

# THE WALL STREET JOURNAL.

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DJIA 24099.05 ▼ 64.10 0.3% NASDAQ 7130.70 ▲ 0.9% STOXX 600 385.03 ▼ 0.1% 10-YR. TREAS. ▼ 11/32, yield 2.976% OIL \$67.25 ▼ \$1.32 GOLD \$1,303.80 ▼ \$12.40 EURO \$1.1992 YEN 109.86

## What's News

### Business & Finance

**A**pple said it plans a record \$100 billion stock buyback as it posted strong gains in sales and profit despite modest growth in iPhone shipments. **A1**

◆ **Xerox's CEO is resigning** in a settlement with two of its biggest investors, putting a deal with Fujifilm at risk. **B1**

◆ **Chinese tech "unicorns"** with collective valuations of some \$500 billion have held talks about possible IPOs this year or in early 2019. **B1**

◆ **AllianceBernstein** plans to move its headquarters and New York staff to Nashville, Tenn., to cut costs. **B1**

◆ **Tesla's SolarCity unit** is facing slowing installations and potential issues with promises to investors. **B1**

◆ **U.S. auto sales slowed** in April amid a continued decline in demand for sedans and compact cars. **B2**

◆ **Lantern Capital topped** the bidding for Weinstein Co. and is close to acquiring the entertainment company. **B3**

◆ **BP shares hit levels not seen since shortly after the 2010 oil spill as higher crude prices led to solid results.** **B3**

◆ **MetLife's finance chief** resigned after a pay cut tied to weaknesses in internal financial controls. **B12**

◆ **The Dow fell** but pared earlier losses, closing down 64.10 points at 24099.05. **B13**

◆ **Facebook plans** to launch a dating feature, even as it battles user-data issues. **B4**

◆ **Pfizer's revenue** was little changed as it shifts to a new generation of drugs. **B5**

### World-Wide

◆ **Trump's administration** is racing to meet self-imposed deadlines to complete trade talks with China, Mexico, Canada and Europe. **A1**

◆ **Afghan security forces** are fraying as Islamic extremists gain control of more territory, according to a new U.S. report. **A1**

◆ **The first female pilot** in Afghanistan, who has faced death threats, has been granted U.S. asylum. **A3**

◆ **Pompeo promised** to restore the State Department's "swagger" in his first address to employees as secretary of state. **A4**

◆ **Rosenstein pushed back** against a group of GOP lawmakers who demand that the Justice Department turn over certain documents. **A4**

◆ **The Pentagon has begun** a probe of White House physician Jackson amid misconduct allegations. **A4**

◆ **California is suing** the Trump administration over its decision to ease vehicle-emissions standards. **A2**

◆ **The Treasury amended** its Russian sanctions, paving the way for aluminum giant Rusal to exit the blacklist. **A2**

◆ **An Arizona wildfire** has consumed 11,000 acres and may portend a busy fire season across the West. **A3**

◆ **The NIH is recruiting** volunteers for a genetic database that will include over one million people. **A2**

◆ **Iran has been courting** European nations as questions mount over the future of the nuclear deal. **A8**

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## South Korea Turns Down the Volume as Trump Talks Up Summit



**BORDER CONTROL:** South Korean soldiers on Tuesday removed high-decibel loudspeakers used to broadcast propaganda along the border with the North. President Trump said he expected details of his planned meeting with Kim Jong Un to be announced soon. **A9**

## Trump Moves Renew Trade Strains

BY WILLIAM MAULDIN AND BEN EISEN

The Trump administration has set the stage for weeks of heightened tension between the U.S. and its trading partners as administration officials race to meet self-imposed deadlines to complete a series of high-stakes negotiations with China, Mexico, Canada and Europe.

A U.S. trade delegation left Tuesday for China hoping to glean trade concessions from Beijing, while earlier in the day

U.S. Trade Representative Robert Lighthizer confirmed, after months of wrangling with Mexico and Canada, a mid-May deadline for the renegotiation of the North American Free Trade Agreement. And the administration set a new June 1 deadline to come to agreement with European officials on steel and aluminum tariffs.

The developments position May as a crucial month for President Donald Trump to fulfill a campaign promise to rewrite the rules of trade, with

the aim of reducing U.S. deficits and protecting American workers. The combative approach to trade has been popular with Mr. Trump's base—and many Democrats—but has heightened economic uncertainties that are likely to spark more volatility in the stock and commodities markets.

Mr. Trump has delegated the details of these trade initiatives to Mr. Lighthizer and other senior administration officials, from Commerce Secretary Wilbur Ross to Treasury Secretary

Steven Mnuchin. But he also has made clear that the key to success rests with the president alone, an unpredictable negotiator who rarely shows his hand.

"The discussions will take place in Beijing," said senior White House adviser Peter Navarro, before jumping on a flight to Beijing, but "the decisions will take place in Washington."

Mr. Lighthizer confirmed on Tuesday that, from his perspective, the window to renegotiate

Please see TRADE page A6

## Bumping Into the New Boss



**TOUR OF DUTY:** Mike Pompeo, President Trump's new secretary of state, greeted State Department employees as he arrived on the job Tuesday after visits to Israel, Saudi Arabia and Jordan. **A4**

## Political Arguments Consume Google

The tech giant struggles to tame a workplace culture of nonstop debate

BY KIRSTEN GRIND AND DOUGLAS MACMILLAN

Ingrid Newkirk, co-founder and president of People for the Ethical Treatment of Animals, flew to Silicon Valley earlier this year for a long-planned speech to Google employees. It wasn't until she sat waiting in a parking lot that a call came through notifying her the event was canceled.

Ms. Newkirk had been invited by some employees to discuss her view that animals can be subject to prejudice just as people can, as part of the company's "Talks at Google" series. Another

group of employees said the topic was offensive to humans who face racism, and they protested.

"Google has these values, and with our talks, we have to align with these values," a Google employee told Ms. Newkirk, according to a transcript of the call.

Such is the climate inside the tech giant, where fractious groups of employees have turned the workplace into a virtual war zone of debate over all manner of social and political beliefs.

Google has long promoted a work culture that is more like a college campus—where

Please see GOOGLE page A10

## U.S. Report Points to Setbacks in Afghanistan

BY CRAIG NELSON

KABUL—Afghanistan's security forces are fraying as Islamic extremists gain control over more territory, a U.S. government watchdog said, raising questions about progress in the yearslong project to make Afghans responsible for their country's defense.

Afghan military and police forces, the cornerstone of American strategy to stabilize the country and prevent it from becoming a staging ground for terrorist attacks abroad, have shrunk by about 10% in the past year, according to a report released Tuesday by John F. Sopko, the Special Inspector General for Afghan Reconstruction.

At the same time, the report said, the Taliban and other Islamist militant groups

## Now Emoting in the Corner Office: The Oversharing CEO

Leaders open up about hopes, fears and arguments with mom; building trust

BY RACHEL FEINTZEIG

Jessica Mah's employees and investors know details about her dating life, fights with her mother and that time she threw up at Burning Man, the annual bacchanal held in the Nevada desert.

"What haven't I shared?" asked Ms. Mah, chief executive of inDinero Inc., a privately held San Francisco accounting software firm. When Ms. Mah relayed stories about mishaps she's had with her hobby—flying airplanes—a couple of investors requested she boost her life insurance policy. She's offered a \$100,000 bonus to any employee who can find her a husband.

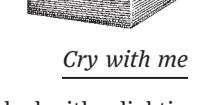
CEOs have long led with swagger, preaching about their successes and keeping their insecurities, failings and intimate moments out of public view. Now, in some offices, the image of the polished boss is starting to fade as chiefs find that baring it all—even the bad

stuff—can be good for business.

Ms. Mah is a believer: People like you when they feel they know you, she says, and highlighting struggles inside the business helps keep investor expectations from running too hot.

"I don't try to pretty it up at all," she said. "If they think they know me better, they'll

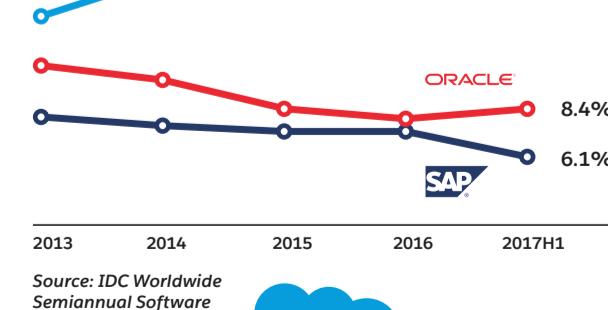
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Cry with me

## Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017H1 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, October 2017.



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# U.S. NEWS

## U.S. Gives Rusal Path To Escape Sanctions

BY IAN TALLEY

The Trump administration on Tuesday amended its Russia sanctions program, paving the way for aluminum giant United Co. Rusal to escape from the blacklist and granting the metals market a reprieve from a supply scare that rocked markets over the past month.

Facing delisting from the London Stock Exchange this week, Rusal's owner, EN+ Group, sought the 11th-hour amnesty from the U.S. Treasury late last week by pledging that its majority shareholder and a primary target of the U.S. sanctions, Russian tycoon Oleg Deripaska, would reduce his holdings and relinquish his board seat.

On Tuesday evening, the Treasury granted EN+ Group and several other companies an

extension for compliance with the sanctions, buying Rusal's owner time to implement the company's proposed divestment plan.

Aluminum prices have whipsawed over the past several weeks as the initial sanctions in early April risked cutting off a major supplier from markets. But prices fell as the Treasury began to signal a way for Rusal to avoid sanctions.

EN+ executives and their representatives have scrambled in recent days to convince White House, State Department and Treasury officials that the administration risked missing an opportunity to force Mr. Deripaska out of control if they didn't grant an extension and the company was delisted from the London Stock Exchange, according to a person familiar with the matter.

## California Sues on Emissions Plan

BY ALEJANDRO LAZO  
AND TIMOTHY PUKO

SAN FRANCISCO—California Gov. Jerry Brown said his state was suing the Trump administration over its decision to ease national vehicle-emissions standards.

Mr. Brown said the lawsuit challenges the Environmental Protection Agency's decision to revise tailpipe emissions rules that go into effect in 2022 for vehicle models through 2025, saying the move was a violation of the Clean Air Act and the Administrative Procedures Act. California holds a waiver that allows it to set its own emissions guidelines for auto makers, and many states follow California's lead.

The suit was filed in the United States Court of Appeals for the District of Columbia Circuit, a news release from

the governor's office said. A total of 17 states—and the District of Columbia—representing about 140 million people and more than 40% of the car market are suing.

The Trump administration has decided to lower—and may even eliminate—increases in vehicle-emissions requirements that car makers say don't work in an era of cheap gasoline. With pump prices low, drivers are buying more fuel-gobbling trucks and sport-utility vehicles, making it more difficult for auto makers to raise the average fuel economy for the vehicles they sell.

The Obama administration had aimed by 2025 to raise that figure to the rough equivalent of 36 miles per gallon in real-world driving.

The Trump administration didn't get California to agree to the changes despite its spe-

cial legal authority to set rules that are now adopted by about a third of the country's car market. And California officials are joining other critics who say the Trump administration hasn't provided enough research to prove its decision isn't arbitrary and is legally justified.

"You can't, just like some tin-horn dictator, say I'm tearing up a rule that was built on two years of building up evidence," Mr. Brown said at a news conference broadcast from Sacramento.

EPA Administrator Scott Pruitt is "running roughshod over the laws of this country and the health of our people," the governor said.

An EPA spokeswoman declined to comment, citing pending litigation.

California's Air Resources Board, which polices tailpipe emissions in the state, is coor-

dinating with the governor and the Democratic Attorney General Xavier Becerra.

A protracted legal battle would be problematic for auto makers that have long called for a single national standard for vehicle emissions. Having to meet two sets of standards is confusing for buyers and costly for auto companies, executives and analysts say.

California had coordinated with the Obama administration on new standards that had anticipated increased fuel economy in part from growing consumer demand for electric cars and hybrid vehicles, neither of which are profitable for companies to make.

While sales of electric cars have gained modest momentum amid Tesla Inc.'s rise and others joining that market, buyers often complain about battery power, cost and a lack of charging options.

## Navy Musicians Keep Spirits Afloat at Children's Hospital



**SHOWBOAT:** Navy Band Southeast musicians at the Salah Foundation Children's Hospital in Fort Lauderdale, Fla., on Tuesday.

## APPLE

Continued from Page One  
increase from a year ago.

Meanwhile, Apple said the number of paid subscriptions for services ranging from HBO to Apple Music rose to 270 million in the period, an increase of 100 million people in a year. Revenue from the services business jumped by nearly a third to \$9.19 billion, accelerating from the previous quarter.

The combination drove total revenue up 16% to \$61.14 billion in the latest period, Apple said. Profit rose 25% to \$13.82 billion, its highest level for a March quarter.

"With the services that we have now and others that we are working on, I think that this is just a huge opportunity for us and feel very good about the track that we're on," Chief Executive Tim Cook said during a call with analysts.

Apple's \$100 billion share-repurchase plan is the largest ever announced by a U.S. company, according to data from research firm Birinyi Associ-

ates. Luca Maestri, Apple's chief financial officer, said in an interview that given the size of the planned buybacks "it's going to take us some time to execute," but "our plan is to do it at a fast pace."

Sluggish growth in the number of iPhones shipped over the past six months has fueled investor concerns about the outlook for Apple's marquee business, as people hold on to smartphones longer and competition from homegrown rivals intensifies in China, once its fastest-growing market.

Apple's stock has stalled this year, after investors sent its share price up 45% last year on hopes that the feature-rich X model would help recharge growth. The device's price tag has damped demand, say analysts, who expect another year of low, single-digit growth in the number of iPhones Apple ships.

Apple shares closed at \$169.10 on Tuesday ahead of the earnings report, even as shares in other tech giants including Amazon Inc. have continued to rise. The shares rose more than 3% in after-hours trading.

"The high end of the smartphone market where Apple is dominant is very mature," said Arif Karim, a senior investment analyst at Ensemble Capital Management, a Burlingame, Calif., wealth manager that counts Apple among its largest holdings. He said the huge shipment increases the iPhone once enjoyed are "dead."

The services business has become one of Apple's biggest growth engines, with revenue in its last fiscal year rising 23% to \$30 billion. Apple aims to lift that number to \$50 billion by 2020.

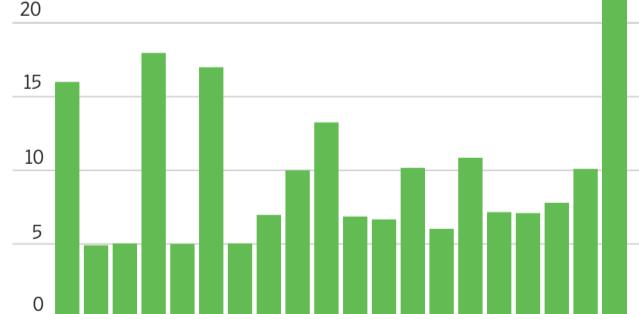
The company has 1.3 billion iPhones and other devices in active use and earns an estimated \$30 per device on music subscriptions, app store purchases and other services, according to Morgan Stanley, which expects services to account for about 60% of Apple's revenue growth over the next five years.

## Buyback King

Even before Tuesday, Apple has announced some of the biggest planned repurchases of stock.

COMPANY	ANNOUNCED	AMOUNT
Apple	April 2018	\$100 billion
Apple	April 2015	50
Apple	April 2013	50
General Electric	April 2015	50
Microsoft	Sept. 2008	40
Microsoft	Sept. 2013	40
Microsoft	Sept. 2016	40
Apple	April 2016	35
Apple	May 2017	35
Apple	April 2014	30
Microsoft	July 2004	30
Procter & Gamble	Aug. 2007	30

What Apple has spent, per quarter, in repurchasing shares since announcing in 2013 plans to buy back \$50 billion of stock



Notes: Time periods for implementing buybacks may vary. Apple's quarterly payments are based on the calendar year.

Sources: Birinyi Associates (biggest buybacks); S&P Dow Jones Indices

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**The \$1,000 price for the iPhone X has counteracted slowing growth in shipments.**

ates. Apple said its board also approved a 16% increase in its quarterly dividend.

Apple already had paid out \$275 billion to shareholders through March since it resumed returning capital to them in 2012, including \$200 billion in share repurchases.

The increase in Apple's capital return comes after it announced in January it would bring the majority of its \$269 billion in overseas cash holdings back to the U.S. That followed the major U.S. tax overhaul President Donald Trump signed into law late last year, which requires companies to pay a one-time tax of 15.5% on overseas profits held in cash.

Apple didn't give a timeta-

ble for implementing the new buybacks. Luca Maestri, Apple's chief financial officer, said in an interview that given the size of the planned buybacks "it's going to take us some time to execute," but "our plan is to do it at a fast pace."

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## U.S. WATCH

### IMMIGRATION

#### Texas, Other States Sue to End DACA

Texas and six other states are suing to end a program that would protect from deportation young, undocumented immigrants brought to the U.S. as children.

The lawsuit announced on Tuesday came a week after a federal judge in Washington ordered the Trump administration to resume the Deferred Action for Childhood Arrivals program.

Immigrants under the Obama-era program are commonly referred to as Dreamers.

Republican Texas Attorney General Ken Paxton had threatened legal action for the past year if the program didn't come to a halt.

Joining Texas in the lawsuit are Alabama, Arkansas, Louisiana, Nebraska, South Carolina and West Virginia.

The judge called the Department of Homeland Security's rationale against the program "arbitrary and capricious."

He gave the Trump administration 90 days to make a new case.

—Associated Press

### AIRLINES

#### United Continental to Resume Flying Pets

United Continental Holdings Inc. will resume flying dogs and cats in July, after reviewing pet-transport rules in the wake of a dog's death in an overhead bin.

United's PetSafe program will resume carrying animals, but only certain breeds of cats and dogs in the cargo holds of its planes. United said it will also discontinue pet transport to and from airports, including Las Vegas, during the hot summer months.

More pets have died on United flights in recent years than on those operated by rival airlines. In March, a dog died inside a carry-on bag after a flight attendant told a passenger to stow the bag in an overhead bin, unaware the bag contained a puppy. That same week, United mistakenly sent a dog bound for Kansas to Japan. United apologized for both incidents and vowed to review its pet-transport policies.

United said it continues to review its policies for taking pets in the cabin.

Problems with pets have soared in recent years along with the number of animals being brought on flights.

—Doug Cameron

### RESEARCH

#### NIH Seeks Volunteers For Medical Database

The National Institutes of Health has begun recruiting volunteers for a \$1.46 billion medical database that will eventually comprise data on more than one million people, an effort to discern the genetic underpinnings of a range of diseases and even of healthy aging.

The endeavor is aimed at deciphering the workings of poorly understood maladies ranging from cancers to migraines to dementia. The database will be open to medical researchers and will initially consist of data on volunteers age 18 and up, regardless of health status.

The program, called All of Us, has already enrolled more than 25,000 people in its pilot stage but will be recruiting more in communities large and small in public events beginning Saturday in New York, Chicago, Detroit, Birmingham, Ala.; Kansas City, Mo.; Nashville, Tenn.; and Pasco, Wash.

—Thomas M. Burton

### CYCLISTS' DEATHS

#### Michigan Driver Is Guilty of Murder

A reckless driver who was on drugs when his pickup truck crashed into a pack of bicyclists, killing five, was convicted of second-degree murder on Tuesday in southwestern Michigan.

Charles Pickett's trial lasted just a few days in Kalamazoo County. There was no dispute that he had swallowed painkillers and other drugs before driving, although his lawyers argued that murder charges were excessive. He now faces up to life in prison at his sentencing on June 11.

Mr. Pickett's truck plowed into a pack of bicyclists on a rural road in June 2016.

—Associated Press

### SOUTHWEST PLANE

#### Trump Hails Bravery Of Passengers, Crew

President Donald Trump on Tuesday hailed the "tremendous bravery" of the crew and passengers aboard a damaged Southwest Airlines plane that was forced into an emergency landing in Philadelphia last month.

Mr. Trump also paid tribute to Jennifer Riordan, a 43-year-old Wells Fargo bank executive from Albuquerque, N.M., who died of injuries suffered after she was partially sucked out of a window.

—Associated Press

## CORRECTIONS & AMPLIFICATIONS

### A crowdfunding campaign

for BauBax 2.0, a travel jacket, has raised more than \$109,000 on Indiegogo InDemand. A Journal Report article Tuesday about crowdfunding campaigns incorrectly said BauBax 2.0 raised more than \$4 million on Indiegogo InDemand.

**Ripa Rashid</b**

# Arizona Wildfire Portends a Busy Season

BY ALEJANDRO LAZO  
AND JIM CARLTON

A fast-spreading wildfire moving through central Arizona—consuming 11,000 acres of land and prompting the evacuation of more than 1,000 people by Tuesday morning—marks the start of what experts say will be a particularly busy fire season across the West.

The Tinder fire is the first large-scale wildfire of the year in the West and has been burning in the Coconino National Forest since April 27. Fire officials warned that dry conditions will lead to more blazes in the coming months.

The Arizona fire roared out of control Sunday, when wind gusts of 40 to 45 miles an hour spread the flames, said Rico Smith, a federal wildfire spokesman.

As of the latest update Tuesday morning, 559 personnel including 15 crews, six helicopters, 40 engines, three bulldozers and 10 water tenders had arrived to combat the 11,420-acre blaze, digging fire lines by hand and with bulldozers, as well as working on search-and-protect missions.

Federal fire officials warned of a danger of “spotting”—the dispersal of fire far beyond the main line because of flying embers. Windblown embers helped fuel the deadly Tubbs wildfire in Sonoma County, Calif., in October that killed at least 22 people and destroyed more than 2,800 homes in Santa Rosa.

The latest blaze is burning in the mountains about 40 miles south of Flagstaff, Ariz.,



**A wildfire in Arizona that has consumed more than 11,000 acres and prompted evacuations is the first large-scale blaze of the year in the West, but more are expected.**

and was most immediately threatening the small unincorporated community of Happy Jack, where many people have vacation homes, Mr. Smith said. The Coconino County Sheriff's Office has ordered evacuations for several communities threatened by the fire.

The strong winds were unusual for this early in the season, Mr. Smith said, and the fire has been exacerbated by the lack of snowpack this winter throughout the Southwest.

The Arizona snowpack is well below normal at 13% of the historical median, accord-

ing to an April 1 report by the Agriculture Department.

“It is drier, it has been warmer and these winds have been unusually high for this time of the year,” Mr. Smith said. For those reasons, “we are projecting a very busy and severe fire season throughout the Southwest.”

## Female Afghan Pilot Gets U.S. Asylum

BY MARGHERITA STANCATI

Afghanistan's first female airplane pilot, who became a symbol of women's advancement during America's war effort there, has been granted asylum in the U.S.

Niloofer Rahmani, a former Afghan Air Force captain, left her native country in 2015 to receive training in the U.S.—and to escape death threats directed

at her and her immediate family. The U.S. military brought her to America and paid for her training. Now, U.S. authorities have recognized it is too dangerous for her to return home.

“I'm really happy and thankful to all the people who made this happen,” Ms. Rahmani, 27 years old, said Tuesday. “All I want now is to go back to my dream of flying.”

Ms. Rahmani was 18 years

old when she enrolled in the Afghan military, hoping to achieve her lifelong dream of becoming a pilot. The U.S.-led military coalition touted her as an example of what Afghan women could accomplish under the Western-backed government in Kabul.

However, her story ultimately exposed the limits of what women could accomplish in a deeply conservative country where U.S.-led efforts to em-

power them have frequently clashed with local culture.

Shortly after she graduated from pilot-training school in 2013, Ms. Rahmani became a public figure. That is when the death threats began. She became a target for the Taliban insurgency as well as for members of her own extended family—uncles and cousins who considered her profession shameful and wanted to punish her to avenge family honor.

Ms. Rahmani's parents and siblings, who had supported her career choice, also faced threats, forcing the whole family into hiding. Her older brother narrowly escaped two assassination attempts. Ms. Rahmani's family remains in Afghanistan, except for a sister who moved to the U.S. recently. In Afghanistan, her close family members are fearful for their lives and continue to live in hiding.

Since completing her training aboard C-130 transport aircraft in the U.S., Ms. Rahmani's life has been in limbo as she awaited an answer to her asylum request. Now that she has been granted it, she hopes she can find a job in civil aviation.

—Habib Khan Totakil contributed to this article.



**Niloofer Rahmani received death threats after she finished pilot-training school in Afghanistan.**

## As Cities Gentrify, Tenants Find Help

BY ALEJANDRO LAZO  
AND LAURA KUSISTO

SAN FRANCISCO—Sergio Martinez spent many sleepless nights after learning the rent-controlled apartment complex where he lived with his family would be sold.

In the rapidly gentrifying Mission District, he had watched as scores of other families had been priced out, and he feared his family's turn had come, he said.

Then a neighbor tipped him off to a potential lifeline: a local nonprofit was purchasing private buildings to help keep low-income tenants like him in the neighborhood.

Similar efforts are popping up in New York, Philadelphia, Portland, Ore., and other high-cost cities as low-income residents find themselves in gentrifying neighborhoods.

The measures, some public and some private, include offering down-payment assistance on homes to people with historic ties to neighborhoods, passing ordinances aimed at restricting gentrification and assisting nonprofits that are buying buildings where tenants are at risk of eviction.

Cities march higher. Many debate whether the efforts drive up rents for others, by making development more expensive, or whether the moves are too little, too late.

“Sometimes the rhetoric is about stopping gentrification,” said Vicki Been, a New York University law professor. “In a market system you're limited in your ability to do that.”

Ms. Been was head of the New York City Housing Preservation and Development De-

partment when the city rezoned East New York, a historically poor, predominantly African-American and Hispanic neighborhood just a subway stop or two from areas with quickly rising rents. The goal was to spur new affordable housing construction, but residents protested the new units would be too costly.

San Francisco's Mission District, historically a center of Latino activism and culture

transformed in recent years by an influx of affluent residents, has been a contentious gentrification battleground. The area lost 26% of its Latino population from 2000 to 2016, as that same population over that period increased citywide, according to Veritas Urbis Economics, a consulting firm.

Most people rent in the Mission. And there has been a 49% citywide increase in rents over the past eight years, according to property tracker RealPage Inc.

Many buildings where lower-income people live are privately owned and have been kept affordable for decades by weak demand and lack of investment. Public officials have little leverage to get landlords to keep rents low when units suddenly become desirable.

The Mission Economic Development Agency, a local nonprofit, began buying buildings in 2016 through San Francisco's small sites program, which allows private buildings to be converted to affordable housing units if enough income-eligible tenants agree to the change. The group's efforts are supported by city funds as well as donations from charitable organizations, including the Citi Foundation,

which recently provided MEDA with a \$500,000 grant.

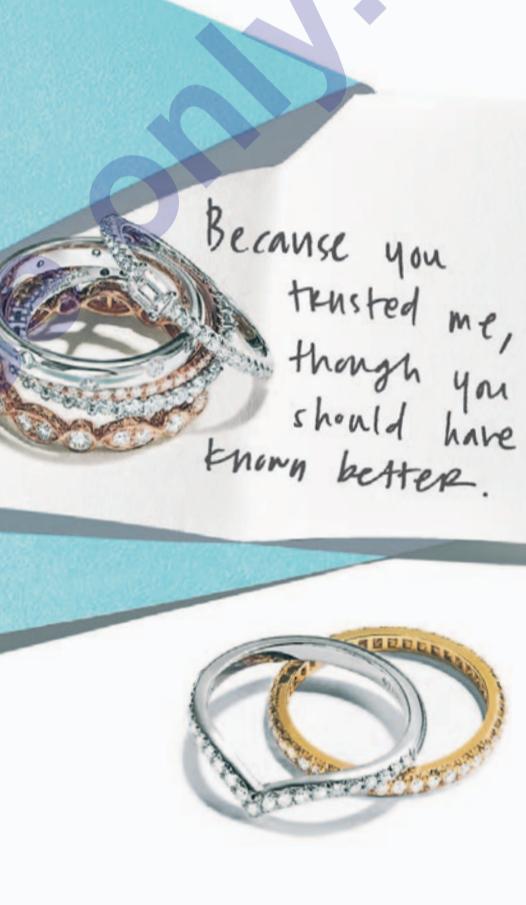
Karoleen Feng, director of community real estate for MEDA, said she often targets buildings with deferred maintenance, those requiring expensive retrofits to meet San Francisco's earthquake standards, and homes where landlords and tenants both want to work out a deal that won't result in displacement.

Mr. Martinez, 51 years old, came to the U.S. from Mexico in 1994, and his wife, Ana Lopez, 54, arrived from Peru the next year. The couple met in the Mission and had a son and twin daughters. In 2003, the family moved into the 2½ bedroom apartment. The family says the spacious flat has provided them with stability that has allowed them to succeed. Their son, Sergio, is attending Princeton University this year; they said.

In the case of the Martinez building, three higher-income tenants living in one of the building's three flats agreed to a rent increase, allowing the numbers to work.

The family members were relieved when MEDA closed on the building last year, as they had few other options to stay in the city. “We really didn't have time to think about anything else,” Ms. Lopez said.

*The measures are helping low-income residents stay in neighborhoods.*



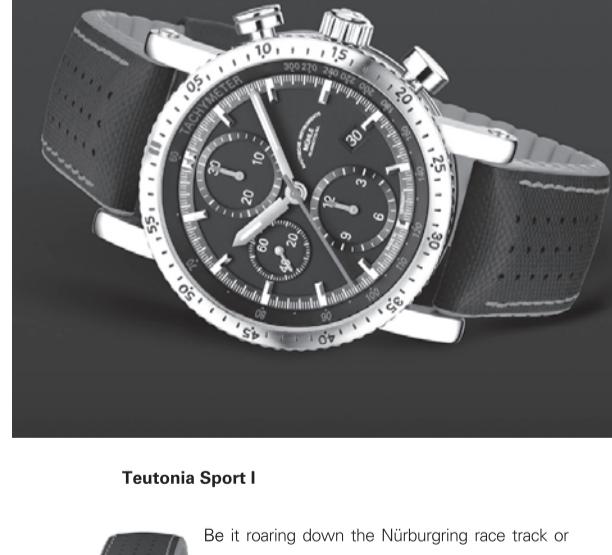
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## U.S. NEWS

# Pompeo Vows to Restore Agency

State Department diplomats complained they were sidelined under his predecessor

BY JESSICA DONATI

**WASHINGTON**—The new secretary of state, Mike Pompeo, promised to restore the State Department's "swagger" in his first address to employees on Tuesday after a whirlwind tour of Israel, Saudi Arabia and Jordan over the weekend.

Mr. Pompeo was greeted in the State Department's packed lobby with lengthy applause and cries of encouragement on his first day of work in the building.

State Department employees have expressed hope that Mr. Pompeo's influence at the White House will help elevate the department's role in policy making after diplomats complained of feeling sidelined under his predecessor in the job, Rex Tillerson.

"I talked about getting back our swagger, and I'll fill in what I mean by that," Mr. Pompeo said. "But it's important the United States diplomatic corps needs to be in every corner, every stretch, of the world."

At the top of the agenda in Mr. Pompeo's first week in office will be President Donald Trump's decision on whether to pull out of the Iran nuclear deal by his self-imposed deadline of May 12.

Concerns about Tehran's influence in the Middle East and the its nuclear program dominated Mr. Pompeo's inaugural



New Secretary of State Mike Pompeo, center, told staffers on Tuesday that he aimed to bring back the State Department's 'swagger.'

trip last weekend, where he joined with Israel's leader in lambasting Iran over its alleged violations of the 2015 agreement.

Mr. Pompeo returned to Washington on Monday after visiting Brussels, Riyadh, Tel Aviv and Amman following his swearing-in. By making Saudi Arabia and Israel among the first destinations on his first official trip abroad, Mr. Pompeo underscored the deeper relationship Mr. Trump has tried to develop with the two countries.

Mr. Trump also visited Saudi Arabia and Israel on his first official foreign trip and has sought closer ties with Riyadh as a bulwark against Iran.

Mr. Pompeo, a graduate of West Point and a former Army captain, represented Kansas in the House of Representatives from 2011 to 2017, before being picked by Mr. Trump to serve as director of the Central Intelligence Agency.

As the former CIA director, Mr. Pompeo had a reputation for efficient management, and staff at the State Department

hope the new secretary will move swiftly to fill top jobs that have been vacant for the past year.

Department staff in the crowd commented on the large turnout of employees, although one person observed that the timing of the short speech—delivered during lunch hour—might have helped.

Mr. Pompeo provided few details about his plans for the department, but promised to listen to employees' concerns, reflecting a common complaint

among the workforce.

"I know that I have an enormous amount to listen to you about and to learn from you," he said. "I know that we will deliver for this president and for this country."

Mr. Tillerson was unpopular from the start after arriving with plans to implement a proposal to slash a \$55 billion budget by almost 40%. While Congress blocked steep cuts to the State Department this year, the Trump administration has proposed similar cuts for next year.

## Rosenstein Pushes Back Against Critics in GOP

BY SADIE GURMAN

Deputy Attorney General Rod Rosenstein pushed back against a group of Republican lawmakers who say he should lose his job for resisting their demands that the Justice Department turn over documents related to politically sensitive probes.

"There have been people making threats privately and publicly against me for quite some time," Mr. Rosenstein said Tuesday. "They should know by now the Department of Justice is not going to be extorted, and that any kind of threats that anybody makes are not going to affect the way we do our job."

Mr. Rosenstein, who has previously maintained a more nonconfrontational tone in his public comments, also warned against what he said were the pitfalls of allowing Congress too much access to continuing investigations.



Deputy Attorney General Rod Rosenstein speaks at the Newseum.

Robert Mueller, since Attorney General Jeff Sessions recused himself last year.

Members of the House Freedom Caucus, a group of about three dozen conservatives, have been circulating a draft of articles of impeachment against Mr. Rosenstein, a GOP aide said Tuesday.

Mr. Rosenstein criticized those behind the impeachment draft for leaking it to the press. "I don't have anything to say about documents like that that nobody has the courage to put their name on," Mr. Rosenstein said.

The Freedom Caucus chairman, Rep. Mark Meadows (R., N.C.), said Mr. Rosenstein's response to the impeachment threat was "reminiscent of our interactions with him over the past few months: a lot of rhetoric with very little facts."

Mr. Meadows reiterated his view that Mr. Rosenstein has been uncooperative. "If he believes being asked to do his

job is 'extortion,' then he should step aside and allow us to find a new deputy attorney general," Mr. Meadows said.

The articles of impeachment would have to pass the House in order to move forward, which is unlikely to happen. A spokeswoman for House Speaker Paul Ryan (R., Wis.) pointed to comments from January when Mr. Ryan said that he saw "no reason" for President Donald Trump to fire Mr. Rosenstein, and that he was doing a "fine job."

Mr. Rosenstein also said on Tuesday that while he welcomes oversight, it would be dangerous to "just open our doors to allow Congress to come and rummage through the files."

Mr. Rosenstein visited the White House recently to discuss the congressional requests and the plan for addressing them.

