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DOW JONES | News Corp *****

MONDAY, MAY 21, 2018 ~ VOL. CCLXXI NO. 118

WSJ.com

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What's News

Business & Finance

High U.S. government bond yields are a new sign of investors' struggle to reconcile economic growth expectations with concerns about budget deficits and inflation. A1

♦ **Ant prevented** investors in its \$10 billion funding round from putting money into rivals of the China-based financial-technology giant. B1

♦ **Campbell Soup** faces a choice of emphasizing fresh or processed foods after the departure of its innovating CEO. B1

♦ **A Southwest Airlines** emergency highlighted an unusually long lag in ordering mandatory enhanced engine inspections. B1

♦ **The European Union's** tough new data-protection law is opening up opportunities for technology consultants. B2

♦ **Some service workers** have sued, saying their employers have unfairly docked wages using time-tracking technology. B3

♦ **Starbucks said** it would allow guests to use its premises, including restrooms, whether or not they buy anything. B3

World-Wide

♦ **The Justice Department** said it would examine whether there was any "impropriety" in the FBI's counterintelligence probe of Trump's 2016 campaign, after he demanded it do so. A1

♦ **U.S. officials** made conflicting statements over whether to move forward with tariffs on Chinese goods entering the U.S. A1

♦ **China landed** a heavy bomber on a disputed South China Sea island, adding to its buildup of regional military assets. A6

♦ **Maduro was re-elected** Venezuela's president, despite widespread discontent over an economy in free fall. Critics called the vote a sham. A5

♦ **Victims of the Santa Fe, Texas, high-school shooting,** in which 10 died, were mourned at a local church service. A3

♦ **Faculties are voting** no-confidence in their college presidents four times as frequently as they did a decade ago. A3

♦ **Iran vowed** to uphold the pact curbing its nuclear activities if the European Union can offset renewed U.S. sanctions. A7

Journal Report

The pressing issues facing CEOs and other top executives today
C-Suite Strategies

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Venezuela President Keeps His Grip on Power With Re-Election



BALLOTS COUNTED: Venezuela's President Nicolás Maduro won a second six-year term on Sunday in an election that opposition leader Henri Falcón called a sham. Mr. Maduro's re-election came amid widespread discontent over his management of an economy in free fall. A5

Trump Demands FBI Probe

By **Rebecca Ballhaus, Peter Nicholas and Sadie Gurman**

WASHINGTON—The Justice Department asked its internal watchdog to examine if there was any impropriety in the counterintelligence investigation of President Donald Trump's 2016 campaign, after the president demanded Sunday that the department investigate the motives behind the inquiry.

Earlier Sunday, in one of a series of tweets targeting the probe into whether Trump associates colluded with Russia during the 2016 campaign, Mr. Trump wrote: "I hereby de-

mand, and will do so officially tomorrow, that the Department of Justice look into whether or not the FBI/DOJ infiltrated or surveilled the Trump Campaign for Political Purposes - and if any such demands or requests were made by people within the Obama Administration!"

Mr. Trump was referring to a man who approached at least

two Trump campaign aides in 2016 in connection with the counterintelligence investigation into the campaign. Special counsel Robert Mueller took over that investigation last May when he was appointed by Deputy Attorney General Rod Rosenstein.

The Wall Street Journal has identified the suspected informant as Stefan Halper, an American who was a foreign policy scholar at the University of Cambridge until 2015. Mr. Halper couldn't be immediately reached for comment.

The Journal made no agreements to withhold his name from publication and is one of several media outlets identifying him. Some lawmakers and law-enforcement officials have expressed concern about compromising sources for the investigation, saying it could put lives in danger, hurt investigations and damage international partnerships.

Justice Department spokesman

Please see TRUMP page A4

♦ **Israeli entrepreneur draws Mueller's interest** A4

U.S. Sends Mixed Messages On China

Differing statements from Treasury chief, trade representative cloud next steps

By BOB DAVIS AND JOSH ZUMBRUN

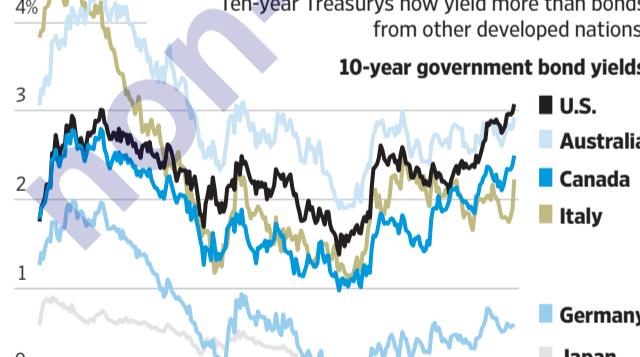
WASHINGTON—The Treasury secretary and the administration's top trade official took markedly different positions over whether the U.S. will move forward with tariffs on Chinese imports, punctuating several days of negotiations between the world's two biggest economies with a question mark.

Several hours after Treasury Secretary Steven Mnuchin told Fox News on Sunday that the U.S. was "putting the trade war on hold" and wouldn't assess tariffs on Beijing while the two sides talked, U.S. Trade Representative Robert Lighthizer put out a statement saying that tariffs remained an important tool to "protect our technology."

Mr. Lighthizer didn't say the U.S. would resort to tariffs any time soon, and Mr. Mnuchin didn't rule out tariffs, and a U.S. trade official played down the disparity, but trade experts said the differences in tone and substance stood out. People familiar with the administration's internal deliberations said Mr. Lighthizer was signaling that he wouldn't accept a watered-down version of U.S. goals or tactics in the trade dispute with China.

The U.S. has threatened to Please see TRADE page A6

♦ **Beijing builds up militarily** in the South China Sea A6



Surging Bond Yields Fuel Rally in Dollar

By DANIEL KRUGER

U.S. government bonds are paying more than debt from other developed countries for the first time in almost two decades, a new sign of investors' struggle to reconcile expectations for faster U.S. growth with concerns about the impact of deficits and inflation.

The yield on the benchmark 10-year Treasury note, a key barometer for borrowing costs for consumers and companies, recently topped 3.1%, its highest close in almost seven years. It is a climb that is rippling through markets, buffering stocks and helping fuel a surprise rally in the dollar as higher rates attract yield-seeking investors to the currency.

Some analysts said the rise in yields in part reflects optimism about the U.S. economy and expectations for a pickup

Please see DOLLAR page A2

♦ **Paul Kiernan: Inflation split highlights Fed challenge** A2

♦ **Foreign investment flows out of emerging markets** B11

Fall of a Dynasty Puts Target on A Scandal's Alleged Mastermind

Malaysian leader's unseating makes financier Jho Low a wanted man

By BRADLEY HOPE AND TOM WRIGHT

KUALA LUMPUR, Malaysia—The alleged mastermind behind one of this decade's greatest global financial scandals was seen earlier this month relaxing on the Thai resort island of Phuket.

A few weeks later, after his political mentor was felled in upset elections, authorities want to know more precisely: Where on earth is Jho Low?

For almost a decade, the young Malaysian financier was at the center of the 1Malaysia Development Bhd. sovereign-wealth fund and the disappearance of at least \$4.5 billion, the U.S. Justice Department alleges. Although the agency named Mr. Low as the ringleader, he

remained confident he could beat the rap, say people who know him, and he blithely partied and yachted around Asia, trying to contain the fallout.

Mr. Low was so nonchalant he held a party in February with celebrity friends in the Chinese gambling enclave of Macau, say people familiar with the event. He was in Phuket this month in anticipation of a victory for Prime Minister Najib Razak, his ally, these people say.

Then came the shock. Malaysian voters kicked Mr. Najib's party out of power for the first time in the nation's history. The missing 1MDB billions played a heavy role in the election.

Please see 1MDB page A10

The Newest Thing in Beer: Ancient Yeast

* * *

Exotic strains are found in a 130-year-old bottle, on a mushroom

By MIKE CHERNEY

Tim Decker hoped some lichen he found in the California hills last summer would contain an exotic strain of yeast that would give a unique flavor to his home-brewed beer.

Mr. Decker put the lichen in a jar with a sugary solution to see if the liquid would ferment, a sign that yeast, which consumes sugars and releases alcohol, could be present. Weeks later, a small wormlike grub appeared, likely crawling out of a bit of wood attached to the lichen.

"I knew pretty quickly that wasn't going to be something I was going to want to put in my beer," says Mr. Decker, 33 years old, who writes the Alt-Brau beer blog and plans to start a commercial brewing operation. In another such experiment, he found a spider floating in the jar.

Mr. Decker is in the vanguard of a brewing movement in the beer world: trying to find the weirdest, funkiest

yeast. Even global drinks companies are entering the contest, hoping new and exclusive brews with a story behind them will entice consumers who are increasingly migrating to wine and spirits.

But finding new yeasts and successfully using them in a modern brewery can take years of work—and there is no guarantee of success. Brewers sometimes have to dump thou-

Please see BEER page A10

Have an old one



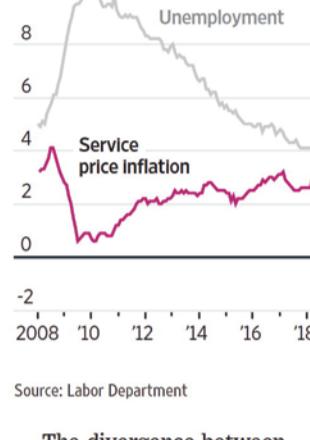
U.S. NEWS

OUTLOOK | By Paul Kiernan

Inflation Split Highlights Fed Challenge

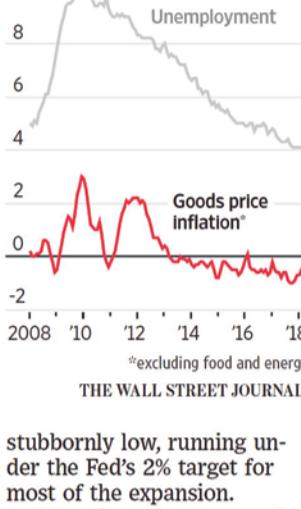
Tale of Two Economies

Service price inflation is rising as unemployment falls...



Source: Labor Department

...while goods price inflation appears disconnected from the job market.



THE WALL STREET JOURNAL

The divergence between goods and services price inflation is especially important now because of the unusual behavior of consumer prices.

Economic theory holds that as unemployment falls and labor becomes scarcer, wages and inflation should rise. But the theory—known as the Phillips curve, after 20th century economist William Phillips—hasn't held up very well in the past decade. Since 2009, the unemployment rate has fallen from a peak of 10% to an 18-year low of 3.9% in April, yet overall inflation has remained

stubbornly low, running under the Fed's 2% target for most of the expansion.

A number of current and former Fed officials have wondered if the Phillips curve is dead. At a Federal Open Market Committee rate-setting meeting this year, "a couple" of participants "questioned the usefulness" of the model, "citing the limited ability of such frameworks to capture the relationship between economic activity and inflation," according to the minutes.

The conventional relationship appears to be holding up in the services economy but

not in the goods economy. So far in this expansion, services inflation as measured in the consumer-price index has moved up from near 0.5% to near 3%, a trend that theory suggests should happen as unemployment falls. Something different is happening in the goods economy, where prices have been falling for much of the past five years as if disconnected from the overall unemployment rate.

"You're going to find that (labor market) slack matters a lot more for services because they tend to be domestically produced," Mr. Feroli said. Other factors, including the value of the dollar or commodities prices, matter more for goods, he said, "because they're globally traded."

At the same time, the services economy has been the source of most U.S. job creation in this expansion, growing payrolls by 14% since 2010 to 128 million workers. Employment in the goods economy has yet to return to its precrisis levels.

Some economists say the revival of inflation in the services economy is one reason not to lose faith in the Phillips curve just yet, and may be why the Fed has been right to raise rates even though inflation has been low.

"Services inflation is good

evidence that the Phillips curve process still works, that the domestic economy is still generating some inflation pressure," says Eric Winograd, a senior economist at AllianceBernstein L.P.

The Fed's preferred inflation measure, the personal consumption expenditure price index, is at its goal of 2%. The Fed seeks 2% inflation as a level consistent with a healthy, growing economy.

Falling unemployment suggests that inflation in services will continue as slack gets wrung out of the domestic economy. One challenge for the Fed: Prices for services tend to be "sticky," meaning they're slow to respond to changes in monetary policy or the broader economy. That means turning them around, should inflation exceed the Fed's target, could become a challenge. Fed officials see inflation rising above 2% in their own projections.

If goods prices stay weak, inflation may not advance much beyond the Fed's target. But if goods prices pick up, the Fed might be staring at an inflation overshoot for the first time in years.

"That would be messy," said Vincent Reinhart, a former Fed official and the chief economist at Standish Mellon Asset Management.

U.S. WATCH

year-old boy who died while trapped in a minivan.

An internal investigation by the Hamilton County Sheriff's office found Deputy Doug Allen acted within the guidelines for sheriff's policies.

The report released on Friday includes Deputy Allen's description of his actions during the April 10 search for Kyle Plush and the deputy's regrets that he didn't trust a gut feeling that something wasn't right.

Ron Plush found his son's body inside the 2004 Honda Odyssey in a parking lot near his school nearly six hours after Kyle's first 911 call.

—Associated Press

ALABAMA

Activists' Arrest Records Preserved

Court records from the arrests of Rosa Parks, Martin Luther King Jr. and others at the dawn of the modern civil rights era are being preserved and digitized after being discovered, folded and wrapped in rubber bands, in a courthouse box.

Archivists at historically black Alabama State University are cataloging dozens of documents found at the Montgomery County Courthouse, and Circuit Clerk Tiffany McCord hopes electronic versions will be available for viewing as early as late June.

Once the records are added to Alabama's online court system, historians and others will be able to read the original pleadings.

—Associated Press

DOLLAR

Continued from Page One
ings accumulated during financial crisis, unwinding plus policies like those that have kept rates low in other countries.

the U.S. has the highest

of everyone in the up of 10] and it looks like rate differential will con-

to widen," said Chris

ney, president of EverBank

Markets. "The U.S.

is to be going it alone in

rising interest-rate path."

the 10-year yield's surge this

has pushed it above yields

from seven major de-

veloped countries for the first

since June 2000, accord-

ing to an analysis by Bianco Re-

port. It recently exceeded the

on 10-year debt from a re-

number of countries, ac-

ording to Deutsche Bank Re-

port, and surpassed the 10-

German bund yield by the

in almost three decades.

the same time, economic

throughout much of the

it has failed to meet ex-

pectations, eroding support for bets that the euro, yen and other currencies would rise against the dollar. While investors speculate about the Fed's increasing its pace of monetary tightening, they have also reduced their expectations for tighter monetary policies in Australia, Canada, the U.K., Japan, the eurozone and other economies.

Higher Treasury yields are pushing investors back to the dollar, after they bet the euro would rise against the U.S. currency. As economic data has weakened in Europe, pushing yields down even as monetary policy remains accommodative, signs of employment and inflation growth in the U.S. have persisted, lifting Treasury yields. That shift has squeezed some investors, leading many to exit the trade.

Investors say they are also looking at the yield differential because the gap has made it increasingly expensive for money managers in Europe and Asia to buy U.S. government and corporate bonds. Those investors are increasingly looking instead to buy

debt in Europe, where hedging costs aren't a problem. This dynamic could make borrowing more expensive for U.S. consumers and businesses, and act as a check on growth.

Yields have surged along with bets that the Fed will speed up its pace of interest-

rate rises, adding to the three

that officials forecast at their December and March meetings.

That has raised concerns that policy makers, in their zeal to cool inflation, may prematurely lead the economy into recession.

Fed officials raised interest rates in March and penciled in two more increases this year. Fed funds futures, used by investors to bet on central-bank policy, late Friday showed a 50% probability that officials raise rates four times. That con-

trasts with the situation in Europe, where policy makers have yet to commit to ending bond purchases this year, and the timetable for raising interest rates from their current level of minus-0.4% remains uncertain.

The expectation of further rate rises has driven up the yield on two-year Treasurys, which tends to move along with the direction of Fed policy.

That has narrowed the gap with longer-term rates, known as the yield curve. The curve, which many investors use as a signal of economic health, has been flattening lately, as expectations for longer-term growth and inflation remain tepid.

Many investors are concerned the two-year yield could eventually exceed the 10-year yield, which has preceded every U.S. recession since at least 1975.

A Wall Street Journal survey of economists shows 59% of those surveyed expect the economy to enter a recession in 2020, while 22% foresee a contraction in 2021.

There are few signs of recession now, though some investors are concerned that wage growth has been slow

even as the unemployment rate has fallen to its lowest point since 2000. BNP Paribas forecasts the \$1.5 trillion in tax cuts will add just half a percentage point to economic output this year, and some investors have expressed concern that companies have devoted more of the proceeds to buying back their stock than to raising worker wages.

There is little on the horizon threatening to change the dynamic of robust expansion in the U.S. and "stagnant" growth in Europe, said Luke Hickmore, a senior investment manager at Aberdeen Standard Investments. He said the dollar could gain another 5%-10% on top of the 5% it has gained since February.

"There's no way the dollar's stopping," Mr. Hickmore said.

CORRECTIONS & AMPLIFICATIONS

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

ECONOMIC CALENDAR

WEDNESDAY: The big question facing policy makers at European Central Bank is whether the eurozone's unexpected economic slowdown in the first quarter was a temporary blip or something more permanent. IHS Markit's composite purchasing manager index for May—a measure of activity in the services and manufacturing sectors—will provide further clues. Economists expect to see a small drop in the metric, which steadied in April. If they are right, that would suggest any second-quarter rebound in growth is likely to be modest.

The Office for National Statistics releases April U.K. consumer-price inflation, after pressures cooled more than expected in March. Consumer prices rose an annual 2.5% in March, down from 2.7% in February but still well above the Bank of England's 2% target.

THURSDAY: The National Association of Realtors releases April existing-home sales data. Sales of previously owned homes increased slightly in March from a month earlier but were below the prior year's levels.

FRIDAY: The U.S. Commerce Department releases April durable-goods figures. March's pointed to a pickup in demand for long-lasting factory goods but it also showed business investment stalling despite a late-2017 tax overhaul meant to encourage firms to make capital expenditures. Economists expect an overall durable-goods decline of 1.5% for April.

Yachts Away in Rhode Island



FULL SAIL: Volvo Ocean Race participants sailed under a Newport, R.I., bridge on Sunday as part of the competition's leg to Cardiff, Wales.

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

Editorial and publication headquarters:

1211 Avenue of the Americas,
New York, NY 10036

Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicago, IL 60611.

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U.S. NEWS

How the Texas Shooting Unfolded

BY DAN FROSCH
AND ERIN AILWORTH

SANTA FE, Texas—It was 7:30 a.m. Friday, and Sonia Lopez was still asleep. She had worked hard the day before, painting around her home in this small Texas town where she is raising five girls. Her two teenage daughters, Suzannah and Sarah Grace Salazar, had already left for nearby Santa Fe High School and the house felt quiet. Then her phone rang.

Not far from where Ms. Lopez was waking, David Briscoe, a substitute English teacher, had just started teaching his remedial English class at the lone high school in town, when he heard what sounded like screams and a strange burst of noises. Moments later, the fire alarm clanged.

Ten miles away, in League City, Mark Henry was readying himself for a day of staff meetings and a wedding he was set to officiate. As the Galveston County judge got out of the shower, he saw a text from a fellow county official.

"There is an active shooter at Santa Fe," it read.

Friday in this southeast Texas town of 13,000 had barely started when a 17-year-old student, Dimitrios Pagourtzis, allegedly burst into an art classroom at the school, where some 1,400 students attend. Eight students and two teachers were shot dead and 13 more wounded in the worst school shooting since 17 were killed in Parkland, Fla. in February.

The following is based on accounts from parents, students, local officials and court documents.

At approximately 7:30, the quiet, former football player, wearing a trench coat and armed with a .38 caliber and Remington shotgun, entered the classroom. The gunman shot one of two teachers killed that day. As students dropped to the ground, he began firing at them. One of the gunshots struck Rome Shubert, the school's star pitcher, in the back of the head, just missing his C1 vertebra. Another student lay bleeding behind Mr. Shubert.

As others hid in a closet, Mr. Pagourtzis taunted them through the closet's window when their phones began buzzing. "Is that your cell ringing... You want to get that?" he said.

Mr. Pagourtzis allegedly then pointed one of his guns at Sarah Salazar.

Down the hallway, Mr. Briscoe recognized what he was hearing. The screams were too loud, too anguished. "People don't scream like they were screaming," he said.

Mr. Briscoe rushed to lock his classroom door, barricading it with chairs and tables.

"Get down!" he told the class of about 10 students. "Cover your mouths. Don't scream."

Still groggy, Ms. Lopez picked up her phone. Her oldest Suzannah, 17, was on the line. She said there was a shooting at the school and she couldn't reach Sarah, a year younger.

Ms. Lopez leapt out of bed, jumped in her car and sped toward the high school, about a mile away. She'd done the same thing after a false alarm at the school earlier this year.

