positions where he has said he supported management and avoided detailed complaints, including a quick trade in Nike Inc. and an investment in United Technologies Corp., though he has called for a breakup of the industrial conglomerate.

Pershing Square's publicly traded fund is up 2% this year, according to disclosures, as some of his investments have started gaining again.

Pershing Square previously held Lowe's shares in 2011, when filings showed about a 1.7% stake soon after Mr. Ackman outlined a bullish investment thesis on the retailer. He sold the shares by the end of the year after the stock price rose.

Mr. Ackman's new stake in Lowe's makes for an unusual



The home-improvement chain is planning major changes under the leadership of a new chief executive. A Lowe's store in Massachusetts.

union with Mr. Ellison, who helped stanch the bleeding at J.C. Penney in 2014 after Ron Johnson, a CEO Mr. Ackman had recruited, upended Penney's pricing strategy and offerings to disastrous results.

Around the time Pershing Square exited J.C. Penney at a steep loss, Mr. Ackman expressed contrition to his investors following a few mistakes in the retail world, which also included a loss in Target Corp. "Clearly, retail has not been our strong suit, and this is duly noted," he wrote in 2013.

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UPS Fees on Big Items Rise

By PAUL ZIOPRO

United Parcel Service Inc. raised fees by 30% to \$650 for the largest items it delivers to discourage shippers from putting kayaks, refrigerators and other oversize items into a network meant for smaller parcels.

The higher fee on "over maximum limit," or overmax, items is currently \$500 and will jump June 4. "The charge is intended to encourage shippers to use the UPS Freight network for these large items," UPS spokesman Glenn Zaccara said.

UPS's parcel network is primarily built for small and medium-size packages, which can zip through some automated sortation hubs at the rate of 416,000 an hour. Some large and irregular-size packages need extra handling and routing to bypass conveyor belts built for the smaller items, adding costs.

Packages that are longer than 96 inches on any side or whose longest side plus girth—calculated as twice the width plus twice the height—exceeds 130 inches, already incur a surcharge of \$80, according to UPS rate

guidelines.

The overmax items are those that UPS doesn't want in that network. Instead, it wants to move them on tractor-trailers.

The overmax fee will hit any packages that either weigh more than 150 pounds, are more than 108 inches long or total at least 165 inches in length plus girth. Such items technically aren't accepted into UPS's parcel network, but if they arrive at a sortation hub or otherwise make it into the system, UPS will apply the fee due to the extra work needed to process the item.

Investments Press Target's Profit

By SARAH NASSAUER
AND KHADEEJA SAFDAR

Target Corp. said sales are rising as the big-box chain benefits from a strong economy and recent investments in stores and online, but those investments continue to weigh on profit.

The company on Wednesday said sales in existing stores rose 3% in the quarter ended May 5, boosted by more shoppers visiting Target's stores and website. Chief Executive Brian Cornell said customer traffic to stores was the strongest in over a decade of quarterly figures.

But profit margins fell from a year earlier as the retailer focused on store remodels, lower prices and higher wages. Meanwhile, cooler weather in

early April delayed spending by customers on some higher-margin seasonal purchases, executives said.

Target expects margins to improve throughout the year as some of its investment burden lessens and the retailer cuts costs further, said Cathy Smith, Target's chief financial officer.

"The consumer is very healthy and they are spending more time shopping at Target," Mr. Cornell said. Target is gaining market share across all product categories, he said.

Shares of Target, which are up 9.1% since the start of the year, fell 5.7% Wednesday as Wall Street was expecting better profit gains.

Like other brick-and-mortar chains, Target has been spending heavily to adjust to changes

in the retail landscape. It faces competition from both **Amazon.com Inc.** online as well as the country's largest retailer, **Walmart Inc.**, which has been fixing up stores and expanding digital efforts.

A strong economy and investments to improve stores and grow online are propelling some retailers forward. Earlier this month Walmart and Macy's Inc. both reported rising same-store sales for the latest quarter.

Target's first-quarter profit rose 5.9% to \$718 million, or \$1.33 a share, from \$678 million, or \$1.22, a year earlier. Total sales climbed 3.5% to \$16.56 billion. Online sales grew by 28% in the quarter, up from a 21% rise the previous year.

—Allison Prang contributed to this article.

TECHNOLOGY

WSJ.com/Tech

New PlayStation Is Years Away

Sony to take its time with fifth generation of console as services grow in importance

BY TAKASHI MOCHIZUKI

TOKYO—Don't hold your breath for the fifth-generation PlayStation.

Sony Corp. wants to spend three more years readying its next videogame move, the head of the PlayStation business said Wednesday. That would mark a slight slowdown in the six-to-seven-year update cycle for the console since its debut in 1994. The PlayStation 4 went on sale in 2013 and has sold more than 79 million units.

"We will use the next three years to prepare the next step, to crouch down so that we can jump higher in the future," said Tsuyoshi "John" Kodera, who took over last October.

Mr. Kodera spoke a day after Sony's new chief executive, Kenichiro Yoshida, released his first three-year business plan. It included a conservative forecast for the videogame business, projecting operating profit in the final fiscal year of



The PlayStation 4 went on sale in 2013. A virtual reality headset for the videogame console.

Mr. Kodera said the company is looking at ways to better incorporate mobility into the PlayStation, traditionally a living-room console. Nintendo Co.'s popular Switch machine can be used both in the home and as a portable device.

Sony sells the hand-held PlayStation Vita, but Mr. Kodera said that when it comes to mobility, the company doesn't want to limit itself to a single dedicated device. "We need a broader perspective than that because so many things are now connected via the internet," he said.

One challenge for Sony is competing against companies with broader subscription offerings in entertainment, such as Amazon.com Inc. and Netflix Inc.

Mr. Yoshida, the CEO, said in a separate interview with reporters that PlayStation's subscription services provide valuable consumer-spending data.

He said PlayStation Vue, an internet television service in the U.S. that has struggled to match Amazon and Netflix, is bringing in useful user data and Sony has no plans to shut it down.

Musk Hits At Media For Tesla Coverage

BY TIM HIGGINS

Billionaire entrepreneur Elon Musk, unhappy with media coverage of Tesla Inc., said he plans to create a Yelp.com-like site to let people rate the credibility of journalists and news organizations. He also suggested he would name it after the Soviet Union's main propaganda outlet.

The Tesla chief executive, who frequently issues provocative comments on Twitter, made the proposal in a tweet-storm against the media Wednesday, after reports in recent weeks about Tesla's struggles to increase production of its Model 3 sedan, questions about working conditions at its factories, and government investigations into the safety of its Autopilot driver-assistance system.

Mr. Musk said coverage is driven by reporters under pressure to "get max clicks" and is biased because of advertising by other auto makers and oil companies.

"The holier-than-thou hypocrisy of big media companies who lay claim to the truth, but publish only enough to sugar-coat the lie, is why the public no longer respects them," he said in a message on Twitter a little before noon in San Francisco.

"Going to create a site where the public can rate the core truth of any article & track the credibility score over time of each journalist, editor & publication," he added. "Thinking of calling it Pravda ..."

Pravda is the name of the Communist Party's official newspaper in the former Soviet Union.

Mr. Musk has a long history of posting proclamations on Twitter whose seriousness isn't necessarily self-evident. On April Fools' Day this year, he joked about Tesla going bankrupt, then clarified that he really didn't mean it. He recently vowed to start a candy company in response to a comment about him by Warren Buffett, whose Berkshire Hathaway Inc. owns See's Candies.

Previously, Mr. Musk talked about founding a company to drill tunnels to alleviate traffic congestion, which some observers at the time interpreted as a joke. He now heads a tunneling business called the Boring Co.

A Tesla spokesman didn't respond to a request for comment.

Either way, his latest idea reflects Musk's penchant for publicly battling media outlets, analysts, and investors who raise questions about his business.

SoftBank Sets Itself Up for Next India Move

BY MAYUMI NEGISHI

TOKYO—SoftBank Group Corp. said Wednesday it has agreed to sell its entire stake in India's Flipkart Group to Walmart Inc., clearing the way for SoftBank to throw its weight behind a Flipkart rival.

The move ends weeks of uncertainty over where SoftBank Chief Executive Masayoshi Son, who runs the world's largest technology fund, is placing his bets in India's booming e-commerce market. Last week he told The Wall Street Journal that he was considering a bigger investment in Paytm, a digital-payments startup with an online marketplace that competes against Flipkart and Amazon.com Inc.'s India unit.

Walmart announced earlier this month that it would take control of Flipkart, India's largest e-commerce company, for \$16 billion. Mr. Son had wavered on whether to sell his Vision Fund's 21% stake to Walmart as part of the deal.

A person familiar with the deliberations said SoftBank was weighing tax considerations and the possible merits of keeping a stake until a public listing of Flipkart shares, which Walmart has said it plans within four years.

A SoftBank spokesman on Wednesday declined to comment beyond confirming that Mr. Son had decided to sell Flipkart and Walmart represen-



The company is selling its entire stake in Indian online retailer Flipkart, but will still have its investment in a rival e-commerce site.

tatives weren't available for comment.