—Natalie Andrews contributed to this article.  
—Louise Radnofsky contributed to this article.

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## Pentagon Probes White House Physician

BY NANCY A. YOUSSEF

**WASHINGTON**—The Pentagon has begun an investigation into Navy Rear Adm. Ronny Jackson, who served as the personal physician for three presidents until misconduct allegations emerged last week, dooming his bid to become secretary of veterans affairs.

The Defense Department's Office of Inspector General is conducting the probe into allegations against Dr. Jackson and will decide afterward what further investigation or action should be taken, Pentagon spokesman Tom Crosson said in a statement.

The Pentagon didn't detail the specific allegations being reviewed or their source. Dr. Jackson was accused by Sen. Jon Tester (D., Mont.), the senior Democrat on the Senate Veterans' Affairs Committee,

of mistreating lower-ranking employees, drinking to excess on overseas trips, and handing out prescription drugs.

Mr. Tester has said the allegations were based on complaints by active-duty and retired military officers who had worked in the White House Medical Unit and who had come to the committee.

The Navy and the Navy Bureau of Medicine and Surgery have their own Offices of Inspector General and could be tasked with the investigation.

Dr. Jackson gave up his po-

sition as President Donald Trump's personal physician when he was nominated to be VA chief. In a statement announcing his decision to withdraw from the cabinet-level nomination, Dr. Jackson called the allegations "completely false and fabricated."

Dr. Sean Conley, a Navy commander who has worked at the White House since December 2016, has been named to take his place as the president's physician. Dr. Conley joined the Navy in 1998, military records show.

Dr. Jackson, after dropping his bid to win Senate

confirmation, resumed his work at the White House Medical Unit, White House officials said, but no longer leads that unit.

U.S. defense officials have said the Navy only learned of the allegations presented by Mr. Tester during Dr. Jackson's nomination battle. During his tenure at the White House, Dr. Jackson was under the supervision of the White House Military Office and largely outside the traditional Navy chain of command.

Military officials last investigated Dr. Jackson in 2013, when the Navy Bureau of

## Pruitt Loses Two Senior Staffers

BY HEIDI VOGL

**WASHINGTON**—Two senior Environmental Protection Agency staffers have left their posts, another sign of turmoil at an agency facing a number of investigations over Administrator Scott Pruitt's management and spending.

The EPA confirmed in a statement Tuesday that Albert "Kell" Kelly, the head of the Superfund program, and Pasquale "Nino" Perrotta, the EPA's security chief, had left the agency. Messrs. Kelly and Perrotta couldn't be reached for comment.

Mr. Pruitt is under investigation by the White House, inspector general of the EPA, House oversight committee and Government Accountability Office over spending on security, lodging and travel, along with allegations that he pushed out staffers who criticized his decisions. He has denied the allegations and noted that ethics officers cleared the actions.

Mr. Perrotta is scheduled to appear for a transcribed interview with House oversight committee staffers Wednesday and an aide said that would still go ahead. "His resignation will not impact his appearance before the committee."

Mr. Perrotta oversaw actions taken in the name of Mr. Pruitt's security, including a \$43,000 secure phone booth in his office, first-class travel and a security detail during personal travel including a trip to Disneyland.

Democrats have raised questions about whether Mr. Kelly should have had a position of such responsibility at the EPA after Oklahoma regulators banned him from the banking industry.

Mr. Pruitt praised both men for their service. He didn't provide any details on the reason for their departures, and the EPA declined to comment beyond its statement.

Rep. Don Beyer (D., Va.), who recently asked the EPA's inspector general to investigate Mr. Kelly's hiring and work at the agency, said he was never qualified to run Superfund.

Others, however, praised Mr. Kelly's work to improve and speed the process of cleaning up the Superfund hazardous-waste sites.

"Mr. Kelly really did appear to be a champion for these sites," said Dawn Chapman, head of a nonprofit called Just Moms STL that has long campaigned for the cleanup of a polluted St. Louis landfill.

—Louise Radnofsky contributed to this article.



Navy Rear Adm. Ronny Jackson, shown last week, is under investigation amid allegations of misconduct.

Medicine and Surgery looked into charges that Dr. Jackson, then a captain, and a fellow Navy captain had created an unhealthy environment at the White House office they led while Dr. Jackson served as the president's physician, defense officials said. Dr. Jackson and his colleague were allowed to stay in their jobs.

Mr. Trump nominated Dr. Jackson in March to the rank of two-star rear admiral. The Navy said he remains a candidate for the second star, which would be conferred through a decision by the Senate.

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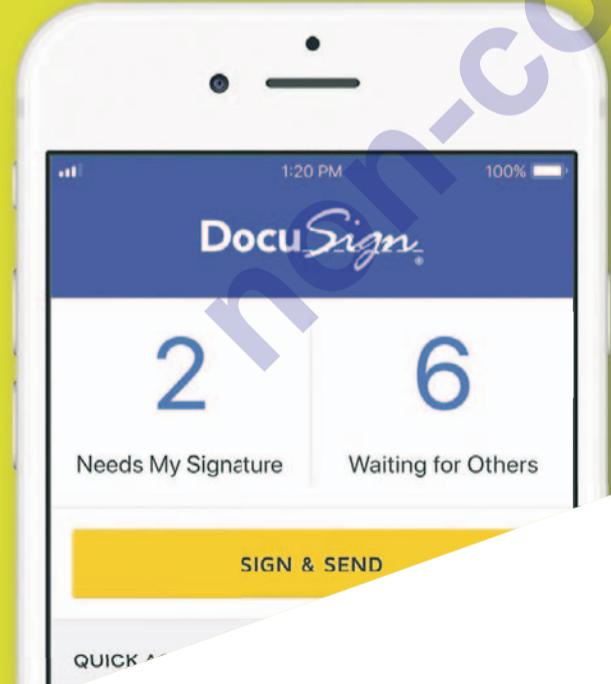
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## WORLD NEWS

## Iran Treads Warily With Deal in Balance

As pressure rises over future of nuclear pact, Tehran courts Europe, stops short of threats

Iran is trying to keep Europe on its side as questions mount about the future of its nuclear deal with Western powers and suspected Israeli airstrikes on its bases in Syria.

*By Sune Engel  
Rasmussen in Beirut  
and Asa Fitch in Dubai*

Short of military options and economically distressed at home, Iran appears to be calibrating its response to escalating diplomatic and military pressure from the U.S. and its allies Israel and Saudi Arabia. Tehran's goal is to blunt the Trump administration's ability to reimpose sanctions, retain its influence in Syria and avoid a wider regional war, some analysts said.

President Donald Trump has set a May 12 deadline to decide whether to scrap the deal, which lifted most sanctions on Iran in exchange for curbs on its nuclear program. Mr. Trump, Israel and, increasingly, European leaders have expressed alarm about Iran's ballistic-missile program and its influence in conflicts in Syria and Yemen, which aren't



LUDOVIC MARIN/AGENCE FRANCE PRESSE/GETTY IMAGES

Iran President Hassan Rouhani, right, told French President Emmanuel Macron the deal is nonnegotiable.

covered by the deal.

In the event the U.S. moves to reimpose financial restrictions on Iran, Tehran is working "to divide the EU and U.S. in order to ensure the U.S. sanctions are ineffective," said Stratfor, the U.S. geopolitical security firm.

Iranian President Hassan Rouhani spent an hour on the phone with French President Emmanuel Macron on Sunday, calling the nuclear deal nonne-

gotiable, Iranian state media reported. He added that Iran was "ready for dialogue" on regional stability.

Following Israeli Prime Minister Benjamin Netanyahu's presentation on Monday of what he said was new evidence about Tehran's nuclear program, Iranian officials issued taunts but stopped short of making provocative threats that could alienate Europe, where support for the

nuclear accord remains high.

That contrasts with more forceful past responses from Iran. After U.S. lawmakers voted in 2016 to extend presidential authority to impose sanctions on Iran, the country ordered scientists to develop a nuclear propulsion system for ships. New U.S. sanctions targeting Iran's ballistic-missile program in recent years were met with Iranian sanctions on American companies and individuals.

Iran's regional nonstate allies like the Lebanese Hezbollah militia have remained quiet, even after a suspected Israeli attack Monday morning on a base in Syria housing Iranian elite forces. Israel declined to comment.

Iran issued its first response to the attack on Tuesday afternoon with comments in Damascus by Alaeddin Boroujerdi, the chairman of the Iranian parliament's national security committee.

"Aggression of the Zionist entity against the presence of our military advisers in Syria gives us the right to respond at the appropriate place and time," the Associated Press reported Mr. Boroujerdi as saying.

It was the second time in a month that suspected Israeli missiles allegedly killed Iranian troops in Syria. Israel has said it won't tolerate an Iranian military presence near its border with Syria.

"Iran's response thus far has been sharp rhetoric," said Behnam Ben Taleblu, a research fellow focusing on Iran at the Washington-based Foundation for Defense of Democracies. "Conversely, Iran's regional activities remain in a holding pattern."

Mr. Netanyahu's speech appeared designed to impeach Iran's credibility. The Israeli leader said Israeli intelligence agents had uncovered a trove

of Iranian plans for a nuclear-weapons program, proving that Tehran had lied to the world about its atomic ambitions.

Much of Europe remained unconvinced. France and Britain on Tuesday said the Israeli evidence actually reinforced the need for the pact, which prohibited any activity linked to nuclear-weapons development and outlined international inspections.

The International Atomic Energy Agency reiterated that its 2015 report on the history of Iran's nuclear program found "no credible indications" that Iran was developing nuclear weapons after 2009.

Iran's muted reaction reflects the uneasy status quo in the Middle East. Tehran has expanded its influence across the region without sparking a wider regional war, though Israel and Saudi Arabia have stepped up military action. Mr. Trump's plan to redo the nuclear deal has threatened to upset this balance of power.

For now, the Iranian consensus appears to be for restraint, but Supreme Leader Ayatollah Ali Khamenei has the power to overrule moderate voices such as Mr. Rouhani and Foreign Minister Javad Zarif.

"Iran can't be seen as allowing Israel to kill its citizens and get away with it," said Mohammad Marandi, a professor at the University of Tehran.

Afghan security forces.

In a move toward keeping more data related to the Afghan war secret—a trend that began in the last two years of the Obama administration and has expanded under President Donald Trump—the U.S. military has withheld from Mr. Sopko's agency the exact casualty figures and desertion rates for the Afghan security forces and has redacted detailed assessments of their performance and data concerning the state of their equipment.

It has done so at the request of the Afghan government, it says, noting that the numbers and other sensitive data related to the Afghan war effort are available to members of the U.S. Congress in a classified annex of the report.

At the time the decision was made to withhold the casualty figures, members of the Afghan security forces were being killed in battle at a rate of nearly 20 men a day, according to the auditing agency.

The U.S. has invested more than \$126 billion in various types of reconstruction and relief aid to Afghanistan since 2002, nearly 62% of it—or \$78.2 billion—for training and otherwise supporting the country's security forces.

—Habib Khan Totakhil contributed to this article.



Afghan police guarding a checkpoint in Jalalabad on Tuesday.

ban from power.

The American military has pointed to progress in an attempt to show that investment has been worthwhile in helping prevent the country from becoming a staging ground for terrorist attacks. But Tuesday's report shows that headway in establishing a viable army and police force capable of securing the country against insurgents has become far from steady.

The number of army and police personnel totaled 296,409 as of Jan. 31, down

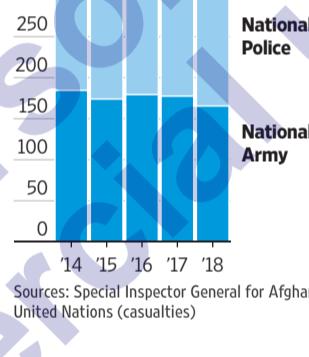
35,999 from a year earlier. Also, the Taliban and other Islamist militant groups controlled 14.5% of Afghanistan's 407 districts, it said—the highest level since late 2015, when the auditing agency started recording such data.

In response to the report's findings, Mohammad Radmanish, spokesman for the Afghan Defense Ministry, denied that the Kabul government was facing difficulties with recruitment or that casualties and desertions were thinning the ranks of the army.

## Thinning Ranks

Efforts to build self-sufficient Afghan security forces faced a setback in the past year as personnel numbers dropped by about 10%, complicating efforts to protect the population.

## Afghan security personnel



Sources: Special Inspector General for Afghanistan Reconstruction (security forces); United Nations (casualties)

## Civilian casualties



THE WALL STREET JOURNAL.

by the Taliban last year or this year were swiftly retaken by our army and commandos," he said.

In February, Afghan President Ashraf Ghani offered peace terms to the Taliban, including recognizing it as a legitimate political group within the current system, if it stopped fighting and abided by the country's constitution. The Taliban haven't responded to the offer.

The inspector general's report offered no explanation for the shrinking ranks of the

## SECURE

*Continued from Page One*  
also controlled or influenced a greater percentage of the country's districts.

The latest quarterly report—released as memorial observances were held across the Afghan capital for the 25 people killed in Monday's twin suicide bombings—comes amid a stepped-up U.S. air war in Afghanistan aimed at forcing the Taliban to the negotiating table and destroying the local affiliate of Islamic State.

"Building up the Afghan security forces is a key priority for the U.S. and our allies, so it's concerning to see a drop in force strength," said Mr. Sopko.

With air and intelligence assets shifted from the waning campaign against Islamic State in Iraq and Syria, the fight in Afghanistan has become the U.S. military's main effort in the region, American military officials say.

The U.S. has spent more than \$78 billion trying to build up the country's army and police forces from nearly scratch since the American-led invasion of Afghanistan in 2001 that forced the Talib-

"We have no shortages in recruitment. People are joining the army every day," Mr. Radmanish said, adding that the army is carrying out more operations against Islamist militant groups than last year and is more effective than ever.

Mr. Radmanish also disputed the portrait of an Afghan military on its heels.

"We've expanded our geographical control and the only districts that remain with the Taliban are those they took many years ago. Other districts that have been invaded

by the Taliban last year or this year were swiftly retaken by our army and commandos," he said.

In February, Afghan President Ashraf Ghani offered peace terms to the Taliban, including recognizing it as a legitimate political group within the current system, if it stopped fighting and abided by the country's constitution. The Taliban haven't responded to the offer.

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## WORLD NEWS

# Malaysia Rulers Fighting 'Dirty,' Mahathir Says

BY JAMES HOOKWAY

DENGKIL, Malaysia—The campaign to lead Malaysia is turning testy as the May 9 election approaches, suggesting the vote will do little to bridge the divisions characterizing this prosperous, Muslim-majority nation.

The newly minted opposition leader, 92-year-old former Premier Mahathir Mohamad, on Tuesday accused the government of systematically sabotaging his alliance.

"Their goal is to win, but not in a clean fight, in a dirty fight," Dr. Mahathir said at a campaign stop in Dengkil, a town south of Kuala Lumpur.

As an example of alleged government interference, Dr. Mahathir accused government supporters of tampering with a plane he had chartered to take him to a rally last weekend. He ended up using a plane provided by a friend.

The Civil Aviation Authority of Malaysia denied that the plane

had been sabotaged and said it couldn't take off because air had leaked from one of the front tires.

Responding to the accusations, Deputy Prime Minister Ahmad Zahid Hamidi said Dr. Mahathir has lost little flair for the drama that characterized his years in power. He suggested Dr. Mahathir would admit himself to a hospital on election day to win sympathy votes. "I hope that voters will not fall victim to this," Mr. Ahmad Zahid said.

The claims and rebuttals reflect the tensions of the five-week campaign, which was preceded by last-minute redistricting that the opposition said could enable the ruling National Front coalition to eke out a majority in Parliament even if it finishes far behind in the vote. The National Front has led every government since independence in 1957.

The government also pushed through a law in April making the publication of fake



Former Prime Minister Mahathir Mohamad, shown on a campaign stop, accused the government of sabotaging his opposition alliance.

news punishable by up to six years in prison, which critics say could inhibit debate. The government rejects that either move was intended to tip the elections.

The campaign is raising questions about the strength of democracy in a country that has taken a more authoritarian turn and, like neighbors in Southeast Asia, has been building closer ties to China, said James Chin, head of the

Asia Institute at the University of Tasmania in Australia.

Political fractures have deepened in the resource-rich nation, with the government doubling down on its core support among the majority ethnic-Malay Muslim population that dominates rural areas while the opposition courts a wealthier, more multiracial following in the cities.

Dr. Mahathir is attempting to defeat his former protégé,

Prime Minister Najib Razak, whom he accuses of skimming money from a scandal-dogged state investment fund, 1Malaysia Development Bhd., or 1MDB.

1MDB and Mr. Najib have denied wrongdoing and said they would cooperate with any lawful international investigation. Multiple Malaysian investigations in Malaysia into 1MDB closed without finding wrongdoing.

During his authoritarian rule from 1981 to 2003, Dr. Mahathir centralized power and blocked his rivals. When his deputy, Anwar Ibrahim, challenged him for power, Dr. Mahathir had him arrested for sodomy, charges he denied.

As opposition torchbearer, Dr. Mahathir has pledged to hand power to Mr. Anwar, who is currently in prison on another disputed sodomy conviction.

# China Dilutes Recognition for Taiwan

BY EVA DOU

BEIJING—China established formal relations with the Dominican Republic, peeling away another of Taiwan's dwindling diplomatic partners as Beijing tries to press Taipei to accept Chinese terms for political engagement.

Beijing's move cuts the number of governments recognizing Taipei to 19 and is part of a tactic dating to China's and Taiwan's split seven decades ago in a civil war.

Chinese Foreign Minister Wang Yi and his Dominican Republic counterpart, Miguel Vargas, sealed the diplomatic

*Beijing draws in the Dominican Republic, sapping diplomatic support for Taipei.*

ties in Beijing on Tuesday, China's Foreign Ministry said. The Dominican Republic's presidential office said in a statement its business community has long wanted a formal relationship with the world's second-largest economy and the move would benefit the country's future.

Taiwan's Foreign Ministry responded angrily, condemning "Beijing's outrageous diplomatic practices." It said China uses promises of development aid to lure countries into establishing ties, potentially creating a "debt trap" in which "gains by no means make up for the losses."

Beijing stopped wooing Taiwan's diplomatic partners for several years as political relations between the governments warmed. It resumed its efforts after the election of Taiwanese President Tsai Ing-wen in 2016. Unlike her predecessor, Ms. Tsai refused to acknowledge a principle that

China and self-ruled Taiwan are part of "One China." Beijing sees the phrase as an acknowledgment that political unification is possible.

Beijing, which has said it would absorb Taiwan by force if necessary, has sought to pressure Ms. Tsai by boosting military drills in nearby waters and airspace, withholding economic cooperation and poaching Taiwan's diplomatic allies.

The Dominican Republic is the third country to have broken ties with Taiwan since Ms. Tsai's election, after Panama in 2017 and São Tomé and Príncipe in 2016.



Ministers Vargas and Wang sealed the ties in Beijing on Tuesday.

## WORLD WATCH



SÃO PAULO DISASTER: A 24-story building sheltering dozens of squatting families caught fire and collapsed in Brazil's biggest city on Tuesday. At least one person died.

NORTH KOREA

### Trump: Summit Site To Be Revealed Soon

President Donald Trump said his administration would likely announce "in the next couple of days" a location and date for a summit with North Korean leader Kim Jong Un.

Mr. Trump made the remark in response to a question from a reporter in the Oval Office. A day earlier he had said he was considering Singapore, as well as the demilitarized zone between North and South Korea, as venue options.

The president also said the suggestion from South Korea's Moon Jae-in that Mr. Trump deserved the Nobel Peace Prize for his efforts on the Korean Peninsula was "very nice" but that "the main thing is to get it done" and that his goal was peace. —Louise Radnofsky

NIGERIA

### Worshippers Killed in Two Blasts in Mubi

Two explosions killed at least 24 worshippers at a mosque in northeastern Nigeria and wounded at least 56 others, with many of the victims caught in the second blast while trying to flee, police said Tuesday.

The attack in Mubi town came a day after President Muhammadu Buhari met with Pres-

ident Donald Trump at the White House and discussed the threat from the Nigeria-based Boko Haram extremist group. Its fighters were quickly blamed for Tuesday's blasts.

This is the second time in six months that dozens have been killed in an attack on a Mubi mosque. In November, a teenage suicide bomber attacked worshippers as they gathered for morning prayers, killing at least 50 people in one of the region's deadliest assaults in years.

The National Emergency Management Agency coordinator in Adamawa state, Imam Abbani Garki, said 18 people were critically wounded and had been evacuated for treatment in Yola city.

Haruna Hamman Furo, the head of the state emergency management agency, called the attack "devastating."

—Associated Press

UNITED KINGDOM

### Britons Cut Back On New Borrowing

New lending to households fell to £4.3 billion (\$5.9 billion) in March from £5.5 billion in February, the Bank of England reported.

Separately, data firm IHS Markit's purchasing managers index for the manufacturing sector fell to 53.9 in April from 54.9 in March.

The purchasing managers

survey found that confidence among respondents fell to its lowest level in five months, partly reflecting uncertainty about the way in which the U.K. will leave the European Union in March 2019. —Paul Hannon

CANADA

### Economic Growth Beats Expectations

The country's economy grew at a faster pace than expected in February, fueled by a strong rebound in oil and gas extraction and widespread gains that reinforced expectations the Bank of Canada will raise interest rates again this year.

Canada's gross domestic product, or the broadest measure of goods and services produced in an economy, increased 0.4% in February from the previous month to a seasonally adjusted 1.77 trillion Canadian dollars (US\$1.38 trillion), Statistics Canada said Tuesday. Market expectations were for a 0.3% advance, according to economists at Royal Bank of Canada, after the economy contracted 0.1% in the previous month.

Year-to-year, the economy advanced 3% in February.

February's advance "reinforces the theme that the economy is in decent shape and can continue to move slowly but surely higher," said BMO Capital Markets economist Benjamin Reites. —Kim Mackrael



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# GOOGLE

*Continued from Page One*  
loud debates and doctrinaire stances are commonplace—and today its parent, Alphabet Inc., is increasingly struggling to keep things under control.

"Activists at Google" helped organize a rally critical of President Donald Trump's policies. "Militia at Google" members discussed their desire to overturn a prohibition on guns in the office. "Conservatives at Google" allege discrimination against right-leaning job candidates. "Sex Positive at Google" group members are concerned that explicit content is being unfairly removed from Google Drive file-sharing software.

"Googlers For Animals" invited the PETA president, only to be undercut by members of the "Black Googler Network."

Google's broad corporate culture has long leaned Democratic, and that's reflected in the internal debates that often pit left-wing causes against each other. Google employees gave 62 times as much to Hillary Clinton's 2016 presidential campaign as that of now-President Donald Trump, and former Alphabet Executive Chairman Eric Schmidt helped the Clinton campaign with data analysis. Less numerous, but increasingly volatile, are groups of conservative employees reacting against what they see as Google's political orthodoxy.

## Taken to court

Beyond the internal debates are lawsuits, including from female employees alleging pay discrimination against women; from male ex-employees claiming bias against conservative white men; and from a transgender engineer who said he was fired for making derogatory statements about what he called white male privilege. All this comes on top of a very public controversy last August when Google fired a software engineer, James Damore, who wrote an internal memo saying gender differences might have something to do with women's under-representation in the tech workforce.

Politicians, media and consumer groups are raising questions about how giant tech platforms such as Google, Facebook Inc. and Twitter Inc. make difficult decisions on issues of free speech that potentially affect billions of users.

Google, a crucial part of the internet's behind-the-scenes police force, is struggling simultaneously to curate a cacophony of voices within its own abode and to define what is allowed in search and on YouTube. Google engineers are trying to refine the algorithms that block content for being extremist or dangerous.

A Google spokeswoman said the quashing of Ms. Newkirk's talk is seen internally as a failure to properly vet speakers. Google has formed a group of employees whose job is to review speakers in advance. Google also has published new guidelines for acceptable content in Talks at Google.

Many companies have struggled to strike a balance between employees' right to share opinions and maintaining a cordial workplace. The

dilemma is especially striking at tech companies, which typically cast themselves as open meritocracies. Googlers, as employees are called, are encouraged to "bring their whole selves to work."

"Google has created a level of entitlement which is hard to claw back," said Jim Miller, a former vice president who left Google earlier this year to run a startup. "People feel that it's OK to debate everything."

In 2008, a Google chef generated an online debate, with more than 100 comments on Google's internal message forums, by serving a "Free Tibet Goji Chocolate Cream Pie" in the cafeteria, a reference to the political movement opposing China's rule of the Asian region. The chef initially drew a suspension, which another manager overturned on free-speech grounds, according to Laszlo Bock, who wrote about it in the book "Work Rules!"

Employees can choose from thousands of email discussion groups, on topics including juggling and polygamy. And on a tool called Memegen, pop culture images are overlaid with sardonic commentary, often poking fun at recent controversies.

At a recent Google event titled "Living as a Plural Being," one employee gave a talk explaining why the speaker sexually identified as "a yellow-scaled wingless dragonkin" and an "expansive ornate building," according to a suit from Mr. Damore, the fired software engineer.

Mr. Damore's memo and resulting dismissal last summer, besides stirring criticism outside the company, ignited frenzied debate inside it. Some employees accused Google of wrongly firing an employee for expressing himself; others

### A talk by one worker embraced the identity of a 'yellow-scaled wingless dragonkin.'

said the company hadn't done enough to stand up for gender equality. Debates inside Google have flared up on email lists and Memegen ever since.

"They think they can please everybody, and I don't think that's possible," said Tim Chevalier, the transgender former engineer, who alleges he was fired because of his statements against discrimination.

Mr. Chevalier said in his February suit he was harassed



**A Google talk by PETA's Ingrid Newkirk, seen after her protest of a pigeon shoot, was canceled when some employees objected to her theme of racism and animals; Google fired James Damore, below, for suggesting gender could affect one's facility for tech work.**

and bullied on the internal message boards, with little company intervention. The Google spokeswoman said, "An important part of our culture is lively debate. But like any workplace, that doesn't mean anything goes."

A shooting early last month at the headquarters of Google's YouTube unit, in which a woman with a pistol wounded three before taking her own life, led one Googler to propose the company let staff members with gun permits carry weapons to the office, according to an employee who saw the post. Google reaffirmed its no-gun policy.

While Google's intranet forums usually are overseen by employee volunteers, the company says its human-resources staffers can investigate complaints by reviewing message boards and in some cases punish employees based on posts found there. The memo that got Mr. Damore fired breached the code of conduct "by advancing harmful gender stereotypes in our workplace," Google CEO Sundar Pichai said in a letter to employees about the incident.

Google executives are preparing to issue a new set of guidelines around what can and can't be said on internal forums, people familiar with the matter said.

Each year, Google invites hundreds of actors, authors and other luminaries to give talks. While a small team ap-



proves speakers, suggestions come from staffers throughout the company, who then typically organize the talks.

Engineer Dan Hackney was expecting a fight when he proposed a talk by Alex Epstein, an author who has criticized the renewable-energy movement. The visit stirred debate on campus but ultimately went off without a hitch in August. "To me, that signaled the company was willing to bring people with controversial ideas," Mr. Hackney said.

Later, however, after Google fired Mr. Damore for his memo questioning women's fitness for certain jobs, Mr. Hackney left Google. "I was worried about my ability to express controversial ideas without it negatively impacting my ca-

reer," he said. Google had no comment on that.

### No dice

PETA's Ms. Newkirk was slated to give her talk on Jan. 18. A software engineer, Lucas Freitas, had set her visit in motion months earlier, writing to PETA that "people in our Googlers For Animals group discussed and are very excited about having Ingrid come!"

Ms. Newkirk, 68, is a lightning-rod figure as head of an organization known for radical activism. In one of her best-known protests, she ran across a field in Pennsylvania with other PETA members to stop the sport shooting of hundreds of pigeons, a move that landed her in jail for 15 days. The pigeons survived.

Ms. Newkirk spoke at Google six years ago. This time, she planned to build on PETA's view that animals are no different from people and should have the same rights, she said in an interview. The talk's title: "How The National Conversation on Racism Affects PETA's Fight for Animal Rights."

She planned to show a video in which RZA, the Wu-Tang Clan hip-hop artist and outspoken vegan, transforms from a black man into an Asian woman and eventually into a bear and a chicken. "It doesn't matter if we have fur or feathers or fins, the length of our nose or the number of

legs," RZA says in the video's voice-over. "We're not different in any important way."

A pamphlet Ms. Newkirk planned to distribute to those attending shows pictures of a cow, a chicken and a bunny with the heading "How Bigotry Begins." The talk was canceled about an hour before it was to begin, with goodie bags ready and the auditorium already starting to fill.

Ms. Newkirk, still in the parking lot, insisted she be allowed to come in and speak with someone about the situation. Mr. Freitas, the employee who invited Ms. Newkirk, was with her, and eventually received a call from a Google employee. The call, which Mr. Freitas put on speakerphone, was captured by Ms. Newkirk's audio assistant, she said.

### 'A sort of outcry'

"There was, like, a sort of outcry in response" to the prospect of the talk, said the Google employee, David Barry, according to a transcript reviewed by the Journal. "And the last thing that Google wants, that we want to do, is to make people, like, feel alienated, or hurt people, like, who voiced concern over this talk," said Mr. Barry, whose LinkedIn profile describes him as an associate account strategist at Google.

Mr. Barry didn't respond to a request for comment.

The move blindsided Mr. Freitas. He texted a PETA official saying "Google's really high ups" had made the decision and "this sucks," according to a copy of the text messages provided by PETA. Mr. Freitas didn't respond to a request for comment.

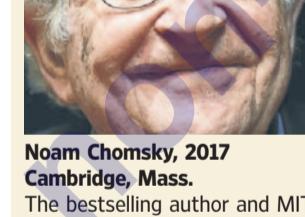
Ms. Newkirk repeatedly emailed Google executives but wasn't given more of an explanation of what happened. She said she is still perplexed about the incident. "It's the most anti-racist talk you'll ever hear," she said.

The Google spokeswoman said an employee working on Talks at Google on a volunteer basis unilaterally made the decision to cancel the talk. She wouldn't identify the employee.

PHOTOS: DPA/ZUMA PRESS; GETTY IMAGES

### Google's Soapbox

The internet giant hosts hundreds of speakers at its offices each year, including many prominent political thinkers.



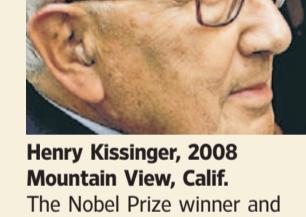
**Noam Chomsky, 2017  
Cambridge, Mass.**

The bestselling author and MIT linguistics professor recounted his career in political activism and delved into the challenges now facing the media industry.



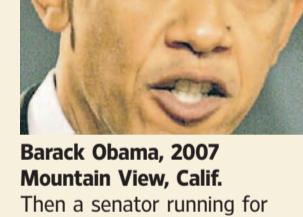
**Condoleezza Rice, 2010  
Mountain View, Calif.**

The former secretary of state told stories from her childhood in segregated Birmingham, Ala., and from her time serving in George W. Bush's cabinet.



**Henry Kissinger, 2008  
Mountain View, Calif.**

The Nobel Prize winner and secretary of state under Richard Nixon described how he negotiated the 1973 cease-fire that ended the Vietnam War.



**Barack Obama, 2007  
Mountain View, Calif.**

Then a senator running for president, Mr. Obama gave a stump speech before being interviewed by Google's then-chief executive, Eric Schmidt.

# SHARE

*Continued from Page One*  
give me more money and hook me up with more deals."

When James Rhee took the helm of Ashley Stewart, a plus-size clothing chain, he gathered the company's workers together at its headquarters in Secaucus, N.J., and told them he was "the least qualified person to run the company."

The confession shocked some employees and scared others, Mr. Rhee said. The feedback at the time: "This is the person who's supposed to be saving us when the company's hair's on fire?"

Mr. Rhee's job history included founding his own investment firm and helping manage the Meow Mix brand of cat chow, but the sum total of his retail operating experience amounted to busing tables at restaurants while in high school and college. He appealed to Ashley Stewart workers to help him learn the business, which, at that point in 2013, was teetering on the brink of bankruptcy.

He admitted another per-

sonal fear: loneliness. Mr. Rhee's family would remain in Massachusetts while he worked four to five days a week in another state.

Aretha Blake, a buyer at Ashley Stewart, said Mr. Rhee's openness motivated her to step up and learn something new. She worked more with the marketing department and started to pilot new projects, including a prom dress line.

The formal wear idea flopped, but a subsequent push into plus-size clothes for younger shoppers has been a hit. In addition to new markets, Ashley Stewart has built out its e-commerce business and is now profitable.

"He let us have a voice," Ms. Blake said. "It makes me want to think of more ideas."

When leaders recount emotional dreams or admit they don't know what they're doing, it can breed loyalty and engender collaboration, some CEOs say.

But not everyone wants to work for an oversharer. And in an era of heightened sensitivity and concerns about workplace behavior, some bosses may be inclined to share less.

For decades, CEOs across

industries were supposed to have all of the answers and avoid any sign of weakness, said Sydney Finkelstein, a management professor at Dartmouth College's Tuck School of Business who studies chief executives.

"Power was a virtue in and of itself," he said.

Many executives still take their leadership cues from the past. "Most CEOs, if they had their druthers, they wouldn't want to give up power," Mr.



**Jessica Mah shares stories with employees and investors.**

Finkelstein said. But even in the highest ranks of the most traditional companies, new realities such as activist investors have forced leaders to be more accommodating.

Brené Brown, the University of Houston professor whose Ted Talk on the power of vulnerability became a viral hit, with 34 million views, said leaders need a "clear intention why" before they reveal intimate information.

In books and speeches, Ms. Brown promotes risking emotional exposure as a way to find meaning in life and build relationships. She also wonders whether vulnerability has become a buzzword that has prompted people to be open in ways that could be misguided.

"This is dangerous, when things become misunderstood," she said. "For leaders, sharing without the intention of developing other people or processes is not courageous."

Rachel Proffitt, an attorney, was so impressed with the CEO of Cooley LLP, of Palo Alto, Calif., that she switched law firms to work for him. She said an exchange about parenting with Joe Conroy, the CEO, was "one of the most open and

honest conversations" she had ever had.

"This is a guy who's going to sit here and talk to me as a person," she recalled thinking after her initial dinner with him.

A few months later, Ms. Proffitt was moved to tears at a meeting of the firm's partners when Mr. Conroy recounted a dream involving his oldest son. Mr. Conroy says his annual speech, which has touched on topics like the death of his father, is designed to stir workers to feel connected to each other and the firm. His speech this year was about living in the moment.

Mr. Conroy describes his management style as "human being."

"It's all part of not being larger than life," he said. "In order for people to follow you, they have to trust you. In order for them to trust you, they have to know you."

Rand Fishkin blogged about his insomnia, depression and other soul-baring topics while working at Moz, a Seattle-based marketing software company. The former Moz CEO says his openness sometimes produced a jump in customers

but also sparked anxiety among employees.