Over in League City, Judge

Victims Are Remembered at Sunday Services



Mourners at the service Sunday in Stafford, Texas, for shooting victim Sabika Sheikh, an exchange student from Pakistan.



A Santa Fe High School senior Sunday mourned the victims at the Arcadia First Baptist Church.

SANTA FE, Texas—Members of Arcadia First Baptist Church in Santa Fe, just down the road from the site of Friday's deadly high-school shooting, shook hands and received hugs and words of comfort from Gov. Greg Abbott before the start of Sunday services.

"I'm here to comfort my fellow Texans," Mr. Abbott said.

The service focused on healing from Friday's shooting that killed 10 and injured 13 more at Santa Fe High School. Speakers

recognized the victims, the first responders, and even the family of Dimitrios Pagourtzis, the 17-year-old charged in the shooting.

Ted Elmore, with the Southern Baptists of Texas Convention, told the crowd that returning to normalcy would be difficult. "One of the things you can expect is the hurt goes deep and it stays around a long time," he said.

At a local mosque just outside Houston on Sunday, a service was held for Sabika Sheikh, a 17-year-old exchange student from Paki-

stan who came to the U.S. through the Kennedy-Lugar Youth Exchange and Study program, funded by the State Department.

The shooting has sparked a call for a new approach to state gun laws. Mr. Abbott said Friday he was interested in speeding background checks; implementing strategies to keep guns away from people who pose an immediate danger;

making schools more secure; and increasing resources to address mental-health issues.

But in Santa Fe on Sunday, the debate was still raw. Monica Bracknell, 18 years old, told Mr. Abbott the shooting was "not a gun-law issue."

"It's a, this-kid-was-able-to-get-into-the-school-easily, issue," he said.

Jerl Watkins, interim senior pastor at the church, said it was unfathomable to send your child off to school and have them not come back. "There are no words to take away that hurt and pain," he said. "Do we need to do more than just pray? Yes, we most certainly do."

On Saturday, the family of Mr. Pagourtzis said they were "shocked and confused" by his alleged actions and were cooperating with authorities.

In court documents released Friday, Mr. Pagourtzis told police he spared students he liked during the rampage.

He admitted to police after the incident that he had shot multiple students at the school, intending to kill them, but wanted others to survive "so he could have his story told," an affidavit said.

Mr. Pagourtzis, who has been denied bail, had no criminal record.

—Erin Ailworth

Henry was monitoring the situation from a county emergency management office. With few details trickling in, the judge still hoped that this would turn out to be another false alarm.

Roughly 30 minutes after first getting word of the incident, Judge Henry got another call. An officer had been shot.

A Galveston County constable picked him up and the two of them hurtled the 10 miles to the high school.

Outside Mr. Briscoe's classroom, the gunshots echoed through the halls. By now dozens of police officers from all over the Gulf Coast were converging on the school.

Police couldn't get a clear shot at the shooter, who would pop his head out from behind a classroom wall and fire at them. At 8:02 a.m., some 30

minutes after he began shooting, Mr. Pagourtzis emerged from an art classroom and surrendered.

As Ms. Lopez approached the school, a mass of cars, some of them seemingly abandoned, and police vehicles blocked the highway. Frightened parents began to arrive, desperate to find their children.

Ms. Lopez was among the first to get there, before being told to head to the nearby Alamo Gym. As police escorted students over, relieved parents embraced their children. Ms. Lopez searched for Sarah.

The flow of students tapered off. "Oh my God, there's no more kids coming," she said to herself.

Ms. Lopez finally heard a school official call her name. Sarah had been shot. She was

alive, being treated at a nearby hospital. Ms. Lopez's car now blocked in, she hopped into another mother's car and sped off.

When Ms. Lopez arrived at the emergency room, she was told that her daughter had been shot multiple times in her left shoulder, the bullets striking veins in her neck. She had somehow broken her ribs and shrapnel had sprayed her legs, medical staff said. She was in surgery but would be OK.

After leaving the school and visiting a wounded student at the hospital, Judge Henry had one final task. The alleged gunman was being held at Galveston County Jail, and the judge needed to preside over the suspect's first court hearing.

At the jail, Judge Henry took up his usual position in a small magistrate courtroom.

The accused seemed emotionless, looking down. Judge Henry asked him several procedural questions, including whether he wanted a court-appointed attorney.

The suspect replied that he did. At one point, Mr. Pagourtzis corrected the judge's pronunciation of his name.

Judge Henry passed Mr. Pagourtzis several forms to sign and ordered him held without bail. The interaction took several minutes.

At the hospital, medical staff told Ms. Lopez that the shrapnel wounds would likely scar Sarah's legs permanently. The aftereffects of shoulder injury would be a "lifetime ordeal."

"When she was in that crisis moment, I know that she was praying and the Lord saved her," Ms. Lopez said.

Votes on Leaders Spread at Colleges

BY DOUGLAS BELKIN

As the president of Rider University, Gregory Dell'Omoo wanted to cut the art, French and philosophy majors among others to help solve the New Jersey school's budget shortfalls.

The faculty rebelled, passing a vote of no confidence in the president in April 2017 by a margin of three to one.

"His approach to the school is to treat it as just another business," said Arthur Taylor, a professor of information systems at Rider University and president of the faculty union, at the time. "It is not."

Mr. Dell'Omoo pared back the cuts and instead took steps to sell a piece of property to balance the books. Still, his message to the faculty was clear: Adapting to the future is going to mean a lot of tough decisions.

In a sign of the changes roiling academia, faculties are voting no-confidence in university and college presidents four times more frequently than a decade ago.

Between 2013 and 2017 there were an average of 15 such votes a year, up from an annual average of three between 2000 and 2004, according to research by Sean McKinniss, who wrote his doctoral dissertation about shared governance in higher education and now works in corporate training. As part of his academic research, Mr. McKinniss tracked 184 votes of no confidence against presidents dating to 1989.

At different schools, the votes can be generated by a single adamant faculty member or after a committee investigation, and can focus on anything from perceived financial mismanagement to leadership style.

"These can be really finicky affairs," Mr. McKinniss said.

The votes generally are held on a ballot, among the faculty senate, but many are faculty wide. They are purely symbolic, but frequently carry significant weight. Within a year, more than half the presidents who were the target of a vote left the institution, Mr. McKinniss found.

Behind the rancor is a competition for cash. Top-tier schools continue to thrive but many universities are facing declining enrollment and public cuts in funding.

No-confidence votes are serious because the governance structure at schools distributes power among trustees, administrators, faculty, students, staff and alumni. This deliberative approach prizes consensus. That worked fine when enrollment was rising across the U.S., but it is paralyzing schools at a moment when they must innovate to survive, said Sally Johnstone, president of the National Center for Higher Education Management Systems.

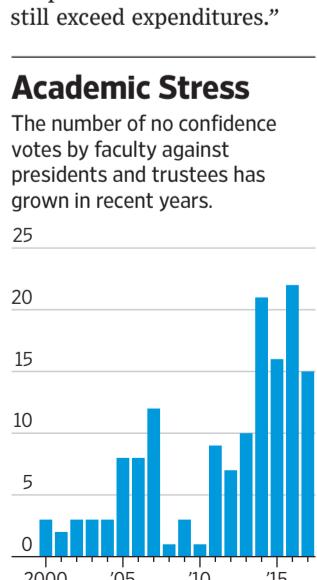
"Schools must change so they can compete with the new models emerging, and continue to serve their populations, but they are dripping with rules that make that very hard," Ms. Johnstone said.

At Rider, when Mr. Dell'Omoo became president in 2015, enrollment was down, tuition discounts were up and debt was rising. "We had a \$7 [million] to \$8 million deficit in the operating budget," Mr. Dell'Omoo said. "We are a not for profit...but revenues must still exceed expenditures."

Academic Stress

The number of no confidence votes by faculty against presidents and trustees has grown in recent years.

25



HUD Secretary Ben Carson is shelving some Obama-era policies.

said in a news release when they filed their lawsuit that HUD was suspending the requirement that states and municipalities address housing discrimination in exchange for receiving federal funding, "effectively removing civil rights oversight of as much as \$5.5 billion a year."

Attorneys at Relman, Dane & Colfax said they plan to move forward with the lawsuit. "They are going to do whatever they think they can do to unravel anything they consider to be a President Obama" accomplishment, said John Relman, a civil-rights attorney at the firm.

In the last months of the Obama administration, HUD rolled out an initiative that was intended to make it easier for tenants to use Section 8 rental subsidy vouchers in more expensive neighborhoods, helping minorities to move out of impoverished areas. In August 2017, HUD said it was delaying implementation of the rule by two years. Fair housing groups sued and won, and the new policy is in effect.

bersome. HUD said in a news release Friday that the computer-assessment tool "was confusing, difficult to use and frequently produced unacceptable assessments." Officials said too many communities were failing the assessments. The department will conduct listening sessions and seek public comment on alternative tools to enforce the Fair Housing Act, HUD officials said. Still, the move likely will

in our neighborhoods, but we have to help, not hinder, those who have to put our rules into practice," said Anna Maria Farías, HUD assistant secretary for fair housing and equal opportunity.

The department will conduct listening sessions and seek public comment on alternative tools to enforce the Fair Housing Act, HUD officials said.

Still, the move likely will

U.S. NEWS

Georgia Democrats to Name Their Stacey

A primary contest for governor shines a light on state's changing political makeup

BY CAMERON MCWHIRTER

ATLANTA—Georgia Democrats, long underdogs in this red state, hoped to present a unified front this year as they pushed to elect a governor, a post they haven't held since 2003.

Instead, they have the Battle of the Two Staceys: Tuesday's primary showdown between Stacey Abrams, an African-American former state House minority leader who lives in Atlanta, and Stacey Evans, a white former state representative from the city's northern suburbs.

Georgia has never elected a woman or an African-American as governor. And though the Democratic Party once dominated Georgia politics, its power has eroded since the early 2000s. Today, the GOP controls every major statewide office, as well as both chambers of the General Assembly.

But Democratic and Republican strategists here speculate that in the near future a growing minority population, combined with an influx of younger professionals from the North, will turn this red state purple, giving Democrats a chance.



Stacey Abrams, left, and Stacey Evans, right, are set to face off Tuesday in the Democratic primary for Georgia's governorship.

Ms. Abrams and Ms. Evans both style themselves progressives, running on a platform of improving education, health care and transit. But Ms. Abrams aims to bring in new voters, including young people and minorities, to forge a coalition to defeat the GOP. Ms. Evans has said that is important, but to win Georgia, can-

candidates must also appeal to independents and moderates in the suburbs, areas like the one where she was elected as a state representative.

Ms. Abrams, a 44-year-old lawyer who has written romance novels in her spare time, spent years in the state party leadership. She has key endorsements from national

liberal leaders Sen. Kamala Harris (D., Calif.) and former presidential candidate Sen. Bernie Sanders (I., Vt.).

Ms. Abrams has argued that her financial status makes her more sensitive to the needs of working people. In her most recent disclosure filed with the state, she listed her net worth at about \$110,000. She

also reported about \$174,000 in credit-card and student-loan debt, and about \$54,000 in back taxes and penalties to the Internal Revenue Service.

Ms. Evans, also a lawyer, stresses education as a major theme of her campaign, saying she escaped a childhood of poverty thanks in part to state scholarships to the University

of Georgia. The 40-year-old, who according to her financial disclosure report is worth about \$5.3 million, lives in Smyrna, a well-to-do suburb of Atlanta. She has secured endorsements from numerous state Democrats, including former state Sen. Vincent Fort, who is African-American.

Andra Gillespie, a political-science professor at Emory University, said the contest between the two Democrats—one white and suburban, and one black and urban—captures “a larger debate that is going on within the Democratic Party as a whole” over how to win in Republican-dominated states like Georgia. One group is pushing for “breakthrough candidates,” such as minority and nontraditional candidates, while others “are risk averse and will say the time is not right,” she said.

Democrats are hoping GOP front-runner Lt. Gov. Casey Cagle won’t secure 50% of the primary vote and will have to spend much of the summer in a runoff. He is leading the GOP primary race, with 41% of Republicans backing him, according to a recent poll from the Atlanta Journal-Constitution and WSB-TV.

In the Democratic race, Ms. Abrams is leading, with about 33% of Democrats polled supporting her and about 15% backing Ms. Evans; about 52% were undecided.

Mueller Investigation Expands to Israeli Entrepreneur

BY BYRON TAU
AND REBECCA BALLHAUS

WASHINGTON—Special counsel Robert Mueller's probe is looking more closely into Middle Eastern involvement during Donald Trump's 2016 presidential campaign, as it is now exploring the role of an Israeli entrepreneur with ties to a Gulf monarchy, according to people familiar with the matter.

Mr. Mueller has been conducting interviews about the work of Joel Zamel, an Australia-born Israeli businessman with experience in social media and intelligence gathering. Mr. Zamel is the founder of several private consulting firms—including a crowdsourced analysis firm called Wikistrat as well as the Psy Group, a secretive private intelligence firm with the motto “shape reality.”

A subpoena concerning Mr. Zamel's work, but not issued to Mr. Zamel, was reviewed by The Wall Street Journal.

Mr. Zamel met with Donald Trump Jr., Mr. Trump's eldest



Robert Mueller has sought testimony regarding Joel Zamel's work.

son, at Trump Tower in the months before the 2016 election along with George Nader, a top adviser to the crown prince of the United Arab Emirates, to discuss an offer to help boost the campaign. Erik Prince, a U.S. defense contractor who specializes in the Middle East and had close ties to the campaign, also

attended the meeting, which was first reported by the New York Times.

Following Mr. Trump's election, Mr. Nader made a payment to Mr. Zamel of \$2 million, which a person familiar with the payment described as unrelated to the campaign.

Alan Futerfas, a lawyer for

the younger Mr. Trump, confirmed the meeting. “Prior to the 2016 election, Donald Trump Jr. recalls a meeting with Eric Prince [sic], George Nader, and another individual who may be Joel Zamel. They pitched Mr. Trump Jr. on a social media platform or marketing strategy,” he said. Mr. Trump Jr. “was not interested and that was the end of it.”

Mr. Zamel has met with the special counsel's team and was asked about his business relationship with Mr. Nader, the Journal has previously reported. His attorney has previously said he isn't a target of the investigation. Mr. Nader is also cooperating with the investigation; his lawyer didn't respond to a request for comment.

Marc Mukasey, an attorney for Mr. Zamel, said his client “offered nothing to the Trump campaign, received nothing from the Trump campaign, delivered nothing to the Trump campaign and was not solicited by, or asked to do anything for, the Trump campaign.” He said

reports that Mr. Zamel had engaged in “social media manipulation” were incorrect and that his client's companies “harvest publicly available information for lawful use.”

Mr. Mukasey said investigators have told him his client isn't a target of the probe. “This is much ado about nothing,” he said.

The work of two of Mr. Zamel's companies—Wikistrat and the Psy Group—has drawn the interest of the special counsel as part of the investigation into Russian interference in the 2016 election.

Little is known publicly about the work of the Psy Group. According to a person familiar with the firm's operations, it did mainly private intelligence gathering work.

Several people linked to the firm are veteran Israeli intelligence officials, with experience in areas that include psychological operations. According to the firm's marketing materials reviewed by the Journal, Psy Group offered clients an array

of services—including “honey traps,” a term used by spy agencies for an intelligence-gathering tactic using romantic or sexual relationships to extract information.

In the same marketing materials, the firm also boasted of its “strong operating capabilities within the ‘Deep Web’ and Darknet (often referred to as the ‘Dark Side’ of the Internet).”

“As a meeting place and a market for a variety of illegal activities (hacking, counterfeiting, terrorism), the Darknet requires special skills to access, navigate and operate within while maintaining full legal compliance,” the firm wrote.

Mr. Zamel's other company, Wikistrat, uses a network of experts to analyze geopolitical problems and was contracted to conduct war-game scenarios on Islamist political movements in Yemen for the U.A.E., the Journal previously reported.

Saudi Arabia and the U.A.E. both entered the Yemeni civil war in early 2015, aiming to combat an Islamist insurgency.

TRUMP

Continued from Page One

person Sarah Isgur Flores said Sunday afternoon that the agency had asked the inspector general to expand a probe into how the Federal Bureau of Investigation and federal prosecutors obtained warrants from the nation's secret spy court to surveil a one-time Trump campaign aide.

The goal, Ms. Flores said, is to examine “whether there was any impropriety or political motivation in how the FBI conducted its counterintelligence investigation of persons suspected of involvement with the Russian agents who interfered in the 2016 presidential election.”

Mr. Rosenstein said in a statement Sunday: “If anyone did infiltrate or surveil participants in a presidential campaign for inappropriate purposes, we need to know about it and take appropriate action.”

The move by the deputy attorney general to follow an extraordinary order by the president to probe an investigation into his own campaign is the latest turn in a struggle between the White House and the Justice Department. Mr. Trump has more than once considered firing Mr. Rosenstein and Attorney General Jeff Sessions, who have survived in their roles in part by meeting the demands of the president or his supporters in Congress. Mr. Rosenstein oversees the Russia investigation.

Mr. Trump has railed against the investigation regularly in the year since it began and has stepped up his attacks



President Trump has more than once considered firing Attorney General Jeff Sessions, above.

in recent days. He and his lawyers have seized on reports about the informant as evidence in their view that the probe isn't about Russia's efforts to influence the election but rather a partisan attack leveled by a Democratic administration.

Former law-enforcement officials have said informants in a probe involving a presidential campaign should only be used for law-enforcement or foreign-intelligence purposes, not for political ends.

The president's latest at-

tacks come as his lawyers are seeking to negotiate the terms of a possible interview with Mr. Mueller, who already has

indicted or secured guilty pleas from 19 individuals in the investigation, on charges including lying to investigators and tax and bank fraud.

Mr. Halper met with Trump campaign aides Carter Page and Sam Clovis, according to their lawyers. Mr. Page had been on the radar of U.S. counterintelligence officials for years over his dealings with Russia, and Mr. Clovis has met with Mr. Mueller's prosecutors over his involvement with a one-time campaign adviser who pleaded guilty to lying to the FBI about his contacts with Russians. Neither Mr. Page nor Mr. Clovis have been accused of wrongdoing.

Mr. Page confirmed the encounter, and a lawyer for Mr. Clovis said that he and Mr. Halper had only discussed China.

Giuliani Raises the Bar for Interview

President Donald Trump shouldn't agree to talk with special counsel Robert Mueller without knowing more about a man said to have approached Trump campaign aides in 2016 as part of the U.S. investigation into Russian election interference, his lawyer said Saturday.

Rudy Giuliani said Mr. Trump could be “walking into a trap” unless federal prosecutors make clear the role played by the suspected informant and whether the person compiled any “incriminating information.”

Presidents typically avoid ordering the Justice Department to undertake certain investigations and usually refrain from commenting on any ongoing probes to avoid the appearance of meddling in an investigation.

Mr. Trump has made no such efforts. He has attacked the Mueller investigation as a “witch hunt”—issuing seven tweets on the subject on Sunday morning alone—and has accused Mr. Mueller, a registered Republican, of having partisan motives. The special counsel is investigating possible collusion between the Trump campaign and Russia, as well as whether the president sought to obstruct justice. Mr. Trump has denied collusion and obstruction, and Moscow has denied election meddling.

The president has repeatedly alleged wrongdoing in the Russia investigation in the

past. In March 2017, he said he “just found out” that former President Barack Obama had ordered a wiretap on Trump Tower before the election, adding that Mr. Obama was a “bad (or sick) guy.” That assertion was widely discredited.

Rudy Giuliani, one of the president's lawyers, on Sunday said the special counsel about a month earlier had conveyed to him “as a possibility” that the investigation into whether the president obstructed justice could be wrapped up by Sept. 1 if Mr. Trump agreed to sit for an interview. Asked whether he believed the probe would end by that timeline, Mr. Giuliani said: “We hope.”

The president's legal team previously has offered a number of end points they expected for the Mueller probe. Last year, Mr. Trump's lawyers said they expected the probe to close by the end of 2017.

—Peter Nicholas and Sadie Gurman

WORLD NEWS

Venezuela Vote Heralds More of the Same

Maduro, overseeing a nation racked by severe hunger and inflation, wins new 6-year term

BY KEJAL VYAS
AND JUAN FORERO

CARACAS, Venezuela—Nicolás Maduro won re-election to a six-year term in a Venezuelan presidential election deemed illegitimate by the opposition and foreign governments, paving the way for heavier international sanctions amid widespread discontent over his management of an economy in free fall.

Even before the ballots were counted, opposition candidate Henri Falcón cried foul, saying the election was a sham and calling for a new vote this year. "We do not recognize this electoral process as valid," he said. "For us, there were no elections."

The state electoral board, which is allied with the government, said Mr. Maduro had won 5.8 million votes, or 67% of the total, with nearly 93% of the vote counted, compared with 1.8 million, or 21%, for his main challenger, Mr. Falcón, a leftist former governor and ex-soldier. Mr. Falcón had broken with other opposition leaders who called for a boycott.

Those figures were a far cry from what pollsters had forecast. Most polls before the race gave the edge to Mr. Falcón.