Mr. Son has said the Walmart deal valued Vision Fund's stake in Flipkart at about \$4 billion, up 60% from what it paid nine months earlier.

Last year, the fund invested \$1.4 billion in One97 Communications, the India-based parent of Paytm. It has since invested \$110 million alongside Chinese internet giant Alibaba Group Holding Ltd. in online retailer

Paytm E-Commerce.

SoftBank was an early investor in Alibaba, and the two companies share many ties. Alibaba chief Jack Ma is on SoftBank's board.

The Vision Fund manages

nearly \$100 billion from backers including the sovereign-wealth funds of Saudi Arabia and Abu Dhabi, and companies such as Apple Inc., Qualcomm Technologies Inc. and Foxconn Technology Group.

TECH

Continued from page B1
lem: I paired my keyboard accessory through my iPhone's Bluetooth settings, propped my phone against my coffee mug and spent the ride answering emails and writing.

At the office, I can edit photos using a phone app and see the results on a monitor. I can play videos on any TV without downloading more apps or worrying about wireless connections. I leave my phone charging in a dock and my keyboard nearby, ready to respond to incoming texts.

This setup won't have you putting your MacBook on Craigslist. Mobile apps aren't always as powerful as their PC counterparts. But it will help you get things done in surprising places. You can accomplish more on the road with Excel, using Microsoft's mobile keyboard shortcuts. The most cramped airplane seat can be a workspace.

The iPhone could be an even more versatile computer, though. It doesn't know what a mouse is, for one thing. If you connect one via Bluetooth, nothing happens. The iPhone also offers few of the computer-y features of the iPad, such as split-screen multitasking. There's plenty of power in the phone to pull that off; Apple just doesn't see the touch-first interface as a place for mice and multitasking.

What if, when you plugged your iPhone into the right ac-

cessory, it booted up Mac OS instead? Apple isn't going there, either, but a few Android manufacturers are combining the mobile and desktop worlds. Plug Huawei's Mate 10 Pro into a large display, and the phone loads a new interface similar to Windows or Chrome OS. Pair a mouse and keyboard and you can use it as you would any other PC. You'll still get calls and notifications on the phone, even while it's powering your desktop.

Samsung offers a similar accessory for its Galaxy S9, called DeX. Both work well, but while you can use any mobile app, only some are optimized for the big screen. That's changing, largely because of Alphabet's Google. As the search giant integrates Android apps into Chromebooks, developers are starting to build mobile apps with flexible windows.



A Bluetooth keyboard can transform a phone into a portable PC.

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MANAGEMENT

Executive At ABC Quits Amid Overhaul

By JOE FLINT

Bruce Rosenblum is leaving as president of business operations for Disney/ABC Television Group after less than two years in the position.

The departure comes two months after parent company **Walt Disney** Co. reorganized its operations, a move that resulted in Mr. Rosenblum losing key areas of responsibility, including oversight of advertising sales, distribution and digital-media strategy for the unit.

In a memo to staff Wednesday, Mr. Rosenblum's boss, Disney/ABC TV Group President Ben Sherwood, said the two had discussions about other roles with Disney, but that Mr. Rosenblum has opted to depart at the end of the month.

Besides the ABC broadcast unit, the Disney/ABC Television Group comprises several cable networks, including Disney Channel and Freeform. ESPN isn't part of the unit.

The areas that had reported to Mr. Rosenblum are now overseen by Kevin Mayer, Disney's longtime strategist, who is chairman of a new direct-to-consumer and international segment. Disney recently launched an ESPN direct-to-consumer platform and has similar streaming services in the works on the entertainment side.

A well-regarded television industry veteran who held senior posts at Warner Bros. and Legendary Entertainment, Mr. Rosenblum joined Disney in 2016 after being wooed by Chief Executive Robert Iger and Mr. Sherwood. His hiring was aimed in part at freeing Mr. Sherwood up to focus more on the creative side of the business.

Ranks of Women CEOs Shrink

Females are leaving at same rate as men, but some high-profile departures stand out

By VANESSA FUHRMANS

If it seems like several female CEOs have lost or left their jobs lately, it is because they have. But so, too, have many male chief executives. So why do the women's departures seem so conspicuous?

One reason is there are so few females at the helm of major corporations to begin with. One year ago, a record 32 women were running Fortune 500 firms. Today that number is 24.

The high-profile exits of a handful of women leaders in recent months—including **Campbell Soup** Co.'s Denise Morrison last week and **Mattel** Inc.'s Margo Georgiadis in April—appear to have dramatically altered the C-suite's gender landscape.

Other women who have recently left the corner office include **Mondelez International** Inc.'s Irene Rosenfeld, Staples Inc.'s Shira Goodman and **Hewlett Packard Enterprise** Co.'s Meg Whitman, who as **eBay** Inc.'s former chief has run two Fortune 500 firms.

But women aren't leaving or getting pushed out of CEO positions in greater percentages than men, according to Equilar, a research firm that tracks executive hiring and firing.

At the 500 largest publicly traded firms, female CEOs have departed at roughly the same rate as their male counterparts since the beginning of 2017, Equilar data show. Recent high-profile male CEO exits include Steve Wynn from his casino company, Mark Fields from **Ford Motor** Co., Jeff Immelt from **General Electric** Co. and Richard Smith from **Equifax** Inc.

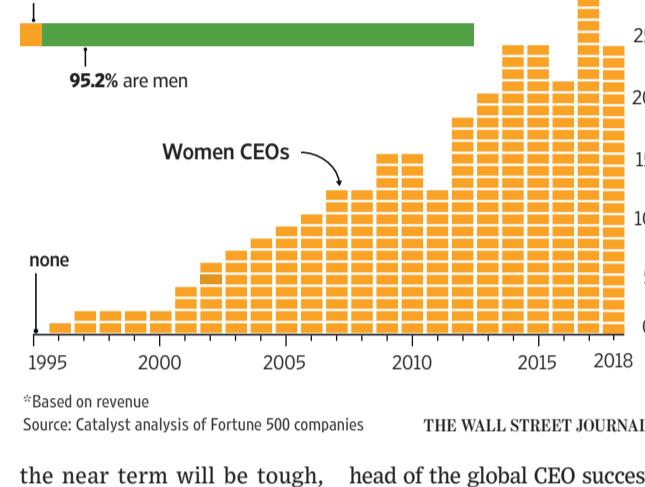
Significantly changing the absolute figures of women in



Ex-CEOs, from left, Denise Morrison, Campbell; Irene Rosenfeld, Mondelez and Margo Georgiadis, Mattel.

Losing Ground

The number of women CEOs in the top 500 U.S. companies* has decreased.



*Based on revenue
Source: Catalyst analysis of Fortune 500 companies

only about 20% of executive jobs, according to data compiled from 222 major companies last year by LeanIn.Org and McKinsey & Co. Many senior women are also in roles that don't have a direct impact on the bottom line, such as overseeing legal departments, rather than operational roles with profit-and-loss responsibilities, which is the typical path to becoming a CEO.

Ms. Stevenson said the CEO-succession plan of a company she met with a couple of weeks ago illustrates the point. Two senior executives—a man and a woman—are candidates to one day succeed the current boss. The woman has broad experience across the business but has never been promoted to a role with profit-and-loss responsibility. The man, on the other hand, has had such posts.

"If they don't afford the woman a P&L role soon, what are the real chances they will pick her when the time comes?" Ms. Stevenson said, adding that getting more women into the CEO slot is like working a chessboard. "You have to set up the moves to be able to make the moves."

Some research suggests that once women do get to the top, it can be difficult to hold on to the perch. Studying the

tenures of the 50 women who led Fortune 500 companies before 2015, researchers at Utah State University found that women were more likely to be appointed as CEO at a company in crisis than men, increasing the odds of a rocky tenure.

One reason may be that with so few CEO possibilities offered to women, they may be more likely to seize an opportunity their male counterparts might shun, said Donald Hambrick, a professor of management at Penn State University's Smeal College of Business.

Ms. Georgiadis, a former Google executive, took the helm of Mattel as the toy maker was in a protracted sales slump and struggling with adapting to a more digitally focused consumer base. She left after a year, succeeded by Ynon Kreiz, the former head of **Walt Disney** Co.'s Maker Studios. At the time, Ms. Georgiadis told shareholders, "It has been a privilege to lead such an iconic company at an important time for change."

Firms lack sufficient pipelines of potential women leaders to bolster their ranks.

Jewelle Bickford, a partner at Evercore Wealth Management who helps lead "Paradigm for Parity," a coalition of business leaders who have pledged to speed women's progress up the corporate ladder, said many companies that have put women at the helm are older legacy companies grappling with technological disruption in their industries.

"These are companies under pressure in the world we live in today, whether they are led by men or women," she said.

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BUSINESS NEWS

Startup Spreads E-Commerce in Africa

Nigeria-based Jumia wins over shoppers on the continent, investors from abroad

By MATINA STEVIS-GRIDNEFF

NAIROBI, Kenya—On safari for the rare African tech unicorn, **Goldman Sachs Group Inc.** and other big-name investors think they have spotted a winner in **Jumia**.