Mr. Fishkin shared his own performance review on the blog and published an internal email describing problems with a major product launch at the closely held Moz. It initially gave Trevor Klein, a content manager, mild heartburn. Would outsiders think less of the company as it shared its shortcomings?

"My first reaction was sort of...OK, here we go. Let's gear up because we have no idea how the broader world is going to react," he said.

His nerves quickly faded, though, and he feels Mr. Fishkin's openness built camaraderie.

Mr. Fishkin, who left Moz in February but is still chairman of the board, has no regrets. He said external reaction to his sharing was generally positive. "Whatever your dirty skeletons in the closet are, just open the closet and show everyone," he said. "If your finger is shaking when you hit the publish button, and you can barely look at the responses in the comments and email and on Twitter the next morning, now you're being transparent."

# GREATER NEW YORK

## Electric Boat Wins Incentive Deal

Connecticut expects submarine maker to boost jobs, spending in return for \$83 million

BY JOSEPH DE AVILA

Connecticut will give an \$83 million incentive package to General Dynamics Electric Boat in exchange for a commitment from the submarine maker to invest in its Groton-based plant, the company and state officials said on Tuesday.

Electric Boat, which manufactures two naval submarines annually, is gearing up to construct three a year. The company said Tuesday it will make \$852 million in capital investments and plans to spend more than \$500 million annually buying parts from in-state suppliers.

The submarine maker, a unit of General Dynamics Corp., said last year it plans to hire up to 18,000 workers in Connecticut by 2030 to meet its expansion demands and to replace much of its current workforce that is approaching retirement age. It hired nearly 2,000 Connecticut workers in 2017.

This Connecticut investment "provides crucial support for the workforce development and facility expansion that will help Electric Boat grow, increase its economic contribution to the region," said Electric Boat President Jeffrey Geiger.

The defense industry has been one of the strongest sectors for Connecticut's struggling job market. The transportation equipment



**Electric Boat**, which manufactures two naval submarines annually, is gearing up to construct three a year and plans to expand hiring.

manufacturing field, which includes Electric Boat, employs 45,500 people in the state, up 14% since July 2014, according to the Federal Reserve Bank of St. Louis. Total job growth for the state over that same time frame is only about 2%.

Other defense companies based in Connecticut—including United Technologies Corp.'s Pratt & Whitney and Lockheed Martin Corp.'s Sikorsky—are also planning to hire thousands of employees in coming years.

Much of Electric Boat's em-

ployment growth has been driven by an increase in demand for Naval submarines. In addition, the company is expanding its Groton facility to prepare for the construction of a new type of nuclear-powered ballistic missile submarines for the U.S. Navy.

At a national level, new orders for defense capital goods from January through March jumped by 12% compared with the same period last year, the Commerce Department reported Thursday. Meanwhile, new orders for nondefense

capital goods excluding aircraft—a gauge of business investment—rose 7% during that same time frame, according to the agency.

As part of Connecticut's package, the state is lending Electric Boat \$35 million. But if the company hits certain employment and spending goals, it doesn't have to pay the state back. The state also offered \$20 million in sales-tax exemptions and an \$8 million grant for workforce development programs through community colleges and other

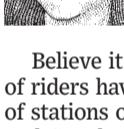
organizations. Connecticut will pay \$20 million for a dredging project that will allow subs to launch from a new dry dock in Groton.

Gov. Dannel Malloy, a Democrat, said the agreement with Electric Boat is a boon for Connecticut's supply-chain companies.

"Our state's partnership with General Dynamics Electric Boat will ensure that thousands of good-paying manufacturing jobs continue to grow for years to come," Mr. Malloy said.

METRO MONEY | By Anne Kadet

## This Subway Station Racks Up Rave Reviews



Quick: What's New York City's top-reviewed subway station?

Believe it or not, thousands of riders have rated hundreds of stations on forums like Yelp and Google, considering factors like cleanliness and token booth clerk personality. While the reviews aren't verified, they can indicate a station's relative popularity.

Crunching the numbers from Yelp and Google, and disregarding the new Second Avenue line, I was surprised to find a standout: Manhattan's 59th Street-Columbus Circle station at the southwest corner of Central Park. While most stops average two or three stars out of five, Columbus Circle averages four or five.

Drawing nearly 74,000 passengers a day, the hub, which services the 1, A, B, C and D lines, is the city's eighth-busiest station. And according to critics, it's quite the party. "It's a great station," wrote Tessie V., awarding the stop five stars on Yelp. "There's usually musicians about and it's lovely."

"A great place to make out!" wrote Tony R. on Four-square.

In an effort to appreciate its charms, I recently spent a half-day exploring the station. Not bad. The tracks were nearly litter-free; the gum-smudge-to-tile ratio is relatively low. The announcements



A wall of artwork by Sol LeWitt decorates an entrance to the 59th Street-Columbus Circle station.

were clear. I only saw one rat. Indeed, the first passenger I asked about the station lit up like I'd asked her to describe a favorite grandchild. "The train is always on time," said Janice Winston, a housekeeper from the Bronx. "It's always clean. The maintenance is 100%."

Was I in the right city?

Chief Stations Officer Rachelle Glazier, who oversees all 472 train stops for New York City Transit, says Columbus Circle employs three cleaners each shift; every area gets spruced up at least every eight hours.

The station requires more manpower than most, she notes, but doesn't receive more attention than others relative to its size and traffic.

There are other factors, however, that may give Columbus Circle an edge.

For one, the station got a \$125 million renovation completed in 2011 that included new artwork, entrances and staircases, elevators, tiling and lighting.

Then there's the transit police headquarters at the north end of the station. The place is crawling with cops, which may explain why I couldn't find a single panhandler to interview for this piece.

Performing musicians, meanwhile, said they like the station for its high earnings potential—more than \$100 an hour in one case—and its location near Universal Music

Group, the Juilliard School and Lincoln Center.

But what really sets Columbus Circle apart is the Turnstyle Underground Market in the concourse between 57th and 58th streets, the work of a private developer who signed a multidecade lease on the space.

Converting the once-desolate passage into a 28,000-square-foot market appealing to New Yorkers of every stripe was a challenge, says developer Susan Fine.

She's tweaked the tenant mix since its 2016 launch to include more services—like a sleek Japanese barbershop chain offering \$20 haircuts in 15 minutes—and more food options.

The 40 small shops and kiosks are occupied largely by local, independent merchants renting space for \$12,000 to \$20,000 a month. The 5% vacancy rate is less than half that of the surrounding neighborhoods. "We think we're a better street than upstairs, where it's all banks and drugstores," says Ms. Fine.

I'll say. My beef shawarma bowl and soda cost \$16.50, but the market's 18 food vendors also offer \$2 pizza slices, arepas and an \$8 heap of fried chicken served in a waffle cone. The communal tables were packed with bankers, students slurping coffee, construction workers and a mom sharing a poke bowl with her toddler.

The shops, meanwhile, offer impulse buys such as candy, flowers, wine, greeting cards and makeup.

"The stores down here are all unique," said John Lutton, a shopper at Dog & Co. "And you can get a chicken and waffle cone. Hello!"

Will we see more station markets in coming years?

Jaci Cohen, campaign coordinator for passenger-advocacy group Straphangers Campaign, says developers probably won't bother with low-traffic stations. But we've already seen a second example at the busy Fulton Street hub in lower Manhattan. Still, what most straphangers really crave, she says, isn't amenities, but the basics: "better service and accessibility."

*anne.kadet@wsj.com*

## Cuomo Pushes for Tougher Gun Law

BY CORINNE RAMEY

New York Gov. Andrew Cuomo on Tuesday pushed for lengthening the waiting period to buy guns for people who aren't immediately approved when their backgrounds are checked in a federal database.

Under federal law, gun dealers must check a potential buyer's name in the National Instant Criminal Background Check System before selling a firearm. The system then provides the seller with a notification of "proceed," "denied" or "delayed."

People can be denied due to convictions for certain crimes or for being the subject of a protective order, among other reasons. If the check is delayed and isn't completed within three business days, the buyer is, by default, allowed to purchase the gun.

Mr. Cuomo's bill would extend that waiting period for delayed purchases in New York state to 10 days, giving the authorities more time to investigate potential gun buyers.

In February, Sen. Michael Gianaris, a Democrat, introduced legislation that also lengthened the waiting period to 10 days.

At a news conference Tuesday in Manhattan, Mr. Cuomo rattled off a list of locations where mass shootings had occurred. "How many times do you have to have the same situation happen over and over and over again before this nation comes to its senses and says, 'Let's do something to stop innocent people from dying?'" said Mr. Cuomo, a Democrat who is running for a third term.

Gun-control advocates say that even though 90% of background checks are completed immediately, crucial checks demand more time.

*Bill would lengthen the wait for people not immediately approved by a federal check.*

Dylann Roof, the gunman who killed nine people at a church in Charleston, S.C., was allowed to buy the weapon he used in the shooting because his background check wasn't completed within the three-day window.

Tom King, president of the gun-advocacy group the New York State Rifle & Pistol Association, said the federal background-check system works well now, except when states don't accurately report information that might disqualify a buyer. He said in some cases, such as those when a woman might need a gun to protect herself from a potentially violent domestic partner, 10 days might be too long to wait.

"Would it have saved your life if you had gotten it seven days earlier?" Mr. King asked. "Maybe."

On Tuesday, Mr. Cuomo appeared alongside Aalayah Eastmond, a junior at Marjory Stoneman Douglas High School in Parkland, Fla., where 17 were killed during a Feb. 14 shooting. She recalled how she hid under the body of a fellow student. "No student should have to hide under their classmate's body to survive," she said.

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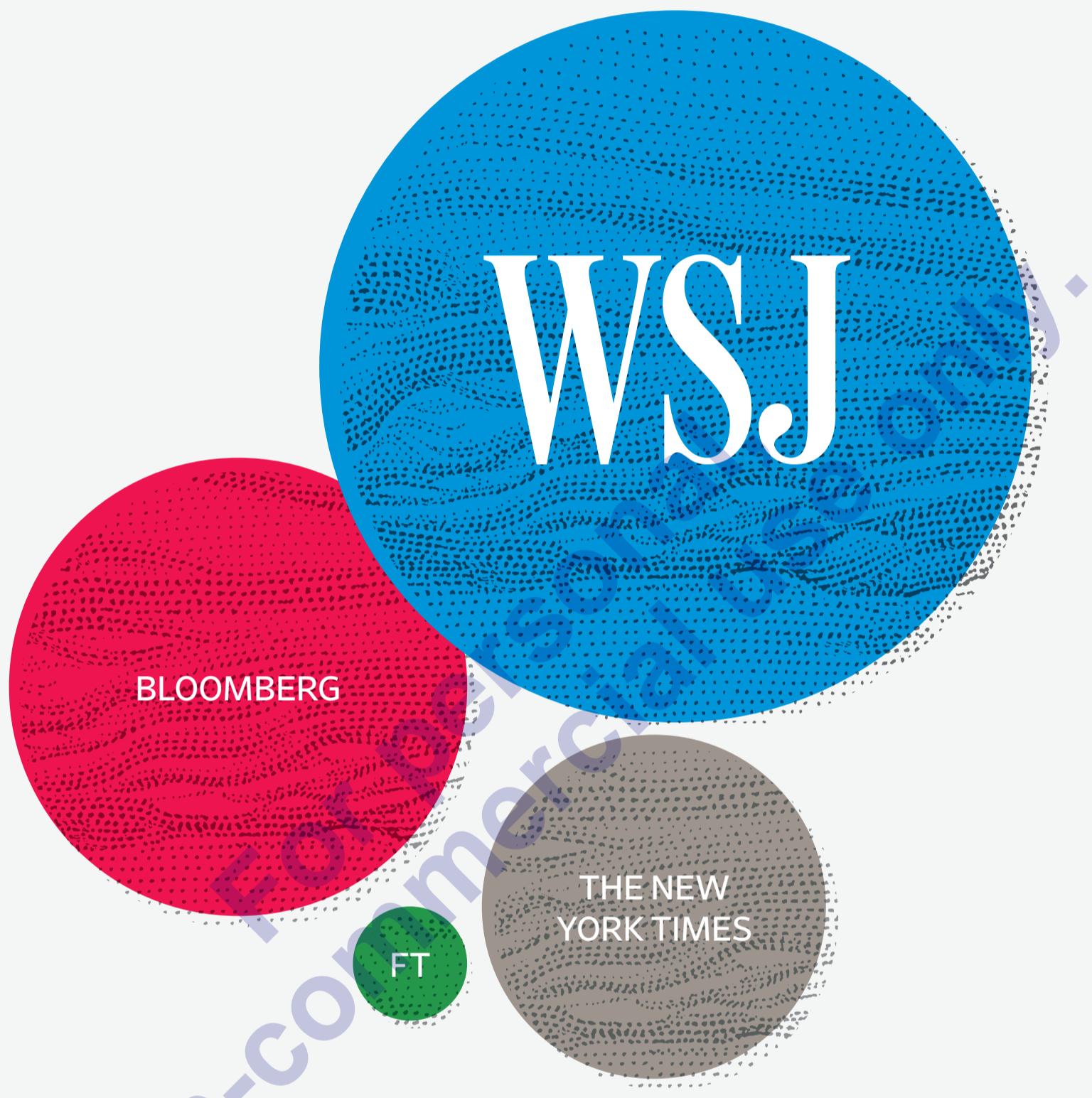
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# LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

## Farewell to Those Tiny Bottles

Hotels switch to wall-mounted shampoo dispensers to save money and plastic, but risk upsetting travelers set in their ways

**THOSE LITTLE** bottles of shampoo, conditioner and body wash in hotels—icons of travel—are disappearing, replaced by bulk dispensers mounted on shower walls. And some travelers are in a lather.

Marriott is switching to larger bottles in wall-mounted racks in 450 hotels at five brands and plans to expand to 1,500 hotels in North America by January. InterContinental Hotels Group is rolling out wall-mounted bulk dispensers at four brands this year. IHG's upscale Kimpton brand already uses big bottles in showers.

Even a detail as tiny as a 1-ounce bottle can fire up travelers, meaning hotels must put real thought into tweaks like this. Just last week, the musician Halsey sparked a debate when complaining on Twitter that hotels don't address the needs of minority guests with the shampoos they provide.

Hotels say bulk dispensers cost less and are better for the environment—billions of half-full bottles get thrown away every year. Think of it as roughly 1,000 bottles for every hotel room, multiplied by more than 5 million hotel rooms in the U.S.

Some customers, especially families packing into rooms, want more than the squirts you can get out of little bottles. Several chains have studied bottle behavior carefully and discovered many travelers find the wall-mounted pumps easier to use. You don't have to get out of the shower wet if you forget to bring bottles over from the sink. The bulk dispensers end the struggle to read small print without glasses or fish a bottle cap out of the drain.

But some road warriors say wall-mounted racks look low-class. They're steamed that removing their prized individual bottles looks like just another in a long string of amenity cuts from hotels, like mouthwash, stationery, sewing kits and pens.

"What's next, getting rid of the packs of coffee and making us scoop out of a can?" says Dennis Lennox, a strategic communications consultant from Detroit who spends more than 200 nights a year in hotels. "I think it's cheap, incredibly cheap."

Sometimes bulk dispensers are empty, he says. But Mr. Lennox's



"This is certainly not an arbitrary decision," he says. "I don't think that anybody would perceive it as a budget or a downgrade. Certainly in the testing we did, it did not come across that way."

Hotels say dispensers are locked and tamper-resistant to prevent sabotage. Most are designed with some clear plastic so housekeeping staffers can see how much remains. Many hotels outside the U.S. use wall-mounted dispensers, some only offering one all-purpose soap/shampoo.

New York City-based finance professional Sydney Chun thinks Marriott's new Tea Tree pump bottles will remind people of using soap dispensers in a public restroom. But there are benefits, she says. She has long hair and needs a minimum of two hotel-sized bottles to cover her hair, so having big bottles helps.

"It does get old to call the front desk and ask" for more, she says.

Some chains are bucking this trend. Choice Hotels, a group of 6,800 franchised hotels mostly under budget brands, says it has decided to stick with small bottles. Customer feedback is mixed, Choice says. Hotel guests often don't believe the communal bottles are clean, full and well-maintained.

"Guests really want to get to their hotel room, including their bathroom, and not see any evidence of anybody else having been there," says Anne Smith, Choice's vice president of brand management and design.

Noelle Nicolai, who leads marketing for Wyndham Hotel Group's upscale brands, likens bath products to bread at restaurants. If it's mediocre, you forget it.

"If done right, it can be one of the top drivers of delight and guest satisfaction," she says.

Wyndham did extensive research and decided to increase the size of some of its bottles from 30 milliliters to 50 milliliters to encourage guests to take them home.

"Maintaining that bottle experience...was really important to us," Ms. Nicolai says.

Wyndham and most other large hotel companies send leftover soap that's been sanitized and repackaged to a charity called Clean the World for recycling.

PHOTO: ILLUSTRATION BY C.J. BURTON

bigger complaint is that, like many travelers, he collects toiletries and other giveaway hotel products and delivers them to a homeless shelter.

Marriott says its change allows it to offer higher-quality bath products at lower cost and reduce waste. Starwood Hotels had bulk dispensers on shower walls at some brands, and Marriott has learned from that after it merged with Starwood.

The change to larger 8.5-ounce

bottles includes an upgrade to Paul Mitchell's Tea Tree product line at Marriott brands.

And the landfill waste can be significant, says Liam Brown, who is responsible for Marriott brands like Courtyard, Residence Inn, Fairfield Inn and SpringHill Suites in the Americas. Little bottles are never refilled and rarely recycled. The initial 450 properties where Marriott will make the change use 10.3 million little bottles a year, or

113,000 pounds of plastic, he says. When the change reaches 1,500 hotels it means 34.5 million bottles, or 375,000 pounds of plastic a year.

Savings will be small, Mr. Brown says, at about \$2,000 hotel a year. But Marriott says it did extensive testing and believes the wall-mounted bottles will work better. Mr. Brown says high-end spas, including Marriott's own Ritz-Carlton spa showers, use bulk dispensers.



'Harry Potter and the Cursed Child' was nominated for 10 Tonys, including best play.



'SpongeBob SquarePants' tied with 'Mean Girls' for the most nominations, each receiving 12.

## THEATER

### 'SPONGEBOB,' 'MEAN GIRLS' LEAD TONY NOMINATIONS

BY CHARLES PASSY

**'MEAN GIRLS'** and "SpongeBob SquarePants" topped this year's Tony Awards nominations with 12 each, while "Harry Potter and the Cursed Child" emerged as the front-runner among plays.

The awards, presented by the American Theatre Wing and the Broadway League, are set for June 10. They will air on CBS, hosted by Josh Groban and Sara Bareilles.

"Cursed Child," a spectacle-laden, two-part play drawn from the world of J.K. Rowling's popular books, was nominated for 10 Tonys on Tuesday, including best play, where it is up against Ayad Akhtar's "Junk," Claire van Kampen's "Farinelli and the King,"



Lauren Ridloff, a nominee for 'Children of a Lesser God,' with co-star Joshua Jackson.

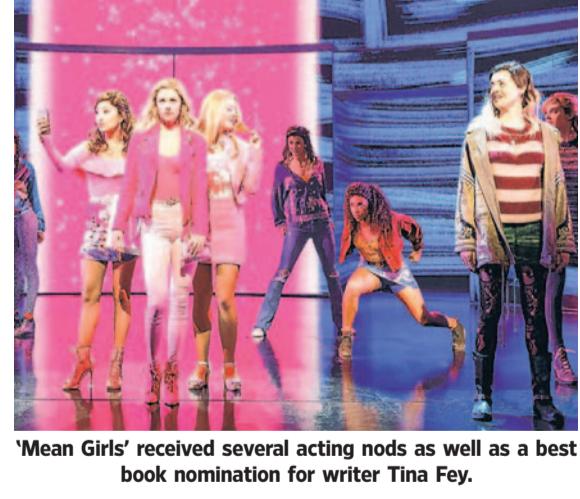
Lucy Kirkwood's "The Children" and John Leguizamo's "Latin History for Morons."

Ms. Rowling developed the story for "Cursed Child" with a creative team that includes writer Jack Thorne and director John Tiffany. It opened on Broadway in April after making a name for itself on London's West End, where it won a record nine Olivier Awards—the British equivalent to the Tonys—in 2016.

Even before the show's opening, it set a Broadway box-office record for plays, generating \$2.1 million in ticket sales for one seven-day stretch while it was still in previews.

"Cursed Child" producers Sonia Friedman and Colin Callender said they were delighted and relieved by

Please see TONY'S page A12



'Mean Girls' received several acting nods as well as a best book nomination for writer Tina Fey.



Andrew Garfield was nominated for best lead actor in a play for his 'Angels in America' performance.

## LIFE &amp; ARTS

MY RIDE | By A.J. Baime

# A Monster Truck That Crushes It



WHITNEY CURTIS FOR THE WALL STREET JOURNAL

**Jeff Krekeler, 52, owner of Krekeler Jewelers in Farmington, Mo., on his High Roller II monster truck, as told to A.J. Baime.**

The first monster truck, Bigfoot, came out of St. Louis in the 1970s. I grew up an hour south in Farmington, and I remember getting to see Bigfoot's creator Bob Chandler thrash that truck through a mud pit like a mad man, before the truck became a national phenomenon.

A lot of people of my generation remember that truck. For us, Bigfoot was a local hero.

In Farmington, we have a tradition where people turn up for a homecoming parade each fall. For my 30th high-school reunion in 2014, I had this idea to get Bigfoot to pull a hay wagon in the parade. I shot off an email and, amazingly, one of the truck's early drivers, Jim Kramer, brought the original monster truck to the event.

It was a huge thing for our town. Ever since, people have associated me with monster trucks.



A couple months later, I came in to work one morning and checked my Facebook. Six different people had posted a link to a Craigslist ad; the monster truck High Roller II was on sale in Oklahoma. High Roller II was one of the original wave of monster trucks, built in 1985 out of a 1979 Ford F-350, in Fordsville, Kent.

The truck had been sitting in a field for

years and was in rough shape. I negotiated a price of \$8,500, and immediately sold the wheels and tires, so I was only in for about \$1,500.

I thought it would be fun to have around. I had no plans to restore it. But this is when, for me at least, this story gets really interesting. I am a jewelry-store owner, not a mechanic. But people came out of the woodwork in the monster-truck community to help give High Roller II a new life.

We began to restore the truck inside and out, top to bottom. We re-created all the parts that were missing or broken. One guy helped rebuild a 1980s Pioneer cassette deck.

Now we use the truck in parades and to crush cars for charity events. When you're dealing with a monster truck, everything is amplified—cost and maintenance. Lucky for me, I have a small army of volunteers that helps me keep it going.

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

**Clockwise from below:** Jeff Krekeler, who bought the monster truck High Roller II through a Craigslist ad in 2015, for \$8,500; fellow monster-truck fans helped him restore it to its 1980s glory; the truck crushed cars at a charity event on April 21 in Bonne Terre, Mo.



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## THEATER

**Continued from page A11** the news. "We don't take anything for granted," said Mr. Callender. They expressed gratitude to Ms. Rowling for, in Ms. Friedman's words, "trusting us with her world."

"Mean Girls" and "SpongeBob SquarePants" received nods for their acting performances as well as categories such as direction, choreography, scenic design and costume design. Tina Fey, who wrote the original "Mean Girls" movie, picked up a nomination for the musical's book.

The competition for best musical is often the most high-profile race, but the focus has shifted to best play this year in large part because of Potter mania. Still, the musical nominees include three lavishly staged shows—"Frozen," "Mean Girls" and "SpongeBob SquarePants"—all based on hit movies or TV shows.

In particular, "Frozen," the Disney-produced musical based on the animated movie of the same name, has been among Broadway's most anticipated shows this season. It has played to near capacity since opening in March.

But it is a fourth musical nominee, "The Band's Visit," a more modestly scaled production that looks at Arab-Israeli relations, that has been the season's critical darling and is seen by many industry insiders as the Tony front-runner.

Wall Street Journal theater critic Terry Teachout called it a musical of "wondrous charm," writing that it "shows that the great American art form (give or take jazz) is still full of life when practiced by artists who trust the taste and intelligence of their audiences."

"Band's Visit" producer Orin Wolf said he hoped the Tony nod would "give us a wider circle" and boost ticket sales.

Revivals are some of the most hotly contested Tony categories this year. Plays nominated for best revival include a production of "Angels in America," Tony Kushner's epic about the AIDS crisis, and a staging of Edward Albee's "Three Tall Women" that features actresses Glenda Jackson, Laurie Metcalf and Alison Pill.

Other nominees include revivals of Kenneth Lonergan's "Lobby Hero," Eugene O'Neill's "The Iceman Cometh" and Tom Stoppard's "Travesties."

In the best revival of a musical category, well-received productions of two golden-age shows, Rodgers and Hammer-



stein's "Carousel" and Lerner and Loewe's "My Fair Lady" are competing against each other, alongside an imaginative staging of the Caribbean-minded "Once on This Island."

Ms. Jackson was nominated for best performance by a leading actress in a play. She has been nominated three times before in the category but hasn't won.

Ms. Metcalf, an Oscar nominee this year for "Lady Bird," was nominated for best performance by a featured actress in a play. She won a Tony last year for her performance in "A Doll's House, Part 2."

Two-time Tony winner Nathan Lane got a nod in

the best performance by a featured actor in a play for his portrayal of the New York attorney Roy M. Cohn in "Angels in America." His co-star Andrew Garfield was nominated for best performance by a lead actor.

The acting nominations included some names who aren't as well known. Lauren Ridloff was nominated for best actress in a play for her debut in "Children of a Lesser God," as the deaf woman at the center of the drama.

"It hasn't sunk in yet," said Ms. Ridloff, who had never appeared in any professional theatrical production, on or off Broadway, before her "Children" role.



DEEN VAN MEER

Not every show or star earned Tony recognition. Among the snubs: "Escape to Margaritaville," the jukebox musical based on the songs of Jimmy Buffett.

The man who is perhaps the biggest star currently on Broadway didn't land a nomination, but he is already getting a Tony. Bruce Springsteen, whose "Springsteen on Broadway" show has been sold out since it started its run last October, will be recognized with a special award.

Also being recognized with a special Tony: actor and writer Mr. Leguizamo, who has presented a series of one-man shows on Broadway going back two decades.

## LIFE &amp; ARTS

## ART REVIEW

# The Tune of Creativity

BY WILLIAM MEYERS

Chicago

**THE MUSIC THAT** plays continuously in the space where the Art Institute of Chicago has mounted "Volta Photo" is an integral part of this photographic exhibition. The bouncy sounds of Afro-Cuban and indigenous West African songs come from a huge gray bullhorn-shaped speaker above a display of 45 rpm record sleeves for the band Volta Jazz. The pictures on the sleeves show 12 musicians: In some they wear red tuxedo jackets with black shawl collars; in others, casual street clothes; and in still others, uniform outfits of native patterns. The pictures were taken between 1965 and 1975 in Bobo-Dioulasso, the commercial and cultural center of the country known then as Upper Volta and now as Burkina Faso, by studio photographer Sanlé Sory.

Ibrahim Sanlé Sory was born in 1943 in Naniagara, a village south of Bobo-Dioulasso. When Mr. Sory went to live in the big city as a teenager he needed an ID photo. Impressed that the photographer charged him 200 francs and seeing the opportunity for a well-paying job, he obtained an apprenticeship with an established photographer for 25,000 francs and a bottle of whiskey. Three years later, he opened his own photography studio, Volta Photo. The shop took ID photographs, as did other similar studios in Bobo, but Mr. Sory had always been a fan of popular music and incorporated this enthusiasm into his business.

The advent of radio stations, transistor radios, records and cassettes had broadened the native musical culture, and Mr. Sory photographed all of it: the fan clubs, the record sellers, the dance parties, the local musicians. In the evening he left his apprentices in charge of the studio and roamed Bobo's dance venues with his camera and Multiblitz flash. Idrissa Koné, a cousin who had helped him open his studio, also ran Volta



Backdrop from Volta Photo, above, and Sanlé Sory's 'Fula Man' (1970-80), right

Jazz, and Mr. Sory not only shot its record covers, but performances and individual musicians.

His most unique practice, however, was to travel outside Bobo to "the bush" and arrange *bals poussières* (dust balls) in the villages. There is a picture of Photo Volta's Citroën 2CV truck used to haul Mr. Sory's equipment to these dance parties: his generator, "funnels" (loudspeakers), amplifier, two tape decks, two cameras—a Yashica-Mat and a Rolleiflex—and the Multiblitz flash. Mr. Sory set off the flash several times in sequence to signal the beginning of a party and, while one assistant manned the generator and another acted as DJ, he roamed the floor taking pictures. "Untitled" (1970-80) shows a man and woman, both in trousers and white tops, dancing. In "Untitled" (1965-75) a woman in a dress poses with a man in a smart outfit.

In "A Village Party in the Kou Valley" (1965-75) it is two men in trousers and white T-shirts dancing. The parties typically went on until sunrise.

In Bobo, Mr. Sory photographed "Idrissa Koné Emceeing at a Volta Jazz Event" (1974-75) and "Tiamodjan, the Lead Guitarist for Echo del Africa Nacional" (1965-75), who plays while sitting on another man's shoulders. "Fans of Cuban Music" (May 16, 1967) shows a row of women kneeling and a row of men standing behind them, and in "Surprise Party" (1978-80), a smiling couple holds hands and faces the camera while they dance. "Amadou Diallo, Record Seller and Party Organizer" (1970-80) leans on a table with DJ equipment and displays a record sleeve.

At the end of the hall opposite the bullhorn hangs one of the painted backdrops from Volta Photo, a street scene showing the studio; and a telephone, a transistor radio, and an Air Afrique flight bag: symbols of modernity that Mr. Sory's subjects could use as props in their portraits. In "Untitled" (1965-75), a shirtless man in trousers and a baseball cap stands before that very backdrop holding the phone to his mouth while another man stands arm akimbo be-



side him. In "Untitled" (1965-75), two women stand before a painted beach scene with a man who holds a baby on his hip. The "Fula Man" (1970-80) wears flowered trousers, enormous sunglasses with white frames and obviously considers himself quite cool. Other studio portraits show subjects in Western and native dress, with various backdrops and props; they are studies in self-fashioning.

The prints in the gallery are all vintage, small and somewhat faded. They were not intended to be art objects hung in a museum, but personal mementos, and have the aura of their original function. This exhibition testifies to the quality of Mr. Sory's work and exemplifies the current interest in vernacular, indigenous and studio

photography to better understand the ways in which Africans see themselves. In a interview with the exhibition's curator, Matthew Witkovsky, included in the show's catalog, Mr. Sory says about his work, "If there are not pictures, there are no memories! If someone asks to see a picture and there's no picture to show, it is as if nothing had happened. But if the picture is there, we see what really took place."

**Volta Photo: Starring Sanlé Sory and the People of Bobo-Dioulasso in the Small but Musically Mighty Country of Burkina Faso**

Art Institute of Chicago, through Aug. 19

William Meyers writes on photography for the Journal.

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# SPORTS

## CHAMPIONS LEAGUE

# REAL MADRID MAKES FINAL

BY JOSHUA ROBINSON

MADRID—The shrill, piercing whistle of nearly 90,000 Real Madrid fans went on for minutes at a time. It filled the cavernous Santiago Bernabeu Stadium here and rang in the ears of the players—Bayern Munich as it desperately sought one more goal, Real Madrid as it clung on to its advantage.

Then, drowned out by the noise, the referee blew the only whistle that mattered and half the men on the field collapsed to the ground. Real had hung on to the 2-2 draw that, combined with a 2-1 victory in the first leg, sent the two-time defending champion into a third straight Champions League final.

Real now awaits the winner of the other semifinal between Liverpool and Roma, due to be decided in Italy on Wednesday.

On paper, Real's run to the final has been stellar. In the knockout rounds alone, the club has confidently eliminated this season's champions of France (Paris Saint-Germain), the likely champions of Italy (Juventus), and now the champions of Germany (Bayern). The reality, however, is less smooth.

Its attack never overwhelmed the German defense. Cristiano Ronaldo went 180 minutes without a goal and, more worrying for Real, without making an impact. And while it isn't the team's style to rely on the heroics of a goalkeeper, Real found itself badly needing Keylor Navas's eight saves on Tuesday night.

Real rode its luck, too. With Tuesday's game tied at 1-1, they were offered a freebie by Bayern goalkeeper Sven Ulreich, who misjudged a backpass and allowed Karim Benzema to skip through for his second goal of the night.

Then again, no club goes through a season as utterly convinced as Real Madrid that winning the Champions League is its inalienable right. And with that swagger, comes an uncanny trend of things breaking Real's way.



Red Bull driver Daniel Ricciardo drove into the back of teammate Max Verstappen's car on Sunday.

UE SYNDICATION/ZUMA PRESS

## FORMULA ONE

# Sorry We Crashed Our \$15 Million Cars

After teammates got into a fender bender during a Grand Prix, the punishment was a public apology

BY JOSHUA ROBINSON

**SUNDAY AFTERNOON** in Baku, Azerbaijan, was shaping up to be a decent day at the office for the Red Bull Formula One team. Its two drivers were sitting in fourth and fifth places midway through the race and set to take home a solid points haul.

That is, until they did the one thing that teammates are absolutely never, under no circumstance supposed to do in Formula One. They crashed into each other.

"It's a pretty crappy situation," said Red Bull driver Daniel Ricciardo, who drove into the back of Max Verstappen's car. "We want to race. We are thankful that the team let us race. This is the worst scenario, so that's the crappy part of it."

Teammates in all sports let each other down all the time. But no one takes that crime more seriously than Formula One. Mess up in other sports and you might get benched. For graver offenses, from missing a curfew to losing your playbook, you might even get fined.

But crash one of your team's \$15 million cars into another of its \$15 million cars? Red Bull is punishing that with the ultimate ignominy: a public shaming.

The team announced on Monday that both drivers would be made to travel to its car factory in Milton Keynes, England, and deliver a heartfelt apology to the more than 800 Red Bull engineers, mechanics and support staff.

"They're representing the team when they're out on track. Obviously, there will be an apology to all the staff going back to all the staff in Milton Keynes," Red Bull team principal Christian Horner said. "It shouldn't happen...They have to show respect to the team, rather than just self-interest."

How a teammate can even crash into a teammate—and why it's such a disaster—is down to how Formula One has evolved in recent years. The sport has 10 teams, each with two drivers at the wheel of more or less identical cars. But the disparity between the top three teams and the rest is so great that much of the season is determined in the garages, long before any rubber meets the road.

Last season, for instance, only three teams posted victories on the 20-race calendar: Mercedes took 12, Ferrari earned five, and Red Bull swept up the other three. The 2016, 21-race campaign was even less dramatic on that front. The Mercedes pair of Lewis Hamilton and Nico Rosberg shared 19 wins for the team while Red Bull settled for the other two. In fact, no team not named Mercedes, Ferrari or Red Bull has won a single Grand Prix since the 2013 season.