Despite near empty polling stations for much of the day in parts of the country, the election board said turnout was 46%—a number that marked the weakest turnout in a presidential vote in nearly two decades.

"How they underestimated me, but here we are: triumphing," Mr. Maduro told a crowd of supporters in Caracas. He called his victory "a knockout."

Surrounded by supporters on a stage, Mr. Maduro celebrated what he called the biggest margin of victory a presi-

FROM TOP: CARLOS GARCIA RAWLINS/REUTERS; CARLOS BECERRA/AGENCE FRANCE PRESSE/GETTY IMAGES



Nicolás Maduro's backers, above, watched him speak after winning Sunday's vote, whose results challenger Henri Falcón, below, challenged.

dent had recorded here.

"You have confided in me and I'm going to respond to that infinite confidence, that loving confidence," he said. "All Venezuela has triumphed. Legitimate elections, accompanied by the only one who can decide the future, the people."

The victory means Chavismo—the radical leftist movement named for the president's predecessor, the late Hugo Chávez—will begin a third decade of uninterrupted rule when Mr. Maduro is sworn in for a second term early next year. But it is a government struggling to survive: By the end of the year, the economy will have contracted by 50% since 2013, hyperinflation is expected to top 13,000% and the U.S. has imposed sanctions on much of the top leadership of the government for alleged crimes, including drug trafficking.

Millions of Venezuelans don't



have enough to eat, polls show.

Mr. Maduro's victory will likely plunge Venezuela into deeper crisis. It will likely spur more Venezuelans to leave, deepening the cost of looking after refugees for neighbors like Colombia and Brazil. It also means Venezuela's oil industry will continue to collapse, keeping vital oil off global markets at a time of

rising international oil prices.

Phil Gunson, who tracks Venezuela for the International Crisis Group policy analysis organization, said Mr. Maduro faces anarchy.

"What he hasn't done is anything to fix hyperinflation, food scarcity, the collapse of basic services, how to pay the foreign debt, what to do about all the creditors lining up," Mr.

Gunson said. "He has no plan to fix it and no credible team in place either that could, for example, renegotiate that debt."

Mr. Falcón had hoped widespread gloom and the appeal of his far-reaching proposals, such as adopting the dollar as a way to stop hyperinflation, would swamp voting booths with supporters and force the government to concede. Judging by the empty polling booths all day, that didn't happen.

Earlier, U.S. Secretary of State Mike Pompeo issued a tweet calling the elections a "sham." U.S. leaders had in recent weeks said more sanctions against Venezuela's leaders could be coming.

In recent weeks, polls had shown that Mr. Falcón would beat an unpopular president whose five years in office have been marked by the exodus of hundreds of thousands of people to other countries.

Threat of Losing Food Aid Mobilizes Voters in Big Slum

CARACAS, Venezuela—The people in this city's largest slum had plenty of reasons to reject Venezuelan President Nicolás Maduro in Sunday's election: hyperinflation, a collapse in public services, shortages of medicines.

But Angie Chong, a pro-government activist, embodied for Petare residents of one very big reason to cast their ballot for Mr. Maduro: hunger. She and a team of "patrollers"—many of them the same people who distribute boxes and bags of state food aid in the slum each month—went door-to-door after dawn, rousing people from bed.

"These are difficult times. We don't want to lose the little that we have," she said, before stopping a passerby.

"Hey, did you vote?" she asked. After the man said he had, Ms. Chong added, "My president has to win, or else the entire revolution fails."

For the past year, Ms. Chong has been in charge of supplying 400 families with government food aid in her neighborhood. It has made her popular on a block inhabited by many out-of-work bricklayers and carpenters.

On Sunday, she stood across from a voting center holding a tablet computer with a cracked screen she used to scan voters' Fatherland Cards, government-issued IDs that residents need to receive benefits like food and cash bonuses. Throughout the campaign Mr. Maduro repeatedly said holders of the card would receive an unspecified "prize" for showing up at the polls when the opposition has called for boycotting the election.

—Kejal Vyas

HARD WORK

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WORLD NEWS

China Flexes More Muscle on Sea Claims

First bomber landing on disputed island is latest step in regional buildup of military

BY JAKE MAXWELL WATTS AND EVA DOU

China's first-ever landing of a heavy bomber on a disputed island in the South China Sea punctuates a steady buildup of military assets that has solidified Beijing's claims to one of the world's busiest shipping lanes.

On Friday, China's air force disclosed it had landed an H-6K bomber on an island in the area, which would "help improve actual combat capabilities in responding to various security threats at sea."

Experts who track China's military moves said the landing was on Woody Island in the Paracels, an island chain where claims by Vietnam, China and Taiwan intersect.

The landing was the latest in a series of military moves that China has carried out while global attention has been focused on the standoff with North Korea. This month, China deployed antiship cruise missiles and surface-to-air missiles on the disputed Spratly Islands off the coast of the Philippines for the first time.

Satellite imagery also shows Beijing has installed radars and communication-jamming equipment on the Paracels and Spratlys in recent



China is said to have landed an H-6K bomber, like this one seen patrolling the South China Sea, on Woody Island in the Paracels.

months, and that Chinese navy ships and military aircraft have made frequent visits.

Together, the deployments give China an interconnected array of radars, missile batteries and airfields that will allow it to project power over hundreds of miles of ocean. "They crossed a big threshold," said Euan Graham, director of the International Security Program at the Lowy Institute.

The militarization of the South China Sea is part of a broader push by President Xi Jinping to assert control over long-claimed territory and extend China's defensive perimeter further into the Pacific, moves that are popular at home. As much as a third of

global trade passes annually through the 1.35 million square miles of ocean, which is also thought to be rich in natural resources including oil and natural gas. China says it has historical claims to almost the entire area and that it has the right to defend those claims.

China staged its biggest military show of force in the South China Sea in April when it deployed dozens of navy vessels, including an aircraft carrier and nuclear-missile submarines, off its southern Hainan Island.

The White House said this month that it has raised concerns with Beijing about the militarization of the South China Sea and warned there

would be consequences. The new commander of U.S. Pacific naval forces, Adm. Philip Davidson, told a Senate committee in April that China had nearly completed military bases on its reclaimed South China Sea islands. "China is now capable of controlling the South China Sea in all scenarios short of war with the United States," he said.

The Pacific Command and China's Defense Ministry didn't respond to requests for comment.

The international community has repeatedly called on China to refrain from militarization of the South China Sea. The U.S. Navy regularly challenges Chinese claims by sail-

ing close to the disputed islands or flying over them. In 2016, the Philippines won an international arbitration that effectively invalidated Chinese claims to the sea, a ruling that China rejected.

The H-6K long-range strategic bomber deployed to Woody Island has a range that covers almost the entire South China Sea and many countries surrounding it, according to the Asia Maritime Transparency Initiative, a unit of the Washington-based think tank Center for Strategic and International Studies.

The bomber's deployment is an indication of China's progress in outfitting the islands it has built up, said Zhu Feng,

LIU RUI/XINHUA/ASSOCIATED PRESS

executive director of Nanjing University's China Center for Collaborative Studies of the South China Sea.

"It's a test of how capable the facility is," he said.

Security analysts say the deployments on Woody Island are a blueprint for the Spratly Islands, where China's claims are disputed by Vietnam, Taiwan, Malaysia and the Philippines, and which it occupied and developed more recently than the Paracels. China already has built large aircraft hangars there but hasn't deployed military fighters or bombers.

The antiship missile deployments, reported this month by CNBC, were the first in the Spratlys. When asked about the move, Chinese Foreign Ministry spokeswoman Hua Chunying said "the relevant deployment targets no one," adding that "the deployment of necessary national defense facilities are meant to safeguard China's sovereignty and security."

technology and is wrestling with a variety of challenges in devising the rules. They include how to define a Chinese firm, as well as what kind of acquisitions or technologies should be blocked.

Treasury was widely expected by trade experts in Washington to release an investment proposal Monday. But a senior administration official said that, at most, Treasury would release a statement about what Mr. Mnuchin reports to the president on the status of the proposal. By declaring a temporary truce in the trade war, Mr. Mnuchin "is saying it's all on hold," said Mr. Scissors.

C. Donald Johnson, a former USTR negotiator and trade lawyer in the Clinton administration, said conflicting statements from Washington's negotiators don't help U.S. negotiations.

"I know where [Chinese President] Xi Jinping and Liu He are coming from," said Mr. Johnson. "But our side is so confused."

In addition to discussions over trade issues, the U.S. and China have been negotiating over a deal for the U.S. to ease restrictions on ZTE Corp., the Chinese telecom company that has struggled since the U.S. punished it for violating sanctions against North Korea and Iran, and not living up to promises to the Commerce Department to make changes in management.

Commerce has forbid U.S. companies from supplying parts to ZTE pending an official review.

Mr. Mnuchin said that he discussed ZTE with the Chinese during trade talks but that the matter is "an enforcement issue, not a trade issue."

China's top diplomat, Foreign Minister Wang Yi, is due in Washington this coming week and will continue the discussions on ZTE, said people briefed on the talks.



LEAH MILLIS/REUTERS

Treasury Secretary Steven Mnuchin, Commerce Secretary Wilbur Ross, Trade Representative Robert Lighthizer and Peter Navarro. Messrs. Mnuchin and Lighthizer have disagreed over Chinese import tariffs.

Spooked

The market has experienced several sell-offs in the midst of the U.S.-China trade spat. **DJIA daily closes:**



Jan. 22 U.S. imposes tariffs on washing machines and solar cells, aimed at China.

Feb. 4 China announces an investigation into U.S. sorghum exports, an indication of China's willingness to retaliate.

Feb. 27 U.S. concludes China dumped aluminum foil in the U.S. and announces penalties; China responds that it is strongly dissatisfied.

March 22 U.S. announces it will apply tariffs to penalize unfair Chinese efforts to obtain U.S. technology, as China announces tariffs on \$3 billion of U.S. goods, from fruit and pork to recycled aluminum and steel pipes.

THE WALL STREET JOURNAL

"Getting China to open its market to more U.S. exports is significant, but the far more important issues revolve around forced technology transfers, cyber theft and the

Others in the administration, including Mr. Lighthizer and White House trade adviser Peter Navarro, have been arguing that the U.S. must insist on more fundamental changes in the Chinese economic model and shouldn't be satisfied with increased purchases along with some modest changes in Chinese trade and investment practices.

After two days of negotiations, the U.S. failed to get China to commit to reducing the U.S. trade deficit with China by at least \$200 billion, a top U.S. goal. Mr. Mnuchin said on "Fox News Sunday" that "we have an agreement with China that they will substantially agree" to trade-deficit reduction, although the statement put out by the two sides after the talks contained no specific numerical targets.

The Chinese economic model and shouldn't be satisfied with increased purchases along with some modest changes in Chinese trade and investment practices.

Greece and its international creditors reached a preliminary agreement on the reforms Athens must adopt to emerge from the country's eight-year-old bailout.

Eurozone finance ministers are widely expected to approve the measures in Brussels on Friday.

Over the coming weeks, Athens must move quickly to implement energy, pension and labor reforms and show progress on privatization steps. Doing so will pave the way for a discussion of the debt relief Greece is seeking after its third and final bailout expires in August.

—Nektaria Stamouli

The leaders of Italy's 5 Star Movement and League, two anti-establishment parties seeking to form a governing coalition, have agreed on who the premier-designate leading a government supported by both parties could be.

"We have sealed a deal on the premier and the team of ministers," said Matteo Salvini, the League's leader. However, he declined to give any names agreed with Luigi Di Maio, the leader of the 5 Star Movement.

The two are expected to see

GREECE

Bailout Review Nears Completion

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ITALY

Two Parties Agree on Premier-Designate

The leaders of Italy's 5 Star Movement and League, two anti-establishment parties seeking to form a governing coalition, have agreed on who the premier-designate leading a government supported by both parties could be.

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President Sergio Mattarella, who under the constitution appoints the prime minister and the ministers who compose the government.

—Giovanni Legorano

BRAZIL

African Migrants Are Brought Ashore

About two dozen African migrants were brought ashore in northeastern Brazil after being rescued at sea by fishermen, Brazilian authorities said Sunday.

The government of Maranhao state said 25 people from Senegal, Nigeria, Guinea, Sierra Leone and Cape Verde along with two Brazilians landed Saturday.

The boat with the migrants was adrift when they were rescued, according to the G1 news portal, which also said they had been at sea for weeks.

Those aboard were dehydrated and received medical care and meals upon arrival, the state government said.

—Associated Press

WORLD NEWS

EU Offers Tehran A Deal to Remain In Nuclear Accord

BY EMRE PEKER

TEHRAN—Iran vowed to uphold the pact curbing its nuclear activities if the European Union can offset renewed U.S. sanctions, senior officials here said, advocating an approach that would widen a schism between Washington and Brussels.

The EU, seeking to salvage the 2015 deal after President Donald Trump withdrew from it, sent Energy Commissioner Miguel Arias Canete to Tehran over the weekend with a proposal to prevent Iran's economic isolation and secure its continued commitment to the accord.

The plan faces daunting obstacles. The bloc would have to continue oil and gas purchases to keep Iran's economy afloat, but do so by making payments outside of the U.S.-dominated global financial system and shielding European firms from U.S. sanctions.

"We hope that what they have presented to us, it will be materialized," Iran's nuclear chief, Vice President Ali Akbar Salehi, told Western journalists. He urged the EU to lead the effort to preserve the deal, saying Iran would honor

its commitments if EU efforts broadly offset U.S. sanctions. "The ball is in their court," he said of the EU.

Mr. Canete said the agreement's "economic dividends" for Iran's halting nuclear-weapons activities are at stake. Mr. Salehi, in a thinly veiled warning to nations concerned that Iran wants to build nuclear weapons, said the deal's demise would give Tehran a "free hand in doing whatever we want."

The EU's efforts to safeguard the accord without the U.S. add to growing tensions between Brussels and Washington. Secretary of State Mike Pompeo this week plans to outline Washington's road map for starting negotiations on a new agreement with Iran.

Mr. Canete said at a press briefing with Mr. Salehi the EU "deeply regrets" the U.S. withdrawal from the agreement and "is determined to preserve the deal."

The risk of an exodus by major European companies from Iran cast a pall over the EU-Tehran discussions, after French energy giant Total SA said that without a U.S. waiver it may need to exit a \$1 billion Iranian natural-gas deal.



The EU's Miguel Arias Canete, left, with Iran's Ali Akbar Salehi

Saudi Crackdown Clouds Changes

BY MARGHERITA STANCATI

BEIRUT—When Loujain al-Hathloul flouted Saudi Arabia's ban on women driving and tried to enter the country with her navy Nissan Murano from the United Arab Emirates, she spent 73 days in prison. The stunt turned the then-25-year-old into the face of the struggle to allow women to drive in the kingdom.

Nearly four years later, Ms. al-Hathloul is back behind bars, after a government crackdown swept up at least seven prominent women's rights advocates just weeks before the government is to abolish the driving ban. The clampdown has made adversaries of activists who typically would be allies of Saudi Crown Prince Mohammed bin Salman's liberalizing agenda, sounding the alarm on the limits of social change in the conservative kingdom.

"Everybody thought that by granting women the right to drive Mohammed bin Salman is a great reformer," says Madawi al-Rasheed, a Saudi opposition activist and professor at the London School of Economics. "That's nonsense. He is a person who wants to reach the top at any cost."

Ms. al-Hathloul was detained Tuesday, when authorities stormed her father's house, people familiar with the matter said. The other detained activists were also linked to the grass-roots campaign to allow women to drive. Those people say the activists have since been transferred from Riyadh to Jeddah, where the Saudi royal court is based during the summer months.

On Friday, authorities said they had arrested a dozen people. Activists have confirmed the identities of seven of them. A statement from the official Saudi Press Agency didn't identify those arrested but accused them of having "dared to violate the country's religious and national pillars" by their actions. The statement didn't provide more details and made no mention of the driving ban.

Spokespeople for the Emirati



Loujain al-Hathloul driving to the Saudi border in 2014. Below, Crown Prince Mohammed bin Salman



CHRISTOPHE ENA/ASSOCIATED PRESS

When a royal palace official was asked why the activists were arrested, he said, "To let them know that no one can twist the arm of the government," a person briefed on the conversation said.

Pro-government media and Twitter accounts have since unleashed a campaign criticizing the detained women.

The Saudi daily Al Jazirah ran a front-page story on Saturday with the photos of Ms. al-Hathloul and Ms. al-Yousef with the headline "There is no place for traitors among us." The hashtags "embassy agents" and "traitors of the religion and the motherland" on Sunday were trending in Saudi Arabia on Twitter, a platform that is popular among Saudis and closely monitored by the government.

The arrest of Ms. al-Hathloul and others has dashed hopes among some Saudis that the conservative country was on the cusp of significant social change. "Just when [I] was hoping for more freedom of expression," Manal al-Sharif, a leading Saudi women's rights activist who is now based in Australia, said on Twitter. "We're back to zero and even below zero."

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WORLD NEWS

Amazon Rancher Breaks With the Herd

Mauro Lúcio Costa is crisscrossing the rain forest's cattle ranches in a bid to preserve the land and transform the industry

BY PAULO TREVISANI

PARAGOMINAS, Brazil—When Mauro Lúcio Costa began rearing cattle in the 1980s in the Amazon, he took to the forest like everyone else: with a chain saw and a match.

Ranchers like him eventually cleared an area as large as California from the world's largest rain forest.

Mr. Costa broke ranks in 2002 and started employing more sustainable techniques, such as fertilizing grass, using feedlots and rotating herds. The 53-year-old farmer is now preaching his methods across the Amazon, putting him on the front line of a battle to preserve the forest and transform the cattle industry there.

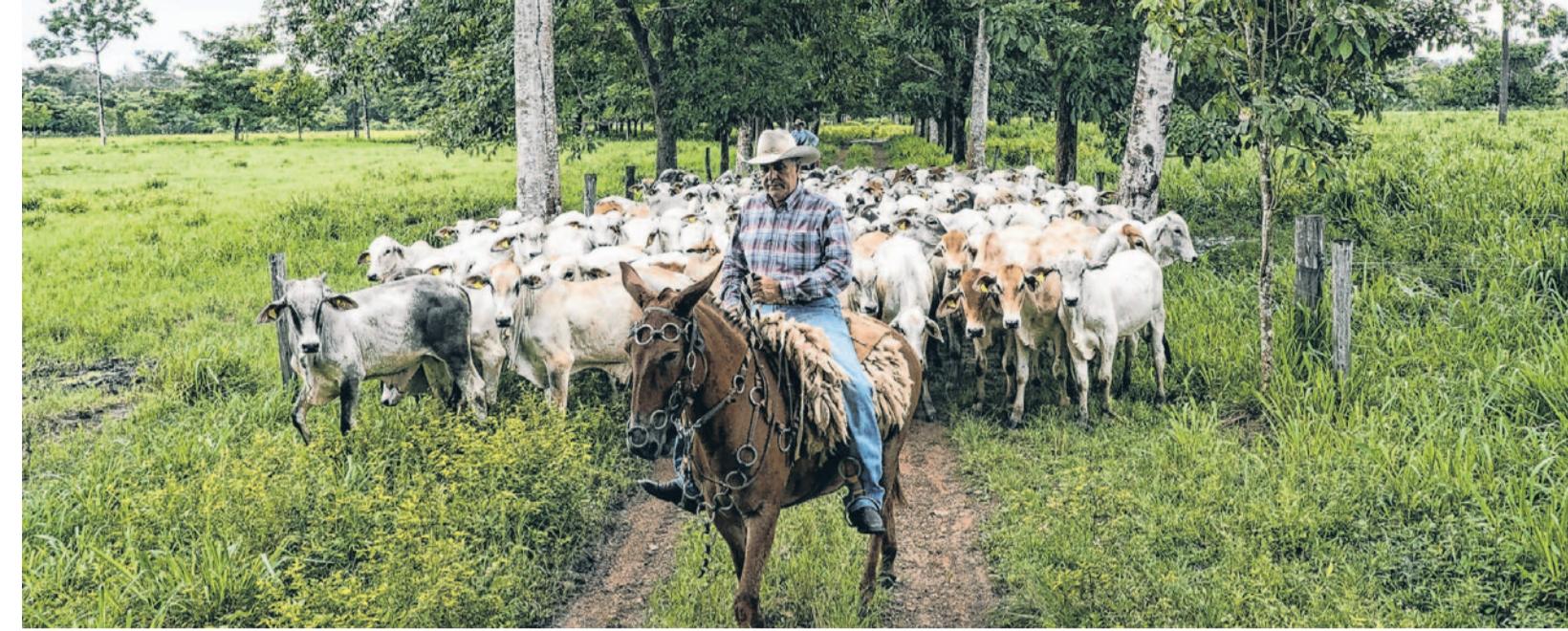
Many scientists blame deforestation, generated in large part by cattle rearing, for global climate change and less predictable rain patterns in the Amazon.

Clearing Amazonian forest to create new pastures is illegal now in Brazil, but a cash-strapped government is struggling to enforce the law in a region as large as half the continental U.S.