The online retailer, which was launched in 2012 in Nigeria with the backing of German startup fund **Rocket Internet SE**, is Africa's biggest e-commerce platform selling goods and services to millions of customers in 14 countries. It has raised more than \$700 million from investors, including global telecommunications operators, and was valued at \$1.2 billion—qualifying as a so-called unicorn—during its last fundraising round in 2016.

Gross sales last year reached €507 million (\$597 million), up 42% from the year before. Its vendor network, from Cape Town, South Africa, to Casablanca, Morocco, includes as many as 70,000 businesses offering their goods and services online.

Faced with poor internet connections and tight bank lending for vendors and consumers, the startup has had to build from scratch much of the economic infrastructure within which to operate.



A Jumia delivery in Nairobi. The company, which operates in 14 countries, was valued at \$1.2 billion in a fundraising round in 2016.



that there's no real retail industry to disrupt, no brick-and-mortar infrastructure to displace. It's one of the leapfrog opportunities," Mr. Miller said.

This year, still far from profitability, Jumia will ask investors to dig into their pockets again, Mr. Poignonne said.

Jules Frebault, executive director at Goldman Sachs, declined to say whether the bank would increase the size of its investment in the coming funding round. But he said Goldman likes opportunities where it can "participate in the success and scale of investments as the company grows, so we are always considering additional participation."

Founding Jumia investor and major shareholder Rocket Internet has seen its share price tumble, partly because of investor concerns about its inability to turn profits at three of its other flagship investments by the end of last year.

Other e-commerce companies are sizing up opportunities in what is one of the world's fastest-growing consumer markets with one billion people.

China's **Alibaba Group Holding Ltd.** is examining the African market closely, two people familiar with the situation said. Safaricom, **Vodacom Group Ltd.**'s Kenyan subsidiary, recently launched its own online retailer. Last year Amazon.com Inc. acquired Souq.com, a Dubai-based marketplace with a presence in North Africa.

"Nowhere else in the world is it more difficult to shop than in Africa," said Sacha Poignonne, Jumia's co-founder and chief executive.

Jumia executives have set up credit lines, offering loans to vetted vendors from the company's balance sheet. They also hold training workshops on basic accounting and stock-keeping. To draw in shoppers uneasy about placing orders online, Jumia launched multi-

national marketing campaigns featuring some of the continent's top pop stars and Black Friday events where buyers could win a live goat.

Jumia also accepts cash on delivery, unlike most Western online retailers but similar to India's Flipkart Group.

The company's model is providing a lifeline to the thousands of small and midsize businesses that dominate African retail but often struggle

because of poor credit and infrastructure, and few organized markets for their goods, said Robin Miller, a partner at Dalberg, an emerging-markets advisory firm.

When Harrison Karanja heard of the platform three years ago, he was working at a copy shop in Nairobi's business district, and had never read a spreadsheet in his life. Now, the 38-year-old Kenyan is running a bustling trade selling

mobile-phone accessories and furniture imported from China.

No bank would help Mr. Karanja manage his cash flow, so he went to Jumia with his need for quick clearing of payments and affordable credit lines. It worked: Jumia started clearing payments weekly for vendors who reached sales of about \$2,500.

Analysts say they expect e-commerce in Africa to boom eventually. "The advantage is

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PUBLIC NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:
Lehman Brothers International (Europe)
(in administration).¹
Debtor in a Foreign Proceeding.

Chapter 15
Case No. 18-11470 (SCC)

NOTICE OF FILING AND HEARING ON PETITION SEEKING RECOGNITION OF FOREIGN PROCEEDING AND RELATED RELIEF PURSUANT TO CHAPTER 15 OF THE UNITED STATES BANKRUPTCY CODE

PLEASE TAKE NOTICE that on May 14, 2018, Russell Downs, in his capacity as the duly authorized foreign representative (the "Foreign Representative") of Lehman Brothers International (Europe) (in administration) (the "Debtor"), filed the *Chapter 15 Petition for Recognition of a Foreign Proceeding* (Dkt. No. 1) and the *Verified Petition Under Chapter 15 for Recognition of a Foreign Main Proceeding and Related Relief* (Dkt. No. 2) (together, the "Petition") pursuant to chapter 15 of title 11 of the United States Code (the "Bankruptcy Code"), with the United States Bankruptcy Court for the Southern District of New York (the "Court").

PLEASE TAKE FURTHER NOTICE that the Foreign Representative seeks the entry of an order (a) finding that (i) the Debtor is eligible to be a "debtor" under chapter 15 of the Bankruptcy Code; (ii) the Debtor is a "foreign proceeding" under section 1502 of the Bankruptcy Code; (iii) the Foreign Representative satisfies the requirements of a "foreign representative" under section 101(24) of the Bankruptcy Code and (iv) the Petition was properly filed and meets the requirements of section 1515 of the Bankruptcy Code; (b) granting recognition of the English Proceeding as a foreign main proceeding under sections 1517 and 1520 of the Bankruptcy Code; (c) granting all relief afforded to foreign main proceedings under section 1520 of the Bankruptcy Code; (d) recognizing, granting comity to, and giving full force and effect within the territorial jurisdiction of the United States to the English Proceeding, the Scheme and the Sanction Order, including giving effect to the releases set forth in the Scheme; (e) permanently enjoining all parties from commencing or continuing any action or proceeding in the United States against the Debtor or its assets located within the territorial jurisdiction of the United States that is inconsistent with the Scheme; (f) waiving the 14-day stay of effectiveness of the proposed order granting the relief requested in the Petition and (g) granting related relief.

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a hearing (the "Hearing") to consider the relief requested in the Petition for 10:00 a.m. (Eastern Time) on June 19, 2018 in Room 623 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that copies of the Petition and all documents filed in the chapter 15 case are available to parties in interest on the Court's Electronic Case Filing System, which can be accessed from the Court's website at <http://www.nysb.uscourts.gov> (a Pacer login and password are required to retrieve a document) or upon written request to the Foreign Representative's counsel (including by facsimile or e-mail) addressed to:

LINKLATORS LLP
1345 Avenue of the Americas
New York, NY 10105
Telephone: (212) 903-9000
Facsimile: (212) 903-9100

Attn:
Amy Edgy, Esq.
amy.edgy@linklators.com
Robert H. Trust, Esq.
robert.h.trust@linklators.com
Christopher J. Hunke, Esq.
christopher.j.hunker@linklators.com

PLEASE TAKE FURTHER NOTICE that any party in interest wishing to submit a response or objection to the Petition must do so in writing and in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York, setting forth the basis for such response or objection with specificity and the nature and extent of the respondent's claims against the Debtor. Such responses or objections must be filed electronically with the Court by registered users of the Court's electronic case filing system in accordance with General Order M-399 and the Court's Procedures for the Filing, Signing and Verification of Documents by Electronic Means (copies of each of which may be viewed on the Court's website at <http://www.nysb.uscourts.gov>) and by all other parties in interest, on a compact disc in Portable Document Format (PDF), Microsoft Word, or any other Windows-based word processing format, which disc shall be sent to the Office of the Clerk of the Court, One Bowling Green, New York, New York 10004-1408. A hard copy of any response or objection shall be sent to the Chamber of the Honorable Shelley C. Chapman, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004-1408 and served upon Counsel for the Foreign Representative: Linklators LLP, 1345 Avenue of the Americas, New York, New York 10105 (Attention: Amy Edgy, Esq., Robert H. Trust, Esq. and Christopher J. Hunke, Esq.), so as to be actually received on or before June 12, 2018 at 4:00 p.m. (Eastern Time).

PLEASE TAKE FURTHER NOTICE that all parties in interest opposed to the Petition must appear at the Hearing at the time and place set forth above.

PLEASE TAKE FURTHER NOTICE that, at the Hearing, the Court may order the scheduling of a case management conference to consider the efficient administration of the case.

PLEASE TAKE FURTHER NOTICE that if no response or objection is timely filed and served as provided above, the Court may grant the relief requested in the Petition without further notice or hearing.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time without further notice other than an announcement in open court, or a notice of adjournment filed with the Court, of the adjourned date or dates at the hearing or any other further adjourned hearing.

Dated: May 16, 2018
New York, New York

LINKLATORS LLP
By: /s/ Robert H. Trust

Amy Edgy

Robert H. Trust

Christopher J. Hunke

1345 Avenue of the Americas

New York, NY 10105

Telephone: (212) 903-9000

Facsimile: (212) 903-9100

Counsel to the Foreign Representative

¹ The last four digits of the Debtor's England and Wales company registration number are 8254. The location of the Debtor's registered office is Level 23, 25 Canada Square, London, E1 5LQ, United Kingdom.

² The Debtor entered administration in the UK on September 15, 2008 (the "Administration"). The Debtor is now the subject of proceedings (the "English Proceeding") currently pending before the Chancery Division (Companies Court) of the High Court of Justice of England and Wales (the "High Court") concerning a scheme of arrangement (the "Scheme")³ under part 26 of the Companies Act 2006 of England and Wales (as modified, amended or re-enacted from time to time, the "Companies Act").