In other words, the sport has 20 cars at every event, but only six of them across three teams are doing any meaningful racing. So losing both cars on your team to a moment of madness between your drivers is a bad look, not to mention financially damaging. Totaling

two cars in the same weekend is about equivalent to watching your newly signed, maximum-contract free agent blow out his knee.

To prevent situations that lead to risky passing moves, most teams impose clear hierarchies between their drivers, organizing pit stops and strategy around the one with the best shot at a championship. This is known in the sport as "team orders," a term that has been tainted since at least 2002, when Ferrari's Rubens Barrichello led into the final corner of a Grand Prix but moved aside to let his teammate Michael Schumacher take the victory and maximum points in the standings.

The sport has done its best to crack down on team orders and Red Bull explicitly rejects any kind of hierarchy between its drivers.

"We always let the drivers race," Red Bull executive Helmut Marko said. "We don't have a No. 1 and we don't have a No. 2."

But it turns out that for a Formula One team, racing is the most inconvenient part.

Ricciardo is the more experienced of the two, a 28-year-old with 133 starts to his name dating back to 2011. Verstappen, meanwhile, is only 20 and came to F1 as the sport's child prodigy. He won his first Grand Prix at 18 and has already made over 60 starts. But he has a reputation for being somewhat erratic on track. A popular website called crashstappen.com asks, "Has Max crashed yet?" and tracks the time since his

last mishap with a live counter.

In Baku, the battle had been simmering all race. Three times, the pair flirted with taking each other out, even kissing wheels on one occasion.

On Lap 40, it all blew up in their faces. With Verstappen just in front of him, Ricciardo ducked right, then left, looking for a gap to exploit. Then, delaying his braking to make one more run at his teammate ahead of a left-hand curve, he ran into the back of his teammate. Both cars were done.

There is some technical debate over who is precisely to blame. F1 rules designed to promote overtaking prohibit the car defending its position from making more than one defensive move and changing its line under braking, which may be what Verstappen did. But the race stewards meted out the blame equally.

"Both drivers contributed to the collision," the sport's governing body said in a statement. "It was obvious to the stewards that although the incident had its origins in the moves by car 33 [Verstappen], the driver of car 3 [Ricciardo] also contributed to the incident."

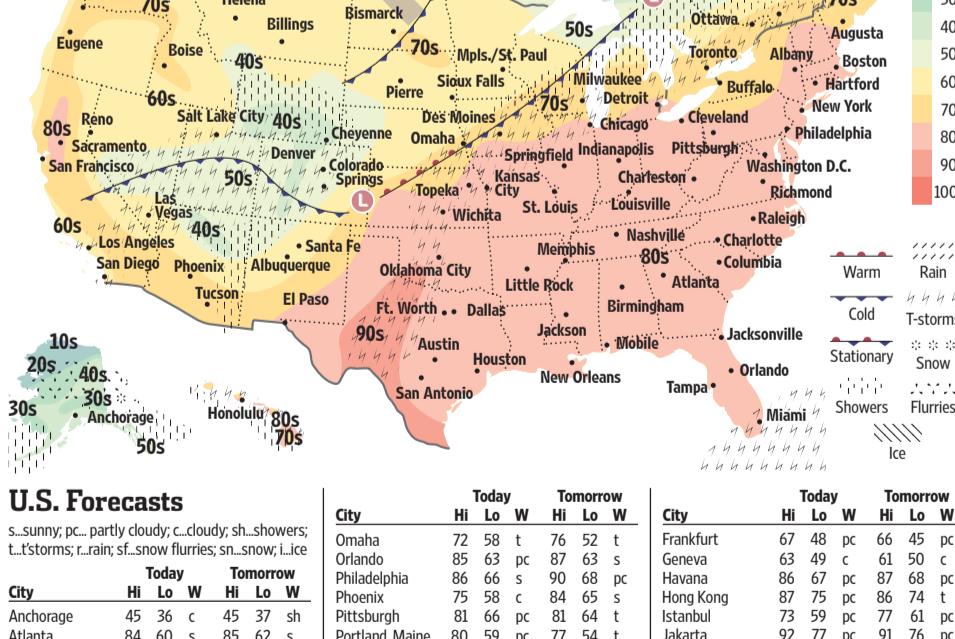
The team says it will move past the incident. All that remains now for these men who make their careers at 200 miles per hour is to slowly trudge through the Red Bull factory and say they are sorry.

"Before the accident it was hard racing but fair, I think, and we gave each other space," Verstappen said. "But what happened afterwards is not good."



Real Madrid players celebrate.

## Weather



## International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	61	42	c	55	40	pc
Athens	81	65	pc	80	64	pc
Baghdad	91	70	pc	89	68	t
Bangkok	90	78	t	91	78	t
Beijing	75	50	pc	77	51	s
Berlin	58	50	pc	66	43	sh
Brussels	61	40	s	58	39	pc
Buenos Aires	69	61	t	72	59	s
Dubai	95	82	s	97	84	pc
Dubai	53	40	s	55	48	pc
Edinburgh	54	38	sh	57	49	pc
Zurich	63	49	pc	60	50	c

## The WSJ Daily Crossword | Edited by Mike Shenk



### KEY FIGURES | By Rich Proulx

Across		
1	Does soundtrack work	24 Current Kenyan president Kenyatta
5	Setting of many 1960s tours	25 Brooklyn ballers
8	Parasitic pest	26 "Calvin and Hobbes" bully
12	Donut store choice	28 Curry is popular here: Abbr.
13	Laudatory lines	30 She won an Oscar as Loretta
14	Static	32 One of the few survivors in "Hamlet"
16	Stick	34 "Adorbs!"
17	Morse click	36 Receiving rooms
18	Needs a hot bath	39 "Dinner's ___!"
19	Procrastinator's promise	40 Basketball Hall of Famer Dan
20	Captain in "The Caine Mutiny"	42 Mincemeat pie ingredient
22	"Fiddlesticks!"	43 Road hazard
23	Stock collection	

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

- 61 Cary of "The Princess Bride"
- 62 Ballpark player?
- 63 Yellow card issuer
- 64 Rips apart
- Down
- 1 Oscar nominee for 2017's "The Florida Project"
- 2 Willing to try
- 3 Well-known round
- 4 Big seller, supposedly
- 5 "Obviously!"
- 6 Leaving word
- 7 Cab component
- 8 Soccer superstar Hamm
- 9 Band with the Grammy-winning "Wish"
- 10 Titter
- 11 Having perfect posture
- 12 Use a pestle
- 15 Sounds of disapproval
- 20 Deduction game
- 21 Military tribute
- 27 The Buckeyes' sch.
- 29 "Close the door!"
- 30 Hit drama about aging baby boomers
- 31 Darth Vader's assent to Darth Sidious
- 32 One who knows Bellini from Bizet
- 33 What might end the year, and a hint to five answers in this puzzle
- 34 Put one's nose to the grindstone
- 35 Brief scrutiny
- 37 Withstood
- 38 Jazz legend Kenton
- 41 But, to Brutus
- 44 Dark Chinese sauce
- 45 Less distant
- 51 Goya's naked subject
- 53 Part
- 54 Blood-typing letters
- 56 It may be blonde or brown
- 58 Parseltongue sound

### Previous Puzzle's Solution

CAM	TSAR	GLINT




<tbl\_r cells="3" ix="4" maxcspan="1"

## OPINION

# Please, No Tweet on T-Mobile Deal

**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

The first hurdle to the proposed Sprint and T-Mobile merger is a Trump tweet. So far, it hasn't come.

If Ajit Pai is smart, he will lobby the

White House to make sure it never does.

Mr. Pai, chairman of the Federal Communications Commission, cares about good policy. That hasn't been the rule for years. During the Obama era, tech and telecom policy were driven by White House interest in whipping up millennials and exploiting public hostility to cable providers.

There is mixed evidence so far from the Trump administration. Its deregulation efforts, though you'd never know it, have been largely aimed at rules, especially related to climate change, that are symbolic, costly and devoid of real social benefit.

Then there are Mr. Trump's trade and antitrust spasms, one of the worst, now unfolding in court, being his administration's attack on the proposed merger of AT&amp;T and Time Warner.

Much debate has surrounded the question of whether Mr. Trump's anti-merger tweet during the campaign is the reason for the Justice Department's lawsuit blocking a deal that Republicans might normally be friendly toward. So predisposed is the Beltway hive to turn merger review, especially

involving high-profile media and telecom companies, into a political circus, all we can say is that Mr. Trump's tweet hardly helped the parties steer the narrow path to a politically unmolested deal.

The Sprint and T-Mobile proposal is further cursed with an interesting cast of characters. T-Mobile chief John Legere rivals Mr. Trump for Twitter prowess and easy vulnerability, though he has done much better by his public shareholders than Mr. Trump did during his casino-owning days.

Sprint is owned by the Japanese wunderkind and visionary Masayoshi Son, whose dreams have only gotten bigger even as his Sprint play has faltered on U.S. regulatory politics.

Then there's the national-security wild card, because T-Mobile is German-controlled (Deutsche Telekom owns a big stake), which means the interagency panel with the medical sounding name, Cfius (for Committee on Foreign Investment in the U.S.), will have one of many vetoes.

The parties already have started playing up the need to "win" in 5G against China, a Trump hobby horse. Unfortunately, their rhetoric may repeat the mistake of the failed AT&amp;T and T-Mobile deal of 2011, when the parties attached themselves the then-Obama hobby horse of a "spectrum shortage" only to find that with an election approaching, the administration lost interest in the alleged spectrum shortage in favor of

reinforcing its antibusiness bona fides.

The right defense of the T-Mobile and Sprint merger is that the parties and their shareholders want it, and no compelling public interest justifies interfering with their judgment about how to advance their business.

This is where we hope Mr. Pai asserts himself. He actually knows a thing or two.

## Merger review is a swamp that needs to be drained to make America great again.

Quietude has temporarily descended on the fiercely competitive wireless market now that all the big carriers offer unlimited plans, but this wasn't a favor for customers—it was a recognition that wireless is already in competition with the local cable carrier for a lot of "mobile" data traffic. The coming 5G world will finally blow up the distinction between fixed and wireless for good.

At the same time, Netflix-style streaming has killed the TV profits that paid for the nation's broadband rollout. Then there's this: Apple's reported role behind a Justice Department investigation aimed at allowing mobile users to switch devices at will from one carrier network to another.

The longer-term promise of 5G (driverless cars, artificial reality) is real, but the

immediate business case is limited, mainly permitting wireless to challenge cable in the home market.

In the meantime, a boondoggle looms. We already are catching whiffs of Europe's 3G debacle, which wiped out \$700 billion in equity values in the early 2000s, egged on by continental politicians who believed they were in a race against Japan and the U.S.

The China 5G threat is a canard. What the U.S. could really use right now is a merger review, for once, free of hysterical politicking and eschatological exaggeration.

What Mr. Trump meant by "drain the swamp" is anybody's guess, but the excesses of the administrative state won't be corralled with a slogan. Witness the media's dwelling this week on Ford's decision to prefer "trucks" over "cars" without ever noticing that Ford is basically conforming to artificial categories created by the interaction of Washington's by-now utterly perverse fuel-economy rules and "light truck" tariffs.

Our economy needs less of this, but here's the rub: We can't tackle our runaway administrative state—everything from occupational licensing to zoning laws that create local housing and worker shortages—until our doofus media allows us to see that the problem exists. Opening up this subject would do far more than any 5G policy to strengthen the U.S. economy to compete with China and others in the decades ahead.

**BOOKSHELF** | By Julian Baggini

# How Our Minds Are Made Up

## The Consciousness Instinct

By Michael S. Gazzaniga  
(Farrar, Straus & Giroux, 274 pages, \$28)**W**hen someone writes that they want to "examine how matter makes minds" and "present a new view of how to conceptualize consciousness," you would be justified in raising a skeptical eyebrow, even when that person is the distinguished psychologist Michael Gazzaniga.

Mr. Gazzaniga is famous for, among other things, his studies of patients who had the connections between their cerebral hemispheres severed. He and Roger Sperry showed that it is possible for one human being to house two consciousnesses, with each hemisphere aware of things the other is not.

Mind-boggling though these findings are, they would seem to leave unanswered the deep question of how neural

activity gives rise to conscious experience in the first place. Philosopher David Chalmers famously called this the "hard problem." Many have argued that "intractable" would be more accurate.

Mr. Gazzaniga does a better job of tackling the problem than innumerable philosophers and neuroscientists before him. As in his previous books on selfhood and free will, "Human" (2008) and "Who's in Charge?" (2011), the author displays a rare ability to combine breadth and depth of scientific learning with

good, grounded philosophical judgment. As a result, "The Consciousness Instinct" could be the clearest and most compelling attempt to demystify the mind yet written.

Mr. Gazzaniga's approach echoes those of the American pragmatists of the late 19th and early 20th centuries, who believed that most philosophical problems needed not solving but dissolving. "Intellectual progress usually occurs through sheer abandonment of questions together with both of the alternatives they assume," wrote John Dewey. Mr. Gazzaniga is not the first to suggest that the consciousness debate is hampered by just such a set of false alternatives: matter or mind, body or spirit. The dualist assumption that these are two mutually exclusive categories inevitably makes their reconciliation impossible, leading otherwise brilliant thinkers since Plato to abandon "their fierce reasoning skills and, deus ex machina," throw in "a spook at the end of their analysis."

To escape the dualist trap, Mr. Gazzaniga takes as his unlikely inspiration Aristotle's ancient distinction between four different kinds of causes. This review, for example, has a material cause (paper and ink), a formal cause (the shape of the letters on the page), an efficient cause (me writing it) and a final cause (to inform people about the book). Whether or not this taxonomy is entirely correct, it illustrates how "no one mode of explanation" suffices to understand anything, because the causal categories do not entail each other."

## Mind or matter? Body or spirit? This could be the clearest and most compelling attempt to demystify the mind yet written.

Mr. Gazzaniga updates this basic insight with the quantum-physical concept of complementarity, that "a single thing can have two kinds of description and reality." We can think of matter as waves or particles, but not both at the same time. Similarly, the micro world of quantum physics follows different laws than the macro world of classical physics. "They inhabit different layers of description," Mr. Gazzaniga writes, "and one is not reducible to the other."

The author's point can also be made by thinking about the relationship between fundamental physics and biology. Both are hard sciences, but you simply cannot do the work of one with the other. Everything is made up of matter, but at different layers of organization different ways are needed to understand and describe it. This simple point cuts to the essence of Mr. Gazzaniga's dissolution of the puzzle of consciousness. Once we accept that humans contain layers of physical organization, none of which can be wholly reduced to another, it is no longer puzzling that what goes on in the brain can have an objective, physical description and a subjective, mental one.

Crucially, Mr. Gazzaniga also argues that it is wrong to attribute causal potency to only one layer—for instance, to suggest that neuronal firings can cause actions but decisions cannot. Heretical though this is to hard-nosed reductionists, Mr. Gazzaniga agrees with his mentor, Sperry, that "consciousness may have real operational value, that it is more than merely an overtone, a by-product, epiphenomenon, or a metaphysical parallel of the objective process."

Mr. Gazzaniga is very good at looking under the hood of consciousness to explain how its workings naturally follow from the ways in which the brain is organized. It is a hugely complex system with a layered, modular architecture, which enables it to "efficiently process multiple types of information concurrently." Neuropathology provides the clearest evidence for this. When people lose areas of brain function, not only do they often not notice but they carry on functioning remarkably well. If the brain were a more unified "envelope," Mr. Gazzaniga argues that "removing portions of the brain or stimulating erroneous processing in some circuits would either shut down the system entirely, or cause dysfunction across all cognitive realms."

Consciousness is not therefore a property of a central, single executive controller. What we perceive as consciousness is simply whichever module is most active, meaning that "its processing becomes the life experience, the 'state' of the individual at a particular moment in time."

Mr. Gazzaniga might be mistaken to nail his flag so firmly to the mast of the physicist-cum-theoretical biologist Howard Pattee. And he is almost certainly wrong in some details. But on all the main points, his instincts on consciousness are sound. Awareness is not the "special sauce" that brings dumb biological processes to subjective life but an emergent property of immensely complex neurological processes. This does not so much eliminate the mystery of consciousness as make it no more or less mysterious than the ultimately inexplicable existence of the universe itself.

Mr. Baggini is the author of "A Short History of Truth" and "The Edge of Reason."

**Three Tests for Trump's Art of the Deal****POLITICS & IDEAS**  
By William A. Galston

The next six weeks will shape American diplomacy for years to come—a and test the efficacy of President Trump's signature approach to foreign policy.

The contours of Mr. Trump's strategy have become clear. He approaches each issue as a zero-sum negotiation that produces winners and losers. To put himself on the winning side, he tries to maximize two things: leverage and doubt. Within this framework, threats do double duty: They remind other parties what they could lose and cause them to wonder whether he will follow through, given that the consequences might seem negative for his side, too.

Trade negotiations with China provide an early test of these tactics. When the Chinese were unresponsive to previous demands and threats, the Trump administration imposed tariffs—not as a permanent policy, but as a way of bringing Beijing to the bargaining table in a more forthcoming spirit. The pending trip to China by Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer should reveal whether Chinese officials now are prepared to address their country's overcapacity in industries such as steel and

aluminum, compulsory technology transfers, and intellectual-property theft. If they are not, Mr. Trump will either have to scale back his objectives or escalate further—risking an all-out trade war.

If the end result is a barrage of tariffs, it will show how the president's win-lose negotiating template can produce lose-lose results. The Chinese have already struck back at U.S. agriculture, one of America's great export success stories and (not coincidentally) an industry that overwhelmingly supported Mr. Trump in the 2016 election. China's undemocratic political system may prove better than ours at enduring short-term pain in pursuit of long-term gain.

A second big test for the administration's foreign policy comes May 12, the deadline for deciding whether to stay in the Iran nuclear deal, known as the Joint Comprehensive Plan of Action. Mr. Trump has done his best to persuade the European signatories that the deal is fatally flawed and must be renegotiated to eliminate its sunset clauses, among other things. The Franco-German position is that the current deal should stand, but new agreements should be created to address other aspects of Iran's behavior, including its missile development and its destabilizing projection of power throughout the Middle East.

If Mr. Trump stands firm and withdraws the U.S. from

back on the JCPOA and reimposes sanctions on Iran, the Europeans will be forced to go along, because the alternative would be ceasing to do business with the U.S. Perhaps so, though it isn't clear that even the Trump administration would be willing to treat American allies so harshly. Coercion breeds resentment, after all, and resentment breeds revenge—a dish Europe may choose to serve cold, a few years down the line. Again, win-lose can turn into lose-lose.

This brings us to the biggest gamble of Mr. Trump's presidency: The coming summit with North Korea's Kim Jong Un. Mr. Trump boasted at a campaign-style rally in Michigan last weekend that his policies had "everything"

to do with the North Korean dictator's willingness to sit down with him face to face. Mr. Kim may well have a different view of the matter. Having achieved the ability to strike the U.S. with nuclear weapons, he is now in a position to achieve hitherto unthinkable terms: a formal end to the Korean War, diplomatic recognition of his regime, and, possibly, de facto acceptance of North Korea as a nuclear power. He may also believe that formally ending the war will open the door to the foreign investment his country desperately needs.

Mr. Trump believes his threats have increased his leverage over North Korea. Mr. Kim believes his weapons have increased his leverage over the U.S. This may well induce each side to make demands that the other cannot accept.

Every American must hope that when President Trump sits down with North Korea's "supreme leader," the two men will be able to agree on enough—including an action plan and future meetings—to permit both to declare the summit a success. But that outcome is not foreordained.

Hastily convened international meetings are high-risk affairs. This one may be worth the risk. But if it fails, the U.S. and North Korea could find themselves closer to war than at any time in the past 65 years. What will the Trump administration do then?

# Freer Markets, Freer Media

By Kevin Brookes and Patrick Déry

publisher envisioned a profit-making opportunity—and he had the freedom to pursue the project. The principle persists today. In a real market economy, an avid defender of socialism will always have the possibility of finding donors, investors and

## Want to protect reporters? Promote economic liberty.

readers to finance the dissemination of his opinions. But in an economy controlled by the government, diverging opinions will have greater difficulty being heard because of bureaucratic obstacles, the difficulty of finding financing, and even outright censorship. A good way to silence a media outlet is to tax or regulate it.

The freer a country is economically—and the more it

facilitates the entry of new actors into the market—the greater the chance that the press will be free. A study just published by the Montreal Economic Institute confirms this strong and significant link.

In Western Europe and North America, free markets and a free press generally go together. Countries with a low level of economic freedom—think Venezuela, Bolivia, Argentina or Algeria—also have a low level of press freedom. By increasingly controlling and regulating their economies over the past decade and a half, the governments of these countries have substantially wounded the media.

Interestingly, economic freedom is most conducive to press freedom in poorer parts of the world. The strength of the relationship between the two freedoms is twice as strong in low- or lower-middle-income countries than in the

highest-income countries. Certainly, free markets do not by themselves guarantee more press freedom. Singapore has a high level of economic freedom but a low level of press freedom. But the data show that a minimum level of economic freedom is a necessary precondition to ensuring a minimum level of press freedom: For 2015, the last year for which data is available, no country with a free press is in the bottom quartile of economic freedom.

In countries with a high degree of economic freedom, fewer journalists are attacked, fewer laws and regulations are imposed on the media, and there is less political pressure to control content. Economic freedom is simply good for journalists.

Messrs. Brookes and Déry are public-policy analysts at the Montreal Economic Institute.

## OPINION

## REVIEW &amp; OUTLOOK

## Trump's Antitrust Bust

You can tell a lawyer is losing a case when he offers the court an exit ramp even before a verdict. That's how the Justice Department is trying to save its floundering antitrust case against an AT&T-Time Warner merger, and we hope federal Judge Richard Leon doesn't fall for it.

The six-week trial brought by the government ended with final arguments on Monday, and it hasn't gone well for the feds. This tends to happen when would-be trust-busters bring a case divorced from economic reality.

The AT&T tie-up would unite distribution and content, and the last time Justice tried to block such a "vertical" merger was 1977. It lost, and courts have held since that trust-busters must present real-world evidence that vertically integrated companies would reduce competition and harm consumers. The feds didn't come close to making that case.

AT&T and Time Warner want to merge so they can better target ads and content to viewers—something neither can do on as well on its own. The goal is to make companies more competitive in the fast-evolving and consolidating media market.

Justice claims that AT&T would use Time Warner's "valuable and highly popular networks" like CNN and HBO as leverage to raise carriage fees. If competitors didn't pony up, the government claims, Time Warner would go dark, thus pushing more customers to sign up for DirecTV. Prices would supposedly rise.

But such content blackouts cost networks hundreds of millions of dollars in subscription and advertising revenues. Time Warner executive Coleman Breland, who previously oversaw cable fee and satellite TV negotiations, testified during the trial that going dark on Dish Network cost it \$150 million. To drive a significant increase in customers, AT&T would have to withhold Time Warner content from all its rivals, which would be even more costly.

That's especially true as new entrants vie for eyeballs. Silicon Valley giants are drawing cord-cutters by creating and distributing content. Google's YouTube boasts 1.6 billion

monthly viewers. Netflix has 125 million subscribers, and Amazon Prime counts 100 million members.

### The feds failed to make their case against the AT&T-Time-Warner tie.

About 3.3 million U.S. households dropped traditional pay-TV subscriptions last year. AT&T's DirecTV lost 188,000 of its 20 million satellite subscribers during the first quarter, which contributed to a \$660 million decline in video revenue. Why would a combined company risk losing more revenue?

Justice relied at trial on an economic study by University of California, Berkeley, professor Carl Shapiro, who was deputy antitrust chief in the Obama Administration. Mr. Shapiro calculated that the merger would cost consumers \$286 million using a model that Judge Leon called a "Rube Goldberg contraption."

Several economists dispute Mr. Shapiro's assumptions. University of Chicago economics professor Dennis Carlton noted that the study overestimated the number of people who would become DirecTV customers if AT&T withheld Turner networks from competitors while underestimating cord-cutters. Mr. Shapiro acknowledged that "the real world is messy," which Justice seems to deny.

AT&T has offered to arbitrate content fees with other pay TV distributors, which would obviate Justice's concerns about anti-competitive behavior. And Justice seems to know it is losing because in closing arguments it offered AT&T the same condition for approval it made before suing: Divest Turner networks.

But this would sharply reduce the value of the merger and help rivals that might want to scoop up Turner's supposedly "must-see" content for the same reasons AT&T does. Would Justice sue to stop Charter or Dish Network from buying Turner networks? What about Apple, which showed interest in Time Warner before AT&T's offer?

Justice is trying to pick winners and losers in a market that has plenty of choice and competition. A government victory would mean full employment for the antitrust bar, but it would do nothing for consumers. Judge Leon should send the Trump trust-busters back to their law books for remedial study.

## The Tariff Uncertainty

The White House on Monday granted Europe, Mexico and Canada a reprieve until June 1 on U.S. steel and aluminum tariffs, which is better than imposing these border taxes on consumers and businesses. But if President Trump wants to understand the economic risks of his trade protectionism, he should look at Tuesday's decline in the Institute for Supply Management's monthly manufacturing gauge.

The measure fell to 57.3, still healthy but down two points from a nearly 14-year high in February. Tim Fiore, who supervises the ISM survey, told the Journal that more than a third of those responding to the survey cited tariff disruptions or concerns. Will they have to pay 25% more for vital steel components or 10% more for aluminum, and can they count on their regular suppliers?

## Cleaning Up After Cordray

Mick Mulvaney has been doing yeoman's work cleaning up after Richard Cordray at the Consumer Financial Protection Bureau. One mess he may have overlooked is the bureau's dubious lawsuit against student-loan servicer Navient.

Mr. Cordray spent four years scouring every nook and cranny of Navient's business. Navient produced 450,000 pages of documents, hundreds of hours of phone recordings and more than 30 written reports. Two days before President Obama left office, Mr. Cordray sued Navient for "systematically and illegally failing borrowers."

The bureau charged that Navient incorrectly put struggling borrowers in forbearance (during which interest accrues) instead of enrolling them in income-driven repayment plans that would allow some to pay nothing and discharge their balances after 20 years. In other words, Navient failed to help students qualify for maximum loan forgiveness on the taxpayer's dime.

CFPB says Navient had a profit motive to place borrowers into forbearance because it's quicker and easier than guiding them through income-based repayment plans. But the Education Department pays loan servicers 63% less for accounts in forbearance than those in income-based plans. The department also directs more accounts to servicers with high customer satisfaction rankings.

According to Navient, about half of direct government loans that it services are enrolled in income-driven plans. That's more than any other Education Department contractor save AES-PHEAA, which is specifically tasked with handling public-service loan forgiveness.

When Navient asked a CFPB official during a deposition last June to identify borrowers Navient had harmed, the official couldn't. CFPB then selected 58 borrowers from its complaint portal without vetting to serve as witnesses. Yet a February study by the NERA Economic Con-

When in doubt about government policy, businesses get cautious. They hold back investment or slow down purchases. This is one of the great lessons of the last Administration. Barack Obama imposed record levels of regulation and periodically threatened new taxes. Mr. Trump has reduced those threats, but his tariffs and antitrade rhetoric are creating new worries.

Mr. Trump and his trade apologists claim all of this is merely canny negotiating, and perhaps the President even believes it. But CEOs can't make decisions out of his head. They have to decide to invest or not, or make purchases or not, based on commercial reality. And the evidence is growing that Mr. Trump's trade policies are harming U.S. manufacturers and reducing the economic growth he promised voters.

The CFPB assault on Navient crumbles under discovery.

When Navient began to research and depose alleged victims, the CFPB's claims didn't hold up. One testified that he had enrolled in an income-driven repayment plan from 2011 until 2015 but no longer qualified because his income was too high. Another said she enrolled in forbearance so she could apply for an unemployment deferment, which a Navient agent had discouraged. One even told the CFPB he had no information supporting its claims. The bureau has removed two of these witnesses and four others that Navient sought to depose.

Meantime, the CFPB has been slow-walking Navient's discovery requests. Navient served the bureau with the requests last June. Eight months later CFPB said it had identified 478,000 potentially responsive documents. But by March 6, CFPB had still only produced 800 documents, about half of which were duplicative including 180 autoreply emails to its press release announcing the lawsuit.

Mr. Cordray staffed the bureau with his ideological allies, and they're continuing to serve him faithfully. The Navient lawsuit provides Mr. Cordray another business-bashing credential as he runs in the May 8 Democratic primary for Governor in Ohio.

The left is howling at Mr. Mulvaney's proposal this week to close public access to the CFPB's complaint database. But the Navient depositions show that many of the complaints are unreliable and serve no other purpose than to give grist to trial lawyers and tarnish the reputation of law-abiding businesses.

Mr. Mulvaney should drop the lawsuit and pay Navient restitution for its litigation costs; Navient says it spent \$7 million in the past two fiscal quarters alone. The CFPB should also hand over the documents Navient requested, which may reveal bad faith by the bureau and merit a Congressional investigation.

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## LETTERS TO THE EDITOR

## Cancer Hospital Advertising Offers Real Hope

In his April 21 op-ed "In the War on Cancer, Truth Becomes a Casualty" Prof. Steve Salerno seems to be advocating for yet broader government control over what information we ignorant citizens are given to consider and on which to base our decisions.

As the husband of a woman fighting ovarian cancer, I find the premise of this message insulting and condescending. Does the professor believe we folks aren't aware of the lethality of cancer? Does he not believe we have the sense to seek out information respecting the mortality rates of a given cancer form? Would he have us hear stories about how "Joe" suffered and died rather than about how he managed to beat the disease?

In closing his argument, the professor observes that this is "about depriving Cancer Inc. of the ability to exploit false hope," after having begun his complaint with a reference to the ads run by MD Anderson Cancer Center. My wife is being treated at MD Anderson. The focus of her very excellent oncology team has been on optimizing her mortality prospects.

From the onset of their care and treatment, they have fostered in us a genuine and supportable hope for a positive outcome. This is just as we would have it.

What is "false hope"? I wouldn't leave it to either the good professor or the government to be the judge of that.

TOM CHANDLER  
San Antonio, Texas

Mr. Salerno misses the point that the MD Andersons, Sloan Ketterings, Fred Hutchinsons, Dana-Farbers, etc., are some of the major research centers in the world. This is where the majority of new care and treatment advancements will take place. These institutions need revenue to continue the very expensive research process.

There is no doubt that the process is competitive. These places are also the breeding ground for new oncologists and surgical oncologists that will migrate to the many community centers treating patients where we live. That process is also competitive and costly.

It is important to note that although grim statistics of survival in some cancers is a truth, it has been shown that patients who participate

in clinical trials at these sites receive a higher quality of care and experience a higher quality of life during treatment.

ALLEN R. KRASKA  
Venice, Fla.

Look at the therapeutic role of hospital advertising. Just as drugs help lower cholesterol or blood pressure, advertising helps raise patients with symptoms to get off their chairs and go see a doctor. Even the most amazing advances in anticancer medicine work only for patients who get diagnosed and treated, so advertising may help save lives, just as drugs do.

I've had blood cancer for 17 years and know that Memorial Sloan Kettering Cancer Center can be an oasis of treatments that work, but only for patients who, perhaps motivated by advertising, go for diagnosis and treatment. Anticancer hospital advertising may be the most beneficial advertising on earth.

RONALD N. LEVY  
New York

Mr. Salerno points out that the branding and advertising campaigns of for-profit cancer-care centers fail to highlight rates of cure and survival. The point of advertising is to attract all patients—a patient whose treatment fails generates as much or even more profit than one who recovers. Outcome is unlikely to vary between one licensed and regulated treatment center and another. Therefore the conventional language of advertising is used in hope of attracting a larger market share for reasons unrelated to truth or treatment.

PHILIPPA GORDON, M.D., FAAP  
Brooklyn, N.Y.

Mr. Salerno fails to address the issue of whether cancer survival rates differ between institutions. A 2015 study published by the California Health Care Foundation found an "association between low hospital surgery volume and higher mortality and complication rates" for 11 different types of cancers. Clearly, in this case, where a patient gets treatment does make a difference in survival.

ROB TUFEL, MSW, MPH  
Executive Director  
Cancer CAREpoint  
San Jose, Calif.

## U.S. Dredgers Are Doing What They Should

Nancy McLernon claims U.S. dredgers stifle competition in the seaport industry, kill jobs (including union jobs) and she asserts Savannah's deepening and expansion project is experiencing cost overruns and is behind schedule ("Protecting U.S. Dredgers Kills Jobs," op-ed, April 17). She doesn't provide any data to back up the claims.

The U.S.-flagged dredging fleet totals more than 400 dredges. In 2017 the private-sector U.S.-flagged hopper dredging fleet capacity increased by 34% with the addition of two large new-build vessels built in U.S. shipyards by U.S. workers. The U.S. dredging industry continues to spend billions of dollars recapitalizing its operations.

Currently, the U.S. dredging industry is amid a \$1 billion-plus capital construction shipbuilding program. New investments include four large



cutter suction dredges, two large hopper dredges and approximately 50 barges built in shipyards all across the U.S. Vessels are under construction and more capital construction projects will be announced shortly.

The U.S. dredging industry is highly competitive with more than 50 different companies awarded federal work each year and 80 different companies bidding on that work annually. U.S. industry regularly works with the Army Corps of Engineers, seaports, states and the environmental community to make sure project execution is safer, more efficient and more productive, while minimizing project impacts.

The Savannah Harbor Deepening Expansion Project is a shining beacon of American ingenuity. According to the Army Corps of Engineers, Savannah's outer-harbor deepening project finished "in March ahead of schedule and under budget." This included the careful recovery of the Civil War ironclad ship CSS Georgia from the Savannah River.

WILLIAM P. DOYLE  
CEO & Executive Director  
Dredging Contractors of America  
Washington

Pepper ...  
And Salt

THE WALL STREET JOURNAL



"But everyone else is going to Gomorrah for spring break, Dad."

JACK HAMILTON  
Silverdale, Wash.

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## OPINION

# Worry About the Trade Deficit—a Bit

By Jason Furman

**T**here is a case for being concerned—though only modestly—about the U.S. trade deficit. The principal villain in this story is not China, Europe or Mexico, but the U.S. itself. Getting that narrative wrong, however, is leading Washington toward policies to reduce the trade deficit that will be somewhere between irrelevant and counterproductive. Simultaneously, the U.S. is pursuing domestic policies that will boost the trade deficit even further.

The U.S. trade deficit has been stable for nearly a decade at about 3% of gross domestic product. That's partly offset by net income that Americans earn on their investments abroad, leading to a current-account deficit of about 2.5% of GDP.

**The danger is that the U.S. borrows too much money from foreigners. Balancing the budget would help.**

There are sound arguments that a deficit of this magnitude is nothing to worry about. Adam Smith taught that what's really valuable to a country is imports. Exports are merely the unpleasant effort undertaken to get them. Moreover, as long as the Federal Reserve has room to cut interest rates if needed, the trade deficit doesn't cost jobs. Any additional demand that came from reducing the trade deficit would be offset by the Fed as it raises rates. Do a quick global survey: It isn't as if the unemployment rate is lower in countries like Italy that have trade surpluses

Future rates of return are unpredictable, but aging is guaranteed. Today there are 4.2 working-age Americans for each one 65 or older. By 2040 that will fall to 2.9. Partly as a result of these demographic trends, most forecasts now expect the economy to grow only about 2% a year. Given all this, borrowing substantial sums from abroad to fund spending today may be unwise, since it will require—all else equal—cutting back on spending in the future.