"Farmers always find a way to cheat," said Daniel Azereedo, Brazil's top environmental prosecutor. He said the best hope of stopping deforestation is convincing ranchers they can make money without cutting trees.

While nearly 60,000 ranchers in the Amazon adopted sustainable practices in the past decade, according to government officials, about 330,000 haven't. Last year, ranchers cleared a swath the size of Delaware.

"Cattle producers beat their chests about doing things the way their grandfathers did," Mr. Costa said. "They act as if ranchers were saints exploited by meatpackers, the government was a nuisance and that environmental activists were devils."



Mauro Lúcio Costa leading cattle in his farm in Brazil's Amazon, where he uses sustainable techniques such as fertilizing grass, using feedlots and rotating herds.

Brazil is home to the largest cattle herd in the world earmarked for meat—214 million cows. The Amazon alone is home to 87 million head, which is 30 million more than in all of Argentina and nearly the size of the total U.S. herd, 90 million, including dairy cows, according to U.S. figures.

Many Amazon ranchers say they can't absorb the high cost of sustainable farming.

"Over here there are no roads, no financing, no help from the government," said Arlindo Laureano Rosa, whose 6,000 cattle roam free in the Amazonian state of Para. "We have to sell our cattle on the cheap. It makes no sense to make them more expensive by using feedlots."

Donning a beige felt hat and a buckle engraved with the name of his farm, Marupiara, Mr. Costa traveled 1,100 miles recently, visiting areas where deforestation is rampant. He met environmental regulators and ranchers, crunching numbers for them

on a notebook to show how feedlots—where cattle eat grain rather than grass—can pay off financially.

His advice: move the herd around to allow grass time to regrow. During the dry season, move the cattle to feedlots while the pasture is fertilized.

Mr. Costa, who has 2,500

Climate change has been blamed in part on deforestation, fueled by cattle rearing.

head of cattle, says he produces 750 pounds of meat per acre, up from 151 pounds 15 years ago, and he has been able to keep 80% of his land covered with forest, as mandated by law.

"When I say, 'You can get more beef out of the same land,' they say I'm crazy," said Mr. Costa, as he drove across

farmland on a recent sweltering day. "I feel like a Martian."

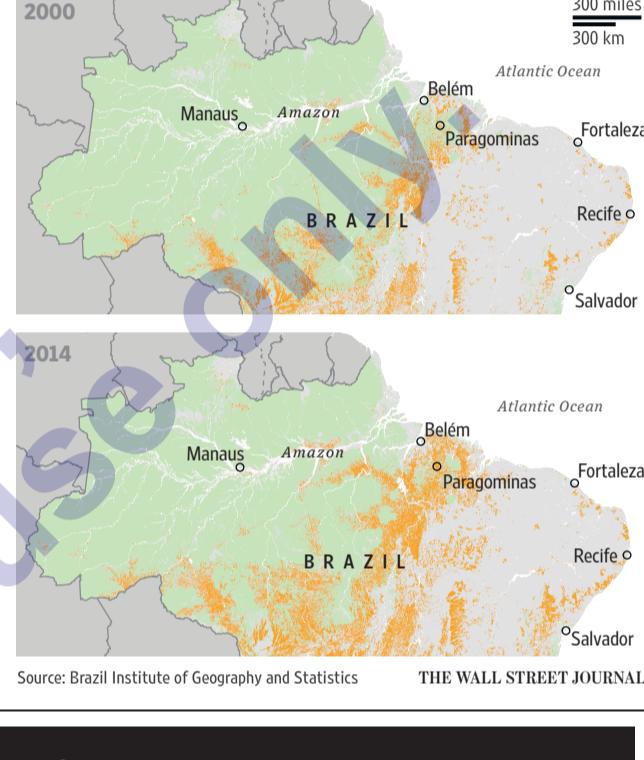
He uses electronic earrings to track each of his Nelore cattle, weighs the herd regularly and frequently analyzes the soil. The data make it possible to meet productivity targets, decide which nutrients the soil needs and detect suppliers of calves that aren't gaining weight fast enough while helping to improve genetics. The tracking system also makes it easier to sell cows to meatpackers required by law to ensure Amazonian livestock isn't raised in newly deforested areas.

Moacyr Dias-Filho, a technician from the government agency for agricultural research, Embrapa, said ranchers would make bigger profits by obeying the law. He says ranchers who graze cattle the old-fashioned way are damaging land and falling behind competitors.

"Farmers who don't take a more professional approach will be pushed out of business," Mr. Dias-Filho said.

Eating Up the Amazon

In the Amazon, ranchers have cleared large swaths of forest for farmland.



THE WALL STREET JOURNAL.

Mexico, Boeing Join Probe Of Deadly Cuba Plane Crash

BY SANTIAGO PÉREZ AND ANTHONY HARRUP

U.S. and Mexican aviation experts will join an investigation of the crash of a Boeing 737 charter flight outside Havana that killed more than 100 people, Cuban authorities said, as allegations emerged that the airline had previously been warned about safety violations.

Cuban authorities have identified the remains of 20 of the 110 victims of Friday's crash while a team of local and foreign investigators focused on the possible causes of the disaster and the operations of the Mexican company that owned the plane, which crashed shortly after takeoff on a flight to the eastern Cuban city of Holguín.

The only survivors, three women passengers, are in critical condition at the Calixto García Hospital in central Havana, while the remains of the first identified victims were being delivered to relatives in Holguín, authorities said.

The Boeing 737-200 crashed in a field and burst into flames soon after taking off from the Havana airport on Friday. Cuba's transport minister, Adel Yzquierdo, said 110 of the 113 passengers and crew were killed.

Cuban officials said that following a request from U.S. authorities, a team from Boeing



Relatives of some of the 110 victims of Friday's crash in Havana

Co. would be permitted to join the investigation. Boeing has said a technical team stands ready to assist at the direction of U.S. and Cuban authorities.

Mexican investigators are already participating in the probe because the aircraft, built in 1979, was leased by Mexican charter airline Aerolineas Damojh to flagship carrier Cubana de Aviación.

Mexico said it would carry out a new audit of the airline's operations to determine if it was meeting regulations, and to gather information that could help identify the cause of the crash. The airline was inspected in November and found to be following proper maintenance procedures, the Commu-

nications and Transport Ministry said on Friday.

Marco Aurelio Hernández, a pilot who worked for Damojh from 2005 to 2013, told Mexico's Milenio newspaper he had repeatedly reported maintenance problems to the owner, including engine trouble and electrical system failure. Airline officials declined to comment on the assertion.

Guyana's director of civil aviation, Egbert Field, told the Associated Press the plane that crashed had been barred from the country's airspace last year because its crews had been allowing overloading of luggage on flights to Cuba.

—Andy Pasztor contributed to this article.

Pope to Elevate 14 New Cardinals

BY FRANCIS X. ROCCA

ROME—Pope Francis announced Sunday that he will elevate 14 men to the rank of cardinal on June 29, continuing his practice of conferring the honor on men from the less prominent corners of the Catholic world.

Eleven of the new appointments are under the age of 80, making them eligible to vote in a papal election. Pope Francis will have named almost half of the electors since he became pontiff in 2013. The remaining three, from Mexico, Bolivia

and Spain, will become honorary cardinals in recognition of their service to the church.

Most of the new appointments are from countries or dioceses that have rarely been represented in the college of cardinals, including Iraq, Pakistan, Madagascar and Japan.

"Their origin expresses the universality of the church that continues to announce the merciful love of God to all men on earth," Pope Francis said when announcing the names to a crowd gathered in St. Peter's Square at the Vatican.

Since his election in 2013,

Pope Francis has named the first cardinals in history from more than a dozen countries, including Laos and Tonga, while passing over appointments in major dioceses in the West.

The new appointments—the fifth batch appointed by Pope Francis—will bring the number of cardinal electors to 125, five over the limit established by Pope Paul VI.

Fifty-nine of those, or 47%, will have been named by Pope Francis.

Previous popes also have exceeded the limit of 120 from time to time.

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IN DEPTH

BEER

Continued from Page One
sands of gallons of undrinkable beer.

Danish beer company Carlsberg A/S is now selling Carlsberg 1883, which it says was brewed with a yeast strain taken from a bottle of beer about 130 years old found in a Copenhagen cellar during a construction project. Heineken NV has H41, named for the geographical latitude of an Argentine forest where a scientist found yeast on a mushroom that is thought to be an ancestor of the company's regular brewing yeast.

In Australia, brewery James Squire—part of Japanese drinks giant Kirin Holdings Co.—started selling its Wreck Preservation Ale this month using a yeast strain it says is more than 200 years old. It was taken from a bottle of beer recovered from a 1797 shipwreck near Tasmania that was in the collection of the Queen Victoria Museum and Art Gallery on the island.

"We've heard of other people running around a botanical garden with a petri dish," says Mark Schwarz, a former patent lawyer who co-founded Chicago-based Omega Yeast, which sells various yeast strains to beer hobbyists and craft breweries. "People are trying to find yeast everywhere they can."

Brewers generally use two main species of yeast, which is technically a fungus. One is ale yeast, which at relatively high temperatures ferments extracts made from malted barley and other grains, and is commonly used in baking. The other is lager yeast, which ferments the grain extracts at cooler temperatures.

Small genetic differences within these two species account for the many strains of yeast, which along with hops and other ingredients determine the aroma and flavor of beer. The National Collection of Yeast Cultures in England has compiled more than 4,000 strains of yeast over the past 70 years.

Brewers at James Squire found that the yeast from the shipwreck—they sometimes call

it "zombie yeast"—was at times unpredictable. A test batch failed to ferment initially because the temperature was too low, despite laboratory analysis suggesting it should work.

"It was a bit alarming," says brewer Stuart Korch, 29, who expected the batch to start fermenting over a weekend but discovered nothing had happened. "I came in on Monday and I'm just scratching my head."

They tried several different beer styles, including a standard pale ale and a hoppy version called an India pale ale. The yeasty flavors in the former were too intense, but the hops overshadowed the yeast in the latter. They eventually settled on a porter, a darker beer style.

"When you give that a good swirl, it sometimes produces a bit of a smoky, almost like bourbon, some sort of barrel-aged sort of thing. And that's all yeast driven," Haydon Morgan, 37, the head brewer for James Squire, said recently as he sipped a Preservation Ale at his Sydney brewery.

Heineken says a team of 50



MIKE CHEN/REUTERS/WALL STREET JOURNAL

Brewer Stuart Korch pours a glass of Wreck Preservation Ale, made with a yeast strain taken from a bottle from an old shipwreck.

people spent two years working with the Argentine yeast before H41 was ready for market. Brewers tossed nearly 80,000 gallons of beer in their quest to perfect the recipe, says Willem van Waesberghe, Heineken's global master brewer.

H41, a lager that Mr. van Waesberghe says has a unique "clove-like aroma," is mostly sold in Europe, though some bars in New York City and Mi-

ami have it. The company more recently developed another two beers using yeast strains from North Carolina and the Himalayas.

Not everyone goes for the taste of the exotic new beers. On Untappd, a social network where users rate beers, H41 scores a 3.22 out of 5, based on about 14,200 ratings. Carlsberg 1883 has a 3.03 rating, with about 3,300 reviews. In

Mr. Low and Abu Dhabi officials.

In a September 2015 email to Khaldoon Al Mubarak, an adviser to Abu Dhabi's rulers, Mr. Low urged the state not to officially probe the 1MDB affair, which already was the subject of investigations in the U.S., Singapore and Switzerland. "There are enough reviews on 1MDB being done by various regulators," Mr. Low wrote. "There is a concern that an additional review done by an Abu Dhabi investigative team will open another unnecessary attack avenue for detractors."

The Abu Dhabi government had removed Mr. Al Qubaisi from his position in April 2015. A year later, Mr. Al Qubaisi was jailed without charges. A lawyer for Mr. Al Qubaisi says his client, who is still in jail, declines to be interviewed.

Yacht trouble

One embarrassment for Abu Dhabi: A \$500 million yacht owned by Sheikh Mansour Bin Zayed Al Nahyan, the brother of Abu Dhabi's ruler, had been partly paid for with 1MDB money funneled through a shell company owned by Mr. Al Qubaisi, according to bank statements and financial documents the Journal reviewed. Mr. Low leased the yacht multiple times between 2013 and 2015, according to Justice Department suits and people familiar with his activities on the vessel.

After Donald Trump's November 2016 victory, an intermediary for Mr. Low entered into discussions with a law firm owned by Robin Rosenzweig, the wife of Elliott Brody, a Trump associate and Republican fundraiser, to lobby the U.S. government to drop its 1MDB probe, with the possibility of earning tens of millions of dollars if successful, according to a copy of a draft agreement viewed by the Journal.

A spokesman for the couple didn't respond to inquiries. For a previous Journal article on the episode, lawyers for Mr. Brody and Ms. Rosenzweig confirmed they were hired by an associate of Mr. Low to consult on his case and said they never contacted the Justice Department about the matter.

The U.S. in August said it was turning from asset seizure to focus on a criminal probe. Federal Bureau of Investigation agents have traveled the globe interviewing witnesses, and Mr. Low is their probe's main target, say people with knowledge of the probe. An FBI spokeswoman declined to comment.

Mr. Low remained unflappable before the election, say the people who know him. He held a birthday celebration for an associate, Eric Tan, who the Justice Department alleges was involved in the 1MDB scandal, in February at a Macau hotel, say the people familiar with the event. The hip-hop producer Swizz Beatz and singer Nicole Scherzinger flew in to attend, one them says. Representatives for the artists didn't respond to requests for comment. Attempts to reach Mr. Tan, whose whereabouts is unknown, weren't successful.

Since the election, sensing the heat rising, Mr. Low has left Thailand and struck a more careful posture, say the people who know him.



RULY PRAJAPATI/AGENCE FRANCE PRESSE/GETTY IMAGES

Before the election, financier Jho Low had been partying and sailing around Asia. Authorities prepare to board his yacht in February.

The Elusive Mr. Low

Malaysian financier Jho Low has been spotted around Asia since reports of his alleged involvement in a financial scandal at Malaysian state fund 1MDB.



Source: Sightings by people familiar with Mr. Low

- 1 Low at one point in 2016 was living in an apartment at the luxury Peninsula Hotel apartments in China's financial capital.
- 2 Financial center where his company, Jynwel, is based; intermittent sightings last couple of years.
- 3 Gambling enclave where he hosted a party including Nicole Sherzinger in February 2018.
- 4 Seen about a year ago at the St. Regis apartments in the Thai capital.
- 5 His boat, Equanimity, has spent most of past two years at a mooring here, but was seized by authorities in Bali, Indonesia, recently.

THE WALL STREET JOURNAL.

ments. It believes Mr. Low had a hand in a 2016 agreement for comment on Saturday. At a regular press conference last week, a foreign-ministry spokesman, asked whether Mr. Low was living in China, said he had never heard the name.

In China and around Asia, Mr. Low appeared to enjoy a protected status even after the scandal broke, traveling with bodyguards he said were provided by Beijing, say people familiar with his movements. He carries more than six phones, using each for a different set of contacts around the world, the people say.

China's foreign ministry didn't respond to a request for comment on Saturday. At a regular press conference last week, a foreign-ministry spokesman, asked whether Mr. Low was living in China, said he had never heard the name.

In mid-2015, as the Justice

Department circled, Mr. Low sought to sell his stake in New York's Park Lane Hotel to a state-owned Chinese property developer, Greenland Group, which is based in Shanghai, according to copies of Mr. Low's emails the Journal reviewed.

The Justice Department announced its lawsuits before the deal could be completed. Greenland Group didn't respond to requests for comment.

Mr. Low's coziness with overseas countries, especially China, could cause diplomatic tensions with Malaysia's new government, which is questioning some Najib-era arrangements.

"It's an outrageous deal at vastly inflated prices," Mr. Pua says. "The new government will definitely look at the contract, review, and perhaps ter-

minate it."

After the elections, Geng Shuang, a spokesman for China's foreign ministry, in a news conference, cautioned against any reversal of a friendship between the nations that had gained momentum under Mr. Najib: "This needs to be cherished by both sides."

Mr. Low's rise

After coming to power in 2009, Mr. Najib allowed Mr. Low, then a 27-year-old Wharton graduate with Middle East ties, to help run 1MDB, the Justice Department alleges.

Mr. Low promised the fund would raise money from global markets and make investments in property and energy sectors, while also providing political money for Mr. Najib, say people familiar with the arrangement.

Mr. Low oversaw the funneling out of at least \$4.5 billion between 2009 and 2015, the Justice Department lawsuits allege.

Malaysia's new government says it believes the number is closer to \$6 billion. He relied on Middle East allies, the Justice Department alleges.

About \$1 billion was misappropriated via a joint venture with a Saudi oil company, the Justice Department suits claim.

Another \$1.4 billion was taken in an arrangement with the head of a \$70 billion Abu Dhabi sovereign-wealth fund, International Petroleum Investment Corp., or IPIC, which had guaranteed some 1MDB bonds, the suits claim. More was purloined under the guise of building an international financial center in Kuala Lumpur in a

joint venture with an IPIC subsidiary, the suits claim.

Abu Dhabi officials decline to comment and say the Abu Dhabi officials named in this article decline to be interviewed.

IPIC was folded into Abu Dhabi sovereign-wealth fund Mubadala Investments Co. in 2017. Abu Dhabi's government and IPIC's management said the Abu Dhabi fund didn't receive money that 1MDB, in its financial statements, claimed to have sent to IPIC.

Since the election, Mr. Low has struck a more careful posture, say people who know him.

After the scandal broke, Mr. Najib ordered Mr. Low to stay away from Malaysia, according to people familiar with the episode, and instead the financier traveled the world trying to contain the scandal, especially in Abu Dhabi.

The 1MDB fund was supposed to have sent \$1.4 billion to IPIC, but the money instead had flowed to an offshore shell company controlled by Khadem Al Qubaisi, the managing director of IPIC, the Justice Department alleges. That money was divided by Mr. Al Qubaisi, Mr. Low and other conspirators, the lawsuits allege.

Because he didn't want a detailed review by authorities, Mr. Low tried to keep the matter secret, according to emails the Journal reviewed between



J. COUTURE/RETNA/GETTY IMAGES

Mr. Low's role, they say, was to help Mr. Najib contain the

GREATER NEW YORK

Race for N.Y. Attorney General Heats Up

By JOSEPH DE AVILA

The coming week is gearing up to be a busy—and likely illuminating—one in New York politics.

The state's Republicans and Democrats will nominate their candidates for statewide office this week, narrowing the field of contestants and bringing more clarity to November's potential electoral matchups.

As the parties kick off conventions Wednesday, much of the focus will be on the GOP and Democratic nominees to replace former Attorney General Eric Schneiderman, the state's former top legal officer who stepped down earlier this month amid allegations of assault, which he denies.

New York City Public Advocate Letitia James has emerged as the favorite to earn the Democratic nomination for the position, according to party insiders. Zephyr Teachout, a law professor and former gubernatorial candidate who lost the 2014 primary to Gov. Andrew Cuomo,



Republican Manny Alicandro, left, and Democrat Letitia James have said they will seek their parties' nominations for attorney general.

has said she also will seek the nomination at the convention.

"We have a broad spectrum of people who have expressed interest in the race," said Geoff Berman, executive director of the New York state Democratic Committee.

On the Republican side, John Cahill, who ran for attorney general in 2014, is considering seeking the Republican

nomination for attorney general and would be considered the front-runner, according to party insiders. Manny Alicandro, a Wall Street attorney and former stand-up comedian, has said he would seek the GOP nod at the party's convention. Keith Wofford, a partner at law firm Ropes & Gray who has never run for public office, also is weighing a run.



Democrat Letitia James has said they will seek their parties' nominations for attorney general.

At the Working Families Party convention Saturday, party members declined to make a typical attorney general nomination. Instead, the party chose a placeholder candidate who, officials said, would vacate the spot before the November election. Members said they would support either Ms. Teachout or Ms. James.

One big name that could

shake up the attorney general's race is former Manhattan U.S. Attorney Preet Bharara, who hasn't ruled out a bid.

For the gubernatorial nomination, Republicans are expected to tap Dutchess County Executive Marcus Molinaro. A Siena College poll from April, showed Mr. Cuomo leading him 57% to 31%.

Mr. Cuomo is expected to be

formally nominated by the Democratic Party during this week's convention at Hofstra University on Long Island. His rival, actress and activist Cynthia Nixon, also will seek the nomination Wednesday, according to a Democratic Party official. The candidate that secures 50% of support from party delegates will be the official designee.

The Working Families Party, which previously supported Mr. Cuomo, endorsed Ms. Nixon on Saturday.

In the Siena College poll from April, Mr. Cuomo led Ms. Nixon by 58% to 27%.

Mr. Berman, the executive director of the New York state Democratic Committee, played down concerns that bad blood between the progressive and moderate wings of the party would linger after the primary.

"I'm confident by the time we get to the general election the Democratic Party will be fully unified and enthusiastic to elect Democrats up and down the ticket," Mr. Berman said.

—Corinne Ramey contributed to this article.

Second Span of Goethals Bridge Is Set to Open

By PAUL BERGER

Vehicles will begin streaming across the second and final span of the new \$1.5 billion Goethals Bridge on Monday.