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PUBLIC NOTICES

THE HIGH COURT OF IRELAND

Record No. 2018/190 - COS

IN THE MATTER OF NVENT ELECTRIC PUBLIC LIMITED COMPANY

AND IN THE MATTER OF THE COMPANIES ACT 2014

AND IN THE MATTER OF A PROPOSED REDUCTION OF CAPITAL PURSUANT TO SECTIONS 84 TO 86 OF THE COMPANIES ACT 2014

NOTICE IS HEREBY GIVEN that an Originating Notice of Motion issued out of the High Court of Ireland on 9 May 2018, seeking the High Court of Ireland's confirmation of a special resolution passed by NVENT Electric Public Limited Company (the "Company") on 30 April 2018, reducing the Company's capital by way of a reduction in the share premium account in the sum of US\$77,768,128.87, is directed to be heard in the commercial list of the High Court, sitting at the Four Courts, Inns Quay, Dublin 7, Ireland, at 11:00 a.m. (Irish time) on 6 June 2018 (the "Hearing").

Any interested party that wishes to support or oppose the making of any order and/or wishes to obtain a copy of the Originating Notice of Motion and grounding affidavit, should contact the solicitors for the Company at the address below. Any interested party may appear at the Hearing personally or be represented by a solicitor or by counsel. Any interested party intending to appear should give notice in writing to the solicitors for the Company by no later than 5:30 p.m. (Irish time) on 1 June 2018, and any affidavit in support of any such appearance should be filed with the Central Office of the High Court of Ireland, and served on the solicitors for the Company, by no later than 5:30 p.m. (Irish time) on 1 June 2018.

Dated: 24 May 2018

ARTHUR COX

Solicitors for the Company

10 Earlsfort Terrace

Dublin 2

Ref: CMCL/BD/RF

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May	3,0900	3,0900	3,0365	3,0605	-0,0585	570	
July	3,1220	3,1320	3,0485	3,0705	-0,0615	134,536	
Gold (CMX)-100 troy oz.; \$ per troy oz.	1290,60	1298,40	1286,70	1289,60	-2,40	174,208	
May	1290,60	1298,40	1286,70	1289,60	-2,40	174,208	
June	1295,90	1303,80	1292,00	1294,80	-2,60	232,559	
Aug	1303,00	1309,40	1299,00	1301,10	-2,50	10,850	
Oct	1310,50	1316,00	1304,70	1307,60	-2,50	68,072	
Dec	1313,00	1318,10	1312,80	1314,00	-2,60	4,017	
Feb'19	1313,00	1318,10	1312,80	1314,00	-2,60	4,017	
Palladium (NYM)-50 troy oz.; \$ per troy oz.	987,10	988,40	961,10	971,10	-15,70	10,172	
June	987,10	988,40	961,10	971,10	-15,70	10,172	
Sept	984,30	985,00	958,10	968,30	-15,70	12,705	
Dec	975,00	975,00	967,00	964,30	-15,30	301	
Platinum (NYM)-50 troy oz.; \$ per troy oz.	906,50	906,50	899,20	898,90	-8,00	19	
July	908,10	910,40	898,20	900,80	-8,00	72,164	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	16,955	16,600	16,330	16,405	-0,170	135,834	
May	16,955	16,600	16,330	16,405	-0,170	135,834	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	72,13	72,26	71,19	71,84	-0,36	540,497	
July	72,13	72,26	71,19	71,84	-0,36	540,497	
Aug	71,94	72,05	70,99	71,71	-0,31	231,148	
Sept	71,47	71,59	70,54	71,32	-0,25	260,526	
Oct	70,99	71,01	70,00	70,82	-0,21	169,176	
Dec	69,95	70,05	69,00	69,87	-0,17	308,844	
Dec'19	64,20	64,22	63,46	64,18	-0,07	170,396	
NY Harbor UlSD (NYM)-42,000 gal.; \$ per gal.	2,2780	2,2911	2,2537	2,2896	-0,006	51,356	
July	2,2759	2,2875	2,2502	2,2859	-0,0088	140,519	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	2,2597	2,2625	2,2248	2,2601	-0,0101	62,715	
June	2,2541	2,2572	2,2195	2,2547	-0,0089	168,476	
Natural Gas (NYM)-10,000 MMbtu; \$ per MMbtu.	2,900	2,939	2,898	2,914	.006	64,661	
July	2,927	2,974	2,926	2,955	.019	293,380	
Sept	2,929	2,969	2,926	2,956	.023	159,398	
Oct	2,931	2,972	2,931	2,960	.022	146,631	
Jan'19	3,153	3,187	3,150	3,174	.021	106,233	
March	3,003	3,034	2,998	3,022	.018	96,596	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	... 404,50 423,00	409,00 426,75	▲ 421,75	403,00 426,50	408,50 3,25	3,75 514,429	797,146 64,661
Oats (CBT)-5,000 bu.; cents per bu.	249,75 261,00	253,00 261,00	249,25 260,25	252,00 260,25	2,25 -50	3,967 1,036	1,036,25 1,036,25
Soybeans (CBT)-5,000 bu.; cents per bu.	1030,50	1039,75	1027,75	1039,25	8,75	399,120	
Nov	1038,50	1040,99	1036,25	1048,75	9,75	247,874	
Soybean Meal (CBT)-10,000 tons; \$ per ton.	377,80	383,10	376,30	380,70	3,20	219,512	
Dec	373,30	378,80	373,00	377,80	4,50	104,384	
Soybean Oil (CBT)-60,000 lbs.; cents per lb.	31,51	31,85	31,44	31,70	.19	247,267	
Dec	32,28	32,62	32,23	32,49	.19	109,283	
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	1237,50	1238,00	1172,00	1192,00	-41,00	5,263	
Sept	1190,00	1190,00	1143,00	1160,00	-30,00	2,717	
Wheat (CBT)-5,000 bu.; cents per bu.	520,75	531,75	517,25	531,00	9,50	242,158	
Dec	558,75	565,80	555,00	562,85	8,50	97,021	
Wheat (Kc)-5,000 bu.; cents per bu.	540,50	553,00	536,25	551,75	11,25	131,803	
July	585,00	596,25	580,25	595,25	10,75	55,195	
Wheat (MPLS)-5,000 bu.; cents per bu.	632,50	645,75	645,75	642,00	9,00	31,824	
Sept	638,25	649,75	647,00	646,75	8,00	12,716	
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	133,650	135,000	133,650	134,900	.950	2,371	
Aug	140,975	143,600	140,325	143,350	2,625	26,847	
Cattle-Live (CME)-40,000 lbs.; cents per lb.	104,500	105,950	104,475	105,450	.550	54,017	
June	103,000	102,900	100,250	102,800	2,150	162,525	
Hogs-Lean (CME)-40,000 lbs.; cents per lb.	73,250	75,225	73,250	74,600	1,475	36,801	
July	75,200	77,250	75,175	76,225	1,100	73,304	
Lumber (CME)-11,000 bd. ft.; \$ per 1,000 bd. ft.	57,99	60,099	57,99	57,930	-14,70	5,156	
Sept	564,60	592,90	564,60	564,60	-15,00	920	
Milk (CME)-200,000 gallons; cents per lb.	15,23	15,25	15,20	15,24	... 3,754		
June	15,86	15,90	15,68	15,75	-.09	3,824	
Cocoa (ICE-US)-10 metric tons; \$ per ton.	2,608	2,635	2,585	2,618	.29	116,041	
Sept	2,650	2,676	2,626	2,661	.33	62,331	

Contract

	Open	High	hi lo	Low	Settle	Chg	Open interest
Coffee (ICE-US)-37,500 lbs.; cents per lb.	120,40	120,80	118,60	119,35	-1,50	132,930	
Sept	122,85	123,00	120,85	121,65	-1,50	59,848	
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.	12,17	12,44	12,12	12,35	.20	457,081	
Oct	12,55	12,80	12,47	12,72	.20	264,188	
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.	24,60	24,60	24,50	24,50	-.10	2,114	
July	25,38	25,38	25,38	25,25	.25	1,970	
Cotton (ICE-US)-50,000 lbs.; cents per lb.	87,34	87,75	86,72	86,96	-.39	127,075	
Dec	83,83	84,43	83,26	84,05	.21	128,977	
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.	168,80	169,60	167,85				

BANKING & FINANCE

Stocks Could Trade Like Bitcoin

By ALEXANDER OSIPOVICH

A newly proposed exchange aims to provide a regulated alternative to risky initial coin offerings.

This week, a U.S. options exchange backed by Canada's **TMX Group** said it would team up with online retailer **Overstock.com** to create the first regulated exchange for "security tokens," which are essentially digital versions of stocks.

Security tokens use blockchain, the technology behind bitcoin, to manage the transfer of the shares from one owner to another. Unlike the tokens sold in many initial coin offerings, they are designed to be compliant with Securities and Exchange Commission rules. Only a few security tokens have been issued to date.

While the idea of the tokens is largely untested and the exchange plan is far from gaining SEC approval, supporters say they could transform the way startups raise money by allowing them to bypass venture-capital firms and effectively sell shares over the internet. Others say replacing stocks with security tokens will make markets more efficient and cut investors' costs.

The SEC could still quash the concept, however, and traditional Wall Street players like banks, exchanges and central securities depositories have incentives to maintain the status quo.