This is why the International Monetary Fund has recommended that the U.S. cut its current-account deficit roughly in half. That would mean reducing the annual trade deficit by about 1% of GDP, or \$200 billion. This may be more aggressive than warranted, but at a minimum the U.S. should endeavor to make sure the

than in countries like the United Kingdom that have large trade deficits.

Nevertheless, the flip side of the current-account deficit is the large amount of foreign borrowing the U.S. needs to undertake every year. America has been borrowing from abroad since the 1970s, and its net obligations to the rest of the world now stand at 40% of GDP. Having the U.S. dollar as the world's reserve currency—what economists sometimes call America's "exorbitant privilege"—allows the U.S. to borrow relatively cheaply, while Americans invest some of the proceeds in higher-return projects overseas. So far the U.S. is still making money, on net, from its international position. But no one knows how long that will last—and regardless, America would be making even more money if it didn't owe foreigners so much debt.

What about curbing unfair trade practices by China and other countries? That would boost U.S. exports in some specific industries—but it would also drive up the dollar, hurting other exports and increasing imports. The net effect on the overall trade deficit would be imperceptible, though it might change some of the bilateral balances. How about a trade war? That would do even less to reduce the trade deficit. Higher U.S. and foreign tariffs would cancel each other out,



At the Port of Long Beach, Calif., April 4, 2018.

All told, it would be reasonable to expect investment to rise by about 1% of GDP over the next few years.

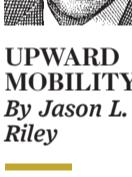
At the same time, the federal budget deficit, a form of negative savings, is expected to increase by about 2% of GDP over the next year, with about half of that due to the tax cuts. All else equal, this would increase the current-account deficit by 3% of GDP, which translates to an additional \$600 billion in the annual trade deficit. (In reality, increased private savings will likely offset some of the effect.)

What would be a better course? First, pursuing trade enforcement and liberalization in a multilateral fashion. That would not affect the trade balance, but it would expand the volume of both exports (helping support more higher-paid

jobs) and imports (benefiting consumers). Then to prevent the trade deficit from growing, the U.S. should increase national savings. One way to boost private savings would be to expand retirement-savings options for workers who do not have them, a policy that would have the added benefit of helping American families prepare better for old age. Cutting the federal budget deficit would directly boost national savings even more. If the U.S. is serious about making progress toward a more sustainable international position, the solution is to stop blaming others and start examining ourselves.

*Mr. Furman, a professor of practice at the Harvard Kennedy School, was chairman of the White House Council of Economic Advisers, 2013-17.*

## Bill Cosby Couldn't Pull the Race Card—Unlike O.J. Simpson



Twenty-three years after the O.J. Simpson acquittal, another black man whose celebrity transcended race has been tried for crimes against a white woman. In this case, too, the evidence of guilt seems overwhelming. But unlike the O.J. case, this one has not been derailed by racial controversy. Does Bill Cosby's conviction represent some measure of racial progress?

In 1995, to the astonishment of millions, Mr. Simpson beat a double-murder rap. Last week, Mr. Cosby was convicted of sexual assault. The Simpson trial, which lasted nearly a year, could not have been more racially polarizing. News of the ex-football player's acquittal prompted cheers among many blacks, even those who thought he was guilty of killing his former wife and her friend. The Simpson case sparked endless chatter about policing, jury nullification and the criminal justice system's treatment of black men.

Today those discussions continue—in part because social media

increases the visibility of everything from a police shooting to a trespassing incident at Starbucks—but they seem to have had little impact on how the Cosby case played out. Nor did blacks circle the wagons as so many had around Mr. Simpson. Here and there, you'll find someone who believes the comedian was the victim of some racist conspiracy. But most people, of all races, believe that justice finally was served.

When Mr. Cosby played the race card in interviews, it was dismissed as an act of desperation. And when his publicist went on television after last week's verdict and compared Mr. Cosby to Emmett Till, the black teen who was murdered and disfigured in Mississippi in 1955 after being accused of flirting with a white woman, people cringed.

The political left is boasting that the #MeToo movement convicted Mr. Cosby, but the jurors say it was the accuser's credibility and Mr. Cosby's own words in a deposition. "Mr. Cosby admitted to giving these Quaaludes to women, young women, in order to have sex," said one of the jurors, Harrison Snyder, on "Good Morning America." Mr. Snyder added that he'd never even heard

of the #MeToo movement until he read the media coverage after the trial.

If Mr. Snyder is being truthful, this is progress. Our criminal-justice system ought to be making decisions based on evidence, not historical wrongs or social-movement zeitgeist. Still, there were likely wider social

Is this some measure of progress? Maybe. But black leaders long ago wrote the comedian off as an 'elitist.'

factors at play that explain why blacks in general, and many black elites in particular, reacted to this case very differently than to Mr. Simpson's more than two decades ago.

Since the mid-2000s, Mr. Cosby has made more headlines for his social conservatism than for his comedy. In 2004, he was the featured speaker at a black-tie event in Washington that marked the golden anniversary of the Supreme Court's *Brown v. Board of Education* ruling.

Mr. Cosby was being honored for his education philanthropy, and according to his biographer, Mark Whitaker, the organizers had expected him say some words of thanks and tell a few jokes to close out the evening.

Instead, the comedian used his allotted time to fume about fatherless homes, the school achievement gap, black crime rates and civil-rights leaders, who he said spent too much time making excuses for these outcomes. His larger point was that many blacks today were not taking advantage of opportunities created by a previous generation of civil rights trailblazers.

"These people, they opened the doors," he said, pointing to surviving lawyers and activists from the Brown case in attendance. "They gave us the right, and today, in our cities and public schools we have 50% dropout rates. In our own neighborhoods, we have men in prison. No longer is a person embarrassed because they're pregnant without a husband. No longer is a boy considered an embarrassment if he tries to run away from being the father of a child."

After going on at some length in this fashion, Mr. Whitaker writes,

"Cosby left the stage, to applause and cheers, but also more than a few stunned expressions in the crowd." In the weeks, months and years to follow, Mr. Cosby would face a furious blowback—especially from black intellectuals and activists. Jesse Jackson, Al Sharpton and the National Association for the Advancement of Colored People took issue with his comments. Michael Eric Dyson, a black academic, accused the entertainer of advancing "classist, elitist viewpoints . . . that only reinforce suspicions about black humanity." Ta-Nehisi Coates called him "the patron saint of black elitists."

Mr. Cosby refused to apologize or back down, taking his message of personal responsibility to black churches and inner-city schools and prisons. But he would never recover his reputation as a genial jokester. If O.J. Simpson benefited from racial tribalism, Bill Cosby was on his own. Well before the epic hypocrisy and myriad accusations of his reprehensible behavior toward women became widely known, Mr. Cosby was on the outs with conventional black thought leaders. They convicted him a long time ago.

## The Deep State Weaponizes Vetting of Trump Appointees

By Sean M. Bigley

**N**othing ends a Washington career like being branded an unacceptable national-security risk. That's why officials adjudicating personnel-security cases must act in a mature, objective and nonpartisan fashion. But when it comes to vetting Trump appointees, they often aren't. Instead, security clearances are being weaponized against the White House by hostile career bureaucrats, thwarting the president's agenda by holding up or blocking appointees.

Consider the case of Adam Lovinger. Mr. Lovinger is a highly regarded and politically conservative Defense Department official. In January 2017, the Trump administration

made a "by name" request for him to serve as a senior director on the White House National Security Council.

Before departing the Pentagon that January, Mr. Lovinger raised documented concerns with his supervisor about the misuse of contractors. One outfit, run by a woman Chelsea Clinton describes as her "best friend," was being used to perform foreign-relations activities on behalf of the U.S. Mr. Lovinger, an attorney, perceived the arrangement as violating a federal law delineating inherently governmental functions. He also took issue with millions of dollars in public funds being spent on contractor studies of questionable relevance. One taxpayer-funded study sought

to determine whether Americans are a "war-like people."

Months after Mr. Lovinger raised these issues, the Pentagon suspended his security clearance and his White House detail was canceled without warning. The reason? Specious, and constantly evolving, claims of misconduct. One of Mr. Lovinger's alleged transgressions was that Pentagon officials had improperly marked an academic report he took aboard an airplane for reading.

The father of three, his family's primary breadwinner, remains on administrative leave. The same official who suspended Mr. Lovinger's security clearance is now moving to cut off his pay while the allegations are under review. Amplifying due-process concerns, the panel rendering

the final decision reports to the official who suspended him. She refuses to recuse herself or her subordinates despite a conflict of interest.

Meanwhile, Pentagon officials ignored a longstanding executive order requiring they provide the accused

### Unaccountable Pentagon officials block a security clearance for a would-be White House aide.

with the government's evidence within 30 days. This forced Mr. Lovinger to respond blindly to vague allegations, then contend with bureaucrats claiming he did not adequately rebut documents he has never seen. Pentagon officials underscored their contempt for anyone who challenges them by leaking false, defamatory information about Mr. Lovinger.

Mr. Lovinger's lifeline is that his case, although symptomatic of a political agenda, is fundamentally one of whistleblower reprisal. That affords him legal tools and remedies—including an inspector general investigation and potential monetary damages—that other Trump appointees, victims of similarly abusive practices, can't access.

As an attorney who defends security-clearance holders, including Mr. Lovinger, I have had a front-row seat to behavior that only a year ago I would have dismissed as a conspiracy theory. Across the federal government, what was long an apolitical process with clearly defined standards has devolved to the

point that wildly unfounded accusations are now being used to smear reputations and settle petty vendettas. And it all occurs in closed-door proceedings not appealable to the courts. Failure to stop these abuses risks undermining the integrity of the entire personnel-security system.

In Mr. Lovinger's case, those weaponizing the security-clearance process include a senior official who remains on the job despite publicly disparaging President Trump as "unfit" to lead, a Pentagon attorney who instructed colleagues on the importance of concealing retaliatory motives behind their actions, and the Defense Department's security adjudications chief, who persists in advancing false allegations.

They and other unelected partisans are quietly usurping presidential prerogatives through a litany of seemingly small but slowly compounding abuses of bureaucratic power. Their efforts evidence a philosophy that laws and rules are not static boundaries of societal norms, but flexible tools of the administrative state.

It is imperative that federal agency heads and inspectors general step in to stop the power grab, lest those targeting Mr. Lovinger and others like him believe themselves immune to accountability. Failure to act decisively will mean not only the continued destruction of lives and careers, but also a precipitous dwindling of the pool of patriots willing to subject themselves to such abuses.

*Mr. Bigley is a national-security attorney and a partner at Bigley Ranih LLP.*

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## Notable & Quotable

Alex Tabarrok writing at MarginalRevolution.com, April 16:

What could be more ours than our friends? Yet I have hundreds of friends on Facebook, most of whom I don't know well and have never met. But my Facebook friends are friends. We share common interests and, most of the time, I'm happy to see what they are thinking and doing and I'm pleased when they show interest in what I'm up to. If, before Facebook existed, I had been asked to list "my friends," I would have had a hard time naming ten friends, let alone hundreds. My Facebook friends didn't exist before Facebook. My Facebook friendships are not simply my data—they are a unique co-creation of myself, my friends, and, yes, Facebook.

## WORLD NEWS

# Iraq's Shiite-Sunni Schism Loses Its Bite

Campaign for elections this month shows former sectarian foes forming new alliances

BY ISABEL COLES  
AND ALI NABHAN

FALLUJAH, Iraq—The highway to this western Iraqi city, long synonymous with Sunni resistance against Iraq's Shiite-led government, now showcases signs the sectarian tensions that have ravaged the country for 15 years are ebbing.

The road to Fallujah is dotted with posters promoting Sunni candidates as part of Shiite-dominated coalitions for this month's national election. Many of the same politicians who stirred up animosity now speak of unity, as they court voters fed up with years of sectarian politics that culminated in Islamic State's takeover of a third of the country.

"We are really exhausted and don't care who rules us, as long as we can lead a normal life," said 23-year-old Fallujah shop owner Muhammad Saoud.

Candidates for Iraq's parliament aren't blind to that attitude. Sunni politician Mohammed Yaseen's Iraqi Islamic Party was a driving force behind the Sunni protest movement in 2013 that was ultimately hijacked by Islamic State. Now he is running in Fallujah as an ally of Shiite Prime Minister Haider al-Abadi, who last week became the first Iraqi leader in 15 years to campaign in what has been essentially enemy territory for the government.

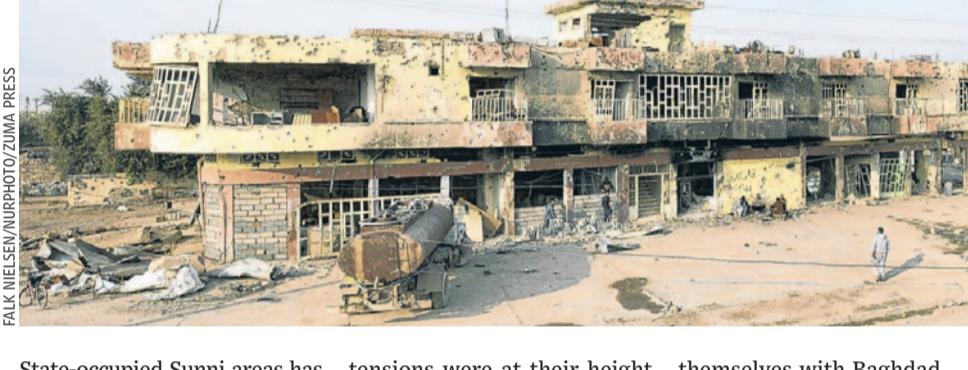
"Past experience has proved to our people that Iraqis should be united," Mr. Yaseen said.

Iraqi politics has played along sectarian lines since the U.S. invaded the country and unseated dictator Saddam Hussein in 2003. That effectively empowered the Shiite majority through the ballot box, a new order rejected by Sunnis, who felt they lost out. That political schism led to years of violence and governing dysfunction, eventually fueling Islamic State's success.

Four years later, the utter devastation visited on Islamic



Campaign posters for Iraq's May 12 elections lining a road in Fallujah, where streets were still full of rubble last year after the bitter battle to expel Islamic State.



FAIK NIELSEN/NURPHOTO/ZUMA PRESS

State-occupied Sunni areas has ended any meaningful resistance to the political order that took shape after 2003.

Sunni politicians who at first trumpeted Islamic State's conquest as a revolution against the Shiite-led government have lost credibility among those who endured extreme violence and privation under militant rule.

The message ahead of next week's election, from both Sunni and Shiite politicians, is one of solidarity. Electoral groupings headed by Shiite parties expect to win more seats in Sunni areas than ever before. And some Sunni politicians who were forced to flee the country when sectarian

tensions were at their height have rejoined the political mainstream.

"The Sunnis have come to terms with the fact they are merely an accessory to power," said prominent Sunni politician Mishaan al-Jubouri. "They are completely crushed."

Gulf Arab states that previously sponsored Sunni efforts to change the status quo in Baghdad are now pursuing a different approach to Iraq.

Saudi Arabia and its allies are engaging moderate Shiite politicians such as Mr. Abadi in a bid to pull Iraq out of Iran's sphere of influence.

That has pushed most Sunni politicians in Iraq to realign

themselves with Baghdad.

Mr. Abadi has capitalized on the shift by striking a conciliatory note and promoting a national identity, broadening his appeal beyond his own Shiite Arab constituency. His so-called Victory electoral list is the only one to field candidates in all 18 of Iraq's governorates, and polls project it will win a significant number of seats from Sunnis.

"Iraq appeared divided and partitioned, and was pushed towards becoming ethnic and sectarian cantons...but we have turned that page," Mr. Abadi said last week at his historic campaign stop in Fallujah. "In victory we achieved unity."

## New Unity Is Partly Another Legacy Of Islamic State

In the city of Fallujah, many civilians trying to rebuild their lives after three years of war and displacement blame their own Sunni politicians as much as the government in Baghdad for leading them to ruin.

"They abandoned us and left when Daesh came," said Muhammad Saoud, a young Fallujah shop owner, using a common derogatory term for Islamic State.

Memories of the militants' reign of terror are everywhere. A traffic roundabout in the city center, now the site of an election billboard, is where Islamic State publicly executed its opponents; a five-story building, now covered with campaign posters, is where the militants buried men accused of homosexuality to their deaths.

Moderating the sectarian tension is the realization among Sunnis here that they largely have the Shiites who make up the bulk of Iraq's se-

curity forces to thank for freeing them from Islamic State. When Iraq's predominantly Shiite forces entered Sunni areas occupied by the militants, Sunni politicians warned of a sectarian bloodbath, but it never materialized.

Now Sunni politicians have been forced into a more pragmatic stance. Some are even running on an electoral list representing Shiite militias who were accused of most of the abuses that did take place in the course of their battle against Islamic State.

"[Sunni politicians] are kissing the hands of whoever has influence," said Hameed Muhammad Mikhil, 51, at a camp for displaced persons near Fallujah. "Now it's about who's strong and who's weak."

Good relations with the government are also essential for Sunnis seeking funds to rebuild. Iraq's allies have pledged around \$30 billion in loans and credit to Baghdad—a mere fraction of the more than \$80 billion the government says it needs to fix the damage done by Islamic State.

—Isabel Coles

## Armenia's Opposition Leader, Blocked in Bid to Become Premier, Calls for Nationwide Strike



Armenian lawmakers voted down opposition leader Nikol Pashinyan's bid to become prime minister, ensuring a continued standoff between the ruling party and a protest movement that has mobilized around him.

In a country firmly in Russia's orbit, Mr. Pashinyan has been careful to emphasize Moscow's role as Armenia's strategic partner and its continued participation in Moscow-led economic and military alliances.

But his defeat in parliament on Tuesday cements a confrontation between the ruling Republic Party, which voted him down with a majority of the votes, and the thousands of protesters he has organized in recent weeks.

Following his parliamentary loss, he called on protesters to engage in a nationwide strike starting early Wednesday.

"The airport, railway and all intercity and intrarepublic roads will be blocked," he said, according to Russian news agency Interfax.

Tens of thousands of people from Armenia's working and

professional classes have congregated in the center of the capital Yerevan, left, angered by the perceived arrogance of the ruling elite and chronic economic problems.

Mr. Pashinyan had been the only candidate for the vote organized in a special parliamentary session. His failure to win the post means acting Prime Minister Karen Karapetyan, a former executive of Russian gas exporter Gazprom, will remain in power.

"[The people] will have their victory nonetheless. You won't stop it," Mr. Pashinyan said after the vote, Interfax reported.

The protesters, from across the country included elements of the military, whose prolonged rallies in Yerevan last month forced Prime Minister Serzh Sargsyan to step down.

The protests began after Mr. Sargsyan, who had been president for 10 years, announced his intention to run as prime minister, a post that has been greatly empowered following a constitutional referendum in 2015.

—Thomas Grove

## Canada Seeks Apology From Pope Over Indigenous Schools

BY PAUL VIEIRA  
AND FRANCIS X. ROCCA

OTTAWA—Canadian lawmakers voted overwhelmingly to request a formal apology from Pope Francis for the Catholic Church's role in the forced schooling and assimilation of indigenous children that took place starting in the 1880s and lasted for roughly a century.

The motion, which passed 269 to 10 on Tuesday, marks a rare case of a national legislature making a demand of the pope. Parliament voted on the motion weeks after the Canadian Conference of Catholic Bishops informed indigenous leaders that Pope Francis "could not" issue a formal apology to the survivors of Canada's so-called residential schools.

Neither the Holy See's em-

bassy in Ottawa nor the Canadian Conference of Catholic Bishops responded to a request to comment about the outcome of the vote.

Young aboriginal children were forcibly taken from their homes and schooled in church-run boarding schools. Many students went hungry, and some were subjected to physical and sexual abuse, according to a six-year inquiry into the government-funded practice that called it "cultural genocide." Among the more than 90 recommendations the inquiry issued in 2015 was to obtain an apology from the pope.

The motion voted on Tuesday was introduced by Charlie Angus, a lawmaker from the country's left-leaning New Democratic Party, and it "invites" Pope Francis to issue a

formal apology for the role of the Catholic Church in "the establishment, operations and abuses in Canadian residential schools." Roughly 16 out of 70 Catholic dioceses in Canada helped run such schools.

"We are calling on the pope

to walk with us on this road to reconciliation," Mr. Angus said.

In March, the Canadian Conference of Catholic Bishops said Pope Francis, while unable to issue an apology, "encouraged the bishops to continue to engage in an intensive pastoral work of reconciliation, healing and solidarity with the indigenous peoples and to collaborate in concrete projects aimed at improving the condition" of Canada's native population.

Further, the Canadian bishops said that in 1991 they issued a statement saying they were "sorry and deeply regret" the pain suffered by those who attended residential schools. They added the Holy See was "never involved in running the former [residential] schools."

Canada's then-prime minister, Stephen Harper, issued a

landmark apology to the boarding-school students in 2008.

In parliamentary debate last week, Canada's aboriginal affairs minister, Carolyn Bennett, said residential schools were about "killing the Indian in the child." In voting for the motion, she cited previous papal apologies, such as in 2010 when Pope Benedict XVI apologized to Irish victims of sexual abuse; and in 2015, when Pope Francis apologized in Bolivia to the indigenous peoples of the Americas for the grave sins of colonialism.

"The Catholic Church was on the right side of history," Ms. Bennett said.

Prime Minister Justin Trudeau has made reconciliation with the country's indigenous people a priority during his administration, and he voted in favor of the motion.

## Debt Danger Will Grow, Poloz Warns

BY KIM MACKRAEL

OTTAWA—Bank of Canada Gov. Stephen Poloz warned that household debt poses growing risks to financial stability and the economy.

Speaking in the Northwest Territories on Tuesday, Mr. Poloz said the bank had been watching debt levels closely.

"We know that a portion of Canadian households are carrying large debts, and the concern will become larger for them as interest rates rise," he said.

Canadians owe an average of 170% of their disposable income, up sharply from 20 years ago, Mr. Poloz said.



A bishops' group said the pope couldn't meet the request.

# BUSINESS & FINANCE

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Wednesday, May 2, 2018 | B1

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## Chinese Unicorns Rush Out IPOs

By JULIE STEINBERG  
AND LIZA LIN

A wave of Chinese technology companies are accelerating plans to raise money from the global capital markets, hoping to leverage investor optimism about the sector and lock in buoyant stock valuations.

In recent months, at least a dozen Chinese companies with collective private valuations of roughly \$500 billion have been in talks with bankers and potential investors about initial public offerings in the second half of this year or in early 2019, according to people familiar with the discussions.

If all those deals go ahead, at least \$50 billion worth of new shares could hit stock markets, shaping up as a test of investor appetite for China's expanding internet consumer economy. Companies typically sell 10% to 20% of their shares when they go public.

The rush to list reflects a shift from last year, when many of the world's most valuable technology unicorns—private companies with valuations exceeding \$1 billion—had little need or desire to tap the cap-

Please see IPO page B2

Top 10 technology IPOs globally, by amount raised, with venue

U.S. EXCHANGES

Alibaba Group  
2014  
\$25 billion

First Data  
2015  
\$2.8B

Snap  
2017  
\$3.9B

Facebook  
2012  
\$16B

Agere Systems  
2001  
\$4.1B

Worldpay Group  
2015  
\$3.8B

World Online Intl.  
2000  
\$2.8B

T-Online Intl.  
2000  
\$2.8B

Infineon Technologies  
2000  
\$5.9B

Japan Display  
2014  
\$3.1B

Didi Chuxing  
2014  
\$80B

Xiaomi  
2014  
\$100B

Ant Financial  
2014  
\$150B

Annual Chinese tech and internet IPOs by market value at offering

Sources: Dealogic (IPOs); staff reports (valuations)

2000 '05 '10 '15 '18 so far Over the next year

THE WALL STREET JOURNAL.

A handful of Chinese technology offerings expected this year will dwarf the largest on record so far.

Recent or targeted valuations of Chinese tech companies that may go public over the next year

Tencent Music	\$25B
Meituan-Dianping	\$60B
Didi Chuxing	\$80B
Xiaomi	\$100B
Ant Financial	\$150B

## Xerox CEO Resigns in Pact With Investors; Fuji at Risk

By DAVID BENOIT

Xerox Corp. said its chief executive, Jeff Jacobson, is resigning in a settlement with two of the company's biggest investors, Carl Icahn and Darwin Deason, a pact that shakes up the majority of the board and puts its transaction with Fujifilm Holdings Corp. at risk.

The new board, whose majority is backed by the activists, is expected to consider alternatives to the deal with Fujifilm, a complex transaction that sells the majority of Xerox to the Japanese company by combining with a joint venture the two operate in Asia.

Messrs. Icahn and Deason have been seeking to kill that deal, saying it undervalues Xerox and had alleged Mr. Jacobson quickly negotiated the transaction in an attempt to save his own job after his board had instructed him to stop the talks. Xerox has acknowledged it launched a CEO search last year.

Xerox chose to settle with the activists after a judge last week temporarily blocked the Fujifilm transaction, siding with Mr. Deason in a lawsuit and saying the talks were conflicted by Mr. Jacobson's tenuous position. Seeking a settlement would avoid a distracting fight over its board and uncertainty about the future of the deal, Xerox's existing board said Tuesday.

The settlement effectively ends a legal fight with Xerox and its investors as well as a potential proxy fight that would have sought to remove

Please see XEROX page B8

## Wall Street Stalwart Heads for Nashville

By SARAH KROUSE

One of the oldest names on Wall Street is moving to one of the fastest-growing cities in the South, reinforcing a recent shift in finance jobs to cheaper parts of the U.S.

AllianceBernstein Holding LP plans to relocate its headquarters, chief executive and most of its New York staff to Nashville, Tenn., in an attempt to cut costs, according to people familiar with the matter. That largely ends a 51-year presence in the nation's traditional finance capital.

The move by the money-management giant is part of a broad cost-cutting effort within a firm that for years has been under extreme pressure from the rising popularity of index-tracking funds and low-cost investing.

In a memo to employees, AllianceBernstein cited lower state, city and property taxes compared with the New York metropolitan area as among the reasons for the relocation. Nashville's affordable cost of living, shorter commutes and ability to draw talent were other factors.

Other money managers have also relocated staff to smaller, lower-wage cities that are emerging as unlikely hives of finance. Pacific Investment Management Co. plans to open a new office in Austin, Texas, later this year as part of a push to hire more tech-savvy workers. The Wall Street Journal reported last month. Denver, meanwhile, has been host to a growing number of Charles Schwab Corp. and Fidelity Investments em-

Please see MOVE page B2

## Tesla Feels Drag From Home-Solar Business

Tesla Inc. has another financial worry: Its home solar-panel business is facing slowing installations and could be on the hook for financial promises it made to some investors, just as the U.S. tax law presents new risks to the industry.

By Susan Pulliam,  
Tim Higgins  
and Ianthe Jeanne  
Dugan

SolarCity, which the electric-car maker bought in 2016, is undergoing a sweeping sales revamp that reduced the number of panels the company installed last year. Now, investors and analysts say they are scrutinizing guarantees on investment returns and other promises the company made to firms that helped finance SolarCity's business before the revamp, and are wondering whether Tesla will have to inject cash into those deals.

Sanford C. Bernstein & Co. analysts recently cited SolarCity as one of three main risks for Tesla, alongside production woes of its first mass-market car and slow customer adoption of electric vehicles.



SolarCity, which Tesla bought in 2016, faces slowing installations and investment-guarantee issues.

Tesla has little room for any problems at SolarCity. The company's debt swelled to \$10 billion partly due to its SolarCity acquisition. It also had negative cash flow of about \$1 billion on average each quarter last year, in part because of investing for the new Model 3 sedan. Tesla missed a crucial production goal for the mass-market car last quarter, adding pressure to crank out enough vehicles to generate cash this year.

The company is set to report first-quarter financial results on Wednesday.

When Tesla proposed to acquire SolarCity in mid-2016, the solar business had less than \$150 million in cash at the end of that year's second quarter. Tesla Chief Executive Elon Musk was SolarCity's chairman and a shareholder at the time. SolarCity ended up losing more than \$800 million that year and had more than \$3 billion in debt.

Since the merger, SolarCity has switched to selling customers solar panels in Tesla showrooms, rather than leasing them door-to-door. The leases required SolarCity to fi-

Please see SOLAR page B5

Tesla declined to break out financial results beyond saying the solar business generated positive cash flow for the company last year and that it has helped boost interest in its Powerwall and Powerpack energy-storage batteries, two other products that, along with SolarCity, make up Tesla Energy Operations Inc.

"Regardless of whatever

misinformation critics happen to be pushing this week, we are building the world's first vertically integrated sustainable energy company, and solar is an important part of that effort," Tesla said in a statement.

"Far from being a cash burden for Tesla, our solar business was actually cash flow positive in 2017, and we expect that trend to continue in 2018."

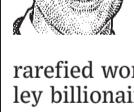
Since the merger, SolarCity has switched to selling customers solar panels in Tesla showrooms, rather than leasing them door-to-door. The leases required SolarCity to fi-

Please see SOLAR page B5

## INSIDE

HEARD ON THE STREET | By Stephen Wilmot

## Want to Buy the Next Google? Be Careful



Everyone can be a venture capitalist. It is a seductive idea, conjuring up a rarefied world of Silicon Valley billionaires seeding the next Amazon.com or Airbnb.

But "equity crowdfunding" opportunities have yet to prove their value to investors.

Equity crowdfunding websites aggregate business pitches and offer individual investors a slice. The U.S. market is nascent, only launching fully in May 2016, when new rules took effect as part of the 2012 Jumpstart Our Business Startups (JOBS) Act. Last year, small investors committed \$49.2 million through platforms such as Wefunder, up from \$27.6 million in 2016.

There is a more established track record in the U.K., where equity crowdfunding has existed since 2011. It raised roughly \$300 million in the country last

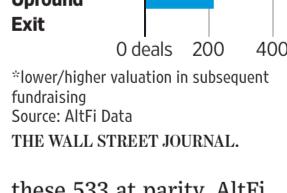
year, mainly for the youngest startups. Unfortunately, though, figuring out how investments perform is more slippery than it should be.

Measuring the returns from unlisted equity investments is necessarily fraught with methodological problems. Investors only really know how much they have made when startups "exit" by selling to a larger group or through an IPO, or else when they go bust. Most crowdfunded companies are in neither category.

Of 955 U.K. equity crowdfunding rounds conducted by late 2016, five had exited and 216 had raised money at a higher valuation, according to data provider AltFi Data. At the other end of the spectrum, 167 had gone bust or looked on the edge, and a further 34 had raised money at a lower valuation. The majority—533—were somewhere between these two poles, making their performance difficult to assess from the outside. Valuing

Jury's Out

Status of 955 equity crowd-funding deals conducted in U.K. from 2011 through June 2016



\*lower/higher valuation in subsequent fundraising

Source: AltFi Data

THE WALL STREET JOURNAL.

CAR SALES SLIDE SLOWLY INTO SUMMER

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VODKA MAKER HOPES LESS WILL SELL MORE

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## BUSINESS &amp; FINANCE

# Lantern Nears Deal To Acquire Weinstein

By JONATHAN RANDLES

Dallas-based private-equity firm **Lantern Capital Partners** topped the bidding for the film and television studio co-founded by Harvey Weinstein and is close to acquiring the business, according to people familiar with the matter.

**Weinstein Co.** named Lantern the lead bidder with a \$310 million offer when the entertainment company filed for chapter 11 bankruptcy protection in March. No other potential buyers topped Lantern's existing offer, one of these people said. The deadline for bids was the close of business Monday.

Any sale of Weinstein Co. assets must be approved by a bankruptcy judge and could be challenged by the studio's creditors. Five women who have accused the studio in a proposed class-action lawsuit of concealing Harvey Weinstein's alleged misconduct said Tuesday that the proposed sale to Lantern would leave victims "empty-handed." Women who have pending legal claims against the studio are classified as unsecured creditors in the bankruptcy.

Elizabeth Fegan, a lawyer representing these women, said in a statement that Lantern's bid "would sweep the 100+ instances of sexual assault, rape and more under the rug."

Mr. Weinstein has admitted mistakes but denied allegations of nonconsensual sex. Current and former members of the Weinstein Co. board have denied they were aware of Mr. Weinstein's alleged misconduct.

"Victims have already shown they will no longer be silenced, and we intend to protect them from being further harmed," Ms. Fegan said.

# Possible Paths to an AT&T Ruling

With trial over, judge plans June decision on whether to allow the Time Warner deal

By BRENT KENDALL

WASHINGTON—The six-week trial over **AT&T** Inc.'s planned acquisition of **Time Warner** Inc. ended Monday, and a ruling will be announced on June 12. Here is the range of possible outcomes.

AT&T and Time Warner have two paths to full victory. The first is straightforward: U.S. District Judge Richard Leon could find that the proposed \$85 billion transaction

is unlikely to lead to higher prices or reduced options for consumers.

The Justice Department argues that AT&T's ownership of Time Warner's television programming would spur small but significant price increases in consumers' monthly bills, which added together across all U.S. pay-TV subscribers would amount to hundreds of millions of dollars a year.

The companies say those calculations overestimate a number of factors, and that when those estimates are corrected, the analysis shows consumers saving money. AT&T and Time Warner appeared to make headway during the trial in attacking the

government's estimates.

The second path is more complicated. The companies argue that even if the Justice Department were right about small price increases, those increases would be outweighed by the transaction's benefits, including billions in cost savings and new product offerings from the combined company. Courts, however, have been cool to the idea that cost savings and other benefits can save a deal that raises concerns about competition.

The Justice Department has three arguments against the deal, and any could in theory deliver a victory. The department spent most of the trial on its primary claim: that

AT&T, which owns the DirecTV satellite service, could use Time Warner's Turner Networks as leverage to demand that rival pay-TV providers pay more for those channels.

If rivals pay more, then consumers ultimately will as well, the department argues.

Separately, the Justice Department says a postal AT&T could act in tandem with another dominant industry player, **Comcast Corp.**, to stifle competition and innovation. It also contends that AT&T could use Time Warner's HBO as a weapon by limiting how rivals can distribute the popular premium network.

If Judge Leon agrees with any of those arguments, he

could find the deal violates federal antitrust law.

The companies' merger agreement is set to expire June 21. The timing of Judge Leon's ruling, slated for June 12, gives the losing party a small window to seek a stay of his decision.

If AT&T wins and a higher court doesn't stay the effect of Judge Leon's ruling, the companies would be free to close their transaction, though the department could continue to press an appeal even after the deal is finalized.

If AT&T and Time Warner lose at trial, they could mount an appeal of their own. They would have to extend their merger agreement.