The bridge, which carries about 90,000 vehicles each day over a tidal strait between Elizabeth, N.J., and Staten Island, N.Y., is on schedule to be completed on time and within budget, according to the Port Authority of New York and New Jersey.

Once the finishing touches—such as lane painting and removal of the old bridge—are completed later this year, it will mark a rare win for the Port Authority, an agency that has been criticized for delays and overspending on other projects.

Port Authority Executive Director Rick Cotton said Thursday that the new bridge would increase capacity by more than 50% on a busy trucking route close to a major airport and seaports around Newark. The first span opened last summer.

"It will bring huge new benefits to the traffic between New York and New Jersey," Mr. Cotton added.

Tolls on the bridge, which are \$15 cash for eastbound cars, will remain unchanged.

The Goethals Bridge continues a trend of replacement bridges changing the skyline across the region. Gone are the hulking steel frames of the old cantilever and truss bridges, such as the original Goethals, Tappan Zee and Kosciuszko, which have been replaced by the elegant lines of cable-stayed bridges.

The new Goethals Bridge is squatter than its neighbors, as designers had to keep its towers lower than normal for a bridge its size because of its proximity to Newark Liberty International Airport.

New Jersey Gov. Phil Murphy, a Democrat, said: "The completion and opening of the second span of the Goethals Bridge project represents one of the most important infrastructure enhancements undertaken in the New Jersey-New York metro region in more than eight decades."

The bridge is the first new span built by the Port Authority since the George Washington Bridge opened in 1931.

The original Goethals Bridge, opened in 1928, provided ample room for Ford's Model T. But in recent decades, its four 10-foot-wide lanes were too narrow and too crowded with trucks to allow most drivers to pass one another.



The \$1.5 billion Goethals Bridge, which links Elizabeth, N.J., and Staten Island, N.Y., is set to be completed on time and within budget.

The bridge also had no shoulder, forcing the Port Authority to stop traffic in both directions when emergency vehicles responded to crashes.

The new bridge has six 12-foot-wide lanes as well as two inner 5-foot shoulders and two outer 12-foot shoulders.

The Port Authority covered \$500 million of the costs for the bridge. The remainder was financed by developer NYNJ Link, a joint venture led by Australian investment bank Macquarie Group Ltd.

NYNJ Link is responsible for the design and construction.

For the next 35 years, the Port Authority will lease the bridge back from the developer for about \$60 million annually, in addition to \$7 million a year toward the bridge's maintenance.

At the end of the contract, the developer will return the bridge to the Port Authority.

Port Authority officials said the funding mechanism is invaluable for an agency that is having to renovate many of the region's major transportation assets, such as bridges and tunnels, that opened more than 50 years ago.



STEVE REMICH FOR THE WALL STREET JOURNAL (2)

Mets Finish Sweep of Diamondbacks



AMAZIN' OUTCOME: Amed Rosario, left, who hit his first two home runs of the season, and Brandon Nimmo celebrated a 4-1 victory over Arizona at Citi Field on Sunday, as the Mets won all three games.



Manhattan's 92nd Street Y Plans \$180 Million Makeover

By CHARLES PASSY

One of New York City's major cultural institutions, the 92nd Street Y, plans an extensive renovation after the biggest fundraising campaign in its 144-year history.

The \$180 million capital campaign—\$145 million of which already has been raised—will finance a top-to-bottom makeover and create several new dedicated spaces for current programs and activities, including those devoted to early childhood, seniors and Jewish life, Y officials said.

The Y has one of the more eclectic missions of any cultural and community institution in the city. It offers a full slate of concerts, lectures and readings, in addition to classes in a variety of subjects. It features programming celebrating Jewish life, reflecting its founding in 1874 as the Young Men's Hebrew Association (YMHA). It also has a fitness center and nursery school.

As the Y's activities have grown over the years, it has faced difficulties squeezing so much into its 250,000-square-

foot building, which fronts Lexington Avenue between 91st and 92nd streets.

Even more challenging: The edifice—actually two buildings, dating to 1929 and 1968, that are joined as one entity—has long been in need of upgrades and improvements.

"We underinvested in the building for decades," said

The top-to-bottom overhaul is expected to take place during the next several years.

Henry Timms, the Y's chief executive since 2014.

The overhaul is expected to take place during the next several years. The Y already completed one element within the past month—a new 16-room facility to house its music school, which serves 900 students of all ages.

Yana Stotland, the music school director, said she is "thrilled beyond belief" with the new setup, which gives fac-

ulty and students the room they need.

Previously, the school's facility, housed in a different part of the building, was so tight for space that Ms. Stotland typically gave up her office for much of the day so it could be used for lessons.

Students at the institution's writing program, where novelists and poets often teach, currently take workshops in spaces that serve as nursery-school classrooms by day. The renovation should result in dedicated classrooms for the writing program, Y officials said.

The Y won't be expanding its building. Rather, the renovation calls for the elimination of some residential units—the Y has a dorm of sorts—and a reconfiguration of existing space to provide the needed room, officials said.

The Y's efforts come as other major cultural institutions in New York City have struggled with campaigns for ambitious and costly projects. In the past year, Lincoln Center and the New York Philharmonic shelved a \$500 million plan to renovate David Geffen Hall.

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LIFE & ARTS

MUSIC

Five Mammoth Music Festivals for Those Who Missed Coachella

Over the past few years the music industry has tried to reinvent the live experience, bringing in corporate tie-ups, building buzz with intimate secret shows and introducing special VIP fan packages that can run to thousands of dollars. For those wanting to get back to basics, we've rounded up five top music festivals this summer, from the easy urban day trip to the full camping experience. —Gareth Vipers



umford & Sons performed at the 2017 edition of Boston Calling.

Boston Calling

May 25-27

Harvard Athletic Complex, Boston
Three-day tickets from \$289; single-day tickets from \$105 (plus fees); bostoncalling.com

New England's biggest annual music event offers all the benefits of an urban festival, allowing you to explore Boston, hail a ride share to the concert site and then head back

to your luxury hotel or Airbnb after the show.

Curated by the National's Aaron Dessner since its inception in 2013, Boston Calling is an all-around arts festival, with 55 artists performing across three stages, along with live podcasts and a series of art installations throughout the site.

Last year the event moved from the downtown City Hall Plaza to the Harvard athletic complex, a bigger space

that allows for more programming. For 2018, the festival will take over the college's hockey arena for a series curated by Academy Award-winning actress Natalie Portman. The arena will also feature the popular political podcasts "Pod Save America" and "Lovett or Leave It."

Musical acts performing this year include Jack White, Queens of the Stone Age, Paramore, Tyler the Creator, Eminem, and the Killers.



Bonnaroo

July 6-8
Stage Park, Manchester, Tenn.
Three-day tickets from \$337.50 (plus fees); bonnaroo.com

Mountain Jam

June 15-17

Hunter Mountain, N.Y.
Three-day tickets from \$215; single-day tickets from \$105 (plus fees); mountainjam.com

New Yorkers know Hunter Mountain as a ski resort about two hours north of the city, but with Mountain Jam it has been attempting to establish itself as a summer-music destination.

Founded in 2005 by the local Radio Woodstock (WDST) to celebrate the station's 25th anniversary, the festival has tradition-

ally served as a platform for smaller artists and jam bands, but notable headline sets have included Robert Plant, the Black Keys and the Allman Brothers Band.

Focusing largely on indie and soft rock, the three-day festival has a community focus more attuned to families than some of the other midday concerts.

Yoga, spiritual-healing workshops and visual arts make up some of the nonmusical activities available, as well as what it calls North America's longest and highest zip line.

This year's bill features Jack Johnson, the Decemberists, Alt-J, Sturgill Simpson (left), George Clinton and Parliament Funkadelic, the War on Drugs and Father John Misty.



Governor's Ball

June 1-3

Randall's Island Park, New York City
Three-day tickets from \$305; single-day tickets from \$115 (plus fees); governorsballmusicfestival.com

Held on Manhattan's Randall's Island, Governor's Ball (below) is the option for New Yorkers wanting a festival atmosphere without the experience of three days in a (potentially muddy) field with thousands of teenagers and not enough showers.

Around 150,000 attendees visit Governor's Ball each year, making



the festival a mammoth operation.

The site offers 20 different areas to explore, including 50 street-food vendors, a minigolf course and installations from some of New York City's best-known street artists. And yes, there are various extras on offer, including private suites, cabanas, on-site viewing, a concierge service and a dedicated ferry service from East 35th Street.

In an attempt to keep a clash of the generations at bay, each of the three days offers slightly different genres from Jack White and Yeah Yeahs on Friday, to Tegan and Scott and Halsey (inset) on Saturday, and Eminem and Khalid wrapping things up Sunday.



Firefly Music Festival

June 14-17

The Woodlands, Dover, Del.
Four-day tickets from \$329 (plus fees); fireflyfestival.com

The East Coast's largest camping festival, Firefly is set on 300 acres of woodland in Dover, Del., and welcomes 90,000 music fans each day.

Acts span the worlds of rock, pop, hip-hop, folk and country,



Franz Ferdinand performs at Fire Fly in 2017.



Jean-Michel Basquiat's 'Flexible,'

Painting from 1984, sold on Thursday at Phillips for \$45.3 million.

ART

MID-MARKET WORKS POWER NEW YORK AUCTIONS

BY KELLY CROW

IT'S LONELY at the high end of the art market, as collectors increasingly do an about-face and shy away from trophies in favor of lower-priced works.

During two weeks of spring sales that concluded Friday, more than \$2.8 billion worth of art changed hands across Christie's, Sotheby's and Phillips in New York. Fueled by years of consistently higher art prices, new and seasoned collectors shopped as if art values will keep going up indefinitely, dealers said.

However, rather than fueling bidding wars, many of the priciest pieces garnered the thinnest competition, sometimes selling on a single bid or to an investor who had prearranged to buy the work if no one stepped up.

That marks a turnaround from a few seasons ago, when auction houses could bank on selling their

priciest pieces even if less-glitzy ones floundered. Now, the very pieces that aim to dazzle prospective bidders are proving to be the auction houses' biggest liabilities.

Adrien Meyer, co-chairman of Christie's impressionist and modern art department, said auction houses are struggling to manage the expectations of sellers who see the market's growth cycle as a chance to slap "record level" asking prices on works rather than let auctioneers set estimates lower, as bidding bait. Such moves "take away our chances for fireworks" in the saleroom, Mr. Meyer said.

Here are some lessons to take away from the latest sales:

Albatrosses at the Top

If there are cracks in this feverish marketplace, they are showing up here, at the top. Sotheby's had a \$157.2 million Amedeo Modigliani "Reclining Nude" and Christie's had Pablo Picasso's \$115 million "Young

Girl with a Flower Basket," but both sold following a single bid, which doesn't reflect much competitive interest. An \$86 million Kazimir Malevich "Suprematist Composition" garnered three bidders, which is more typical.

It only took one bid for a phony collector to win a \$34 million Jackson Pollock, "Number 32, 1949," Sotheby's on Wednesday, and a single bid was sufficient for someone to buy a \$20.6 million Claude Monet, "Morning on the Seine," at the same house two days before.

On Thursday, Phillips fared worse with a \$45.3 million Jean-Michel Basquiat, "Flexible," but failed to sell a couple paintings by Gerhard Richter and Sigmar Polke that were expected to sell for at least \$12 million apiece.

A Booming Middle Market

In the so-called middle market, the range of lower-profile offerings

Please see AUCTIONS page 10

LIFE & ARTS



WHAT'S YOUR WORKOUT? | By Jen Murphy

The Cyclist Who Won When She Stopped Racing

She competed at Masters level, but is happier sticking to hard training rides

SOME ATHLETES are motivated by medals and finish times. Deb Matz finds more satisfaction in her path to the starting line. Ms. Matz, 57, was one spot away from the podium in three events at the 2017 UCI Masters Track Cycling World Championships. "My reflection afterwards was that the event itself isn't what motivates me," she says. "I love the training much more than actually competing."

So Ms. Matz, a Plano, Texas-based hair stylist, has decided to step away from track racing. She says she completed 80% of her race training alone. She missed the social component of road cycling, which was what hooked her on the sport in the first place. Cyclists look out for each other on the road, geek out on gear and encourage each other on the hills, she says. "There's a special camaraderie among cyclists," Ms. Matz says. "You really get to know people chatting on these long rides."

For her 43rd birthday, her husband, Steve Woodlock, bought her a hybrid bicycle and she soon swapped her sneakers for clip-in bike shoes and her shorts for spandex. "Being out on a bike gave me a sense of childlike freedom," she says.

Road cycling led her to discover track racing and in 2010 she participated in the USA Cycling Mas-

ters Track National Championships in Frisco, Texas. She finished first in the 500-meter time trial and team sprint and second in the match sprints.

In the summer of 2016, a friend suggested she train for the 2017 UCI Masters Track Cycling World Championships in Los Angeles. "I couldn't get the idea out of my head," she says. In early 2017, she ramped up her track training and qualified for worlds. She finished fourth in the team sprint, match sprints, and 500-meter time trial in her age group.

While finishing just off the podium was disappointing, Ms. Matz says the experience taught her a lot about herself. Not having a racing event on her calendar in 2018 hasn't changed her desire to push herself. It's only relieved the pressure of focusing on the clock. "I once read a quote that really spoke to me: 'Love the sport more than the glory, the journey more than the destination, and the fight more than the finish,'" she says.

The Workout

Ms. Matz arrives to the gym at 4:45 a.m. four days a week. She spends 20 minutes on core work, stretching and foam rolling. Her strength routine takes 45 minutes. Ms. Matz's family has a history of osteoporosis that has motivated her to hit the weights. She dedi-

cates two days to upper body exercises, including lat pull-downs and dumbbell flies. Two lower-body days include deadlifts, walking lunges and reverse lunges.

The strength training gives her more power and endurance on long rides and has improved her endurance at work. "At the salon, I use my upper body all day leaning forward with my arms, reaching with my hands," she says.

Tuesday and Thursday mornings she goes on a 45-to-50-mile group tempo ride, which usually takes about three hours, including a rest stop. Wednesdays and Saturdays she rides alone and focuses on intervals. In the winter she uses a bike trainer inside and the elliptical and rides for an hour. Outdoor rides are usually 90 minutes. On Sundays Ms. Matz will either do intervals or join a group ride.

A race-free calendar means more time to devote to cycling vacations, which is the only time her husband joins her on the bike. "He doesn't want to be at a group ride at 7:30 am on a Sunday," she says. The couple cycled around Maui in February and have plans to ride in Aspen, Colo., and Europe later this year.

The Diet

Ms. Matz subscribes to the 80/20 rule: eating healthy 80% of the



Deb Matz gave up track racing and finds more pleasure in group rides. Here on a cycling vacation in Colorado, Ms. Matz trains and rides with her husband (far left).



time and indulging with wine and dark chocolate the other 20%. She starts her day with fruit and an Ezekiel English muffin topped with almond butter. She nurses a protein smoothie at the salon and snacks on homemade granola, yogurt and berries. Dinner is usually fish or steak and a salad or vegetables. Energy bars upset her stomach, so she makes her own ride snacks from peanut butter or almond butter, protein powder and honey or maple syrup. She also rides with dried mango slices and date balls for energy.

The Gear & Cost

Her Dolan track bike cost around \$5,000. Her Pinarello Dogma F8 road bike cost around \$11,000. Her ASSOS Sunglasses cost \$349. "I love the large frames," she says.

"They protect my eyes and I've lost fewer contact lenses." She's partial to GIRO helmets. She has both GIRO Factor Techlace (\$350) and GIRO Prolight Techlace (\$400) bike shoes. "They are super lightweight and breathe great in the Texas heat," says Ms. Matz of the Techlaces. She calls them her Jimmy Choos, a splurge to wear a handful of times a year.

She uses a Garmin Edge 820 (\$350) to track her training. She pays \$49 a month for gym dues and \$25 a year for her Plano Bicycle Association membership. Ms. Matz is often on her feet at work up to nine hours a day. "I like to switch shoes from a platform to a flat midday to put different pressure loads on my feet," she says. She gets regular chiropractic work and a massage once a month.

Three Picks for Holidays on Wheels

Over the years, Deb Matz and husband, Steve Woodlock, have done cycling trips and training camps with former pros. Here are some of her favorites:

Clip-In with Christian, Aspen, Colo. Guests ride alongside former pros, including Christian Vande Velde, George Hincapie and Craig Lewis, at this annual three-day cycling camp. By day, you'll climb Independence Pass, the fourth-highest paved road in Colorado reaching an elevation of 12,095 feet. At night, indulge in wine-paired meals. \$6,250 per rider; Aug. 19-23. <https://www.thelittleell.com/adventures/summer-adventures/clip-in>

Lexus Gran Fondo, Chatham, Mass. A gran fondo is simply a mass cycling event of varying distances and ability levels. During this three-day event, cyclists can choose to ride 30, 50 or 100 miles in one day and then partake in farm tours, star-chef meals and clambakes. Rides from \$140 per person; Rooms from \$525 per rider. <http://lexusgranfondo.com>

Backroads, Berkeley, Calif. This active-travel company is a favorite of Ms. Matz's for multiday cycling holidays. She and her husband have ridden with them in the Canadian Rockies, Washington's San Juan Islands, California wine country and the Big Island in Hawaii. From \$3,200 for a six-day trip based on double occupancy. <https://www.backroads.com>

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LIFE & ARTS

ART REVIEW

BY DOMINIC GREEN

London

FOUNDED IN 1768 to promote "the Arts of Design," the Royal Academy of Arts was Britain's first art school, and the first institution to offer an annual exhibition open "to all artists of distinguished merit." More than a million visitors a year enter the Baroque courtyard of Burlington House from Piccadilly, to see the annual Summer Exhibition and international loan exhibitions like the recent "Abstract Expressionism" and "David Hockney: 82 Portraits and 1 Still-Life." Now, there is another way into an enlarged and augmented RA and a vastly expanded vision of the RA's past and potential.

To mark its 250th anniversary—or sestcentennial, as its Classically minded founders might have preferred—the RA has expanded from Burlington House into the property behind it, 6 Burlington Gardens. The revamp, designed by David Chipperfield, increases the RA's exhibition space by 70%. The additions include multiple spaces for contemporary work as well as the RA's historic teaching collections, plus a spacious lecture hall, a learning center with excellent natural light, a new studio space for the Academy Schools, and—by linking the buildings through their basements—a quirky, art-filled pedestrian arcade connecting Piccadilly with Mayfair.

"The Academy was always a teaching collection, and the Academy was also always a school and an exhibition," its president, the painter and sculptor Christopher Le Brun, told me. "To display the collections properly rebalances the Academy towards its academic function. We're not just an exhibition venue. The heart of an academy was its school, and the RA's collection was originally founded with pieces for the students to study."

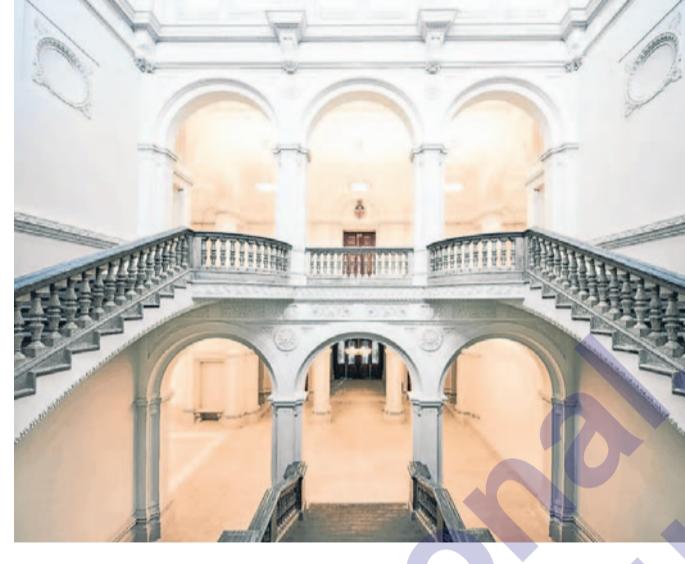
The RA's founding collection was intended to express the Neoclassical and patriotic ideals of its first president, the portraitist Joshua Reynolds (1723-1792). Though copying was the RA's teaching method, Neoclassicism was then a contemporary art form. The Classical restraint to which Reynolds exhorted his

A Museum Honors Its Educational History



countrymen soon devolved into disordered individuality, the eccentricity that defines English style. Joshua Reynolds the theorist lectured his fellow Academicians on Classical form, but "Sloshua" Reynolds the painter applied his paint with a proto-Romantic materiality that prefigured Constable, whose choppy style was to electrify Delacroix.

The new Collections gallery, curated by Mr. Le Brun, shows rather than tells this story. Thomas Lawrence's massive, Miltonic "Satan Summoning His Legions" (1796-97) dominates the doorway like a Romantic sentinel. A trio



of self-portraits—Lawrence, Gainsborough and Reynolds—leads to the center of the hall. A large copy of "The Last Supper" from Leonardo's workshop (c.