Research firm Greenwich Associates, in a report Tuesday, called security tokens an "invasive species" that would lead to the extinction of traditional stocks. "Issuing [securities] on the blockchain is the future and a lot more efficient than the way we do it now," Greenwich analyst Richard Johnson, the report's author, said in an interview.

BOX Digital Markets LLC, a sister company of **BOX Options Exchange LLC**, said on



Supporters say bitcoin-like security tokens could transform the way startups raise money. A cryptocurrency facility in Quebec.

Tuesday it would seek to launch the exchange for security tokens as a joint venture with digital-assets trading platform **tZero**.

Chicago-based **BOX**, the smallest of the five U.S. options-exchange operators, is about 40% owned by TMX. tZero is majority-owned by online retailer Overstock.com. Overstock Chief Executive Patrick Byrne is an outspoken proponent of virtual currencies who has invested in blockchain companies, although his track record has been mixed.

A number of startups are working on security tokens. They include Harbor, which is focusing on tokens backed by real estate, and Polymath, which is developing tools for ensuring that trading in security tokens is compliant with relevant laws.

Harbor is backed by Silicon

Valley venture-capital firms including Peter Thiel's Founders Fund and **Andreessen Horowitz**, while Polymath raised \$58.7 million in a private token sale that it registered with the SEC, according to a Jan. 25 regulatory filing.

A proposed exchange would allow transfer of shares based on their own blockchain.

Security tokens are different from the "utility tokens" typically sold in many ICOs available to the public. Utility tokens occupy a legal gray area. Many of the companies issuing them say they don't fall within the SEC's jurisdiction.

But SEC officials differ, saying many utility tokens probably are securities under U.S. law, which would mean the ICOs in which they were sold were illegal.

In contrast, security tokens are securities—as the name suggests. They potentially could have built-in computer programs that force their owners to comply with SEC rules.

A security token could only let itself be sold to an "accredited investor" under SEC Rule 506. This rule lays out the procedure by which many startups in the U.S. raise money. It limits the sale of shares to accredited investors, who need to have a certain minimum income and meet other requirements.

The **BOX-tZero** announcement comes as the ICO market shows few signs of slowing down. About \$7.15 billion has been raised in such offerings so far this year, according to Token Report, despite the mounting regulatory scrutiny.

Overstock itself has drawn regulators' attention. The retailer disclosed in March that the SEC had requested documents about a digital-token offering conducted by tZero, as part of an investigation. The probe doesn't mean tZero or Overstock is suspected of wrongdoing.

The **BOX-tZero** joint venture will be completed in the coming weeks, after which it will commence discussions with regulators, according to Lisa Fall, CEO of **BOX Digital**.

Instead of creating a new exchange, the plan is to use **BOX**'s existing exchange license to list security tokens, Ms. Fall said in an interview.

She declined to discuss the timing of the process.

Regulator Hits Reset On Small Loans

By LALITA CLOZEL

WASHINGTON—Regulators are encouraging banks to offer small, short-term loans to consumers in a bid to revive a riskier lending sector that dried up in the years after the financial crisis.

The Office of the Comptroller of the Currency, a national bank regulator, on Wednesday said that it encourages financial firms to begin offering loans to be repaid over two to 12 months for amounts typically ranging from \$300 to \$5,000. The loans carry higher interest rates than longer-term loans.

The move, outlined in an OCC bulletin, marks a reversal from the Obama era, when regulators discouraged banks from making such loans, which are riskier than other types of lending.

"Consumers should have more choices that are safe and affordable and banks should be part of the solution," Comptroller of the Currency Joseph Otting said. He added banks should be able to extend credit to borrowers when "their truck broke down on the weekend and they need access to money to get their transmission fixed or tools to start a new job."

Mr. Otting said banks had exited that market under pressure from regulators, pushing consumers into "a lower common denominator" such as check cashers, payday lenders or pawnshops.

Several banks have expressed an interest in developing new small-dollar products, Mr. Otting said. "This is the signal that they have been looking for."

And some have already begun expanding short-term loan offerings. **Fifth Third Bank** in February began opening up its deposit-advance product to new borrowers, after it had stopped offering similar loans to new customers four years ago. "We believe there is a need for a convenient and flexible small dollar solution," a Fifth Third spokesman said.

Banks have said small-dollar consumer loans are difficult to make on a large scale because the underwriting process is costly compared with the small profit they make on each loan.

The agency's move is part of a broader effort by Trump-era financial regulators to ease restrictions on small-dollar lending.

The Consumer Financial Protection Bureau is separately reviewing a 2017 rule that placed strict underwriting requirements on short-term loans with repayment periods under 45 days.

Abraaj Buyout Fund Faces Investor Scrutiny

Abraaj Group is facing scrutiny from investors for allegedly using more than \$200 million of investor money from a \$1.6 billion buyout fund to help finance its own busi-

ness rather than buy or invest in companies as intended, people familiar with the situation said.

The new allegations come as the Dubai-based private-equity company faces investor charges that it mismanaged the money in a health-care fund.

Abraaj executives including founder Arif Naqvi met Wednesday with investors in

the ballroom of London's Langham Hotel to discuss the buyout fund. Abraaj used some of the money for its own purposes as recently as this year, some of the people said. The meeting lasted more than seven hours and was attended by firms including U.S.-based **Hamilton Lane**, whose representative declined to comment.

Founded in 2002 by Mr. Naqvi, Abraaj became one of the world's largest emerging-market investment firms, with billions of dollars of assets.

In recent months, investors have trained their sights on alleged mismanagement of the \$1 billion health-care fund. In particular, Abraaj's governance and cash-management practices are under scrutiny after



Arif Naqvi resigned as chief of fund-management business.

investors in the health-care fund, including the Bill & Melinda Gates Foundation, hired forensic auditors in February

to investigate why \$279 million they gave the fund allegedly wasn't used for its stated purpose of building hospitals and clinics in poor countries, said people familiar with the situation.

Money from the health-care fund was commingled with other funds overseen by Abraaj's Cayman Islands-registered holding company, Abraaj Holdings, according to people familiar with the situation.

An Abraaj spokeswoman said in April that the firm was working "closely, collaboratively and confidentially with all investors" in the health-care fund.

Abraaj said in February it had hired independent experts to review its governance and control functions.

Abraaj tapped the \$1.6 billion buyout fund, called Abraaj Private Equity Fund IV, in a similar way to the health-care fund, the people said.

The buyout fund also invested in companies including a Saudi restaurant chain and a Turkish retailer of dairy products, fund documents show.

Since the Gates foundation and other investors hired the forensic accountant for the health-care fund, Mr. Naqvi has stepped down as chief executive of the firm's fund-management business, Abraaj Investment Management Ltd., which has been put up for sale and drawn interest from investment companies including Los Angeles-based **Colony NorthStar Inc.**, people familiar with the situation said.

Hedge Fund Marble Arch Shuts Down After 11 Years

By GREGORY ZUCKERMAN

Marble Arch Investments LP, a \$2.4 billion New York hedge fund, said it is closing down, the latest sign of pain felt by investors who bet against expensive stocks.

On Monday, the 11-year-old firm announced the decision in a letter to its investors. "The past two years have been disappointing...as performance has been challenged by our value orientation and a difficult short-selling environment," the letter said, according to an investor who received it.

"It's time for us to close the fund and take a break," the firm's founders, R. Scott McLellan and Tim Jenkins, said in the letter.

The firm managed \$2.4 billion as of end of March, including borrowed money, according to securities filings.

A representative of the firm declined to comment.

In recent years, Marble Arch hasn't kept up with the market. The fund was down 0.5% through the end of April, but was up just 3.3% last year and fell 1.1% in 2016. By comparison, the S&P 500 fell 0.4% this year through April, including dividends, and rose 21.8% last year and nearly 12% in 2016.

Home builder **D.R. Horton**,

Big Banks Lobby to Ease Swap Rules

By GABRIEL T. RUBIN

WASHINGTON—On the heels of a legislative victory this week for small and mid-size banks, bigger banks including **JPMorgan Chase & Co.** and **Citigroup Inc.** are lobbying congressional Republicans in an effort to ensure a victory of their own.

Large banks are pushing Congress to redefine swap transactions between different affiliates of the same company so that they aren't subject to certain rules stemming from the 2010 Dodd-Frank Act. The move would prevent regulators from forcing banks to post collateral for those transactions, potentially saving banks hundreds of millions of dollars in compliance costs.

Legislation to legally change the definitions of those transactions—exempting them from Dodd-Frank collateral rules—has passed the House but died in the Senate due to Democratic opposition.

Now, House Republicans have taken a harder-line approach to push the legislation through. In recent budget negotiations, they linked the exemption to increased funding for the Commodity Futures Trading Commission, the primary swaps regulator that

hasn't seen a funding increase since 2014. When some Senate Democrats objected to the exemption, it was stripped from the budget. The CFTC ended up having its funding cut by \$1 million.

"My colleagues in the minority and particularly over in the Senate have refused to discuss any reasonable bipartisan offers for long-overdue policy changes unless they increase funding," said Rep. Robert Aderholt (R., Ala.), a senior member of the House Appropriations Committee, at a committee hearing last week.