# BP's Grueling Recovery Gathers Momentum

By SARAH KENT

LONDON—**BP PLC** shares rose to levels not seen since shortly after the Deepwater Horizon disaster in 2010, as rebounding oil prices led to solid first-quarter results.

Like other big oil firms that have reported recently, London-based BP benefited from recently lofty oil prices, but it also showed rising production. The outcome was its strongest quarterly earnings since mid-2014—which could go some way toward convincing investors that BP's ambitious plan to regain its position among the world's top energy companies is gaining steam.

BP's shares rose 1.8% to £5.48, or about \$7.50, in London trading on Tuesday.

The stock hit a two-year high of £6.58 on April 21, 2010, the day after the Deepwater Horizon explosion, which killed 11 and sent oil spewing into the Gulf of Mexico, resulting in the worst offshore oil spill in U.S. history. Once investors realized the scale of the disaster, BP shares hurtled lower, hitting a low of £2.96 in June 2010.

Then-Chief Executive Tony Hayward resigned the following month, and BP started what would turn out to be a multiyear, multibillion-dollar effort to recover. To pay for cleanup costs and legal fees, BP was forced to sell off billions of dollars in assets, dramatically shrinking the size of the company. To date, the spill has cost BP more than \$65 billion.

The company agreed to a landmark \$20 billion deal to settle all federal and state claims for the accident in 2015. Since then, executives, including current chief Bob Dudley, have tried to turn the page on the disaster. Part of that effort has been a plan to return its oil-and-gas production to four million barrels a day, while boosting profits and cash flow.

The company said Tuesday its replacement cost profit—a number analogous to the net income that U.S. oil companies report—was \$2.4 billion in the first quarter, compared with \$1.4 billion in the same period a year earlier. The last time it reported profit of that size was in the third quarter of 2014, when oil prices were

## Bouncing Back

BP shares are trading at their highest level for eight years.

### BP's weekly share price



Sources: FactSet (price); staff reports (events)

hovering near \$100 a barrel.

In addition to its Deepwater Horizon woes, BP suffered with the rest of the industry

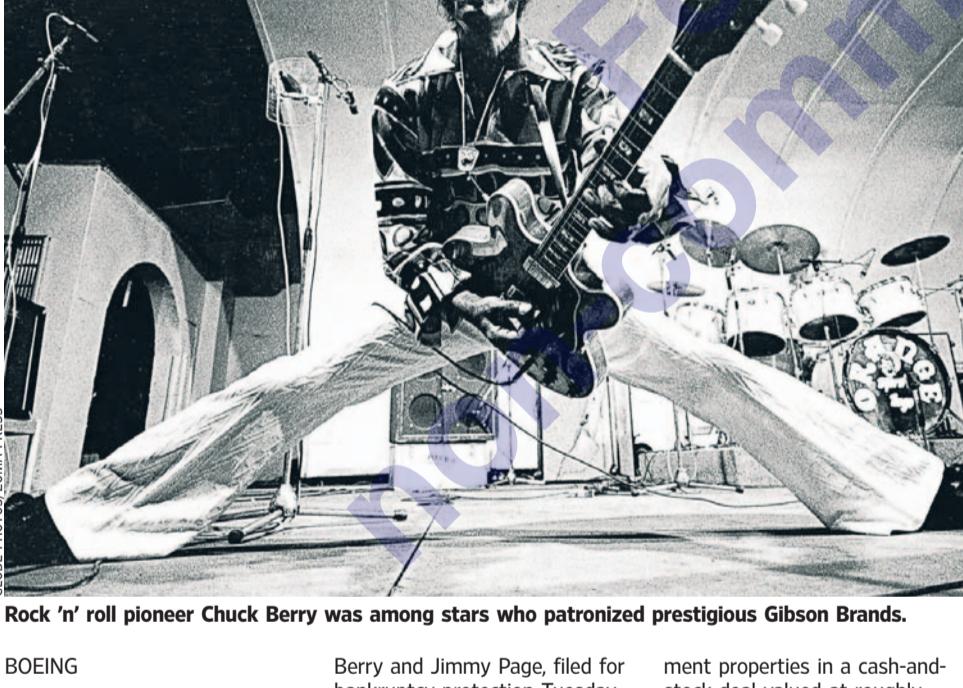
trading near \$75 a barrel.

The company's first-quarter production rose 6% from a year earlier. BP started a record number of projects around the world last year and intends to initiate six more in 2018, part of a plan to add 900,000 barrels a day of new production by 2021. That would return output to near its pre-Deepwater Horizon levels of roughly four million barrels a day. On Tuesday, it said it pumped 3.7 million barrels a day in the first quarter.

BP finance chief Brian Gilvary raised the prospect that the company would consider raising its dividend in the second half of the year as it expects debt levels to subside.

But BP still hasn't escaped the financial liabilities of the Deepwater Horizon disaster. The company said it paid out \$1.6 billion in the first quarter, including the final installment from a settlement with the U.S. Justice Department. For the full year, payments are expected to total just over \$3 billion. The company faces charges of about \$2 billion next year, and then more than \$1 billion a year out past 2030.

## BUSINESS WATCH



Rock 'n' roll pioneer Chuck Berry was among stars who patronized prestigious Gibson Brands.

BOEING

### Plane Maker in Deal For Parts Specialist

**Boeing** Co. said it would buy plane-parts specialist **KLX Inc.** for \$3.2 billion, its biggest acquisition in almost 20 years and part of a push for a bigger slice of the lucrative aircraft-servicing business.

The world's No. 1 plane maker said it would pay \$63 a share for KLX and take on about \$1 billion in debt. The Wall Street Journal previously reported Boeing was close to clinching the deal amid competition, including from at least one private-equity firm, after KLX said in December it had initiated a sales process.

Boeing has accelerated its deal-making efforts over the past 18 months, buying autonomous-systems specialist Aurora Flight Sciences Corp. last year and taking minority stakes in a number of small startups.

—Doug Cameron and Robert Wall

Berry and Jimmy Page, filed for bankruptcy protection Tuesday with a deal to hand control of the company, which has struggled with its debt load after a series of soured acquisitions, to bondholders led by private-equity giant **KKR & Co.**

The Nashville, Tenn.-based musical-instrument maker, founded in 1894, said the filing was prompted by looming debt maturities and the unsuccessful 2014 acquisition of Philips's consumer-electronics business, in papers filed in U.S. Bankruptcy Court in Wilmington, Del.

Under a restructuring pact filed with Gibson's chapter 11 bankruptcy petition, a group of bondholders—among them managers by KKR & Co., **Silver Point Capital LP** and **Melody Capital Partners LP**—will take control of Gibson's musical-instrument business. Gibson is owned by Chief Executive Henry Juszkiewicz and David Berryman, who acquired Gibson in 1986.

—Becky Yerak

ment properties in a cash-and-stock deal valued at roughly \$500 million.

The acquisition extends a business relationship between Hasbro Chief Executive Brian Goldner and close friend and mentor Haim Saban, the billionaire creator of the Power Rangers. Earlier this year, Hasbro acquired the rights to make Power Ranger action figures and other toys starting in 2019.

Hasbro is also taking over other Saban Brands properties, including My Pet Monster, Popbles, Julius Jr., Luna Petunia and Treehouse Detectives. Mr. Saban will work with Hasbro as a consultant.

—Paul Ziobro

### Dividend Notice

The Board of Directors of Canadian National Railway Company has declared a quarterly dividend of CDNS\$0.455 per share on the outstanding common shares. The quarterly dividend is payable on June 29, 2018 to shareholders of record at the close of business on June 8, 2018.

By order of the Board  
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Executive Vice-President  
Corporate Services and  
Chief Legal Officer  
Montreal, Quebec  
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### Toy Maker Buys Power Rangers

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Paul Fredrick

## TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By David Pierce

# VR Device Takes Large Step Forward



I spent last Saturday night in my very own movie theater. It seats a hundred, but nobody else was there. Technically, I wasn't even there: I was lying on my couch staring toward the ceiling, wearing a virtual-reality headset. I spent the night binge-watching "The Office" on an enormous screen nobody else could see.

As VR experiences the same ups and downs of any other "Is it the future?" invention, the technology itself is evolving fast: HTC recently released the new and hugely improved Vive Pro, while Microsoft and its partners rolled out a handful of Windows-based VR headsets. Google's partnership with Lenovo will soon yield the \$400 Mirage Solo. And this week we meet the \$200 Oculus Go, Facebook's second—and this time far more affordable—headset.

The promise of VR is simple: You can leave this world without leaving the couch. If the world adopts VR, there are massive, society-shaping implications that are both cool and scary—just ask anyone who saw "Ready Player One."

VR isn't ready for that yet, but in testing the Oculus Go, I found it is a surprisingly large step in the right direction. It's really the first of its kind: an affordable, simple and powerful way to explore virtual reality.

Right now, VR kits come in three tiers. HTC's Vive Pro represents the technology's bleeding edge, with a super-sharp screen and a tracking system that can follow you around a room. It also costs more than \$1,000 to get started—not including the \$2,000-plus gaming PC it requires. At the opposite end are the Samsung Gear VR and Google Daydream View—sim-



**Facebook's Oculus Go is really the first of its kind: an affordable, simple and powerful way to explore virtual reality.**

ple, cheap docks for your smartphone.

In the middle, a new kind of headset is finally appearing. Devices like the Oculus Go and Mirage Solo don't need a PC and don't steal your phone. They have no cables. They can't play intense games, but they're great for casual use. And with web browsers and video players, they satisfy needs that border on the practical.

I've spent the past few weeks trying most of the current headsets, with a particular focus on the Oculus Go. I played games and watched videos, but I also tried shopping, working and traveling the world in VR.

The Go reminds me of my first Amazon Echo. I owned better speakers, but I gravitated to the Echo because asking Alexa to play a song was

so easy. Similarly, the Go is so simple I found myself using it more than the bigger, better headsets. The Go makes VR feel less like an event you have to schedule and more like just picking up your phone. There are dozens of simple, smartphone-style look-and-tap games.

You can also do a lot of looking around, which is more fun than it sounds. Watch 360-degree videos from Facebook. Watch Netflix or Hulu on a screen that appears far larger than your flat screen.

The technology makes it possible to "hang out" in a more intimate and real-feeling way than a phone call or video chat. I like the premise, and was impressed by a demo of Oculus Rooms, where you join up with your friends to play games or watch videos.

VR developers are starting to integrate everyday activities like web browsing. But the Oculus Go's screen isn't sharp enough to read on comfortably for very long. And while pointing a controller at floating letters is novel, someone needs to invent faster VR typing.

Yes, the Go lacks crucial features. It doesn't have controllers that track and mimic your hand motion. Instead, the Go uses a simple remote, similar to what you get with Nintendo's Wii consoles. The Go also can't track your location in space: It turns with your head, but it won't follow if you lean down or walk around—which are things that make VR feel truly real.

Oculus has shown off a prototype of a stand-alone device that has both motion tracking and more powerful hand-like controllers. And

HTC is working on a similar stand-alone headset called the Focus. Both devices, which will likely cost more than \$200, take the right approach: The headset you and I both want is wireless, but has powerful controllers and the tracking capabilities to follow users around the room.

The headset you want probably has one other thing: augmented reality. Rather than remove you completely from the real world, an AR headset layers the virtual over the real. Instead of watching TV on a giant screen in a fake theater, you could plant that giant screen on the wall in your actual living room.

It'll take time before this technology materializes in an affordable device we'd actually wear. Meanwhile, a device like the Oculus Go makes a lot of sense. Before VR is perfect, it should at least be easy.

## Facebook To Add Dating Feature

BY DEEPA SEETHARAMAN AND GEORGIA WELLS

**Facebook** Inc. plans to launch a dating feature on its platform, even as the social-media giant battles questions about how it handles users' data and privacy.

Chief Executive Mark Zuckerberg announced the new service Tuesday at an annual developer conference in which he pledged that Facebook would continue to innovate while also addressing challenges related to its legacy businesses.

The announcement punished shares of **Match Group** Inc., which with such brands as Tinder, OkCupid and Match.com dominates the online-dating market. Match's share price dropped 22%, while its majority owner, **IAC/InterActiveCorp**, lost more than 17%. **eHarmony**, another big player in online dating, isn't publicly traded.

Facebook's dating feature will target what Mr. Zuckerberg said are some 200 million Facebook users who identify as single. The feature will require users to opt in, he said, and was designed with privacy in mind.

Mr. Zuckerberg didn't say whether the service would be free but Facebook doesn't offer any paid products currently.

The competition jabbed at Facebook on Tuesday, alluding to the social network's recent challenges. "We're surprised at the timing given the amount of personal and sensitive data that comes with this territory," Match Group CEO Mandy Ginsberg said.

"Their product could be great for U.S.-Russia relationships," said IAC chief Joey Levin, in an apparent reference to the ways Russian actors used Facebook in an attempt to sow discord in the U.S. around the time of the 2016 presidential election.

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Middle East	\$6,879

 **Emirates**

\*T&Cs apply.

## TECHNOLOGY

## SOLAR

*Continued from page B1*  
nance the deals, which it did using money from outside investors. Selling the panels, by contrast, means customers either pay cash or take out a loan to pay for them. Tesla hopes the new tack will generate more cash and make it less dependent on outside investors.

At the end of 2016, as Tesla was beginning to digest SolarCity, the solar company had arranged \$3.9 billion of financing through a type of fund known as a variable interest entity, according to 2017 filings. These VIEs had 47 investors, including 34 financial institutions. In a recent securities filing, Tesla said "in some instances" it has guaranteed payments to investors in the VIEs.

The Tesla spokeswoman said it now has more than 60 such funds with more than \$6.2 billion in financing. The company declined to comment on the specific guarantees beyond saying in an April interview that it no longer guarantees so-called VIEs.

Tesla also said it had one particular fund dating to 2011 that had a guarantee but that has since been bought out.

In its latest annual report, in February, Tesla also outlined several types of complex deals made with investors in which it is responsible for guarantees, including "lease pass-throughs" and "sale-leasebacks," two common arrangements used to finance solar projects.

The company declined to say why its financial filings still mention the guarantees.

Another risk has emerged due to the December change in the tax law, which lowered corporate tax rates to 21% from 35%. Analysts say the change could hurt SolarCity's ability to fund new projects because it could alter the incentives for investors. A lower tax rate, when applied to losses, reduces the amount an investor can deduct from total losses. That, in turn, would lower the investment return.

Tesla said in a recent filing that the new tax code "could potentially increase the cost, and decrease the availability, of renewable energy financing."

are typical of the solar industry. Tesla also described the type of financing it uses as "nonrecourse," meaning it is secured only by collateral. Therefore, the company wouldn't have additional liability beyond losing the collateral in case of default, Tesla said.

But the new strategy has led to a slowdown in installations, said Allison Mond, a solar analyst at GTM Research, which expects SolarCity to be surpassed as the leading residential solar-panel installer this year. Tesla's and SolarCity's shareholder letters indicate a 38% decline in the megawatts of solar panels deployed in 2017.

If SolarCity can't generate enough business, it might not be able to deliver promised investment returns to funds it created before the Tesla deal. Some investors can claim tax benefits based off the company's losses, and Tesla could be forced to pay investors out of its pocket to make good on its guarantees, analysts say.

A Tesla spokeswoman said it doesn't provide guaranteed investor returns but rather indemnifications, which it says

## Cloudy Outlook

Tesla's solar business has declined as it retools its sales strategy.

## Megawatts of solar energy generated by systems deployed, quarterly data



PAT GREENHOUSE/THE BOSTON GLOBE/GETTY IMAGES

**In the latest quarter, rising sales of newer drugs helped offset falling revenue for longtime products.**

## Pfizer's Revenue Stalls Amid Shift to Newer Drugs

BY JONATHAN D. ROCKOFF  
AND CARA LOMBARDO

Pfizer Inc.'s revenue was little changed in its latest quarter as the drug company shifts focus to a new generation of products and sorts out what to do with its over-the-counter medicines unit, which hasn't attracted a buyer.

In the quarter, rising sales of newer drugs including cancer treatments Ibrance and Xtandi and blood-thinner Eliquis offset falling revenue for longtime products such as male-impotence pill Viagra, which is facing lower-price generic competition.

But double-digit sales increases for some newer products weren't enough to move the needle on the company's overall revenue, which rose 1% from a year earlier to \$12.9 billion.

Chief Executive Ian Read said revenue will grow at a higher rate as the company brings to the market drugs under development, including what he said were 15 compounds each with the potential

for \$1 billion in yearly sales. The drugs will require regulatory approval before hitting the market. "I'm really looking forward to the growth rates we will produce," Mr. Read said during a conference call with analysts and investors.

Both Mr. Read and Chief Financial Officer Frank D'Amelio played down the possibility of finding growth by splitting up

*The company is still deciding on the fate of its over-the-counter medicines unit.*

the company or doing a major deal, moves for which they had previously expressed more support. "I don't see we need a transformative deal," Mr. Read said during the call.

Pfizer has been exploring since late last year selling or spinning off its consumer-health business, which sells

products such as Advil pain pills, ChapStick lip balm and Centrum vitamins.

Analysts had predicted Pfizer could sell the business for \$10 billion or more. But so far, potential buyers have opted to make other deals.

GlaxoSmithKline PLC, which had been interested in Pfizer's business, chose instead to buy Novartis AG's share in a joint venture for \$13 billion. Reckitt Benckiser Group PLC, a U.K.-based consumer-products maker, pulled out of talks for Pfizer's business in March, saying it wasn't possible to buy only the parts it wanted. Meanwhile, Procter & Gamble Co. agreed to buy Merck KGaA's consumer-health business.

Mr. Read said Pfizer will decide by the end of the year what to do with the consumer-health business. "If we can't get good value, we will retain it," he said.

In the quarter, Pfizer's results were hurt by supply shortages for some sterile injectable drugs. Overall, Pfizer reported a first-quarter profit of \$3.56 billion, up from \$3.12 billion a year ago.

## Snap's Results Fall Below Estimates

BY GEORGIA WELLS

Snap Inc. said revenue rose 54% in the first quarter from a year ago, but that missed analyst estimates and fell nearly 20% short of the previous quarter as efforts to wrest a larger share of advertisers' budgets were impeded by Facebook Inc. and Alphabet Inc.'s Google.

The Venice, Calif.-based company's shares fell 16% in after-hours trading Tuesday.

A recent redesign of the firm's Snapchat app apparently failed to reignite the app's slowing user growth.

The \$230.7 million in revenue that Snap recorded missed the forecast of \$243 million from analysts polled by FactSet. Advertisers typically spend more in the fourth quarter than the first quarter because of holiday ramp-ups in November and December, but analysts have said it is unusual for a company's revenue to be so seasonal early in its life as a public company.

"Pretty disappointing," said Youssef Squali, an analyst with SunTrust Robinson Humphrey Inc. He had expected Snap to do better in the quarter because advertisers typically spend more money during the Olympics, which took place in February. "They missed on virtually every metric," he added.

Snapchat added about 4 million daily users during the first quarter, bringing its total user base to 191 million. Analysts surveyed by FactSet expected Snap to add 7 million daily users.

The redesign of the Snapchat social-media app was aimed at broadening the firm's business beyond teens and young adults. The first-quarter results offer the first look at how the redesign affected Snapchat's growth.

"A change this big to existing behavior comes with some disruption," Snap Chief Executive Evan Spiegel said Tuesday.

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# INTERNATIONAL PROPERTY REPORT

Australia

## Sydney's Office Market Is Prospering

Developers find new uses for old buildings as steady job growth creates strong demand

By SHEFALI ANAND

Dozens of older office buildings have been taken out of commission in Sydney to make way for major transportation projects, new residential development and office redevelopment, helping to create a bonanza for owners of the remaining stock.

Rents, occupancy rates and values have soared as developers and the New South Wales government have taken out of commission thousands of square meters of office space in Sydney. Around 480,000 square meters (5.2 million square feet) of office space—or 9.6% of the total in Sydney's central business district—have been withdrawn in the past three years, according to the Property Council of Australia, a trade association.

Another 4.8% of office stock could be withdrawn by 2021, estimates Colliers International, a real-estate consultancy.

The decline in supply has been coupled with strong demand. Job growth has been steady in the Australian economy, which hasn't suffered a recession for more than 25 years and is benefiting from a surging population.

These bullish trends have sparked a surge in acquisitions and new developments by big domestic and foreign players. Market participants include **Blackstone Group** LP, a unit of **BlackRock Inc.**, **Brookfield Property Partners** LP and Abu Dhabi's sovereign-wealth fund.

"The withdrawals of stock, married with a strong and growing economy, has led to this phenomenal growth," said Kevin George, executive general manager, office and industrial at Dexus, one of the largest office landlords in Australia.

Of course, all good things



The city is having a surge in acquisitions and new developments by big domestic and foreign companies.

eventually come to an end. After years of price increases, growth in the value of office buildings is now flattening, market participants say.

Also the development machine is beginning to stir. New projects include Barangaroo, a sprawling master-planned development on former dockland, and 10 Carrington St., Brookfield's 59,000-square-meter office project tied to the redevelopment of the Wynyard commuter rail station.

About 547,000 square meters was added to Sydney's central business district between 2015 and 2017, mostly due to Barangaroo, according to Colliers. Another 497,000

square meters is expected to be delivered between 2018 and 2020, Colliers said.

"The new supply will actually be welcome...as a number of tenants would not be able to expand or upgrade office space in the current tight environment," said Anneke Thompson, national director of research at Colliers in Australia.

Demand for space has been especially strong from Sydney's growing service-sector businesses, including from legal and technology firms such as Amazon Web Services, **Apple Inc.** and **LinkedIn Corp.**

Last year, one of the largest leases in Sydney was a 17,000-square-meter office space on

York Street to set up Sydney Startup Hub, a project of the state government to provide incentives to startups.

Indeed, demand has been so strong that landlords lately have been able to cut the value of incentives they typically offer tenants to sign new leases.

"In Sydney, landlords historically have offered three to four months of free rent," said David Schaefer, managing director of **AEW Asia Ltd.**, a fund manager that bought two buildings in the city last year. "Now it's one."

The new space that has been delivered in Barangaroo has been leased faster than many expected. Brookfield's

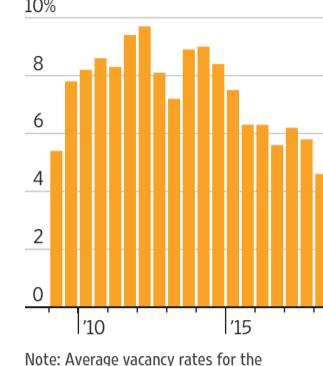
project next to Wynyard station—scheduled to be completed in 2020—is about 42% pre-leased to the National Australia Bank for its new headquarters.

"We're in a very good position," said Sophie Fallman, a Brookfield managing partner. "We're seeing demand from other tenants to lease up the balance of the space as well as rental growth."

More than 80 billion Australian dollars (US\$60.2 billion) will be spent in the next four years in New South Wales for projects including a new metro rail network and an over-ground light rail, which will make it easier and faster

### Low Vacancy

Offices in Sydney's central business district have lately seen declining vacancies.



Note: Average vacancy rates for the six-month periods ending Jan. 1 and July 1. Source: Property Council of Australia

THE WALL STREET JOURNAL.

to reach the city center. Money also is being poured into revamping hospitals, schools and sports stadiums.

Meanwhile, demand for housing has been strong, thanks to the country's robust economy and investments in education that have attracted thousands of international students. One-quarter of the office stock withdrawn over the past two years was for residential and mixed-use redevelopment, according to real-estate-services firm JLL Australia.

With supply vanishing, the average vacancy rate in Sydney's central business district fell to its lowest level in nine years, to 4.6% in January, according to the Property Council. This compares with a vacancy rate of 9% as of January 2014.

Meanwhile, net effective rents of high-quality office properties in the central business district jumped 54% in the past two years through the end of December, according to JLL. In comparison, net effective rents grew on average 4.5% a year over the past decade through December, according to JLL.

—Peter Grant contributed to this article.

## Malls Prep for Amazon Invasion

By MIKE CHERNEY

Two years ago, Australian shopping-center operator **Mirvac Group** launched an effort to help retain customers amid rising competition from online retailers: combine a trip to the mall with a scenic boat ride in Sydney Harbour.

The Shopper Hopper service has ferried 23,000 customers to two Mirvac malls along the coast, part of an initiative to persuade shoppers that a mall visit offers unique experiences that can't be found in front of a computer.

Mirvac had good reason to beef up its defenses against online retail competition. In December, **Amazon.com Inc.** launched its full retail website in Australia and opened its first warehouse in the country.

Previously, Australians had to shop on Amazon's U.S. and U.K. websites for most products, which meant hefty shipping fees and long delivery times. Although other big online retailers such as **eBay Inc.** have been popular in Australia, up until recently the country's consumers have been mostly hooked on bricks-and-mortar stores.

Now, Amazon's full entrance has sparked concerns that Australian shopping centers face the same carnage that has undermined many a retail landlord in countries that got hit early by the online shopping juggernaut. Indeed, shares of **Scentre Group** Ltd., the largest listed retail-property company in Australia, have been trading at about 4 Australian dollars (\$3) recently, down from about A\$5.40 in mid-2016.

But the Shopper Hopper service and other efforts by Australian retail landlords to make trips to the mall more fun are a sign that they aren't going to be a pushover for Amazon and other online retail companies. Investors and analysts say mall operators in Australia have spent the past few years adding amenities and remixing tenants to keep shoppers interested, which should help insulate them



Online sales in Australia last year made up 8.8% of all retail, compared with 11.8% in the U.S.

from some of the pain.

"Australian shopping center owners and retailers are watching closely what the impact of Amazon has been around the world, and they are acting to cope with that," said John Sears, Australia research director at real-estate research firm Cushman & Wakefield.

Moreover, key structural differences between Australian and U.S. retail also make it unlikely that Australian malls will struggle as much as their U.S. counterparts, some say. Online sales in Australia last year made up 8.8% of all retail, compared with 11.8% in the U.S., according to market-research firm Euromonitor International.

At the same time, Australia doesn't suffer from the same retail space glut as the U.S., which has more than 2.5 times the retail space per capita, according to Cushman & Wakefield.

The battle between bricks and clicks in Australian retailing mirrors the way it is playing out in developed countries.

throughout the world. Increasingly, landlords who are holding their own are those who are giving shoppers a wide range of reasons to make the trip to the mall.

Australian shopping centers also are in better shape because they have less space devoted to department stores, which have proved to be vulnerable to online shopping. **APN Funds Management**, which invests in Australian real-estate investment trusts, cites figures from Citigroup Global Markets that show U.S. shopping centers devoted 46% of space to department stores, compared with about 20% in Australia. Meanwhile, entertainment, restaurant and other nonretail attractions get 19% of Australian retail space, compared with 14% in the U.S., according to Citigroup.

"The retail mix of tenants has changed over the years," said Grant MacKenzie, a senior portfolio manager at Freehold Investment Management, another Australian fund manager that invests in property securities. "You're getting a lot

more entertainment, al fresco dining and the like."

The strategy is paying off. Occupancy rates for major Australian shopping-center owners have been "consistently high for many years," says Cushman & Wakefield's Mr. Sears. Scentre Group, which runs some of Australia's top malls, said its vacancy rate last year was less than 0.5%. The rate hasn't changed from 2014, when Scentre split from **Westfield Corp.**

Amazon is still likely to present some challenges to traditional landlords. Guaranteeing same-day delivery to customers in some of Australia's more remote areas will be difficult. But Amazon could still be a threat in the big East Coast cities like Sydney and Melbourne, where population density is comparable with large U.S. cities, Andrew Jones, a credit analyst at National Australia Bank, wrote in a report last year.

Second-tier shopping centers, which may not be big enough for nonretail attractions, could also be at risk.

## Australia's Boom In Housing Falters

By PETER GRANT

affordable city, trailing only Hong Kong.

UBS investment bank said in a September report that Sydney was one of an increasing number of world cities facing "bubble risk." In those municipalities, prices have climbed by nearly 50% on average since 2011, compared with other financial centers, where the increase has been a more moderate 15%.

"This gap is grossly out of proportion to the differences in local economic growth and inflation rates," the UBS report said.

Australia's housing market has been driven by the country's strong population growth and an economy that hasn't been in recession for more than 25 years. Foreign buyers and Australians purchasing second and third homes have stoked demand.

Some analysts and economists began warning of a possible bubble as early as 2009, even

A debate is raging about whether the market is heading for a soft landing.

as much of the world was struggling with the aftermath of the global financial crisis. But the market has kept chugging, with prices rising in practically every quarter.

In Sydney, the median value of a house was \$1,179,500 in December, while the median price of an apartment was \$737,000, according to Knight Frank Research.

In an effort to cool the market in late 2014, the Australian Prudential Regulatory Authority told banks to cap the growth of loans to investors. Since then, regulators and banks have imposed new restrictions, including limits on interest-only mortgages. Australian states also have tried to put the brakes on the housing market by increasing stamp duties on foreign buyers.

## INTERNATIONAL PROPERTY REPORT | AUSTRALIA

PLOTS  
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REITS

**Big Landlords Evade Problems in Retail**

Many of the largest U.S. mall owners have managed to dodge much of the carnage in the retail world caused by failing retailers, according to a report by Moody's Investors Service.

Struggling retailers like **Sears Holdings** Corp. and **Toys "R" Us** Inc. account for 3.9% of the total leasable space in the 22 retail real-estate investment trusts that Moody's tracks. Only two REITs, **CBL & Associates Properties** Inc. and **Washington Prime Group** Inc., face an exposure of over 10%, a level Moody's deems "significant."

What's more, most of the retail REITs continue to maintain high occupancy rates and rent space for average rents that are above the rents in expiring leases, Moody's said.

—Peter Grant

INDUSTRIAL SPACE

**Demand Rises In New Jersey**

Industrial space in New Jersey is so hot that lease deals are drying up.

Across the state, which has become a major logistics hub for online retailers and other industrial tenants, 5.3 million square feet of leases were signed in the first quarter, about 27% less than the average from 2015 to 2017, according to a report from real-estate services firm JLL.

The main culprit: a lack of space. That is reflected in asking rents, which jumped 12% from the same quarter a year earlier to \$7.14 a square foot.

Available space is constrained across the board, but is more acute for tenants on the hunt for deals of 500,000 square feet or more, said Robert Kossar, head of the Northeast industrial region for JLL. —Keiko Morris

# Project Strives for the Right Mix

Early phase of Sydney's Barangaroo is seen as a success, but some hurdles remain

BY ISOBEL LEE

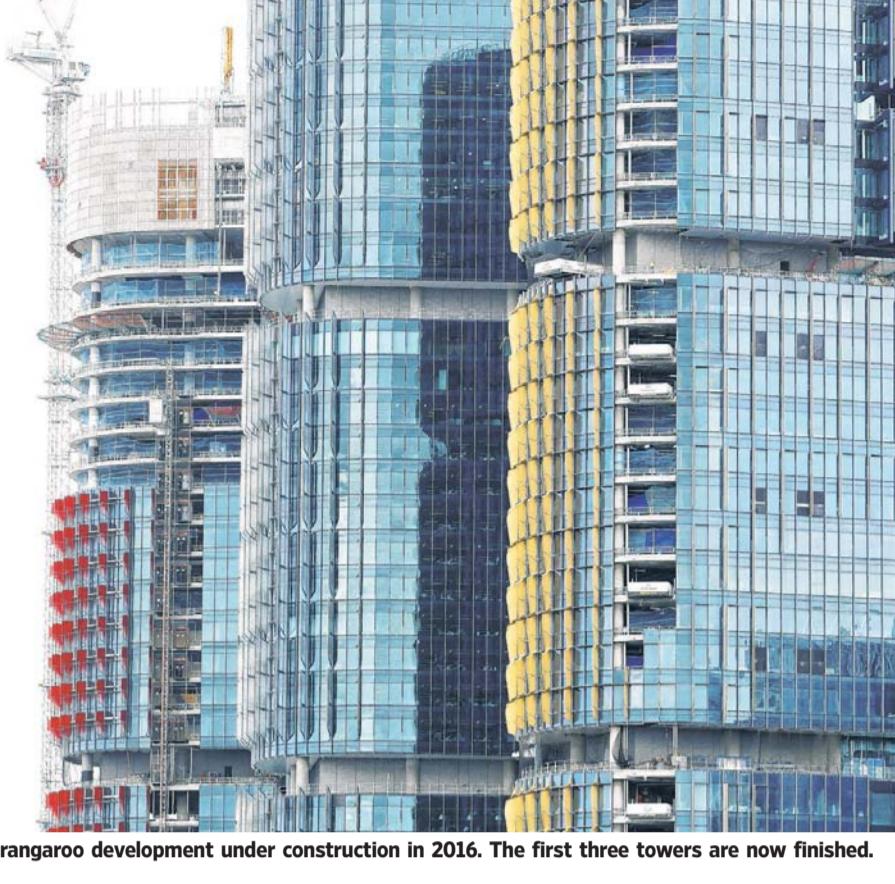
Sydney's Barangaroo project is beginning to shift the city's commercial center of gravity three years after the first new tower opened in the city's biggest-ever urban-renewal project.

The first three skyscrapers that have opened, offering 3 million square feet of office space on the 18.5-acre first phase, have attracted numerous big-name tenants from traditional business districts, including **HSBC Holdings** PLC, **KPMG Audit** PLC, **PricewaterhouseCoopers** LLP, **Morningstar** Inc. and **Visa** Inc. The first 159 apartments all sold out within 3½ hours when put on the market in 2013.

More than 80 restaurants, bars and other attractions also have transformed the once-abandoned docklands area in central Sydney.

"The number of people flooding into the spaces that have already opened is extraordinary," said Chris Wilkinson, architect of the tallest tower in the 54-acre master plan, a one billion Australian dollars (US\$758 million) hotel and casino expected to break ground this year. "It's absolutely full of life."

The success has meant big profits for Sydney-based **Lendlease Corp.** Ltd., the lead developer of the first A\$6 billion phase of the project, named Barangaroo South. In July, Lendlease began its current fiscal year with A\$1 billion in cash thanks mostly to "urbanization projects, led by commercial at Barangaroo South," the company's chief financial officer, Tarun Gupta, said on its earnings call in Au-



The Barangaroo development under construction in 2016. The first three towers are now finished.

BRENDAN THORNE/BLOOMBERG NEWS

gust. "The income from our more than A\$600 million in direct investment in these towers is expected to increase again in the coming year," he said.

To be sure, it is too early for champagne for the planners and developers who struggled against community groups trying for years to limit the commercial development of Barangaroo. Opponents who have mostly objected to the scale of the project, for example, went into an uproar over Lendlease's 2015 modifications, which increased the total building footprint of Barangaroo South to 46% from 40% of the site in part by adding a Crown hotel and casino in a prime waterfront location.

"The new designs plunge

public spaces into shadow," said John McInerney, former city of Sydney chief planner, who is part of a planning group that unsuccessfully challenged the tower's location in court.

*An additional 4.3 million square feet of commercial space will be added by 2024.*

Moreover, Barangaroo is far from finished. An additional 4.3 million square feet of commercial space will be added to the 54-acre Barangaroo site by the time the entire project is completed in 2024.