1515-25) faces three copies from Raphael's tapestry designs by James Thornhill (1675/76-1734). On the left is Britain's only Michelangelo marble sculpture, the "Taddei Tondo" (c. 1504-05), depicting the Virgin and Child with the infant St. John.

On the right, we see English style's divergence from emulation to inspiration, as students like

William Blake, John Constable and J.M.W. Turner enter the Academy Schools. Henry Singleton's "The Royal Academy in General Assembly Under the Presidency of Benjamin West" (1795) presents the ideal, but Henry Fuseli has already unleashed the subjective passions of "Thor Battering the Midgard Serpent" (1790). The Collections Gallery leads from male nudes to the subjective impressions of Turner's "Dolbadern Castle, North Wales" (1800) and Constable's cloudscapes. In a clever, unforced link to tradition, Tacita Dean's meditative contemporary landscapes are the opening exhibition in the new Gabrielle Junge-Winkler Galleries.

By knocking through the smaller rear rooms of the two buildings, Mr. Chipperfield has created surprising corners, calm pockets for contemporary sculpture, and odd perspectives into the Victorian backyard between the buildings. It is as though the green baize door of Downton Abbey has been lifted off its hinges.

As if confirming this plunge into the English imagination, the link between the buildings dives through a subterranean channel, once a teaching space, and now, as The Vaults, a museum of casts and drawings. The visitor who has seen a contemporary sculptural or figurative exhibit encounters the living foundations of the figurative tradition. The tourist who has just sauntered past the suit makers of Savile Row sees another living artisanal tradition in the pupils of the Academy Schools.

In a time of seemingly gratuitous gigantism—consider SFMOMA and Tate Modern, and take a pair of walking shoes when you do—the RA has achieved a compact and versatile two-acre site. In a time of rising ticket prices, the RA has displayed its collections for free, and invited the public to use its site not as a lounge, but a thoroughfare. If the clarity of Mr. Chipperfield's design seems obvious, that is because it has the intelligence to combine imagination with humility, and to strike the wellsprings of the English imagination instead of the keys of the cash register.

Mr. Green is a historian and critic in Boston.

AUCTIONS

Continued from page A11

where houses say they're fielding less pressure from sellers on pricing, sales soared. Sotheby's sold a solid 87.4% of its offerings in its \$107 million day-long sale of lower-priced contemporary art on Thursday.

Christie's \$274 million day sale of impressionist and modern art on Wednesday was 86% sold, while Phillips's \$24 million day sale was the highest in company history, achieving 91% of its sale's total potential value.

Asia's Buyers Stayed Home...

Asian collectors, who have taken home some of the biggest lots for the past few seasons, were scarce this time around, winning only a handful of works across the houses. Dealers said the new Asian buyers were maturing and may have experienced sticker shock along with the rest.

...And Other Collectors Stepped Up

U.S. collectors held sway throughout the series, winning roughly 70% of the Rockefeller lots offered at Christie's and winning major pieces at the other houses as well. On Wednesday, Sotheby's sold every artwork in its \$108 million collection of postwar art being sold by a foundation for auto-parts billionaire Morton Mandel and his wife, Barbara—including an untitled, \$18.9 million Mark Rothko work on paper that was only expected to sell for up to \$10 million.



Jackson Pollock's 'Number 32, 1949,' sold for \$34 million at Sotheby's on Wednesday, to the sole bidder for the work.

Minutes after that Rothko sold, musician and producer Kasseem "Swizz Beatz" Dean sat in Sotheby's front row and pumped his fist after winning Lynette Yiadom-Boakye's 2017 portrait of a man lounging on a tufted sofa, "An Assistance of Amber," for \$555,000, a record-breaking price for the artist. "I love her work," Mr. Dean said.

Seconds later, he texted congratulations to rapper and producer Sean "Diddy" Combs, who called in the winning bid for painter Kerry James Marshall's \$21.1 million park tableau from 1997, "Past Times." Mr. Combs's spokeswoman said he doesn't speak publicly about his art buying.

"Collector confidence is higher and more broadly based than at any time I can remember," said Anthony Grant, a former Sotheby's auction executive who now works as a private dealer.

The Rockefeller Effect

The \$833 million Rockefeller estate sale, which preceded the spring auctions, included roughly 1,500 objects. Every single piece sold—an auction anomaly so rare it's called a "white glove" sale.

Some of the more than 200 first-time buyers in Christie's Rockefeller sale stuck around to bid in the impressionist, modern and contemporary art sales, the house said.

This widening of the pool may have helped Christie's best its rivals, as it sold roughly \$961 million last week compared to Sotheby's \$859 million total and Phillips's \$155.6 million total. Mr. Grant said he

watched some of the same collectors who clamored for classic furniture during the first week of Rockefeller sales come back the following week to bid on-of-the-moment painters during the spring sales, a cross-category trend that's quickly becoming the norm.

Shifting Tastes

Andy Warhol's Pop works failed to spark as much interest as he did a few years ago, and bidding flagged for some minimalist artists like Donald Judd and Dan Flavin. But overall, records were reset for more than two dozen artists, including Joan Mitchell, David Hockney—whose auction high bar was reset twice in one night at Sotheby's—and a slew of other artists like Mark Tansey, Jonas Wood, Avery Singer, Cecily Brown, Njideka Akunyili Crosby, and Kehinde Wiley. Richard Diebenkorn, the Bay Area painter, survived one of the biggest market reckonings of his career when 13 of his works were offered in a single sale at Christie's. All sold.



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SPORTS

HORSE RACING

JUSTIFY LOOKS TO BELMONT

BY JIM CHAIRUSMI

BALTIMORE—Only 12 horses have won horse racing's Triple Crown. Justify is quickly galloping to join that exclusive club.

At a rain-soaked and foggy Pimlico Race Course on Saturday, Kentucky Derby champion Justify splashed to victory in the Preakness Stakes, setting up a bid for racing immortality in the Belmont Stakes on June 9.

It was only three years ago that American Pharoah snapped a 37-year Triple Crown drought, by sweeping the Kentucky Derby, Preakness and Belmont. The common thread for Justify and American Pharoah is trainer Bob Baffert.

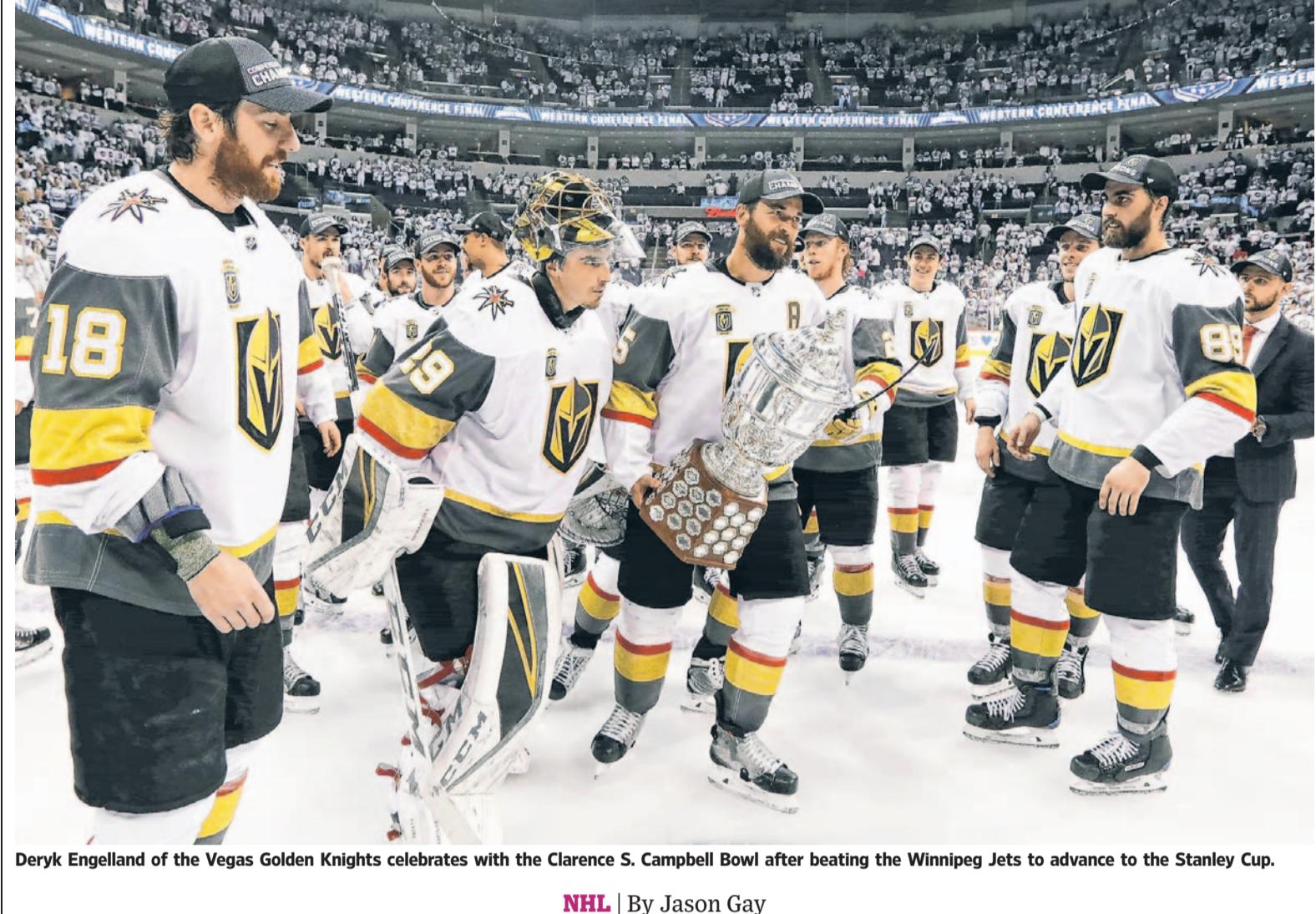
Baffert said Justify will go back to Churchill Downs to recover and train before traveling to New York during the week of the Belmont.

"Our job is just try to manage him as well as we can," Baffert said. "We have to go back on all my experiences to get him there. He's a big, heavy strong horse, and [his] races don't knock him out."

Ahead of the Preakness, there were questions about how Justify would perform after receiving treatment for a bruised heel after the Derby. A gritty win while being pressured early by Good Magic, and then finding another gear to hold off the late-charges of Bravazo and Tenfold alleviated those concerns. "He has to come out of this race well, and he's got to be training really well," Baffert said. "[He] has to be 100%."

In the Belmont, Justify will likely have to beat Bravazo and Tenfold again, with connections for both horses indicating they want a rematch. Trainer Todd Pletcher, who saddled four horses in the Derby, should have some well-rested horses, including Vino Rosso, prepped to play spoiler. Gronkowski, a horse co-owned by Patriots tight end Rob Gronkowski is also pointed for the Belmont.

"We'll see what happens in the next one," Bravazo's trainer D. Wayne Lukas said.



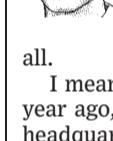
Deryk Engelland of the Vegas Golden Knights celebrates with the Clarence S. Campbell Bowl after beating the Winnipeg Jets to advance to the Stanley Cup.

JASON HALSTEAD/GETTY IMAGES

NHL | By Jason Gay

Vegas Golden Knights Hit Jackpot

The best surprise of the sports world is Sin City hockey startup, now in the Stanley Cup Final



Allow me to join the most popular confession in sports: I did NOT see this Vegas hockey thing coming.

Not like this. Not at all.

I mean, I was *there*, barely a year ago, at Vegas Golden Knights headquarters, in Summerlin, Nev., a shortish drive from the Strip, where I met with some of the NHL expansion team's marketing people. The office looked like a polite suburban law firm. The team didn't even have a *roster*. The Knights people were smart and friendly, and they really knew and loved Vegas, and, by the end, they had me thinking that pro hockey maybe—maybe—had a chance of becoming a success in the desert.

Then I got in my Uber back to the hotel and I thought: *Man, those Knights folks are crazy. The NHL in Vegas is never gonna work.*

I'm an idiot, as it turns out.

(You probably already knew that.)

On Sunday, the first-year Vegas Golden Knights bounced the Winnipeg Jets in the Western Conference Final to reach the Stanley Cup Final. That's right: an expansion team—a team that did not exist at this time last year—is four wins away from hockey's greatest

prize. You have to go back to the 1968 St. Louis Blues to find a team that's done this—and the Knights have done it in an era with much more NHL competition.

Meanwhile, Vegas's arena looks like the most rocking place in sports.

It's crazy. And come on: I can't be the only one who had skepticism. After all, Vegas is a town for gamblers, conventioneers and bachelor/bachelorette parties. It's where you go to see Carrot Top, or Celine Dion, or that circus thing your neighbor told you was pretty good. Maybe you get a couple of fancy dinners and buy a new pair of shoes. Hockey? You could see hockey almost anywhere.

The Knights folks argued that Vegas was a lot more than tourists on the Strip—that there was a growing city hungry for hockey. But how hungry were they for bad hockey? We all knew the Golden Knights would stink in their opening year. Stinkage was just assumed. It's the rule for expansion teams. You suffer for a bunch of years, come up with a plan, and pray it eventually works out, or they shut you down and move you somewhere else.

Don't let anybody rewrite his-

tory: When the NHL held its expansion draft last June—basically, a potluck dinner which allowed the Knights to throw together a roster out of players other teams didn't protect, the experts didn't see a Stanley Cup finalist in the making. The Hockey News picked the Knights to finish dead naked last in their division. So did ESPN. USA Today penciled them in as the worst team in the NHL, full stop.

The Knights didn't even get the benefit of the doubt in the local trade. Casino books pegged them as anywhere from a 200-to-1 to a 500-to-1 long shot to win the Cup.

500-to-1! Yowie. I wish we'd all played that one.

They still have work left to collect the jackpot. The Golden Knights will get the winner of the Tampa Bay Lightning-Washington Capitals Eastern Conference tangle, which the Lightning currently lead 3-2. Vegas gets to rest and see who they'll face in the Stanley Cup Final.

Vegas gets to rest and see who they'll face in the Stanley Cup Final. Every line in this story is bananas, I love it.

There are good hockey angles here, to be sure. It starts with goaltender Marc-Andre Fleury,

who gave the club veteran stability and was brilliant again Sunday in the 2-1 clincher over Winnipeg, stopping 31 of 32 shots. The Golden Knights' young talent has overachieved as well. William "Wild Bill" Karlsson had 18 goals in his first three NHL seasons between the Anaheim Ducks and the Columbus Blue Jackets. He had 43 in the regular season for Vegas—and has six more in the playoffs thus far.

Then there's the home crowd advantage. The Knights begin each contest in T-Mobile Arena with some glitter and sizzle—the pre-game show resembles a renaissance fair co-managed by Cher and Elton John—but it's the hockey action that's wound up generating the most noise. The Knights began the season hot on the ice, and the novelty's not worn off.

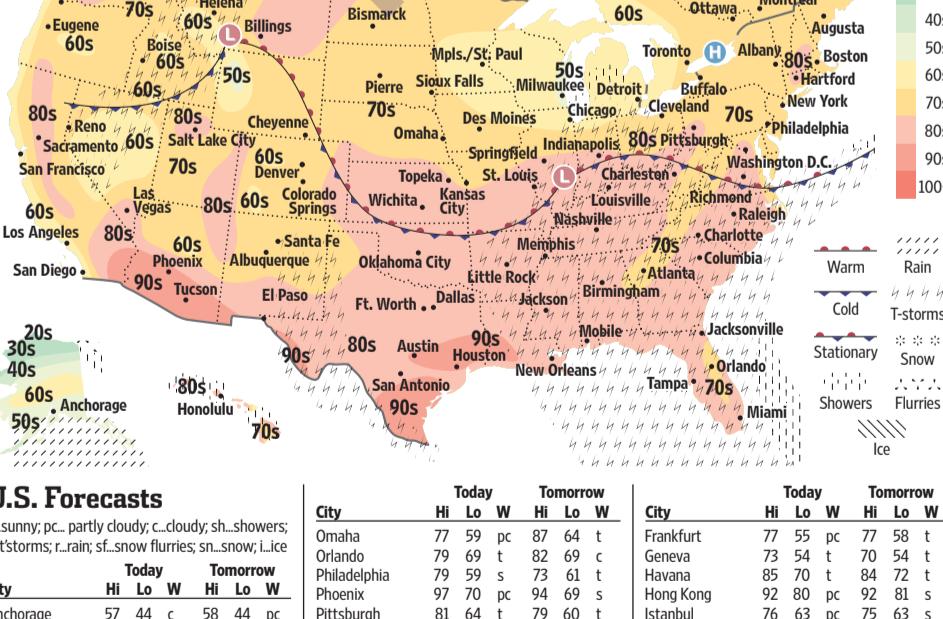
So mea culpa: I got it entirely wrong. If you're sitting at home chagrined that the NBA playoffs may turn into yet another duel between the Warriors and LeBron, the NHL has a delicious American story for you. The Golden Knights are going to the Stanley Cup Final, and those people I met in the desert last year were 100% right: Las Vegas is officially a hockey town.



Justify, with jockey Mike Smith

Weather

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

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

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

Today Hi Lo W Today Hi Lo W

City Hi Lo W Today Hi Lo W

City Hi Lo W Today Hi Lo W

The WSJ Daily Crossword | Edited by Mike Shenk



- 3 Aid for a supermarket shopper
- 28 Complains petulantly
- 4 Again and again
- 29 Starbucks order
- 5 Winslet of "Titanic"
- 30 Groundbreaking
- 6 Creative endeavors
- 31 Long and sinuous
- 33 Mischievous fellow
- 37 CDC worry
- 9 Diamond division
- 41 Pool marking
- 10 Inmate's punishment, at times
- 43 Keys in
- 44 Survives
- 48 Latin land
- 49 Flower part
- 12 Hunger indicator
- 50 Miles of "Psycho"
- 51 Untrustworthy fellow
- 52 Societal woes
- 53 Dresden denial
- 21 Lying faceup
- 23 Made change?
- 24 Fizzy quaffs
- 25 Sound from a nest
- 55 Dedicated works
- 58 "A Wrinkle in Time" director DuVernay

Previous Puzzle's Solution

T	O	T	G	L	E	A	M	P	I	N	T
V	I	O	D	L	A	Y	L	E	N	Y	A
S	H	E	D	S	A	T	E	R	A	T	E
A	R	K	A	N	S	A	S	T	A	S	T
F	I	L	L	O	P	H	A	R	A	O	H
O	P	E	O	T	O	O	L	E	F	E	W
O	O	P	R	U	N	E	A	R	A	F	A
T	U	T	E	R	A	S	E	N	I	N	L
T	O	S	A	D	A	N	T	S	A	N	T
M	I	C	H	E	L	O	B	L	I	G	H
M	E	N	T	E	R	I	T	H	E	T	A
B	R	A	Y	H	O	R	O	O	S	O	R

The contest answer is PHILIP MARLOWE. Each of the four long Across answers contains a word (SHEDS in TEAR, SASS in ARKANSAS STATE, BLIGHT in MICHELOB LIGHT, DOWN in LANDOWNERS) that is a one-word clue elsewhere in the puzzle. The answers to those clues, in the order listed above, are FILL/LIP/MAR/LOW, which yields the contest answer phonetically.

SEW WHAT? | By Edith Tremio

- Across
- 1 Ring of light
 - 5 Maker of GoLean cereals
 - 10 Wee bite
 - 13 "In your dreams!"
 - 14 Hurtle along
 - 15 Egg cells
 - 16 Old late-night broadcast
 - 18 U-Haul rental
 - 19 Cafeterias and coffee shops
 - 20 On the increase
 - 22 Word paired with neither
 - 23 Less
 - 24 Coll. or univ.
 - 27 Targets in an alley
 - 32 Chicago airport
 - 34 Put on the wall
 - 35 Take ___ the chin
 - 36 Aria performer
 - 37 Byron of ABC's "Nightline"
 - 38 Brightening star
 - 39 Warring Olympian
 - 40 Predeal payment
 - 41 Baseball's Jeter
 - 42 Seattle landmark
 - 43 Go astray
 - 44 Challengers
 - 45 Scheming
 - 46 Ranch crew
 - 47 Fitting
 - 49 Elegantly slender
 - 51 Heed
 - 56 Brewed beverage
 - 57 Message that includes the original message and all succeeding replies
 - 59 Go astray
 - 60 Challengers
 - 61 Jambalaya base
 - 62 Yoga class need
 - 63 Surgery souvenirs
 - 64 Industrious insects
 - 65 Can't stand
 - 66 On an ocean voyage

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

International

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

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

Today Hi Lo W Today Hi Lo W

City Hi Lo

OPINION

Venezuela's Sham Election

AMERICAS
By Mary Anastasia O'Grady

Venezuela held what it called presidential and state legislative "elections" on Sunday, as if voters' ballots would decide who governs them. As we went to press state television had not announced its results. But it's safe to say that the winners were whoever Castro's Cuba—which runs Venezuela—decided they would be.