"House Republicans seem determined to protect big banks instead of protecting market stability," Sen. Sherrod Brown (D., Ohio) said in an email to The Wall Street Journal. "Federal agency funding should not be held hostage for industry's wish list."

Swaps, contracts in which two parties agree to exchange payments based on fluctuations in interest rates or other benchmarks, were targeted by U.S. lawmakers for greater oversight and transparency after they played a central role in the 2008 financial crisis. Companies use the multitrillion-dollar swaps market to hedge risks or make bets in areas such as fuel prices or interest rates.

Republicans are sticking to the strategy of linking a significant bump in the CFTC's budget to the swaps-rule exemption, despite complaints from Trump-appointed regulators at the CFTC, who have warned of an extended hiring freeze and possible buyouts.

JPMorgan and Citigroup have lobbied extensively on legislation to change the swaps definition, say congressional aides and lobbying disclosures, though congressional aides say it was House Republicans who decided to pair the issue with a CFTC budget increase to put pressure on Senate Democrats.

Representatives for JPMorgan and Citigroup declined to comment.

Supporters of the legislation contend that interaffiliate swaps don't pose the same risks as swaps between unrelated companies and shouldn't be subject to the same rules. Major trade groups like the U.S. Chamber of Commerce have made the case to Congress that the primary beneficiary of such a rule change would be derivatives end-users, like energy companies and farmers.



At issue are swap transactions between bank affiliates.

Regulators are encouraging banks to offer small, short-term loans to consumers in a bid to revive a riskier lending sector that dried up in the years after the financial crisis.

The Office of the Comptroller of the Currency, a national bank regulator, on Wednesday said that it encourages financial firms to begin offering loans to be repaid over two to 12 months for amounts typically ranging from \$300 to \$5,000. The loans carry higher interest rates than longer-term loans.

The move, outlined in an OCC bulletin, marks a reversal from the Obama era, when regulators discouraged banks from making such loans, which are riskier than other types of lending.

Consumers should have more choices that are safe and affordable and banks should be part of the solution," Comptroller of the Currency Joseph Otting said. He added banks should be able to extend credit to borrowers when "their truck broke down on the weekend and they need access to money to get their transmission fixed or tools to start a new job."

Mr. Otting said banks had exited that market under pressure from regulators, pushing consumers into "a lower common denominator" such as check cashers, payday lenders or pawnshops.

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And some have already begun expanding short-term loan offerings. **Fifth Third Bank** in February began opening up its deposit-advance product to new borrowers, after it had stopped offering similar loans to new customers four years ago. "We believe there is a need for a convenient and flexible small dollar solution," a Fifth Third spokesman said.

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The Consumer Financial Protection Bureau is separately reviewing a 2017 rule that placed strict underwriting requirements on short-term loans with repayment periods under 45 days.

BANKING & FINANCE

Turkish Currency Takes a Frenetic Ride

Lira plummets then rebounds to finish 2% higher after central bank raises a key rate

By MIKE BIRD AND OLGA COTAGA

The Turkish lira plunged before recovering after the central bank raised a key interest rate, in a bid to stop the currency's fall one month before presidential and parliamentary elections.

The lira, among the most vulnerable emerging-market currencies amid a rising U.S. dollar, fell by as much as 5% against the U.S. currency before rebounding and trading 2% higher on the day, after the Central Bank of the Republic of Turkey raised an overnight lending rate for banks from 13.5% to 16.5%.

Late Wednesday in New York, the dollar bought 4.5762 lira from 4.6691 lira late Tuesday.

The Turkish lira has lost 17% against the dollar this year, with investors concerned about the central bank's ability to raise interest rates when faced with opposition from President Recep Tayyip Erdogan, who recently referred to high interest rates as "the mother and father of all evils."

Mr. Erdogan is campaigning for re-election with a central pledge: that the central bank will continue to lend on the cheap.

Investors often worry about the independence of central banks in the developing world, but that concern could push Turkey, one of Europe's largest countries, into an economic crisis.

Some investors said that the central bank will still need to do more to reassure mar-

Tumbling

How many Turkish lira one U.S. dollar buys



Note: Scale inverted to show declining lira
Source: Tullett Prebon
THE WALL STREET JOURNAL.

kets. Even after Wednesday's increase, the Turkish currency is weaker against the dollar than it was at the beginning of the week.

"It's a very small step in the right direction, but this doesn't make a dramatic change to a very bearish take on Turkey," said Paul McNa-

mara, emerging-market portfolio manager at asset manager GAM.

"Just rate hikes aren't enough. They need a plan to slow the economy more generally, including the volume of credit," said Mr. McNamara, noting that the government had recently expanded a credit program to encourage more lending.

The lira is near its weakest level against the dollar since the Turkish currency was re-denominated in 2005, a fall that is exacerbating already-high inflation, which stood at close to 11% in April, while saddling the country with a wide current-account deficit, a key indicator of the country's economic vulnerability.

Piotr Matys, an emerging-markets foreign-exchange strategist at Rabobank, said the interest-rate rise should provide the lira with short-term relief.

But "what the market would welcome would be reassurance from Turkish officials that they further support steps to stabilize the currency," he said.

Turkish Deputy Prime Minister Mehmet Simsek tweeted after the central bank rate rise that the bank had his full backing "in doing what's necessary to stem the slide in lira & achieve price stability."

The Turkish currency has been caught in a wider storm sweeping through emerging markets, from Argentina to South Africa, partly because of a sharp rise in the dollar.

In recent years, investors have debated the independence of Brazil's central bank after it continued to cut rates despite a surge in inflation and a credit boom.

The Brazilian real is down about 10% against the dollar this year.

By contrast, the Russian ru-

ble has been supported by confidence that the country's central bank has a degree of independence from the government.

The Turkish central bank says it is independent and committed to taming Turkey's double-digit-percentage inflation, but it has used rate increases—widely regarded by economists as the main tool to support a weakening national currency and combat inflation—sparingly.

Other factors are hammering the Turkish currency. The rise in oil prices is seen as a problem for Turkey, which is a big importer of dollar-denominated crude.

Turkey's energy imports as a proportion of its total use of energy has steadily climbed, according to World Bank data, rising from about 12% in 1960 to 75% in recent years.

—Yeliz Candemir contributed to this article.

Stocks Rise Following Fed's Signal on Rates

By AMRITH RAMKUMAR AND RIVA GOLD

U.S. stocks erased early losses and closed higher after minutes from the Federal Reserve's latest meeting showed the central bank plans to stay on a gradual path of interest-rate increases even if inflation meets its target.

Worries about the Fed raising rates faster than expected have buoyed Treasury yields and the dollar lately, and contributed to swings in stocks. Some analysts worry that higher borrowing costs will crimp future profit growth and a continued rise in bond yields will make stocks less attractive.

The latest minutes showed the Fed remains on track to raise rates in June as expected, but that the central bank plans to stay on its moderate path as it boosts rates to historically normal levels and unwinds its balance sheet.

"Getting off [that path] would be a sign that something may be going the wrong way," said Stephen Lee, founding partner at Logan Capital Management. "It's really consistent with trying to get back to normal but taking their time."

The Dow Jones Industrial Average rose 52.40 points, or 0.2%, to 24886.81, after earlier

falling as much as 0.7%. The S&P 500 climbed 8.85 points, or 0.3%, to 2733.29, and the Nasdaq Composite added 47.50 points, or 0.6%, to 7425.96.

Stocks opened lower as investors continued to assess a range of trade tensions and a drop in commodities prices. Uncertainty over a U.S. agreement with China over telecom giant ZTE and reports that talks to renegotiate the North American Free Trade Agreement have reached a stalemate have hurt stocks in recent sessions.

Investors were also parsing reports that President Donald Trump is weighing measures to cut European Union steel and aluminum exports to the U.S. by about 10%.

Some analysts worry that protectionist trade measures will lead to slower activity and ultimately a weaker global economy, hurting a wide range of assets, including stocks and commodities.

Commodities and the companies that produce them fell, as investors initially sold a wide range of risky assets. U.S. crude oil fell 0.5% amid worries that the Organization of the Petroleum Exporting Countries could decide to ramp up production at its next official meeting in June, while copper futures declined 1.9%.

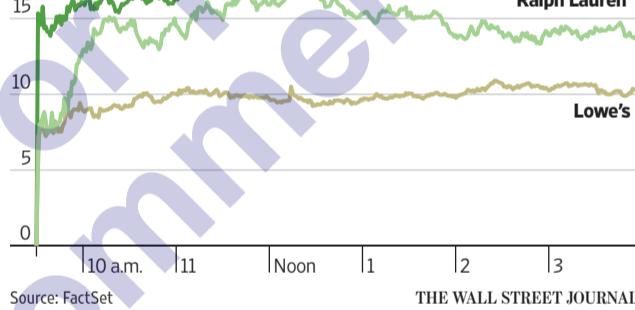
"I think the market is trying to interpret" the latest trade developments, said Steven Chiavarone, assistant vice presi-



Commodities and the shares of companies that produce them fell. Metal coils at a steel plant.

Retail Run-Up

Tiffany, Ralph Lauren and Lowe's were among the biggest gainers Wednesday after reporting earnings.