It is still far from clear whether the new space will be equally successful in attracting tenants. Especially murky is the future of the planned casino in Barangaroo's tallest building, a 902-foot tower—slated to be developed by Lendlease and operated by Australian gambling company **Crown Resorts** Ltd.—given the recent downturn in the number of wealthy Chinese tourists in pursuit of VIP gambling facilities.

Meanwhile, fights are shaping up between competing developers. Recently, development rights to a 13-acre parcel were awarded to a venture of construction company **Grocon Pty. Ltd.**, Chinese-backed developer **Aqualand Projects Pty. Ltd.** and **Scentre Group Ltd.** Many expect this venture

to try to renegotiate on building heights following the government's insistence that its site should include a new metro stop. But this would likely be of concern to Lendlease and Crown, whose own towers have priceless sightlines with Sydney Harbour. The Grocon-led consortium declined to comment.

Still, it is a sign of Barangaroo's commercial success that developers may be squabbling over who can build higher, observers say. "This is the last waterfront site in the Sydney [central business district] available for development. You could say it's iconic," said Lawson Hubbard of broker CBRE Group Inc., which represented the majority of the tenants in the first phase.

Developers have created successful projects in other cities around the world. But it has sometimes taken years for them to reach critical mass. For example, London's Canary Wharf, which celebrates its 30th anniversary this year, helped drive its original developer, Olympia & York, into bankruptcy protection in 1992.

Hudson Yards, the largest private development in the U.S. now rising in New York, has learned from those mistakes. That project's developer, a venture led by **Related Cos.**, has attracted numerous major tenants from Midtown by timing new office buildings to a new subway station and residential development.

Barangaroo, too, is banking on getting the commercial, residential and leisure equation right. The master plan also includes the 15-acre Headland Park, a public space built by the New South Wales government and opened in 2015.

"We worked very hard to curate a really fantastic mix of restaurants and amenities," said Rob Deck, Lendlease's managing director for Barangaroo South.

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## BUSINESS &amp; FINANCE

# Diageo Lightens Up Vodka Brand

BY SAABIRA CHAUDHURI  
AND CARA LOMBARDO

The owner of Ketel One vodka thinks it has an answer to slumping U.S. sales: less alcohol.

**Diageo** PLC, the world's largest liquor maker, said it is launching a botanical version of Ketel One with 30% alcohol by volume. The new drink doesn't meet the definition of vodka under U.S. and European regulations, which mandate that neutral distilled spirits must be bottled at 40% alcohol by volume and flavored ones at 37.5%. Instead, Diageo will market the new Ketel One as "made with vodka."

Ketel One and other big vodka brands have been losing market share to Fifth Generation Inc.-owned Tito's Handmade vodka, which is made from corn and is advertised as gluten-free. Tito's market share by volume stood at 8.1% for the four weeks to March 24, up from 6.1% a year earlier, according to data from Bernstein. Ketel One's market share was 1.7%, down from 1.8%.

Diageo, which owns Smirnoff and Ciroc vodkas and co-owns Ketel One with the Nolet family, is hoping the new drink taps into the demand for healthier drinks. It says a 1.5 oz. shot of Ketel One Botanical will have 73 calories, 40% less than in a 5 oz. glass of white wine and 25% less than in a shot of regular Ketel One.

Ketel One Botanical will retail for a suggested price of \$24.99 for a 750- milliliter bottle, the same as a bottle of Ketel One Vodka.

For the six months to Dec.



With less alcohol, a new Ketel One drink won't even qualify as vodka.

31, Ketel One's net sales in North America dropped 13% from a year earlier excluding currency fluctuations, while Ciroc's net sales fell 11%. Sales of Smirnoff—still the market leader—were down 2%.

In its previous attempts to bolster its vodka brands, Diageo has sponsored music festivals, marketed to the U.S.'s gay and lesbian community and experimented with flavors. In 2016 it began selling Smirnoff infused with real fruit. More recently, the London-based

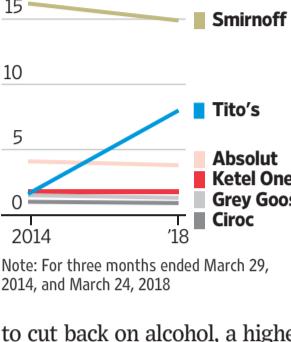
company has cut prices on Ketel One to try to compete with Tito's.

The launch of Ketel One Botanical is the first time Diageo has sold a low-alcohol version of the vodka brand. It comes as many consumers, and especially millennials, are cutting back on alcohol, both by having fewer servings at a time and switching to weaker drinks.

A 2016 survey from research firm GlobalData found 54% of Americans between 25 and 34 years old were actively trying

## Buzzier Brand

Tito's Handmade vodka, which is advertised as gluten-free, has made inroads in the U.S. market.



Note: For three months ended March 29, 2014, and March 24, 2018

to cut back on alcohol, a higher percentage than were trying to consume less fat, carbohydrates and sugar. While beer sales have been slumping, some of the bright spots have been sales of lower-alcohol, lower-calorie brews such as Anheuser-Busch InBev SA's Michelob Ultra.

Diageo is hoping the new Ketel One will appeal to women and in particular wine drinkers.

It plans to market it as something to be drunk in a wine glass with soda, ice and fresh herbs or fruit.

"A lot of that consumption is moving away from wine and we've got a targeted campaign against it," said Diageo CEO Ivan Menezes on an investor call earlier this year.

Bernstein analyst Trevor Stirling said it is unlikely the latest offering will have a meaningful impact on sales. "Innovation like this rarely pulls a brand around," he said.

# Vista Outdoor to Halt Firearm Production

BY DOUG CAMERON  
AND CARA LOMBARDO

**Vista Outdoor** Inc. said it would stop making firearms as the nation's largest maker of ammunition plans to pare back a sprawling portfolio tied to the \$90 billion-a-year outdoor-pursuits market.

The maker of Federal Premium bullets and CamelBak water bottles plans to sell its Savage Arms and Stevens firearms brands as part of a strategic review.

The company said the move wasn't tied to actions by some retailers that said they would halt sales of all the company's products after a Florida high-school shooting in February.

The company said Tuesday it would focus on business lines including ammunition and shooting accessories, water bottles and outdoor cooking ware. It will also explore the sale of brands including Bell bike helmets.



Ammunition to get new focus.

Shares in Vista Outdoor ended down more than 13% as fiscal fourth-quarter sales fell 1% and profit dropped 24% from a year ago.

The company guided its full-year profit sharply below analysts' forecasts. Vista Outdoor and other gun makers have faced a backlash since the February shooting that left 17 people dead in Parkland, Fla.

# XEROX

Continued from page B1

the entire board, by giving Messrs. Icahn and Deason six of what will now be nine seats. Together, the two billionaires control about 15% of Xerox as the first- and third-largest investors. Keith Cozza, who is chief executive of Mr. Icahn's public company, will be named chairman of Xerox.

Xerox will name as chief executive John Visentin. Xerox had considered Mr. Visentin as the leading candidate to replace Mr. Jacobson last year before it ended its search and reaffirmed faith in him, The Wall Street Journal has reported. Mr. Visentin is a former executive at several technology companies and had been working with the activist investors at Xerox.

The settlement doesn't include pending litigation Mr. Deason has against Fujifilm. The judge also criticized Fujifilm's actions in his opinion halting the deal. That pending litigation could give the new Xerox board some leverage in discussions with Fujifilm.

Fujifilm, which wasn't immediately available to comment, has defended the transaction and said it was negotiated fairly.

Xerox had previously defended Mr. Jacobson and said that he had won over the

board by hitting earnings and financial targets, and that the whole board believed the Fujifilm deal was the best option. But the judge's opinion last week left the board in a bind: Xerox would have to fight two big investors over its board without being able move forward with its deal or negotiate an improved offer from Fujifilm.

The judge has to sign off on the settlement.

Seven of the old board members will resign, including Chairman Robert Keegan, who approved Mr. Jacobson's negotiations, and lead director Ann Reese, who also approved of his talks with Fujifilm.

Xerox and Fujifilm have been in discussions about re-negotiating the deal, but Fujifilm will now face a new board led by a team that wants to not only end the sale but also potentially cancel the 50-plus-year joint venture, **Fuji Xerox**, that is at the heart of their relationship.

Xerox had asked Fujifilm to sweeten the deal, but in its statement Tuesday night, Xerox said Fuji had yet to make an improved offer.

Fujifilm owns 75% and Xerox 25% of their joint venture in Asia. Under their prospective deal, that joint venture would be folded into U.S.-based Xerox, and Fujifilm would own 50.1% of Xerox. Current Xerox shareholders would also be paid a \$2.5 billion special dividend.

## New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Tuesday, May 1, 2018

52-Wk % Stock Sym Hi Lo Chg Stock Sym Hi Lo Chg Stock Sym Hi Lo Chg

### Highs

Abiomed **ABMD** 311.60 3.2 Aileeron Therap **ALRN** 5.03 0.4 iPass **IPAS** 0.26 -5.3

IOTS 9.85 5.0 AkibaTech **AKBA** 8.93 1.3 iridex **IRIX** 5.14 -2.7

Apptio **APTI** 33.28 4.5 Allegion **ALLE** 75.44 -0.1 JMU **JMU** 0.57 -8.3

Avangrid **AGR** 53.50 7.4 AlticeUSA **ATLS** 172.25 -1.3 KraftHeinz **KHC** 55.30 -1.2

AxeVis **AVKS** 216.90 1.8 AmeriData **AMDA** 105 -10.2 L Brands **LB** 34.02 -1.7

BGStaffing **BGSF** 20.61 4.1 Amherst4RenfPd6 **AMHP** 22.43 -0.9 Leggett & Platt **LEG** 39.57 -0.4

BP **BP** 45.10 5.0 AmkorTech **AMKR** 8.19 2.3 LeijiHoldings **LEJU** 9.06 -4.8

BBLMT 33.40 2.9 AnkrBn **BUD** 96.14 -1.6 LibertyLatAm **LILA** 18.26 1.3

BaytexEnergy **BTE** 4.58 1.1 LibertyLatAmC **LILAK** 17.90 1.0

BCOV 9.95 1.6 Apervy **APVN** 37.00 -1.3 LifeWayFoods **LWAV** 5.09 -3.4

BrinkerIntl **EAT** 46.42 2.3 Arconic **ARCN** 175.58 -2.3 LinxElectric **LECO** 81.94 1.0

Curo **CUR** 23.32 6.6 AscentCapitalASC **ASCM** 3.10 -3.8 LionsGate **LGF.B** 23.02 -4.3

Cameco **CCJ** 11.26 1.8 AscentGuardBds **AGOB** 25.36 2.3 LionsGate **LGF.G** 23.79 -4.2

CareDx **CDDA** 10.43 5.1 AsteriasBiotherap **ASTA** 1.20 ... MagneGas **MNGA** 5.05 -3.3

JenithiHCM **CHM** 32.10 2.9 AvadelPharm **AVDL** 6.54 -0.3 Mallinckrodt **MNK** 12.75 0.8

ChamberAdvoc **CHAM** 13.50 2.1 AvadalePharm **B** 52.45 -3.9 Manpower **MAN** 19.49 0.5

ChaperoneLodging **CHSP** 30.09 3.7 BarnesGroup **B** 48.75 -2.3 MartinMarietta **MLM** 189.27 0.2

CitrinSystems **CTKS** 104.88 2.9 Beliden **BDC** 61.00 -3.2 MercurySystems **MRCY** 31.55 1.2

CollabInt'l **CIGI** 73.80 7.5 Belmondo **BEL** 10.30 -2.0 MLCapTrstPfd **MTC.P** 25.35 -3.6

ConnecticutPay **CWTN** 69.72 2.3 BelmontElec **BFI** 12.03 -0.5 MyWorldWds **MWD** 20.77 2.8

Dennys **DENN** 17.75 -1.3 BioTimeWt **BTXWS** 0.95 -0.3 NantStoragePfdA **NAPA** 23.58 -2.0

ExB **EGHT** 20.68 2.0 BridgepointDev **BPI** 5.49 -4.1 Mondelēz **MDLZ** 38.55 -1.3

ElevenBiophar **EBIO** 2.92 -2.4 BridgepointCapV **BGG** 21.11 -1.7 MotorcarParts **MPPA** 18.53 -1.2

EloxPharm **ELOX** 13.60 3.0 BriggsStratton **BGS** 48.63 0.8 MuellerWater **MWWA** 9.62 0.5

EnterpriseFinSvcs **EFSF** 51.50 3.3 CBS **CBS** 48.75 0.8 NavideaUSA **NUVA** 61.57 2.1

Espey **ESP** 27.28 2.8 CEVA **CEVA** 32.30 2.1 NNN **NNN** 19.65 -0.7

ExtraSpace **EXR** 90.57 9.9 CCS Industries **CCSI** 39.90 -0.3 NNR **NNR** 10.65 -2.7

FNW **FFIV** 164.88 1.0 Cesarstone **CSTE** 18.15 -1.4 NativStoragePfdA **NAPA** 23.58 -2.0

FTI Consulting **FCN** 58.96 7.7 CharterGenetics **CGIX** 0.45 -6.8 NaviosMaritimePf **NMPG** 10.18 2.4

FTS Int'l **FTSI** 21.65 -4.6 CleanHarbors **CLH** 44.72 -1.6 NaviosMaritimePf **NMPH** 10.36 -1.2

FWB **FWB** 88.94 1.4 ClearOne **CLO** 5.90 -3.3 Pentair **PNR** 43.76 -0.8

FirstBankCorp **FBP** 7.42 -2.4 CapsteadMtGp **CMOP** 24.64 -1.5 NewMarket **NEU** 367.85 -1.6

Freshpet **FRPT** 20.90 5.1 CaseGenyBrands **CASE** 95.62 1.3 nVentElectric **NVT** 21.00 2.8

HomeTownBkhs **HMTA** 12.24 -2.0 Colmenard **COL** 6.40 -4.4 O2MicroInt'l **OIM** 1.30 -1.5

cahnEnterpris **IEP** 67.67 3.8 Comed-Cap Wt **CHEK.W** 63.05 -2.0 Och-Ziff **OZM** 1.91 2.1

Immunomedics **IMMU** 19.04 -2.6 OrchidsPaper **TIS** 5.85 -1.1 PartnerComms **PTNR** 3.73 -2.4

IncomeOppRty **IOR** 13.70 6.3 CleanHarbors **CLH** 44.72 -1.6 Pentair **PNR** 43.76 -0.8

IncomeProp LLC **IPCC** 131.00 2.7 CoreMoldingTech **CMT** 14.95 -1.5 ReToCoSol **RETO** 5.15 -5.9

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24099.05** ▼64.10, or 0.27%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.97 Last 20.48  
 P/E estimate \* 16.17 17.83  
 Dividend yield 2.21 2.33  
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Jan. Feb. Mar. Apr. 22000

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2654.80** ▲6.75, or 0.25%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 24.09 Last 24.17  
 P/E estimate \* 16.99 18.42  
 Dividend yield 1.95 1.97  
 All-time high 2872.87, 01/26/18



Jan. Feb. Mar. Apr. 2450

## Nasdaq Composite Index

**7130.70** ▲64.44, or 0.91%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio \* 25.01 Last 26.04  
 P/E estimate \* 19.97 20.75  
 Dividend yield 1.04 1.09  
 All-time high 7588.32, 03/12/18



Jan. Feb. Mar. Apr. 6300

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
Dow Jones									
Industrial Average	24117.29	23808.19	<b>24099.05</b>	-64.10	-0.27	26616.71	20606.93	<b>15.0</b> -2.5	<b>10.2</b>
Transportation Avg	10437.25	10293.14	<b>10388.39</b>	-35.18	-0.34	11373.38	8783.74	<b>13.5</b> -2.1	<b>5.9</b>
Utility Average	707.81	703.48	<b>705.23</b>	-1.78	-0.25	774.47	647.90	<b>0.5</b> -2.5	<b>6.1</b>
Total Stock Market	27529.96	27231.71	<b>27526.83</b>	74.14	<b>0.27</b>	29630.47	24391.29	<b>11.0</b> -0.5	<b>7.7</b>
Barron's 400	711.42	702.44	<b>711.29</b>	2.41	<b>0.34</b>	757.37	624.99	<b>11.1</b> 0.1	<b>7.5</b>

## Nasdaq Stock Market

Nasdaq Composite	7133.27	7036.18	<b>7130.70</b>	64.44	<b>0.91</b>	7588.32	6011.24	<b>17.0</b> 3.3	<b>12.5</b>
Nasdaq 100	6685.41	6578.26	<b>6681.96</b>	76.39	<b>1.16</b>	7131.12	5580.55	<b>18.4</b> 4.5	<b>14.3</b>

## S&amp;P

500 Index	2655.27	2625.41	<b>2654.80</b>	6.75	<b>0.25</b>	2872.87	2357.03	<b>11.0</b> -0.7	<b>8.0</b>
MidCap 400	1881.07	1855.01	<b>1879.57</b>	7.12	<b>0.38</b>	1995.23	1691.67	<b>8.4</b> -1.1	<b>7.5</b>
SmallCap 600	952.45	937.51	<b>951.88</b>	4.37	<b>0.46</b>	979.57	817.25	<b>11.7</b> 1.7	<b>10.4</b>

## Other Indexes

Russell 2000	1550.86	1527.71	<b>1550.33</b>	8.44	<b>0.55</b>	1610.71	1355.89	<b>10.8</b> 1.0	<b>8.1</b>
NYSE Composite	12493.07	12388.95	<b>12493.02</b>	-22.34	-0.18	13637.02	11423.53	<b>8.2</b> -2.5	<b>3.9</b>
Value Line	549.58	543.43	<b>549.57</b>	0.31	<b>0.06</b>	589.69	503.24	<b>4.9</b> -2.3	<b>2.4</b>
NYSE Arca Biotech	4521.43	4436.95	<b>4519.80</b>	44.97	<b>1.00</b>	4939.86	3507.64	<b>24.5</b> 7.0	<b>5.2</b>
NYSE Arca Pharma	525.75	520.21	<b>524.48</b>	0.03	<b>0.01</b>	593.12	514.07	<b>1.8</b> -3.8	<b>-3.4</b>
KBW Bank	107.23	105.80	<b>107.10</b>	0.10	<b>0.09</b>	116.52	88.87	<b>16.7</b> 0.4	<b>13.1</b>
PHLX® Gold/Silver	81.43	80.19	<b>81.42</b>	0.27	<b>0.34</b>	93.26	76.42	<b>0.2</b> -4.5	<b>3.6</b>
PHLX® Oil Service	154.81	152.02	<b>153.80</b>	-2.02	-1.30	165.78	117.79	<b>3.2</b> 2.8	<b>-11.6</b>
PHLX® Semiconductor	1266.87	1240.89	<b>1265.94</b>	21.55	<b>1.73</b>	1445.90	1004.62	<b>26.0</b> 1.0	<b>21.5</b>
Cboe Volatility	16.82	15.42	<b>15.49</b>	-0.44	-2.76	37.32	9.14	<b>46.3</b> 40.3	<b>6.8</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
nVent Electric	NVT	16,481.6	22.72	...	<b>0.02</b>	22.80	22.65
Snap	SNAP	15,680.6	11.95	-2.18	<b>-15.43</b>	14.45	11.50
SPDR S&P 500	SPY	11,993.3	265.37	0.39	<b>0.15</b>	265.55	264.41
Apple	AAPL	10,615.7	175.56	6.46	<b>3.82</b>	178.00	167.65
Knowles Corp.	KN	7,822.2	12.64	...	unch.	12.69	12.59
General Electric	GE	5,962.4	14.06	0.01	<b>0.07</b>	14.09	13.95
Ford Motor	F	4,456.4	11.23	-0.03	<b>-0.27</b>	11.27	11.22
Pfizer	PFE	3,874.6	35.43	0.03	<b>0.08</b>	35.52	35.15

## Percentage gainers...

Community Health Systems	CYH	90.2	4.37	0.40	<b>10.08</b>	4.49	3.89
Enphase Energy	ENPH	55.7	4.44	0.38	<b>9.36</b>	4.50	3.72
Shutterstock	SFLY	129.3	88.99	7.44	<b>9.12</b>	90.00	81.36
Frontier Communications	FTR	250.2	8.87	0.72	<b>8.83</b>	8.87	8.12
Zendesk	ZEN	83.3	51.50	2.92	<b>6.01</b>	53.69	48.53

## ...And losers

Snap	SNAP	15,680.6	11.95	-2.18	**-15.43**	14.45	11.50

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## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.							
May	3.0485	3.0530	2.9985	<b>3.0150</b> -0.0375	5,243		
July	3.0705	3.0850	3.0195	<b>3.0375</b> -0.0365	128,619		
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.							
May	1313.20	1313.80	1303.40	<b>1303.80</b> -12.40	384		
June	1316.00	1317.40	1302.30	1306.80	-12.40	346,862	
Aug	1322.10	1322.80	1308.60	<b>1313.00</b> -12.30	73,366		
Oct	1327.40	1327.40	1314.80	<b>1319.10</b> -12.50	9,055		
Dec	1334.90	1334.90	1321.50	<b>1325.60</b> -12.50	59,780		
Dec'19	1370.00	1370.00	1365.20	<b>1365.10</b> -27.30	3,519		
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.							
June	959.85	960.10	934.40	<b>936.25</b> -24.30	18,421		
Sept	953.65	955.15	932.05	<b>932.50</b> -23.30	4,873		
Dec	940.00	950.60	933.00	<b>928.00</b> -23.35	250		
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.							
June	899.80	899.80	894.40	<b>891.80</b> -10.20	46		
July	906.80	907.40	893.20	<b>894.20</b> -10.20	74,772		
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.							
May	16.280	16.285	16.000	<b>16.039</b> -0.273	3,915		
July	16.345	16.370	16.070	<b>16.127</b> -0.274	140,156		
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.							
June	68.61	68.90	66.85	<b>67.25</b> -1.32	534,133		
July	68.49	68.78	66.77	<b>67.13</b> -1.35	280,424		
Sept	67.65	67.90	66.05	<b>66.35</b> -1.33	244,995		
Dec	65.91	66.21	64.49	<b>64.76</b> -1.23	289,276		
June'19	62.37	62.59	61.24	<b>61.51</b> -0.92	147,571		
Dec	59.37	59.60	58.52	<b>58.76</b> -0.66	157,796		
<b>NY Harbor LBD (NYM)</b> -42,000 gal.; \$ per gal.							
June	2.1486	2.1537	2.0910	<b>2.0997</b> -0.0496	151,735		
July	2.1438	2.1481	2.0885	<b>2.0965</b> -0.0468	80,319		
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.							
June	2.1305	2.1320	2.0729	<b>2.0876</b> -0.0432	171,505		
July	2.1259	2.1285	2.0716	<b>2.0857</b> -0.0411	80,200		
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.							
June	2.766	2.820	2.759	<b>2.802</b> -0.039	287,827		
July	2.802	2.854	2.795	<b>2.837</b> -0.037	195,093		
Sept	2.793	2.840	2.787	<b>2.823</b> -0.033	137,786		
Oct	2.805	2.853	2.798	<b>2.835</b> -0.035	120,469		
March'19	2.895	2.928	2.895	<b>2.919</b> -0.029	87,702		
April	2.594	2.609	2.593	<b>2.606</b> -0.020	88,548		

## Agriculture Futures

	Open	High	Low	Settle	Chg	Open	interest
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.							
May	393.00	397.00	<b>397.00</b> ▲	391.50	396.75	4.25	7,765
July	401.00	406.00	<b>406.00</b> ▲	399.75	405.75	5.00	816,122
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.							
May	226.00	226.00		<b>227.75</b> 2.25	227.75	27	
July	236.00	238.50		<b>237.75</b> 2.00	24.950		
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.							
May	1038.75	1044.50		<b>1042.50</b> 4.75	1031.25	7,936	
July	1048.75	1055.50		<b>1053.25</b> 4.75	1041.00	44,027	
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.							
May	392.10	404.50	<b>404.50</b> ▲	391.60	403.00	10.90	4,110
July	393.90	406.10	<b>406.10</b> ▲	391.50	404.40	10.60	259,639
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.							
May	30.49	30.49		<b>30.08</b> -0.27	29.95	2,585	
July	30.65	30.76	<b>30.76</b> ▼	30.15	30.33	-0.29	267,328
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.							
May	1262.00	1262.00		<b>1263.50</b> -15.00	1262.00	184	
July	1306.00	1307.50		<b>1288.50</b> -18.50	1304.00	6,579	
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.							
May	511.25	529.75	<b>529.75</b> ▲	510.25	529.75	17.25	908
July	512.50	530.00		<b>530.00</b> ▲	513.00	245,111	
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.							
May	520.00	530.25		<b>532.50</b> 13.75	513.00	1,189	
July	540.00	554.00		<b>553.00</b> 15.50	532.50	132,657	
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.							
May	625.00	627.25		<b>627.25</b> 9.50	625.00	342	
July	616.00	624.00		<b>623.50</b> 8.00	610.00	32,575	
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.							
May	140.275	140.500		<b>137.325</b> -13.75	137.00	-2,275	7,656
Aug	146.650	146.650		<b>143.150</b> -14.75	143.75	-2,725	22,953
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.							
June	106.300	106.400		<b>105.825</b> -0.275	106.00	142,034	
Aug	104.675	104.925		<b>104.075</b> -0.450	104.25	94,419	
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.							
May	66.475	67.775		<b>66.300</b> 67.450	66.150	3,058	
June	73.300	74.275		<b>72.975</b> 73.900	72.00	99,326	
<b>Lumber (CME)</b> -110,000 bd. ft. \$ per 1,000 bd.							
May	577.20	596.80	<b>596.80</b> ▲	577.20	591.80	14.60	1,483
July	564.20	572.10	<b>572.10</b> ▲	563.30	572.10	10.00	4,509

## Contract

	Open	High	hilo	Low	Settle	Chg	Open	interest
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.								

## Contract

	Open	High	hilo	Low	Settle	Chg	Open	interest

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## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISIE.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, May 1, 2018	Net	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg		
A	B	C																									
ABB	ABB	23.33	0.06	Apple	AAPL	169.10	3.84	BrookfieldMgt	BAM	39.28	-0.36	FirstRepBank	FRC	93.48	0.61	ItauUnibanco	ITUB	14.50	-0.03	MorganStanley	MS	51.81	0.19	RegenPharm	REGN	301.22	-2.46
ADT	ADT	8.68	-0.23	ApplMaterials	AMAT	50.91	1.24	Brookfieldnlfr	BIP	40.53	-0.11	FirstSolar	FSLR	67.51	-0.34	JD.com	JD	37.47	0.96	Mosaic	MOS	26.85	-0.10	TimeWarner	TWX	94.27	-0.53
AES	AES	12.21	-0.03	AppT	APTV	84.53	-0.05	Brown&Forman	BFB	55.49	-0.55	FirstEnergy	FE	33.88	-0.52	FleetCorTech	CTSH	81.82	...	MotorolaS	MS	108.48	-1.35	TollBros	TOL	42.95	0.79
Aflac	AFL	45.40	-0.17	AracelitM	MT	37.33	-0.67	BuckeyePtrs	BPL	41.89	0.34	Flex	FLEX	13.69	0.69	FirstMort	FIR	53.60	-0.24	ReinsGrp	RF	153.02	3.62				
AGNC Inv	AGNC	18.86	-0.06	ArchDanels	ADM	60.53	-0.35	Bunge	BG	71.64	-0.54	Flor	FLR	59.04	0.09	JackHenry	JHY	17.57	-0.14	RelianceSteel	RS	38.79	-0.53				
ANGI Homescng	ANGI	13.28	-0.08	Cooper	COP	94.85	0.27	BurlingtonStrs	BURL	135.37	-0.48	Flowserve	FSLV	44.74	0.33	JamesHenderson	JHG	31.45	-0.14	NICE	NICE	96.84	1.67				
Ansys	ANSS	1611.11	-0.55	ConEd	ED	79.95	-0.18	Burnett	BURN	135.71	-0.48	Fluor	FLU	59.04	0.09	JohnsonControls	JCI	121.43	1.95	NRG Energy	NRG	30.65	-0.35				
ASML	ASML	1914.44	-0.99	FrontBrands	FRB	265.27	0.72	ColumbiaSportswear	COLA	82.82	-0.23	Flex	FLEX	13.69	0.69	RestaurantBrands	QSR	54.03	-0.39	RioTinto	RIO	54.56	-0.39				
AT&T	T	32.54	-0.16	FranklinRcs	BEN	33.03	-0.61	ComScope	CMK	65.71	-0.24	Fortinet	FTNT	55.74	0.38	JazzPharma	JAZZ	154.88	2.34	TimeWarner	TWX	94.27	-0.53				
AbbVie	ABV	102.07	5.52	FreeportMcMoR	FMC	14.95	-0.48	Frontline	FTV	72.04	1.73	Fortive	FTS	33.51	0.02	JD.com	JD	108.78	...	Torchmark	TMK	86.68	-0.06				
Albomed	ALBD	310.50	9.55	FreseniusMed	FMS	50.58	0.01	Globe	GLO	100.71	-0.22	Fortune	FTW	121.01	-0.48	JPMorganChase	JPM	108.78	...	TorontoDomBk	TD	134.25	-0.22				
Accutech	ACCH	151.92	0.72	GenCom	GENC	46.10	-0.15	GoldmanSachs	GCO	65.71	-0.21	FreightCorp	FRG	11.82	-0.03	KarenTheta	KTR	84.12	0.46	Total	TOT	62.10	-0.51				
ActivationBlvz	ATVI	67.80	1.45	GenComx	GCX	229.63	-0.45	Goodyear	GT	21.49	-0.54	Frontline	FTW	121.78	2.27	Travelers	TRV	131.09	-0.51	TractorSupply	TSCO	67.76	-0.24				
Adient	ADNT	60.70	-0.50	GlobalFins	GFL	26.82	-0.20	Globe	GLO	100.71	-0.22	FreightCorp	FRG	11.82	-0.03	TransCanad	TRP	42.77	0.32	TransGas	TRAN	42.77	0.32				
AdobeSystems	ADBE	224.08	2.48	GoldmanSachs	GMS	47.05	-0.14	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Advance Auto	AAIA	115.58	1.13	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AdmicoDevices	AMD	11.13	0.25	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Aegon	AEG	7.21	-0.05	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AerCap	AER	51.79	-0.34	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Aetna	AET	178.71	-0.34	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AffiliatedMgns	AMG	164.13	-0.73	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AgilentTechs	AA	66.24	0.50	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AgnicoEagle	AGC	42.22	0.13	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AirProducts	APD	162.49	0.20	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Alkamata	AKAM	70.84	-0.81	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AlaskaAir	ALK	65.45	0.51	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Albermarle	ALB	97.62	0.66	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Alcos	AA	51.19	0.79	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AlexandriaRE	ARE	129.11	-0.48	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
AlexionPharm	ALXN	118.62	0.99	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Alibaba	BABA	18.70	-0.56	Goodwill	GWD	100.71	-0.22	Goodwill	GWD	100.71	-0.22	Frontline	FTW	121.78	2.27	TransGas	TRAN	42.77	0.32	TransGas	TRAN	42.77	0.32				
Albany	ALY	25.34	-0.52	Goodwill	GWD	100.71</																					

## BANKING &amp; FINANCE

# MetLife Finance Chief Hele Leaves Post

BY LESLIE SCISM

A MetLife spokesman said Mr. Hele, 59 years old, declined to comment.

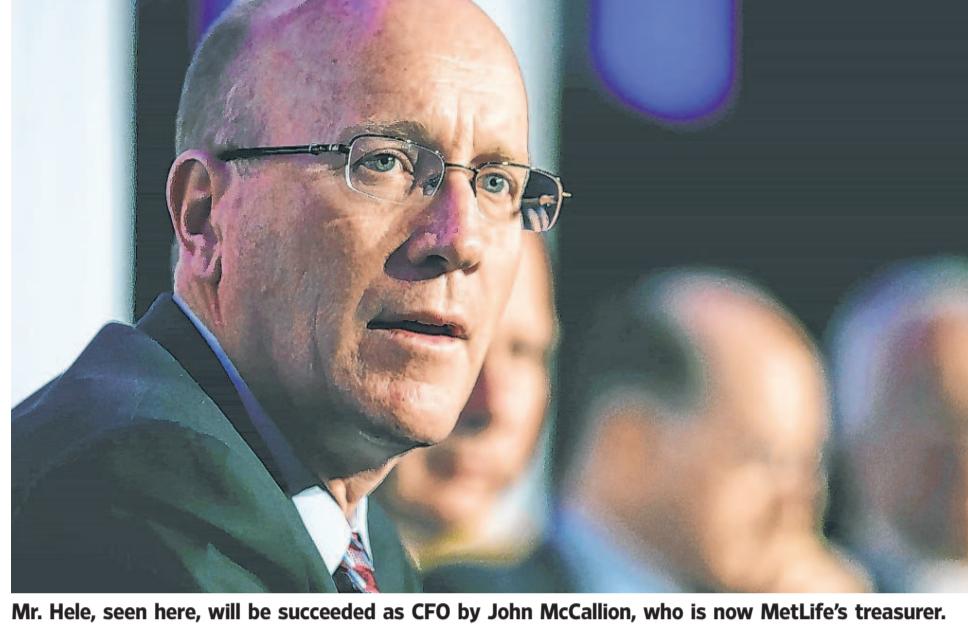
The announcement about Mr. Hele comes just a day before the company reports first-quarter earnings on Wednesday.

While analysts weren't surprised by Mr. Hele's departure, the timing of the move immediately ahead of the earnings was puzzling, and some said it raises questions about whether new negative issues will emerge. "But we suspect that if anything materially new and negative had occurred [during the first quarter], it likely would have been pre-announced along with the executive changes being announced today," Evercore ISI analysts said in a note to clients.

In late 2017, MetLife disclosed that more than 10,000 people in private-sector pension plans for which the insurer had assumed responsibility hadn't gotten money owed them because the insurer hadn't searched for them diligently enough. MetLife made limited efforts to track down people whose addresses weren't current or otherwise

didn't respond to letters, the company has acknowledged.

Despite only limited search efforts, the giant insurer in past years had reduced reserves reflecting what it owed retirees, thus boosting profits. In detailing its fourth-quarter earnings, MetLife said it had bolstered its



**Mr. Hele, seen here, will be succeeded as CFO by John McCallion, who is now MetLife's treasurer.**

delay the release of its 2017 fourth-quarter earnings. MetLife has said that federal securities and state regulators have inquired about the pension-payments problem.

In addition, earlier this year MetLife acknowledged another mistake that involved flawed internal financial controls. It revised its 2017 earnings upward after discovering it had miscalculated reserves for a retirement-savings product in Japan.

Analysts said the events raised questions among investors about confidence in the company and management.

MetLife shares fell 0.8% to \$47.30 Tuesday. Since MetLife disclosed the pensions snafu in December, its shares have declined 8% while the S&P 500's subindex of life- and health-insurance stocks is down 7.4%, according to FactSet.