Last week Reuters reported that Venezuelan state-owned oil company PdVSA has purchased almost \$440 million of crude in foreign markets this year and delivered it to Cuba on favorable credit terms. "Often at a loss, according to internal company documents," the news outlet reported.

A loss, that is, for dystopian Venezuela, where every day the population plumbs new depths of privation. Could there be better evidence that the country has been colonized by Cuba?

Most Venezuelans gave up long ago on "elections" as the way to restore their rights. They have tried other means, going to the streets peacefully and in big numbers. Some have even taken up arms. But they are outgunned and, perhaps as important, out-surveilled by Cuban intelligence. Midlevel military dissent is no secret, but the top brass has so far quashed rebellion.

Cuban-coached repression has done its job. There were more than 12,180 political

arrests between January 2014 and early April this year, according to the Venezuelan human-rights group Foro Penal. Jails and detention centers are unsafe and unsanitary and offer little or no food. Torture is common; legal representation is not. Prisoners can linger for years with no trial.

As the country has grown poorer and three million have fled, the regime's power has increased. Early this month Havana's man in Caracas predicted an Election Day landslide. "The revolution is going to record the biggest victory in its entire electoral history," Nicolás Maduro said. He had no reason to think that it would be otherwise, even if, at best, he has the support of only about one-third of the electorate.

Many Venezuelans pledged not to be part of an electoral process in which important opposition parties were banned and the government made it impossible for some of the nation's most popular leaders to run. These included the former mayor of Caracas's Chacao district, Leopoldo López, who is under house arrest; former Caracas Mayor Antonio Ledezma, who is in exile; and a former mayor of San Cristóbal in Táchira State, Daniel Ceballos, who is rotting in a Caracas prison. Former congressman Freddy Guevara avoided arrest last summer by taking refuge in the Chilean Embassy in Caracas, where he remains.

The voter rolls are corrupted, there is no free press, and the national electoral council is a tool of the regime.

Electronic voting machines generate fear that the vote is not secret. That possibility is scary since the government controls the food supply. Participating under these circumstances could only legitimize a sham.

Not all who reject the Maduro machine were expected to stay home. Venezuela's most

Maduro will hold on to power, but no one really 'won' Sunday's fraudulent contest.

vulnerable feel the economic hardship more than other socioeconomic groups. They don't have the resources to flee or family abroad to support them. They depend on government rations, and many carry ruling-party identity cards as a way of getting preferred access to food. They knew they were watched. Abstention was risky; some even held out hope that the opposition could win.

The dictatorship expected a combination of intimidation and desperation to deliver what it wanted: enough participation to call it a contest.

Mr. Maduro's main rival was Henri Falcón, a former *chavista* who broke with the regime in 2012. His candidacy created the impression of a legitimate race, generating suspicion about his motives among many Maduro opponents. But he promised to free all political prisoners and to dollarize the economy.

In a fair fight, Mr. Maduro would have been trounced. Oil production is less than half what it was before *chavismo* was born in 1999. This has produced a sharp drop in the hard currency needed to pay for imports—not only for consumption but for production. For example, farmers can't get fertilizer, tractor parts or seeds. Domestic food supplies have fallen precipitously.

The meltdown goes well beyond malnutrition. Venezuela is now in economic anarchy, with the most ruthless rising to the top and grabbing whatever they can at any cost to the nation.

One of their ventures is stealing copper electrical cables, leaving many parts of Caracas and big cities like Maracaibo in the dark. Private trucks delivering water from a creek had been filling in for the broken-down Caracas water system in some neighborhoods. Now the regime brands those entrepreneurs "speculators" and has outlawed their operations. Expect the armed forces to take over the business. Colombian guerrillas roam the countryside with impunity while *chavista* militias rule the barrios.

Who won Sunday? It doesn't matter. The regime has pledged never to hand over power, and Mr. Maduro said during the campaign that he would "carry out armed struggle" if faced with defeat. Lucky for him, Havana's grip on the country means it is unlikely to come to that.

Write to O'Grady@wsj.com.

Advice to New Grads: Scale or Bail

INSIDE VIEW
By Andy Kessler

Dear Grads: How can you make an impact on this world? Michael Keaton told Kent State students, "I'm Batman." Ronan Farrow encouraged Loyola Marymount's class of 2018 to "trust that inner voice." Human-rights lawyer Amal Clooney told Vanderbilt grads last week, "Courage is needed more than ever."

Maybe you're looking for something less vacuous than warmed over "Wizard of Oz" themes? If so, put down your JUUL vape pen, unplug from "Fortnite," tuck in your "I Am the Change" shirt, and listen up. Scale or bail.

Many of you graduates think you want socially conscious careers—giving back, fighting injustice and making a difference. "Well, you know, we all want to change the world." You want to reduce inequality, end poverty, comfort the homeless, expand human dignity. Guess what? Me too! But you're going about it the wrong way.

Some 44% of millennials believe they do more to support social causes than the rest of their family, according to the 2017 Millennial Impact report. If you're volunteering at shelters or

working for most nonprofits, that's all very nice, but it's one-off. You're one of the privileged few who have the education to create lasting change. It may feel good to ladle soup to the hungry, but you're wasting valuable brain waves that could be spent ushering in a future in which no one is hungry to begin with.

There's a word that was probably never mentioned by your professors: Scale. No, not the stuff on the bottom of your bong or bathtub. It's the concept of taking a small idea and finding ways to implement it for thousands, or millions, or even billions. Without scale, ideas are no more than hot air. Stop doing the one-off two-step. It's time to scale up.

I hear you talking about food deserts and the need for urban eco-farms to enable food justice. You certainly have the jargon down. You can hoe and sickle and grow rutabagas to feed a few hungry folks, but then it's really all about you. A better option: Find a way to revamp food distribution to lower prices. Or reinvent how food is grown and enriched to enable healthier diets. Call it a Neo-Green Revolution.

Don't spend all your time caring for the sick. Prevent disease. Gene therapy, early detection and immunotherapy can change the trajectory of

disease because they scale. Don't build temporary shelters. Figure out how to 3-D print real homes quickly and cheaply. Why tutor a few students when you can capture lessons from best-of-breed teachers and deliver them electronically to millions? That's scale.

Scale is about doing more with less. From just an idea, you really do get something for nothing. It's about the productivity increases that

Want to change the world? Don't bother volunteering—get a real, 'boring' job.

create wealth. There is too much talk of sustainability, the fight over slices of a pie, zero-sum games. That's the wrong framework. You need sustainability only if you stick to one-off moves.

Perhaps you're doubtful. You've been drilled to fear a dystopian future. Relax; the world is not going to hell in a Whole Foods handbasket. "The Handmaid's Tale" is not a documentary. Technology exists to enable scale. Only

with productive jobs can you figure out which problems are important and have a fighting chance to scale and solve them.

I know what you're thinking: A "real" job sounds boring. Your business-intelligence analyst title won't sound as interesting at EDM festivals compared with your friend's project to raise \$10,000 and clean up a few tenements in a Rio de Janeiro favela. But I can guarantee you're the one having real influence.

Everyone asks, "What do you do?" If you're employed in a business that scales—and most "boring" jobs are—tell people you're solving global poverty. Because it's true. You'll be more significant than selfish socially conscious conspirators. They get psychic gratification while you get the job done.

I understand that you're young and striving for a purpose—intentional inclusivity, whole self, intersectionality, detoxifying oppression, whatever. Great. Keep that fire in your belly. But when you see oppression, think opportunity. Channel that energy to change the stagnant status quo through scale in education, banking and especially government.

If you don't think I'm credible, you too can listen to Bono. As he told Georgetown students a few years ago, "Entrepreneurial capitalism takes more people out of poverty than aid." Of course it does. Want to change the world? Stop doing one-off volunteering and scale up.

BOOKSHELF | By Bee Wilson

Sweetness And Might

Sugar

By James Walvin
(Pegasus, 325 pages, \$27.95)

There's something crazy about the modern relationship with sugar. We demonize it, and yet we can't seem to stop gorging on it. Few plants can have caused more human misery than sugar cane, first through slavery and now through obesity, tooth decay and Type 2 diabetes. Yet when we see something sugary—a ball of cotton candy, some salted-caramel ice cream, a chocolate fudge cake—most of us still react only with joy, as if greeting a dear old friend. Despite everything we now know about the harm caused by sugar—and other modern sweeteners, such as high-fructose corn syrup—it never stops being sweet.

In "Sugar," James Walvin, a historian of Jamaica, has written a brilliant and thought-provoking history of sugar and its ironies. Mr. Walvin traces the way that within the space of two centuries, from 1700 to 1900, sugar established itself not just as a desirable commodity but as a "dietary essential for all sorts of people the world over." From the tea drinkers of England to the apple-pie eaters of the U.S., it stopped being a luxury and became something that people believed they positively needed to get through the day.

Sugar's conquest of the world proceeded in stages, Mr. Walvin shows. In ancient times, sugar was regarded not as a poison but as a panacea, the cure for a host of ailments, from coughs to colic. In every culture, sweetness has a symbolism related to goodness. It was valued so highly partly because it was so rare, obtainable mostly in tiny quantities as honey. The Quran says that "to enjoy sweets is a sign of faith." By medieval times, an increasing number of rich people were enjoying sweetness from sugar cane, a plant that traveled from the Mediterranean with the spread of Islam. "By 1400," writes Mr. Walvin, "it was being cultivated in Egypt, Syria, Jordan, North Africa, Spain and possibly Ethiopia and Zanzibar."

It was only in the New World that the modern sugar economy fully took shape. Both sugar and its alcoholic offshoot, rum, began to be produced on a large scale in Brazil and the Caribbean in the 17th century. Wherever the sugar planters went, they transformed both land and labor. The early sugar plantations used a mix of slaves and free laborers, but over time, as Mr. Walvin writes, sugar became "synonymous with slavery" and, later, with indentured labor.

The story of sugar and slavery has been told many times—notably by the late anthropologist Sidney Mintz, whose "Sweetness and Power" (1985) remains one of the classic works of food history. But Mr. Walvin writes with fresh and righteous shock of the brutality and injustice of a system that enslaved and displaced millions of Africans for profit and to satisfy the sweet tooth of the West. The numbers involved are staggering. By the end of the 17th century, 18,000 Africans were being transported on hellish

Slave labor transformed sugar from an elite commodity into a everyday staple. Americans' consumption increased 10-fold in a century.

slave ships to the Americas every year. By the 1790s, it was 80,000 a year. Sugar cane is an unforgiving plant to cultivate and harvest. Slaves worked from childhood to old age and from dawn to dusk to tend the fields and crush, boil and filter the juices of the sugar-cane plant, whose sweetness they seldom tasted for themselves.

Meanwhile, thousands of miles away in Europe, the sugar that the slaves toiled so hard to produce was spooned into countless cups of tea and coffee. But who, writes Mr. Walvin, ever "heard the sound of the lash, when spooning sugar into their tea or coffee in London or Paris?" By the 18th century, sugar was so ubiquitous that it had become mundane. It "could be bought as a powder," Mr. Walvin writes, "in lumps, in loaves, raw or moist, or it was known by its place of origin—Barbados, Jamaica or Lisbon (for Brazilian)."

The sugar bowl, which started off as a status symbol for the wealthy, was now an everyday object on both sides of the Atlantic. "In the early years of the new Republic . . . the average American consumed only 8lb of sugar each year. A century later, in the 1890s, that had risen to 80lb a year," Mr. Walvin notes. As point of comparison, the World Health Organization now recommends that an adult consume no more than 25 grams of sugar a day—roughly 20 billion bottles a year.

In the second half of his book, Mr. Walvin shifts his focus from slavery to the perils of consuming too much sugar. As the supply of sugar from cane began to be joined by new sugar from sugar beets, there was a problem of "massive over-production," which led, almost inexorably, to massive overconsumption. We learned to breakfast on sugary cereals and to quench our thirst with sugary sodas. During World War II, Coca-Cola became a patriotic drink. "Between 1941 and 1945," Mr. Walvin writes, "the US military bought 10 billion bottles of soft drinks from Coca-Cola."

Mr. Walvin's sobering final chapters suggest that by the time we noticed how much of a problem sugar was for our health, it was too late to do much about it. The tide has finally turned against sugar, with soda taxes enacted in multiple countries and widespread marketing of "sugar-free" alternatives. Public knowledge about the decades of misinformation spread by sugar lobbyists is growing. But Mr. Walvin suggests that too much is at stake for the sugar industry to suffer a serious challenge. "Currently, there are 120 countries producing 180 million tons of sugar," he writes—and someone has to consume the stuff.

Increasingly the people consuming the most sugar are the poor. Mr. Walvin notes that 80% of Coca-Cola is consumed by just 20% of the American population: heavy consumers at the "lower end of the social scale." Many affluent Westerners have adopted low-sugar diets and found that life with less sugar can actually be sweeter. The real question is what it would take to unsweeten the palate of the population at large. The problem is one of culture as much as nutrition or economics. Public health officials may tell us to consume fewer sugary treats. But no one has succeeded in making us stop desiring the stuff.

Ms. Wilson is the author, most recently, of "First Bite: How We Learn to Eat."

By Keli'i Akina

Lava flows from the Hawaiian volcano Kilauea have destroyed at least 26 homes and disrupted thousands of lives in the past two weeks. Reading this news, you might wonder why some Hawaii residents have chosen to live at the foot of an active volcano. The strange truth is that the state government encourages them.

Kilauea, located on the southeast side of the Big Island, is one of the most active volcanoes in the world. In geologic terms, it has been continuously erupting since 1983, when a lava flow destroyed 16 homes in a subdivision called Royal Gardens. Seven years later, what remained of the town of Kalapana was flattened by another Kilauea eruption, which ended up burying more than 100 homes, a church and a store.

The destruction caused in the early 1990s cost private

Hawaii's Legislature creates a perverse incentive to live in high-risk lava zones.

too much risk in living close to Kilauea. Had that thinking prevailed, the current eruption might have done far less damage.

Unfortunately, the Hawaii state government stepped in. In 1991 the legislature created the nonprofit Hawaii Property Insurance Association, which provides policies to people who can't buy them on the market. But private insurers are forced to join the HPIA as a condition of

doing business in the state. They split the HPIA's expenses, profits and losses in proportion to their market share. In essence, Hawaii law requires all private insurers to pool their resources to subsidize policies in Lava Zones 1 and 2.

Ordinarily, people would be hesitant to build homes in a place that's too hazardous to insure, but here the Legislature's actions created incentives. The result was a housing boom on the edge of an active volcano. By 2008 there were more than 2,400 HPIA policies in the area, providing more than \$700 million of insurance to the highest-risk lava zones in Hawaii.

Over the past week, about 2,000 people have had to evacuate the small subdivision of Leilani Estates as 19 different volcanic fissures opened in the ground. Residents have had to contend with earthquakes, lava, noxious gases and fire. Some chose not to

insure their homes, because even with the help of the HPIA, lava insurance isn't cheap. Others are trying to cope with the need to be covered for earthquakes and fire, too. Many wonder whether they will have a home to return to at all.

The state Legislature's failure isn't only economic—it's moral. Hawaii's lawmakers put citizens in danger by giving them an incentive to live in an area that the market had deemed too risky to insure. The families who have lost their homes have been ill-served by their representatives. After this disaster is over, Hawaii's leaders should wind down the HPIA. This will allow natural price mechanisms to provide valuable, even humanitarian, information regarding the areas in Hawaii that are simply too dangerous to build in.

Mr. Akina is president and CEO of the Grassroot Institute of Hawaii.

OPINION

REVIEW & OUTLOOK

The Informant Who Wasn't Spying

Well, what do you know. The Federal Bureau of Investigation really did task an "informant" to insinuate himself with Trump campaign advisers in 2016. Our Kimberley Strassel reported this two weeks ago without disclosing a name.

We now have all but official confirmation thanks to "current and former government officials" who contributed to apologies last week in the New York Times and Washington Post. And please don't call the informant a "spy." A headline on one of the Times' stories says the "F.B.I. Used Informant to Investigate Russia Ties to Campaign, Not to Spy, as Trump Claims."

We'll let readers parse that casuistic distinction, which is part of a campaign by the FBI and Justice Department to justify their refusal to turn over to the House Intelligence Committee documents related to the informant. Justice and the FBI claim this Capitol Hill oversight would blow the cover of this non-spy and even endanger his life. Yet these same stories have disclosed so many specific details about the informant whom we dare not call a spy that you can discover the name of the likeliest suspect in a single Google search.

We now know, for example, that the informant is "an American academic who teaches in Britain" who "served in previous Republican administrations." He has worked as a "longtime U.S. intelligence source" for the FBI and the CIA.

The stories provide the names of the three Trump campaign officials who the informant sought to court—Carter Page, Sam Clovis and George Papadopoulos—as well as specific dates and details of the encounters. He met with Mr. Page at a symposium at a "British university" in "mid-July," and stayed in touch with him for more than a year. He met with Mr. Clovis at a "hotel café in Crystal City," Virginia, on "either Aug. 31 or Sept. 1."

The informant didn't previously know the three men but offered to help with the campaign. He also threw money at Mr. Papadopoulos, and the stories even report the exact language of the message the informant sent to Mr. Papadopoulos offering him a \$3,000 honorarium to write a research paper and a paid trip to London. Media accounts differ about whether the informant asked the three men what they knew about Russia. But this sure sounds like a classic attempt to make friends for intelligence-gathering purposes.

This ought to disturb anyone who wants law enforcement and U.S. intelligence services to stay out of partisan politics. We can't recall a similar case, even in the J. Edgar Hoover days, when the FBI decided it needed to snoop on a presidential campaign. Devin Nunes, the House Intelligence Chairman, is seeking documents to

learn exactly what happened, what triggered this FBI action, and how it was justified. This is precisely the kind of oversight that Congress should provide to assure Americans that their government isn't spying illegally.

Yet now the same people who lionized Edward Snowden for stealing secrets about metadata—which collected phone numbers, not names—claim the FBI informant is no big deal. James Clapper, Barack Obama's Director of National Intelligence, claims it was even a "good thing" that the FBI was monitoring the campaign for Russian influence.

Forgive us if we don't trust Mr. Clapper, who leaked details related to the notorious Steele dossier to the press, as a proper judge of such snooping. Would he and the press corps be so blasé if the FBI under George W. Bush had sought to insinuate sources with Obama supporters like Rev. Jeremiah Wright or radical Bill Ayers during the 2008 campaign?

Incredibly, Democrats and their media friends are painting Mr. Nunes as the villain for daring even to ask about all this. Mark Warner, the ranking Democrat on the Senate Intelligence Committee, is making the rounds warning that "the first thing any new" committee member "learns is the critical importance of protecting sources and methods."

Sure, but as far as we know Mr. Nunes hasn't disclosed the source's name—certainly not to us—even as anonymous Justice officials all but paint a neon path of details to the informant's door. Justice and the FBI have disclosed more to their media Boswells than they have to the people's representatives in Congress.

* * *

As is his habit, President Trump belly-flopped into this debate Sunday with a demand that Justice investigate whether his campaign was spied on. Justice officials quickly asked the Inspector General to investigate, and this will polarize the political debate even further.

But the stakes here go beyond Mr. Trump's political future. The public deserves to know who tasked the informant to seek out Trump campaign officials, what his orders were, what the justification was for doing so, and who was aware of it. Was the knowledge limited to the FBI, or did it run into the Obama White House?

As important, what are the standards for the future? Could a Trump FBI task agents to look into the foreign ties of advisers to the Bernie Sanders presidential campaign in 2020? Attorney General Jeff Sessions and Deputy AG Rod Rosenstein need to clear the air by sharing what they and the FBI know with the House. This is bigger than blowing a source whose identity Justice leakers have already blown. This is about public trust in the FBI and Justice.

Bernard Lewis

Once upon a time Western scholars of Middle Eastern culture and history were known as Orientalists. That label is now considered politically incorrect, like so much else, but we can safely say that the last of the great Orientalists was Bernard Lewis, who died Saturday at age 101.

Born in London, Lewis served in the British army in World War II. But he devoted most of his life to the study of Middle Eastern languages, religion and history, with a particular focus on the interaction of Islam and the West. He was arguably the Western world's foremost scholar on the history of the Ottoman Empire.

Lewis taught at the University of London but moved to Princeton University in 1974. His fame grew beyond academia as his deep learning helped him to foresee and explain the turmoil that has dominated the Middle East in recent decades. His books were especially valuable after 9/11 in explaining what animated radical jihadists.

In "What Went Wrong?" in 2001 and other works, he distinguished between Turkey under

The great scholar of the Middle East predicted its recent convulsions.

Kemal Ataturk, who attempted to adopt some Western practices, and Arabs who blamed the West as the cause of their own technological and economic backwardness. Yet by 2010 he was predicting that Turkey under Recep Tayyip Erdogan would turn to Islamic rule while Iranians would tire of political Islam and embrace secular nationalism. So far he's been right about Turkey.

Though Jewish and a friend to Israel, Lewis was also deeply sympathetic to Arabs who had to live under fanatic or dictatorial rule. He liked to note that pro-American regimes that were dictatorial often had anti-American populations, but anti-American regimes like Iran had pro-American populations.