Source: FactSet
THE WALL STREET JOURNAL.

dent and portfolio manager at Federated Investors. "The market got excited when they thought the tensions were easing, now they've gotten a bit

nervous."

Haven assets such as bonds and the yen climbed. The yield on the benchmark 10-year U.S. Treasury note fell to 3.003%, from 3.065% Tuesday—its largest one-day drop in two months. Yields fall as prices rise.

The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, added 0.1%, erasing most of its gains after the Fed minutes.

Among individual stocks, Tiffany, Ralph Lauren and Lowe's were the best performers in the S&P 500 following their latest earnings reports, while Target was among the biggest laggards after the retailer said higher spending pinched profit margins.

Elsewhere, the Stoxx Europe 600 fell 1.1%. Europe's auto sector, often seen as a potential target in trade spats, was among the biggest decliners, while the euro fell 0.7% against the dollar.

Japan's Nikkei Stock Average shed 1.2% in its biggest drop since March. It was down a further 1.1% early Thursday.

U.S. Oil Falls on Surprising Jump in Fuel Stockpiles



By ALISON SIDER AND CHRISTOPHER ALESSI

U.S. oil prices fell as U.S. data showed big increases in crude and fuel stockpiles while the international benchmark rose as investors weighed whether the Organization of the Petroleum Exporting Countries could

COMMODITIES ramp up crude production.

U.S. crude prices fell 36 cents, or 0.5%, to \$71.84 a barrel, on the New York Mercantile Exchange. Brent rose 23 cents, or 0.3%, to \$79.80 a barrel, on ICE Futures Europe, a fresh 3½-year high.

The U.S. Energy Information Administration reported U.S. crude stockpiles rose 5.8 mil-

lion barrels, a sharp contrast to the 2.2 million barrel drop that analysts had expected. Gasoline inventories rose by 1.9 million barrels when analysts were expecting a 1.4 million barrel decline.

"Nobody saw that coming," said Robert Yawger, director of the futures division of Mizuho Securities USA Inc.

U.S. crude stockpiles are often viewed as a proxy for global inventories and have been a closely watched barometer as traders and investors monitored a dwindling glut of oil, so the unexpected addition to supplies was a bearish signal.

With global prices nearly \$8 a barrel higher than U.S. prices, many were expecting a surge in exports departing the U.S. But exports fell to 1.748 million bar-

rels a day—still relatively high but a big drop from the previous week's rate of nearly 2.6 million barrels a day. And oil imports rose.

The chasm between U.S. and global oil prices is at its widest since 2015 as investors bet that record output in the U.S. will keep the U.S. market well supplied even as global supplies tighten due to a combination of OPEC's cuts and geopolitical factors.

Reports that OPEC could decide to raise crude output at its next official meeting in June amid risks to Iranian and Venezuelan supply weighed on prices in early trading. But without additional confirmation from Saudi Arabia, the group's de facto leader, investors took a "wait-and-see" approach.

The Fed minutes showed officials believed letting inflation run above 2% for a temporary period "would be consistent with the Committee's symmetric inflation objective and could be helpful."

AUCTION RESULTS

Here are the results of Wednesday'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.

FIVE-YEAR NOTES

Applications	\$96,871,209,500
Accepted bids	\$42,253,698,300
"noncompetitively	\$63,373,900
"noncompetitively"	\$0
Auction price (rate)	99.472437 (2.864%)

Interest rate

Bids at clearing yield accepted

Cusip number

The notes, dated May 31, 2018, mature on May 31, 2023.

ONE-YEAR, 11-MONTH FRNs

Applications	\$52,172,170,100
Accepted bids	\$16,000,041,600
"noncompetitively"	\$17,130,100
Spread	0.033%
Bids at clearing yield accepted	83.23%
Cusip number	912828456

The floating-rate notes, dated May 25, 2018, mature on April 30, 2020.

RISK

Continued from page B1

attraction for the investor is often a double-digit-percentage yield on assets it can't normally access.

Once blessed by regulators, the sale allows a bank to reduce the amount of capital it uses to back those loans. The bank can then redeploy capital elsewhere. That allows it to make more loans and helps boost returns on its existing capital base.

But the deals are privately structured, so the terms the

banks negotiate, including the payments they make to the European Investment Fund and others, aren't known. And some critics also worry banks could struggle to get timely payouts from investors in a major downturn if the deals aren't backed with easily accessible funds.

While investors expect banks to cover a percentage of the losses on a portfolio before any protection payments kick in, the risks are still there. "Many investors are in love with [the] trades and are prepared to accept high single-digit to low-teens returns for what are often black-box

portfolios," Ratul Roy, head of global structured credit at Citigroup Inc., wrote in a research note.

Europe's bank risk-transfer market is modest in comparison with the \$39 trillion of assets in its banking system. There were about 35 deals completed last year, covering about €75 billion (\$88 billion) of loans, according to Mr. Roy.

It helps European banks recycle their capital in an efficient manner," said Kaikobad Kakalia, chief investment officer at Chorus Capital, a fund

that invests in such deals.

Some banks like Deutsche Bank AG have been big players in this market for years. Others, such as Barclays PLC, have only ramped up use of these trades more recently.

The European fund, which competes along with pension funds and hedge funds in this sector, has been scaling up quickly.

It nearly doubled the amount of loan losses it covers to €1.3 billion in the past year, linked to €30 billion of loans. Mr. Passaris expects this to continue to increase.

The reason: The European Union's executive arm is pushing

an investment-spending program that aims to get half a trillion euros of new financing into the economy. The risk-sharing trades are part of this effort.

European regulators have previously expressed concerns that risk-sharing trades were being used by banks in underhanded ways. For instance, there were worries banks would pay so much for the loss insurance they would be effectively taking a write-down on loans. Regulators recently moved to make the trades less beneficial to banks' capital positions, which could dampen demand in the future,

analysts say.

MARKETS

U.S. Profit Boom Leaves Europe Behind

By RIVA GOLD

The eurozone's economy has outpaced the U.S. for the past two years, yet its corporate profits are trailing those in America like never before.

The bloc posted its strongest economic growth in a decade last year, inspiring investors to pour billions into European exchange-traded funds following the 2017 French election.

European earnings have increased since then, but the U.S. has grown much faster—with the gap in earnings per share between MSCI's USA and Europe indexes ballooning to a 30-year high, according to Mislav Matejka, equity strategist at JPMorgan.

A stronger euro, large U.S. tax cuts and surging growth from America's tech giants have caused most of that gap.

"Europe had a very good year of profit growth, but the U.S. was on steroids," said Karen Olney, head of European thematic equity research at UBS.

Now investors are debating whether Europe is set for a catch-up as the tax effects wash out and the U.S. dollar regains its footing, or whether a recent slowdown in the region's economic data portends a bumpier road ahead.

Companies in the S&P 500 are on track to increase earnings by 25% in the most recent quarter, compared with just 6.5% for the Stoxx Europe 600, according to FactSet.

Throughout the reporting season, U.S. companies have been surpassing expectations, with 78% of S&P 500 companies beating earnings-per-share forecasts, on pace for the most positive surprises in the nearly 10 years that the data have been tracked.

That compares with just 43.5% of Stoxx Europe 600 companies beating earnings forecasts, the lowest percentage since 2015, according to

The gulf between U.S. and European companies' earnings has widened in recent years, largely due to a booming tech sector in the U.S. and Europe's lagging bank profits.

A recent pullback in European economic data has also dented profitability in the first quarter.

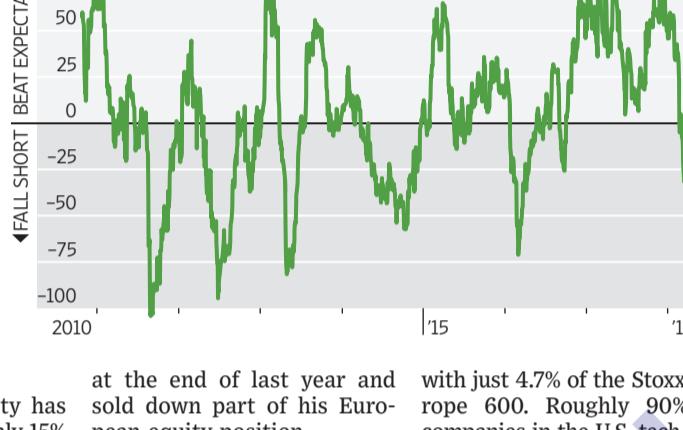
Sources: UBS European Equity Strategy; Thomson Reuters Datastream (12-month trailing EPS); Citigroup (surprise index); FactSet (EPS growth)

THE WALL STREET JOURNAL.

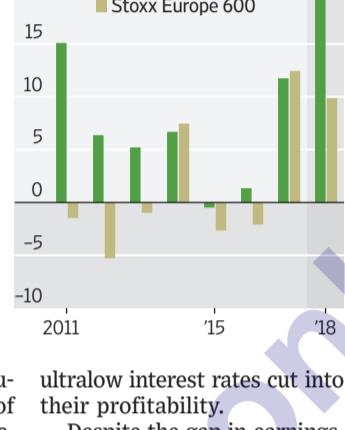
Change in trailing 12-month earnings per share since the regions' 2007-08 profit peaks



Citi Economic Surprise Index for the eurozone



One-year earnings-per-share growth rate



Forecast

peak hit to earnings has passed.