In February, the longtime executive in charge of the unit that failed to pay the estimated 13,500 retirees their pension benefits left the company.

Mr. Hele joined MetLife in 2012. Previously, he was finance chief of insurer and re-insurer Arch Capital Group Ltd.

reserves by \$510 million pretax to bring them up to the level that it says will now correctly reflect what it owes.

MetLife has said that the problems in the pensions business date to the 1990s and reflected a "material weakness in internal control over financial

reporting." That means the company had a flaw in its policies or procedures that are intended to ensure its financial statements are accurate. Such controls are typically the responsibility of a company's CFO.

Sorting out the pension problem prompted MetLife to

form on a relative basis."

Fee-related earnings also fell in the quarter to \$28.2 million, down from \$37.1 million in the first quarter of 2017. Carlyle, which has set a long-term goal of raising a total of \$100 billion in new capital by 2019, said it brought in \$7.7 billion in the first quarter alone. Fundraising expenses were \$19 million, compared with \$7 million a year earlier, Carlyle said.

Economic net income, a closely watched performance measure that reflects changes in the value of the firm's holdings, fell to \$161 million on a post-tax basis, or 47 cents a share, from \$364.6 million, or \$1.09 a share, a year earlier. Analysts polled by FactSet had expected 29 cents.

For the three months ended March 31, the Washington, D.C., asset manager reported net income of \$33.8 million, or 30 cents a share. That compares with a profit of \$83 million, or 90 cents a share, in the year-earlier quarter.

Slower growth in the value of the assets in its portfolio was the primary reason for Carlyle's earnings decline from the year-earlier period.

PetroSaudi was founded in 2005 by a Saudi citizen, Tarek Obaid, and a member of the Saudi royal family, Turki Bin Abdullah Al Saud.

The U.S. Justice Department alleges in court filings that PetroSaudi, a Riyadh-based energy-investment startup, was involved in what it calls the first stage of a multiyear scam to divert billions of dollars from IMDB. About a billion dollars was allegedly misappropriated through a joint venture between the two companies, the court filings from 2016 and 2017 said.

The Swiss attorney general opened an investigation into the alleged misappropriation of funds from IMDB in August 2015 amid concerns that the country's banks may have been used for illegal activities.

Both IMDB and Mr. Najib have denied wrongdoing and said they would cooperate with any lawful international investigation.

Multiple Malaysian investigations in that country into IMDB closed without finding wrongdoing.

"The beauty of our business is we don't buy indexes," co-CEO Kewson Lee says.

ment fees.

Carlyle's distributable income, the slice of profit available for payout to shareholders, came in at 36 cents a share, up from 13 cents a share a year earlier. Carlyle said it would pay a 27-cent dividend, up from 10 cents in the first quarter of 2017.

In March, Carlyle said it would buy the specialty-chemical business of Dutch paint giant Akzo Nobel NV for about \$12.6 billion, including debt, in one of the largest private-deals of the year.

The firm sold \$5.6 billion worth of investments in the first quarter. Among its divestitures was the \$1.75 billion sale of valuation and corporate-finance adviser Duff & Phelps to private-equity firm Permira.

## Goldman to Settle Foreign-Exchange Case

BY IRA JOSEBASHVILI

of foreign exchange trades, sometimes at customers' expense," it said.

While the bank had policies addressing its foreign exchange business in place as early as 2001, "escalation of compliance concerns did not always occur as required, allowing potentially improper trading activity to continue."

The individuals that had participated in the improper trading are no longer with the firm, according to a person with knowledge of the matter.

"We are pleased to have resolved the Federal Reserve Board's and New York Department of Financial Services' respective reviews and appreciate their recognition that we have already taken significant steps to enhance our policies and procedures," Goldman Sachs said.

—Telis Demos contributed to this article.

## FINANCE WATCH

## BARCLAYS

### Bank Will Look Outside for Chairman

Barclays PLC will look externally for a new chairman after front-runner Gerry Grimstone unexpectedly pulled out of the race to head the British bank.

Barclays Chairman John McFarlane said Tuesday that he had asked the board to search for his successor. Mr. McFarlane hasn't said when he will go and pledged to serve at least one more year at the bank. "While some might wish so, you are not getting rid of me yet," said Mr. McFarlane at the annual shareholder meeting on Tuesday. Mr.

Grimstone, who is the chairman of Standard Life Aberdeen PLC and is chief of the international banking unit at Barclays, was tipped by insiders to take over the reins. Mr. Grimstone, however, decided not to apply for the job, according to people familiar with the matter.

—Max Colchester

## BANKRUPTCY COURT

### Tilton Strikes Deal With Zohar Creditors

Lynn Tilton reached settlements with creditors of the \$2.5 billion Zohar funds she created, a legal cease-fire that comes after the turnaround executive

placed the troubled investment vehicles in bankruptcy.

The settlement framework will keep the three Zohar funds—collateralized loan obligations that raised money for Ms. Tilton's collection of troubled businesses—in bankruptcy while monetizing the loans made to companies, according to papers filed with the U.S. Bankruptcy Court in Wilmington, Del.

The settlement unveiled late Monday paves the way for the portfolio companies that owe money to the Zohar funds to be sold or have their debt refinanced to raise money for repaying creditors. The deal requires court approval.

—Andrew Scurria

## BREVAN HOWARD

### Trader Is Cited At Rate-Rig Trial

A former **JPMorgan Chase & Co.** and **Citigroup Inc.** trader, who is currently a star manager at hedge-fund company **Brevan Howard**, was named in a U.K. court as an alleged co-conspirator in what prosecutors call a scheme to manipulate interest rates.

Alfredo Saitta and six others were named last month by the U.K.'s Serious Fraud Office as alleged co-conspirators—but not charged—during a trial of other bank employees. A Brevan spokesman declined comment.

—Laurence Fletcher

will pay roughly \$110 million to settle claims that it failed to supervise foreign exchange traders who put clients at a disadvantage by inappropriately sharing information about their market positions with rivals.

The firm will make payments of \$54.75 million to both the Federal Reserve Board and the New York Department of Financial Services, the regulators said Tuesday.

Between 2008 and early 2013, the bank's traders used electronic chat rooms to share confidential customer information and to discuss potentially coordinating trading activity, the New York agency said.

"This improper activity sought to enable banks and the involved traders to achieve higher profits from execution

## MARKETS

# Treasurys Fall Ahead Of Report On Supply

BY SAM GOLDFARB

U.S. government bond prices fell Tuesday, as investors awaited new insight into the Treasury Department's debt-issuance plans.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.976%, compared with 2.936% Monday.

Yields, which rise when bond prices fall, have slipped since the middle of last week when the 10-year yield briefly surpassed 3%.

Many analysts expect yields to keep rising in the coming months as long as the Federal Reserve sticks to its plan of at least three interest-rate increases this year. Many, however, also anticipate bumps along the road as higher yields periodically attract waves of buying.

Along with rising interest rates, Treasury yields have also been kept aloft recently by an expanding federal budget deficit.

Earlier this year, a group of private banks that advise the Treasury—known as the Treasury Borrowing Advisory

## 2.976%

Yield at which 10-year Treasury note settled on Tuesday

Committee—estimated the Treasury would need to borrow a net \$955 billion in the fiscal year that ends Sept. 30, up substantially from the \$519 billion it borrowed in the previous fiscal year.

The Treasury is scheduled on Wednesday to release its latest refunding announcement, which should provide more details about how it intends to meet its borrowing needs. To date, the department has increased issuance of short-term debt more than long-term bonds, a decision that analysts say has helped lead to a flatter yield curve, or narrower gap between short- and long-term Treasury yields.

If Treasury officials "start leaning toward more long-end issuance, I think that would definitely surprise the market," causing the yield-curve to steepen, said Subadra Rajappa, head of U.S. rates strategy at Société Générale SA.

### AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

### FOUR-WEEK BILLS

Applications	\$136,991,801,100
Accepted bids	\$45,000,437,100
"Noncompetitively"	\$734,916,300
"foreign noncompetitively"	\$100,000,000
Auction price (rate)	99.871667
(1.650%)	
Coupon equivalent	1.67%
Bids at clearing yield accepted	95.47%
Cusip number	912796PH6

The bills, dated May 3, 2018, mature on May 31, 2018.

# U.S. Stocks Mixed as Dow Drops

Blue chips extend slump to a third session as S&P 500, Nasdaq log gains

BY GEORGI KANTCHEV  
AND ALLISON PRANG

The Dow Jones Industrial Average slumped Tuesday but pared most of its losses as investors weighed global trade negotiations, central-bank moves and the latest round of corporate earnings and manufacturing data.

The blue-chip index, which declined for a third straight session, tumbled as much as 355 points in midday trading, pressured by falling shares of Pfizer and Merck & Co. But it bounced back to end the day down 64.10 points, or 0.3%, at 24099.05.

The S&P 500 rose 6.75 points, or 0.3%, to 2654.80, and the technology-heavy Nasdaq Composite climbed 64.44 points, or 0.9%, to 7130.70.

The major indexes eked out small gains in April on the

back of strong corporate earnings after being rocked by a bout of volatility earlier in the year. First-quarter earnings have largely topped expectations, but investors haven't rewarded beats at the same pace as in recent quarters.

Shares of Pfizer fell \$1.21, or 3.3%, to \$35.40, while Merck shares dropped 89 cents, or 1.5%, to 57.98, after both pharmaceutical giants reported revenue that fell short of estimates.

McDonald's dropped 4, or 2.4%, to 163.44, giving back some of the prior session's gains, after reporting on Monday global sales and profit growth in the first quarter that were overshadowed by a decline in U.S. customer visits.

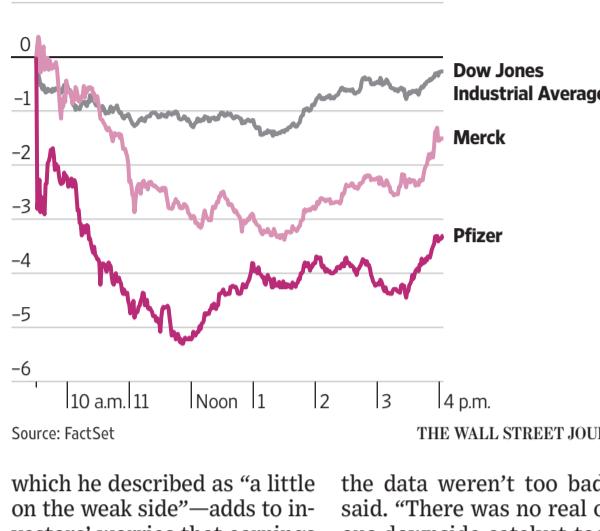
Tapestry, known for the designer brand Coach, slid 6.31, or 12%, to 47.46, after reporting weakness at its Stuart Weitzman shoe brand.

Elsewhere, the Institute for Supply Management released its manufacturing data for April, which showed growth had slowed slightly compared with March.

Erik Davidson, chief investment officer for Wells Fargo Private Bank, said the data—

### Dragged Down

Pfizer and Merck & Co. were among the biggest decliners in the blue-chip index on Tuesday after reporting disappointing revenue figures.



Source: FactSet

THE WALL STREET JOURNAL.

which he described as "a little on the weak side"—adds to investors' worries that earnings and the economy have already hit their best marks.

Jeff Mills, co-chief investment strategist for PNC Financial Services Group, said stocks were following Monday's losses and that the manufacturing data didn't help boost shares. But expectations for the ISM data were high and

the data weren't too bad, he said. "There was no real obvious downside catalyst today," Mr. Mills said.

Outside of earnings and economic data, President Donald Trump late Monday gave the European Union and some nations outside the bloc an additional month to negotiate deals that would exempt them from U.S. steel and aluminum tariffs. The White House said

broad tariffs of 25% on steel and 10% on aluminum won't take effect for the EU on Tuesday as previously planned.

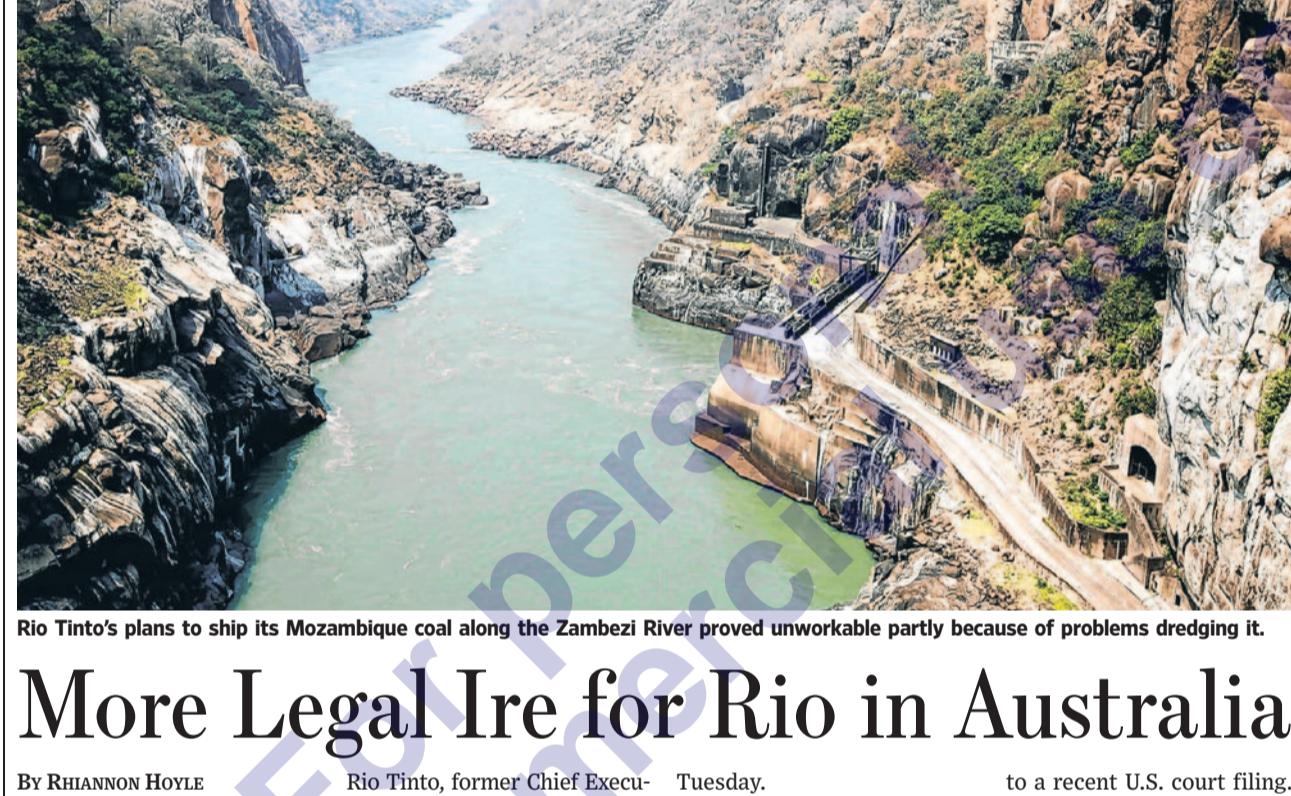
"Trade issues and protectionist rhetoric aren't constructive for markets as they could impact growth. But for now it doesn't seem like it will boil over," said Eric Stein, codirector of global income at Boston-based Eaton Vance.

Traders also were looking ahead to a Federal Reserve meeting, which concludes Wednesday, where the U.S. central bank isn't expected to announce any major policy moves.

The dollar extended its gains after registering in April its largest one-month advance since late 2016. The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, was up 0.6%.

Most markets in Asia were closed Tuesday for the Labor Day holiday, and Japan will be closed for the rest of the week following Wednesday's action. Early Wednesday, the Nikkei Stock Average was down 0.2% and Hong Kong's Hang Seng Index was down 0.1%.

—Suryata Bhattacharya contributed to this article.



Rio Tinto's plans to ship its Mozambique coal along the Zambezi River proved unworkable partly because of problems dredging it.

## Dollar Rises To 2018 High On Strong Growth Data

BY DANIEL KRUGER

The U.S. dollar surged to its highest level this year after recent economic data signaled stronger growth in the U.S. than other developed nations.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, rose 0.6% to 86.13, its highest since Dec. 28. The currency rose broadly, gaining 0.7% against the euro to \$1.1992, 0.5% versus the Japanese yen to ¥109.86 and 1.1% versus the British pound to \$1.3612.

The dollar has been buoyed by an array of strong economic data, which has contributed to investors' expectations for the Federal Reserve to raise interest rates four times in 2018. Fed-funds futures late Tuesday showed the market sees a 49% likelihood for four rate increases, up from 32% a month ago, according to CME Group data.

"If you look at monetary policy expectations outside the U.S., they've shifted" and become less aggressive, said Eric Viloria, a currency strategist at Wells Fargo Securities. That, combined with stronger U.S. data, has been "contributing to some of the dollar strength." Higher interest rates tend to attract investors to a currency by offering higher returns.

The dollar was supported Monday after the Commerce Department said inflation hit the Federal Reserve's 2% target for the first time in over a year in March.

## More Legal Ire for Rio in Australia

BY RHIANNON HOYLE

SYDNEY—Australia's corporate regulator has widened legal action against **Rio Tinto** Ltd. and two of the company's former executives, pursuing allegations

the mining giant was late in writing down a troubled African investment.

Rio Tinto has come under scrutiny from officials in the U.S., U.K. and Australia over the handling of coal assets it purchased in Mozambique for about \$4 billion in 2011, but which faced substantial write-downs and were later sold at just \$50 million.

The Australian Securities and Investments Commission said Tuesday that it has lodged new allegations against

Rio Tinto, former Chief Executive Thomas Albanese and former Chief Financial Officer Guy Elliott, posing that the assets should have been impaired in the company's 2012 interim financial statements.

"By not doing so...ASIC alleges Rio Tinto also engaged in misleading or deceptive conduct," the regulator said.

Mr. Albanese left Rio Tinto—the world's second-largest listed mining firm—in 2013, as the company announced a global write-down of \$14 billion, including some \$3 billion in Mozambique.

"The charges are wholly unwarranted, and Rio Tinto intends to vigorously defend itself, and is confident that ASIC's allegations will be rejected once all the facts are considered in court," a Rio Tinto spokesman said on

Tuesday.

U.S. officials in October alleged that Rio Tinto had misled investors about the value of its Mozambique assets.

A Securities and Exchange Commission suit alleges the company continued to value its mining assets in Mozambique at more than \$3 billion after an internal assessment put their worth at negative \$680 million.

The SEC also alleges that Messrs. Albanese and Elliott didn't disclose the problems with the Mozambique assets because they had already written down the value of Rio Tinto's Alcan aluminum division and feared the market's reaction to another unsuccessful deal.

They did this despite knowing the Mozambique coal business "was a lemon," according

to a recent U.S. court filing.

The allegations also led Mr. Elliott to resign from the board of Royal Dutch Shell PLC.

Both men have disputed the U.S. allegations. Neither could immediately be reached on Tuesday.

The Australian regulator had said in March that it would bring action against the mining company and the executives, alleging they had misrepresented the reserves and resources of the Mozambique coal assets.

Former Rio Tinto Chairman Jan du Plessis, who served from 2009 until this March, recently called the Mozambique investment "undoubtedly a low point during my tenure."

—Rachel Pannett contributed to this article.

# Regulators Weigh Treating Virtual Currencies as Securities

BY DAVE MICHAELS  
AND PAUL VIGNA

Bitcoin has largely escaped government oversight, but regulators are examining whether other widely traded cryptocurrencies should be regulated as securities, according to people familiar with the matter.

The inquiry includes a focus on ether, representing a significant threat to virtual currencies, which haven't been drawn into a regulatory crackdown on potential fraud in the market for the assets. Until now, regulators hadn't questioned whether rules designed for stocks should apply to virtual currencies such as ether, the world's second most valuable cryptocurrency after bitcoin, with a market value of about \$66 billion.

The analysis, by federal securities and commodities regulators, turns on whether the creators of virtual currencies other than bitcoin exert significant influence over their value, in the same way a com-

### Big Five

Top cryptocurrencies by market value

Coin	Market Value
Bitcoin	\$153.4 billion
Ether	65.8
Ripple	32.6
Bitcoin Cash	22.1
EOS	14.4

Note: As of 4:02 p.m. ET on May 1  
Source: CoinMarketCap.com

allow investors to buy and sell it. Coinbase has discussed applying for an SEC license to operate as a brokerage firm, a process that could bring the fight over ether to the surface because brokers can't deal in unregistered securities.

Gary Gensler, a former CFTC chairman, said in a speech last week that "there is a strong case that one or both of ETH and [Ripple's] XRP are noncompliant securities," using the shorthand for the virtual currencies.

Ether's backers say it serves a purpose beyond trading. The virtual currency is paid to people who run the Ethereum program on their computer, a necessary function for a decentralized project. Supporters of ether, including Andreessen Horowitz, also note that ether is mined—or created—by that broad community of users, not any single person or entity.

Ether "has become so de-centralized it should not be deemed a security," a group of venture capitalists including

Andreessen and Union Square Ventures wrote in a proposal seeking a broad regulatory exemption, which was submitted to the SEC in late March.

Coinbase declined to comment on regulators' questions about ether.

Cryptocurrency developers and some of the lawyers representing the industry are frustrated that the SEC continues to apply an arcane legal test to determine whether a new generation of assets, such as ether, fall into the basket of assets that it regulates.

The "Howey Test," named for a 1946 Supreme Court case involving interests in an orange grove, requires regulators to assert whether the investment was made in a "common enterprise" and whether anticipated profits depend on the efforts of others.

Regulators have studied the role of central actors, such as the Ethereum Foundation, which developed ether and oversees improvements to its

software network, in driving the asset's value. The foundation pays "bug bounties," which reward programmers who fix vulnerabilities in ether's code, showing the non-profit influences improvements that can boost the virtual currency's value, one of the people familiar with the matter said.

Regulators are studying what other factors account for fluctuations in ether's price, some of which temper the case for calling it a security. For instance, the government is looking at how much of its demand stems from people who use ether to run applications on the software.

A working group of regulators including senior SEC and CFTC officials are scheduled to discuss the matter on Monday, one of the people said.

The foundation says it doesn't control the supply or demand of ether and owns less than 1% of the amount in circulation.

—Gabriel T. Rubin contributed to this article.

## MARKETS

# Oil Prices Retreat as Dollar Advances

Traders also watch whether Trump will abandon the deal on Iran's nuclear program

By STEPHANIE YANG

Oil prices fell to a two-week low, weighed down by rising U.S. crude production, a strengthening dollar and debate over whether America will pull out of the Iran nuclear deal.

Light, sweet crude for June delivery fell \$1.32, or 1.9%, to \$67.25 a barrel on the New York Mercantile Exchange, its lowest close since April 17. Brent, the global benchmark, fell \$1.56, or 2.1%, to \$73.13.

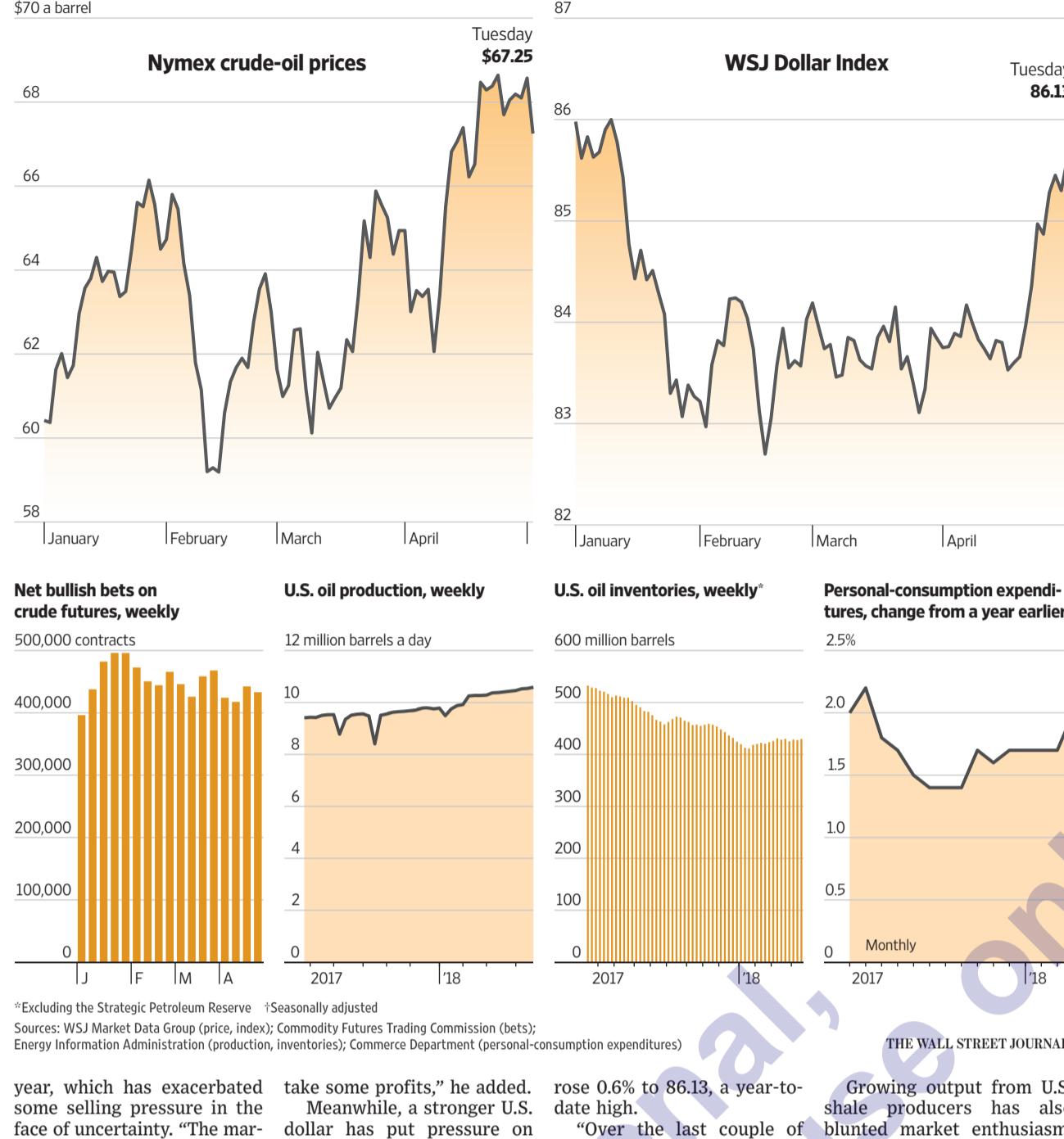
The rally that brought U.S. oil futures near \$70 this year has stalled, wavering as traders have focused on whether the U.S. administration will decide to scrap the 2015 international agreement to curb Iran's nuclear program or keep the deal intact.

Crude prices rose Monday after Israeli Prime Minister Benjamin Netanyahu presented what he described as new evidence that the Islamic Republic had lied about plans to build a nuclear weapon. The news fueled more speculation that President Donald Trump will abandon the deal, reimposing economic sanctions on Iran that would frustrate its oil output and reduce global supply.

However, those concerns eased somewhat Tuesday amid a lack of strong rhetoric from the administration, traders said.

"People started digging through the rubble and turning around and selling the market," said Donald Morton, who oversees an energy trading desk at Herbert J. Sims & Co.

Mr. Morton noted that investors have become increasingly bullish on oil prices this



\*Excluding the Strategic Petroleum Reserve      †Seasonally adjusted  
Sources: WSJ Market Data Group (price, index); Commodity Futures Trading Commission (bets); Energy Information Administration (production, inventories); Commerce Department (personal-consumption expenditures)

year, which has exacerbated some selling pressure in the face of uncertainty. "The market's been on a steady march, ripping every bear they can find apart," he said. But investors are "very cautious here, and they're willing to move slowly to the sidelines and

take some profits," he added. Meanwhile, a stronger U.S. dollar has put pressure on commodities such as oil, which are priced in the U.S. currency and become more expensive to foreign buyers when the dollar rises. On Tuesday, the WSJ Dollar Index

rose 0.6% to 86.13, a year-to-date high.

"Over the last couple of weeks, the dollar has been holding a lot more sway," said John Saucer, vice president of research and analysis at Moebius Risk Group. "There's a heightened sensitivity of late."

Growing output from U.S. shale producers has also blunted market enthusiasm. The U.S. Energy Information Administration reported Monday that oil production rose to a record 10.264 million barrels a day in February.

Analysts and traders sur-

veyed by The Wall Street Journal expect government data due Wednesday to show that oil inventories increased by 700,000 barrels on average in the week ended April 27.

The American Petroleum Institute, an industry group, said late Tuesday that its own data for the week showed a 3.4-million-barrel increase in crude supplies, according to a market participant.

In a Tuesday note to clients, Goldman Sachs analysts said despite strong returns this year investors are cautious on the run-up in oil prices, in part because of skepticism that gains dependent on limited production and geopolitical premiums can be sustained.

Much of oil's gains this year have been attributed to efforts by the Organization of the Petroleum Exporting Countries and other countries including Russia to limit production and eliminate a global glut. Prices have risen as data have shown stockpiles around the world declining and nearing historical averages, which some analysts have heralded as a sign of the end of oversupply.

Goldman Sachs argues for owning commodities as returns have exceeded all other asset classes this year, while supply has declined and inflation has picked up.

According to the U.S. Commerce Department, the personal-consumption expenditures price index, which is used to measure inflation, rose 2% in March from one year ago, the largest increase since February 2017.

"As inflationary concerns push interest rates higher, cross-asset correlations with commodities decline, and the diversification benefits rise with higher rates. Rising geopolitical and trade policy risks only add to the inflationary mix in commodities," Goldman analysts wrote.

—Christopher Alessi contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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### Apple Still Charges Up With iPhone

There is some irony to the fact that Apple chose May Day to remind the world that it remains among the most astute of capitalists.

It proved savvy enough to continue charging record prices for its iPhone lineup more than a decade after launching the iconic device. The company posted fiscal second-quarter results Tuesday that showed only a 3% increase year over year in iPhone unit sales, which totaled 52.2 million.

But iPhone revenue topped \$38 billion, up 14% year over year. That reflects the launch of the high-price iPhone X late last year.

Higher iPhone prices helped the company's overall revenue match Wall Street's estimates for the quarter despite unit sales falling a bit short of even recently lowered estimates. Also helpful was Apple's growing services business, which grew 31% year over year to reach revenue of \$9.2 billion for the quarter.

The results will provide some relief to worried shareholders. Apple also projected a total revenue gain of 13% to 18% for the June quarter, at the high side of what Wall Street had been projecting.

That helps to counter at least some of the more downbeat rumors of late about weakening iPhone demand.

It also doesn't hurt that Apple's huge offshore cash hoard—unlocked by last year's tax reform—is being plowed into a new \$100 billion buyback plan and a 16% boost to the company's quarterly dividend.

The iPhone may be a slowing business, but it remains an awfully lucrative one.

—Dan Gallagher

### Biotechs Get Big Pharma Support

#### Long Game

Merck & Co. Keytruda sales by quarter



announced its interest in acquiring the rare-disease specialist Shire back in March. That deal's price tag will top \$60 billion if it closes.

Developing a strong pipeline of potential new drugs is the most important job for any management team in the drug business. After all, the current jewel in

Merck's portfolio, cancer drug Keytruda, originally was developed by a smaller company more than a decade ago.

First-quarter sales of Keytruda were just shy of \$1.5 billion, or about 15% of Merck's quarterly revenue. Keytruda sales more than doubled from a year earlier.

Finding the next Keytruda

won't be cheap. Novartis bought rare-disease startup AveXis for nearly \$9 billion last month. Drug giants Celgene and Gilead Sciences recently have spent billions on promising but commercially unproven cancer treatments developed by Juno Therapeutics and Kite Pharma, respectively. None of those acquired companies were generating meaningful revenue before their investors cashed in.

But easy money makes these bets logical even if these deals don't pan out over the long term. Balance sheets are strong throughout the sector. As long as interest rates stay low, paying cash for growth potential will be a calculated risk rather than an act of desperation.

For biotech investors, that makes betting on companies without products on the market much less risky than one might expect.

—Charley Grant

#### OVERHEARD

How blue can you get? Plenty if you are the guy running Gibson Guitars, the iconic Nashville company that outfitted B.B. King with "Lucille."

The famous guitar company is going bust, and major shareholders such as Chief Executive Officer Henry Juszkiewicz stand to take a haircut.

Mr. Juszkiewicz was part of a group of sweet little angel investors who rescued the company over 30 years ago when it also was in trouble, paying the cost to be the boss.

Personalities who have lifted the guitar maker over the years include famous musicians such as Jimmy Page, Pete Townshend and Elvis Presley.

The magic will continue with a fresh cash infusion.

This time around, the company's savior is senior secured noteholders.

The thrill is gone.

### Tight Rail, Trucking Supply Gives U.S. Companies Angst

#### Freight Line

Change in compensation for private-transportation and moving-material workers from a year earlier



companies and railroads are having to pay up.

"It's a tough driver market," said Rick O'Dell, chief executive of trucking company Saia on its first-quarter earnings call last week. "We're paying \$5,000 signing bonuses in places to at-

tract drivers."

On Friday, the Labor Department reported that compensation costs for private-transportation and material-moving workers—a category that includes truck drivers and railroad workers—were up 3.7% in the first quarter from a year earlier. That compared with a 2.7% rise for all workers and marked the biggest gain since 2004.

In a tight shipping market, railroads and trucking companies can pass increased costs on to their customers. But it can be harder for customers to pass them on, which can cut profits. Specialty polymer company PolyOne said an 8% increase in freight costs knocked \$2 million off its

bottom line in the first quarter.

Some of the freight problems are due to weather and some can be blamed on slowdowns that began last summer at CSX, though the railroad says these have been resolved.

Other factors are coming into play: Starting late last year, most trucking firms have been required to record driver hours on electronic logging devices. That has made it harder for truckers to cheat on driving limits, effectively making the trucking market tighter.

Electronic logging has been a boon to railroads, says Edward Jones analyst Dan Sherman, because it has prompted companies to shift more freight to rail. One

place that is really showing up is in the intermodal business—the moving of containers that can be switched from rail to truck to ship. Norfolk Southern last week said that its intermodal revenue in the first quarter was up 19% from a year ago.

For companies with supply chains that rely heavily on rail and truck, it all amounts to a big headache. Shipping costs will go up, and bottlenecks will continue.

Halliburton's chief executive last week said that in the first quarter he "learned more about train logistics than I ever dreamed I would." He might be about to learn even more.

—Justin Lahart

Company after company is complaining that the tight labor market is making it harder and more expensive for them to get their products to customers, creating a potential drag on profits. There was International Paper saying tight rail and truck availability pushed up costs. There was PPG Industries grousing about how hard it was to contract trucks on short notice. There was LSB Industries complaining about poor rail service. The griping may get louder. The tightness in rail and trucking is an outgrowth of an economy that has been expanding for nine years and an unemployment rate near 4%. In the struggle to find workers, some trucking

workers.