"There are signs Europe is in the best position it's been in recent years to turn that tide," said David Holahan, equity investment strategist at Mediobanca Asset Management, pointing to rising input costs in the U.S. that could pressure margins.

On the flip side, U.S. earnings growth is forecast by many analysts to slow down in 2019 and in 2020 as the impact of tax cuts fades out of the comparisons.

For U.S. earnings, "there is this fear of is this as good as it gets," said Katie Nixon, chief

European corporate profitability has taken a hit from last year's stronger euro.

investment officer at Northern Trust Wealth Management. While she likes U.S. equities, she prefers those in Europe and emerging markets.

But others remain skeptical. Only a net 6% of fund managers expect improving profits in the eurozone, compared with 38% for the U.S., according to a May survey by Bank of America Merrill Lynch.

Eric Freedman, chief investment officer at U.S. Bank Wealth Management, said he started the year with a large portfolio weighting to European stocks but has since cut back. "A lot of the high-frequency [economic] data we look at in Europe has been weakening," he said.

The Citi Economic Surprise Index for the eurozone, a widely tracked measure of how data expectations are being met, fell to negative-101 earlier this month, its lowest since 2011, around the time of the European debt crisis.

at the end of last year and sold down part of his European equity position.

"The resurgence of the euro has been quite negative for the competitiveness of the global companies listed there," he said.

The size and explosive growth of American technology companies have also been an important factor leading to U.S. outperformance. Roughly a quarter of the S&P 500 by market value is part of the technology sector, compared

with just 4.7% of the Stoxx Europe 600. Roughly 90% of companies in the U.S. tech sector have exceeded analysts' earnings forecasts this quarter.

Europe's profit gap to the U.S. since the last cycle peak has hit a new high, Ms. Olney's team found. But removing the technology and financial sectors shrinks the gap significantly, it added.

European banks have lagged behind the U.S. over that period as the region struggled to recover from a debt crisis and

ultralow interest rates cut into their profitability.

Despite the gap in earnings, European equity indexes have performed in between those in the U.S. this year. The Stoxx Europe 600 is up 0.9%, while the S&P 500 is up 2.2% for 2018 and the Dow Jones Industrial Average is up 0.7%.

Some investors expect European earnings to catch up in coming quarters. The euro has tumbled 3.1% against the dollar so far this month, reassuring some investors that the

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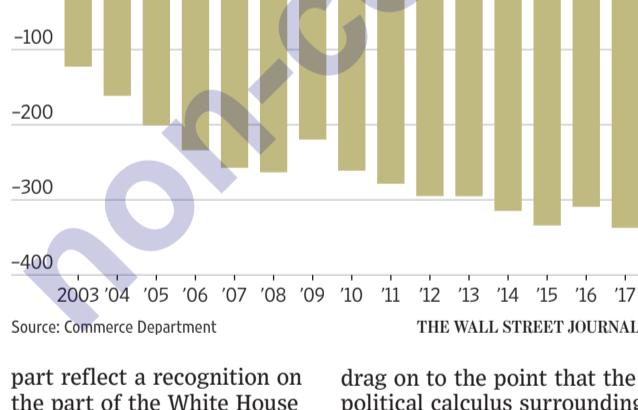
How to Navigate Tumult on Trade

OVERHEARD

Why New Home Sales Are So Weak

Balancing Act

U.S. goods-and-services trade balance with China



part reflect a recognition on the part of the White House of how important Beijing's help will be in getting a nuclear deal done. As long as negotiations with North Korea are ongoing, the U.S. may soft-pedal its trade differences with China.

Of course even with China's support, talks with North Korea could still fall apart. Mr. Trump on Tuesday said that nuclear talks "may not work out" or could be delayed. They might just

drag on to the point that the political calculus surrounding trade shifts. Conversely, a breakthrough on North Korea would be such a huge win for Mr. Trump that it could bring about an extended period of trade detente.

The other date investors should be thinking about is Nov. 6—Election Day. The Republican Party's hold on Congress heading into the November midterm elections is looking tenuous. It appears more likely than not that it

will lose control of the House and, while its chances of retaining the Senate are far better, they are by no means certain. Mr. Trump is eager to improve those odds and has been talking regularly with Senate Republican leader Mitch McConnell on election strategy.

A key element of Mr. Trump's presidential campaign was a promise that he would be tough on trade. If he worries the midterms are slipping away, his instinct may be to restart the trade fight, again rattling investors.

After weeks of watching stocks gyrate on rising and falling trade tensions, investors may be growing dangerously numb to trade fears. Mr. Trump, who seems to view equity markets as a barometer of his success, has throttled back threats when they have rattled investors.

The paradox here is that if Mr. Trump starts talking tough again on trade and investors treat it like the boy who cried wolf, the wolf could end up coming for them.

—Justin Lahart

At least someone on Wall Street still reads the newspaper.

Analysts at R.W. Baird named Tesla a "fresh pick" on Wednesday, with a \$411 price target, about 50% higher than today's stock price. One reason for the enthusiasm: Negative headlines in articles about the company have lately "increased substantially" and "increasingly immaterial" headlines dominate news cycles, the analysts wrote.

The Baird analysts even use a novel metric to measure this subjective judgment. "Over the past month, 6.9% of headlines have been positive and 7.9% of headlines have been negative, implying a net news sentiment of -10%," they wrote. That compares with positive scores of 5.8% and 16% in 2017 and so far in 2018, respectively.

It is unclear where headlines about excessive negativity would fit on a sentiment check, but investors were more sanguine Wednesday: Shares finished the day up more than 1%.

They don't sell new homes like they used to. A big reason why is they don't make them like they used to.

Sales of newly built single-family homes fell 1.5% in April from a month earlier to a seasonally adjusted annual rate of 662,000, the Commerce Department said Wednesday. Economists had expected 679,000. There also were downward revisions to earlier months.

Sales were well up from a year earlier, so it hardly counts as a death knell for home builders. Still, given the strength of the economy, one might have expected a stronger start to the spring home-selling season.

There were just 2.6 new homes sold annually for every thousand people aged 16 and over living in the U.S. last month. That compares with an average rate of 3.5 during the 1990s.

In the years immediately following the financial crisis, tepid new-home sales came down to a lack of buying power. More recently, the problem has been supply: There are far fewer new homes on the market than there tended to be precrisis.

Builders can't easily step up construction. Labor availability has become a concern. One reason that **Toll Brothers** shares fell sharply following its results Tuesday is that it said labor costs had eaten into margins. Raw materials are costlier too, with framing lumber fetching 39% more than a year ago, according to lumber industry newsletter Random Lengths. Last but not least, 30-year mortgage rates just hit a seven-year high.

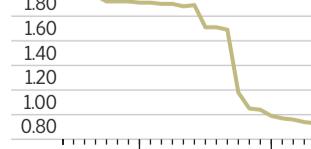
Building a home that people can afford to buy is only going to get tougher.

—Justin Lahart

GE's Latest Plan Is to Turn Sacred Cows Into Hamburger

Power Failure

GE's 2018 earnings per share, analysts' consensus forecast



Source: FactSet

swers. It wasn't happy about the incomplete ones it received.

Contrast that, though, with the bold moves and overconfident assertions of the Immelt era. Against mounting evidence to the contrary, Mr. Immelt reiterated the company's \$2-per-share earnings target for 2018 this time a year ago. The latest consensus forecast is for 93 cents on an adjusted basis, according to FactSet. Two years earlier, he briefly delighted investors with a plan to dispose of most of GE Capital and to return \$90 billion in cash to investors by the end of this year.

The actual payouts turned out to be half as much. GE would love to have some of that money on its balance sheet right now. The company will receive \$2.9 billion through a merger of its transport business with **Wabtec**, announced this week, and it is seeking to sell its oldest unit, lighting, for what may be a similarly modest sum.

Mr. Flannery's statement that there are no "sacred cows" at GE probably referred in part to divestitures like these, but the notion that the historic blue chip might scrap its dividend outright to conserve a measly

\$4 billion annually probably is more what he meant. That suggestion spooked investors on Wednesday who had begun to bid up GE shares after a respite from bad headlines. It is clear, though, that Mr. Flannery is playing a longer game rather than taking action for action's sake.

"If we listened to those demons, I think we would have done something that you guys regretted," he said.

It is far from assured that those with longer time horizons will wind up laughing all the way to the bank, but Mr. Flannery's deliberate approach has improved their odds.

—Spencer Jakab

What a difference a year makes at **General Electric**.

At this time in 2017, the company's share price was \$28, its quarterly dividend was 24 cents and its CEO was the cocksure Jeff Immelt. Now its price and dividend are half as much and methodical boss John Flannery is struggling to pare down the conglomerate. Those first two are unequivocally bad news. The third may not be.

Mr. Flannery's disclosure at this year's Electrical Products Group Conference that profitability may not improve for a couple of years at GE's troubled power unit and

his suggestion that even the halved dividend isn't secure sent the stock tumbling on Wednesday for its sharpest fall of an already bumpy year. Wall Street wants an