In a weekend interview in these pages in 2011, Lewis said, "We have a much better chance of establishing—I hesitate to use the word democracy—but some sort of open, tolerant society, if it's done within their systems, according to their traditions. Why should we expect them to adopt a Western system? And why should we expect it to work?" He was an Orientalist for all seasons.

Britain Discovers Shale Energy

Britain's Tory government announced last week that "shale gas development is of national importance" and could "deliver substantial economic benefits," which counts as intellectual and political progress. Perhaps there's hope that Britain will finally tap this would-be economic windfall.

Two ministers, Greg Clark and James Brokenshire, submitted plans to Parliament to speed approvals for hydraulic fracturing, and none too soon. Britain was a net exporter of natural gas as recently as 2003, but its North Sea reserves are running out. The country now imports 53% of its gas, and the government estimates that on current trends Britain will import 72% of its gas by 2030.

Mr. Clark wants to reverse this by reducing the regulatory burden on drilling exploratory wells, fulfilling a Tory campaign promise. British shale gas developer Cuadrilla noted Thursday it was allowed to drill and test only four exploratory wells in Lancashire over a three-year period due to regulatory delays. At this rate Britain will depend on Vladimir Putin for gas before the country taps its vast energy supplies.

At long last the Tories move to exploit their natural gas reserves.

Local governing councils also delay fracking projects amid lobbying by anti-fossil fuels groups, which freaked out at Mr. Clark's anodyne statement Thursday. The government proposes to bribe these local politicians with a £1.6 million "shale support fund" over the next two years, but the Tories will also have to win the political debate against Greenpeace and other antidevelopment groups.

They could point to Germany's growing reliance on coal after putting too much faith and money in wind and solar power. Natural gas reduces carbon emissions as an alternative to coal, as the U.S. has shown.

The Tory government will create a new regulator to oversee the three existing regulators that currently oversee fracking (the Environment Agency, the Health and Safety Executive and the Oil and Gas Authority), because there's nothing like more government to solve the problem of too much government. In an economy growing at the speed of stall, racking up a 0.1% expansion in the first quarter, Britain can't afford to delay the shale revolution any longer.

LETTERS TO THE EDITOR

Calculus Helps More Than Future Engineers

I took AP calculus in high school, graduated from Georgia Tech, taught high-school math and finally settled in as an analyst at a major airline. I couldn't agree more with James Markarian questioning whether calculus is the best fit for most American students ("Who Needs Calculus? Not High-Schoolers," op-ed, May 15).

Calculus, for me, was as Mr. Markarian says, "an attempt to show off skills" I would "never use," and that it would increase my "chances of [college] admission." In the professional realm, where Microsoft Excel and databases take up the majority of my day, I see that classes on statistics, coding or computer science would have been far more valuable. I suspect a large number of my peers would say the same thing.

If American higher education truly values students' education and professional success, it will find better ways to have promising applicants stand out instead of forcing them to take calculus to simply "check a box" on their application.

JOSH KRISINGER

Atlanta

American high-schoolers would be far better prepared for adulthood if schools required them to take a course in personal finance that covers the concepts of equity and fixed-income investing, mutual funds and their fees, a general understanding of the stock market, fixed and variable mortgages, credit-card debt, the tax advantages of 401(k)s and IRAs, the power of compounding and many other concepts that would prove beneficial no matter what career one chooses to take in life. These skills

are universally useful and of much greater practical use than competency in calculus.

JOHN F. QUILTER
Eugene, Ore.

In today's financial world calculus is being used more commonly to determine optimal portfolio allocation and characterize asset and derivative price behaviors. Calculus in conjunction with statistics is vastly superior skill than statistics alone, and the proof is the proliferation of extremely profitable high-frequency trading and financial-modeling outfits. Statistics on its own can really only tell you about past processes, but you need calculus to understand how something will change over time, which is necessary to make meaningful decisions.

ABHIRAM KARUPPUR
Princeton, N.J.

I am a Ph.D. economist. Almost nobody should learn calculus at the age of 17 or 18 with the expectation that it will advance one's career 10 years in the future. The reason to learn calculus is to learn how to think rigorously and analytically in a structured environment. Mathematics is perhaps the best training ground for learning these critical thinking skills. Mathematics, and calculus in particular, is nearly perfectly designed to aid the acquisition of these skills. I would also point out that some of the most fundamental concepts in statistics are derived from and require an understanding of basic calculus.

SEAN CAMPBELL, PH.D.
Clifton, Va.

Don't Write Off Corporate Short-Termism

In "Streetwise: 'Quarterly Capitalism Doesn't Add Up'" (Business & Finance, May 11), James Mackintosh argues that concerns over short-termism in the U.S. economy are unfounded. While last quarter's increased capital expenditures, largely driven by investments from the technology sector broadly, and Amazon specifically, are encouraging, it's important not to extrapolate current trends and the leadership of one organization across the entire economy.

There remain many indications that executives feel pressure to make short-term, suboptimal choices, including a C-suite study showing that 55% of CFOs would forgo a positive investment project in order to hit their quarterly numbers. This is worrisome, particularly considering strong evidence that long-term companies outperform their counterparts, and that long-term investors follow

suit. Even if broader economic markers are trending positively, there's no doubt individual corporate leaders can do more to build their companies for the long term.

Despite the high volatility in Amazon's stock, the company withstands this pressure with long-term counteractions. It has never given quarterly earnings per share guidance (a proven harbinger of short-termism); it has an explicit corporate governance statement stating a loyalty to "long-term shareholders" and lays out a strategic road map for growth and pivots as new opportunities arise.

Not every company is Amazon and not every CEO is Jeff Bezos, but executives can take similar steps to the benefit of managers, investors, shareholders and savers.

SARAH KEOHANE WILLIAMSON
CEO, FCLTGlobal
Boston

What Would Old George Mason Say and Do?

Regarding "The Trashing of George Mason U." (Review & Outlook, May 12): When I was a student at the University of Virginia (UVA), George Mason University (GMU) was a branch of UVA. It became independent later. UVA's founder, Thomas Jefferson, and George Mason were close friends. Both were liberals in the original sense of the word.

In retirement after his two terms as president, Jefferson built UVA within sight of his home, Monticello. Founding it was one of the three achievements he wanted mentioned on his gravestone.

He would be appalled at what that august institution has since become. At the same time, he would gladly join his friend Mason in relief and gratitude at how GMU has avoided that plague—which we call "liberalism," a formerly honest word hijacked and trashed by the worst enemies of what it used to mean.

JOHN S. MASON JR.
Alexandria, Va.

Mr. Mason is a descendant of George Mason.

Of the thousands of policy briefings I've attended, the Mercatus Center's were among the most practical and informative for a young staffer. Through Mercatus I became a disciple of Russ Roberts, Bruce Yandle and many other economists with a knack for translating arcane research into useful information for policy makers. It would be a shame if George Mason University backed down in the face of intolerant and disingenuous activists who dislike free-market-oriented philanthropists teaming with a free-market-oriented school to teach students the benefits of free markets.

GORDON LARSEN
Woodbridge, Va.

Instead of wailing about the source of some funding for the conservative/

libertarian scholars at George Mason University, why don't the UnKoch people try to argue that those faculty members are teaching badly or producing disreputable research? The answer is that making such arguments is very difficult, could backfire and wouldn't grab any headlines. It's so much easier to run the old "Two Minutes Hate" routine against the Charles Koch Foundation than to make a serious case against the people it helps to fund.

This furor is no different from the tactics used by "progressives" against speakers they dislike on campus—don't argue with them, but try to silence them.

GEORGE LEEF
James G. Martin Center
for Academic Renewal
Raleigh, N.C.

The students at George Mason certainly have the right to speak out against the university accepting millions of dollars from conservative donors like the Koch brothers. However, these students are likely the same bunch who are touting tuition-free college education, funded instead by taxpayers, many of them conservatives.

BOB SPEAR
Coronado, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"The market was volatile today."

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OPINION

The NRA Versus the Constitution

By Eric Tirschwell

The Supreme Court last week struck down the federal ban on legalized sports gambling as a violation of states' rights—and that's bad news for the gun lobby. In *Murphy v. NCAA*, the justices ruled that since Congress had declined to establish a national standard for sports betting, the federal government had no power to "command" states to prohibit it. "Conspicuously absent from the list of powers given to Congress," Justice Samuel Alito wrote for the majority, "is the power to issue direct orders to the governments of the States."

Its top priority, 'concealed carry reciprocity,' would violate states' rights and cannot pass legal muster.

The ruling means Americans will no longer have to travel to Las Vegas to bet on big games. But for the gun lobby, there's a deeper message. Its top legislative priority lately has been "concealed-carry reciprocity"—but would it be constitutional?

Concealed-carry reciprocity would undermine many state laws governing who is allowed to carry a hidden, loaded gun in public. Instead of creating a federal standard for all of America, the idea is to force each state to accept the concealed-carry standards, or lack of standards, of every other state.

Today, states set their own policies, consistent with the Second Amendment. Twelve allow their residents to carry a concealed firearm without a permit or license. Another seven—a diverse group including Georgia, Pennsylvania, South Dakota and Washington—require a permit but do not require gun-safety training. Under a federal reciprocity mandate, people from "permitless" states or states that do not require training could freely carry nationwide, including when they are visiting states like New Mexico, California and Minnesota that do require permits and training of their own residents.

Such a mandate would be constitutionally flawed for reasons similar to those in *Murphy v. NCAA*. The federal legislation would set no nationwide standard, yet it would undermine states' ability to enforce their own laws within their own borders. The "anticommandeering" principle the Supreme Court reaffirmed last week does not favor a single set of policies. In *Printz v. U.S.* (1997), the justices applied the same logic to strike down a federal mandate requiring state and local law enforcement to perform background checks on handgun buyers.

The Constitution gives states broad power to pass laws protecting public health, safety and welfare. Since America's founding, states have regulated the carrying of weapons in public within their borders. Concealed-carry reciprocity would seriously undermine this authority.

The gun lobby does not want to have to fight state by state for looser standards. Some states would refuse to roll back or repeal their current laws. Earlier this month in Oklahoma, for example, the Republican governor vetoed a "permitless carry" bill that would have allowed people, generally those 21 or older, to have a concealed, loaded handgun in public without any license or training.

Concealed-carry reciprocity is a bad idea, one most law-enforcement agencies strongly oppose. It would be an unprecedented intrusion into state and local decisions about public safety. But if that doesn't convince the gun lobby, it should consider the idea's dubious constitutionality.

Mr. Tirschwell, a former federal prosecutor, is director of litigation and national enforcement policy at Everytown for Gun Safety.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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The Truth About Hamas and Israel

By Ronen Manelis

Sami Abu Zuhri is the spokesman for the extremist group Hamas, an internationally recognized terrorist organization funded by Iran. Hamas controls Gaza and has killed innocent Israeli, American, Brazilian, Kenyan, British, French and Chinese civilians. As chief intelligence officer of the Israel Defense Forces' Gaza division from 2012-14, I came to know Mr. Abu Zuhri and other Hamas spokesmen from a distance. Their modus operandi is simple: Lie. Their lies support the stated goal of Hamas: the delegitimization and destruction of Israel.

For weeks the international media has reported on violence on the border between Gaza and Israel. Hamas has continued to lie to the world, which is why their rare acknowledgments of truth are especially revealing. Hamas spokesmen raced to the press last week to lament the death of innocent civilians. But a senior Hamas leader, Salah Bardawil, said in a May 16 interview with a Palestinian TV station: "In the last round of confrontations, if 62 people were martyred, 50 of them were Hamas."

Hamas itself has confirmed that 80% of those killed in their violent riots last Monday were members of a terrorist group, not innocent civilians. Several more of the fatalities were claimed by Palestinian Islamic Jihad. On May 13, Mahmoud Al-Zahar, a co-founder of Hamas, said in an interview with Al Jazeera: "When we talk about 'peaceful resistance,' we are deceiving the public." You can trust Hamas only when they admit to their lies.

The Hamas spokesmen orchestrated a well-funded terrorist propaganda operation. Behind the theatrics was a plan that threatened Israel's border and civilians. Hamas provided free transportation from throughout the Gaza Strip to the border for innocent civilians, including women and children. Hamas hired them as extras, paying \$14 a person or \$100 a family for attendance—and \$500 if they managed to



GETTY IMAGES

Hamas spokesman Sami Abu Zuhri addresses the media in Gaza City, 2015.

get injured. Hamas forced all of their commanders and operatives to go to the border dressed as civilians, each serving as a director of an area—as if to direct their own stage of the operation.

The audience was the international media. Hamas gave anyone with a video camera front-row access to the show and free Wi-Fi. The IDF had precise intelligence that the violent riots were masking a plan of mass infiltration into Israel in order to carry out a massacre against Israeli civilians. Hamas called it a "peaceful protest," and much of the world simply fell for it.

Dozens of Palestinians died to further the terror group's lies—and the Western media ate it up.

The idea that this was a peaceful protest is the biggest lie of all, because the basic tenets required for a protest in a democracy like the U.S. or Israel do not exist in Gaza. Under Hamas's control, there is no freedom of speech, no freedom of assembly, no freedom of religion, no freedom of the press. There can be no such thing as a peaceful protest in Gaza, only gatherings organized,

violence that Hamas instigated and orchestrated so that the headlines and pictures would reinforce the lies that the Hamas spokesmen had planned.

Hamas can lie—to the world, to Palestinians and to their own commanders and operatives—but I am proud that the IDF will never lie or use Israeli civilians or soldiers as pawns. Some of Israel's greatest friends might have preferred that we had looked better in the media this past week, but between vanity and truth, the IDF always chooses truth. It is that morality that sustains the IDF. The uniformed professional soldiers of the IDF may not photograph well compared with terrorists disguised as civilians—but we are honest about what we are and what we say. As the IDF spokesman, if I cannot source and cite material, I will not allow it to be published. I will not release any statement if the facts are in doubt.

Some in the media helped Hamas by publishing its lies rather than the facts. Hamas achieved negative media coverage about Israel after their first violent riot, on March 30, the first day of this propaganda operation. Hamas could have then claimed a propaganda victory, stopped the violence, and prevented many deaths. But for Hamas, lies are more important than lives.

If in order to win the international propaganda war I need to lie like Hamas, then I prefer to tell the truth and lose. The IDF will win where it matters—protecting our civilians in the face of terror. The soldiers of the IDF won this week by keeping Israeli families safe and by stopping Hamas from accomplishing its stated goals.

Even more than the lying, the true difference between Mr. Abu Zuhri and me is that he goes to sleep every night wishing for the destruction of my country and the death of my children. I go to sleep at night hoping for a better life for his children as well as mine. And that's the truth.

Brig. Gen. Manelis is the spokesman for the Israel Defense Forces.

Don't Get Distracted by the Trade Deficit With China

By Jason Furman

Trade negotiations with China are grinding forward, but Beijing now appears to have rebuffed the Trump administration's top demand. The White House has pushed the Chinese to reduce their bilateral trade surplus with the U.S. by \$200 billion. Although they have made some vague commitments to increase American imports, it has become clear these would fall well short of the administration's target.

In fact, even if both governments sincerely wanted to move the trade balance by anything resembling that magnitude, it is unlikely they could do so in a short period.

Fortunately, China's external imbalances already have dropped sharply over the past decade. A good place to begin is with China's overall current-account surplus (which consists largely of its trade surplus but also includes income flows from cross-border investments). As China reformed its economy and entered the global trading system around the turn of the millennium, its current-account surplus rose from near zero to 10% of gross domestic product in 2007.

That was a stunning figure. As a share of the world economy, China's surplus was the largest for a single country in at least 40 years. Massive Chinese exports, fueled in large part by a substantial undervaluation of the yuan, led to "China shock," with reverberations all around the globe.

Another way to think about it is as an accounting identity: China's current-account surplus is the gap between its domestic savings and its domestic investment. During the period of the shock, China's gross national savings rose from an already high 36% of GDP to a vertiginous 51%. That was well above other emerging markets,

which generally have savings rates in the range of 15% to 30%.

The White House's trade demand ignores how much this situation has changed. China's overall current-account surplus has dropped to 1.4% of GDP as of last year. The International Monetary Fund estimates that by 2023 it will fall to 0.6% of GDP. The true numbers may be slightly larger after adjusting for some issues with the Chinese data (say, capital outflows disguised as tourist revenues), but the overall story is clear.

At first China's rebalancing was driven by increased domestic investment, which was a fraught prospect. No country can efficiently allocate that magnitude of investment, especially China, which still supports substantial state-owned enterprises that are inefficient and highly distorting.

Since 2010, however, China has made real progress in shifting toward domestic consumption, a trend led by its increasingly wealthy and confident consumers. Beijing's expansions of its social safety net have also played an important role by somewhat reducing Chinese households' need for precautionary savings. Since 2014, consumption has been responsible for the majority of China's economic growth. As the Chinese population ages, the savings rate is likely to decline further, with commensurate increases in consumption.

At the same time, Beijing resisted the political pressure to keep its currency weak. From 2007-16, the yuan appreciated by 40%. The result

was slower export growth, faster import growth, and a dramatically reduced current-account surplus as a share of the economy.

Why, then, is the U.S. bilateral trade deficit with China still so large? Last year the figure was \$376 billion counting only goods, and \$337 billion after adding services. To some degree the accounting simply reflects the

Its external imbalances have been declining for a decade. The U.S. should seek more of the same.

structure of global supply chains. For example, China imports Korean displays for the iPhones it assembles. When the final product is then shipped to the U.S., the whole thing—including the Korean screen—is counted as an import from China. If measured on a value-added basis, the U.S. bilateral trade deficit with China would fall by about \$100 billion.

Even with China's role as a final exporter of assembled goods, it runs a trade deficit with countries like Germany. This suggests, as I argued here earlier this month, that much of any given country's trade balance is explained by its domestic policies.

So what is to be done? The U.S. should press China to keep moving toward a transparent, market-based exchange rate. The U.S. should continue

to push China for fair treatment of foreign investment, an area where Beijing has backslid in recent years. This includes Beijing's use of forced joint ventures to obtain foreign technology. Drawing more foreign investment to China would modestly reduce its current-account surplus.

Beijing should also enact domestic reforms that would reduce the surplus while serving its own interests. Further expanding the social safety net, for instance by raising government health spending, would continue to reduce the Chinese need for precautionary savings. Having state-owned enterprises pay larger dividends would put financial pressure on inefficient companies, even while boosting consumption. Continuing to liberalize financial markets, including by allowing higher interest rates for Chinese savers, could help as well by raising household income.

The U.S. should not waste any more of its negotiating capital on the \$200 billion target. Instead, the talks should focus on more-legitimate complaints about China's unfair practices. In many cases these can be solved by strengthening the hands of reformers, so China continues to take its rightful place as not just one of the world's major producers but also as one of its leading consumers. The benefits would extend far beyond Beijing.

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

'UnKoch' Attacks Academic Freedom

By Daniele Struppa

Orange, Calif.

There has been a lot of hand-wringing lately, throughout the academy and in the news, about donations the Charles Koch Foundation has been making to universities. In the heat of the debate, many details of these donations have been described inaccurately or distorted purposefully. But after the allegations, irate commentaries and internal academic battles, the actual outcome of opposition to these gifts is to limit the academic freedom the protesters claim to champion.

I am president of Chapman University, a midsize private institution in Southern California. We recently received a \$15 million grant to establish an institute dedicated to challenging the perceived tension between economics and the humanities, reintegrating their study in the spirit of Adam Smith. The institute is the brainchild of my distinguished colleague Vernon Smith, a

Nobel laureate in economics, and his collaborators. Appropriately enough, the institute is called the Smith Institute for Political Economy and Philosophy, where "Smith" refers to both Adam and Vernon.

The institute is doing exciting and innovative work, offering a curriculum that infuses the humanities with desperately needed energy. I was thrilled to see the enthusiasm among students taking courses developed by the institute.

Yet the Smith curriculum and the faculty who devise it have come under attack because one-third of the \$15 million gift came from the Koch Foundation. The criticism, led by the "UnKoch My Campus" organization, takes a familiar tone: The Koch brothers are trying to infiltrate the university so they can dictate curricula and research priorities. Ultimately, the critics' complaint is that the gift is a challenge to academic freedom.

But here's the paradox. The UnKoch people and their allies want universities to decline Koch money,

and in so demanding they are asking administrators to curtail the academic freedom of faculty like Vernon Smith and his co-workers.

As president, I am being asked to turn down donations from the dreaded Koch brothers, even when, as in this case, the proposal for funding was inspired, developed and fully fleshed out by my faculty, in the most important exercise of their own academic freedom. The demand that research funding be declined because of its origin poses a grave threat to academic freedom.

The protesters want administrators to exert ideological control over the kind of research that can be funded and which donations are acceptable. That would establish a very dangerous precedent. Those who really care about academic freedom must protect the freedoms of those with whom they disagree.

Mr. Struppa is president of Chapman University.

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Jack Ma Bars Investments in Rivals

By JULIE STEINBERG
AND STELLA YIFAN XIE

HONG KONG—Global investors looking to buy stakes in China's most valuable private technology company are being forced to pick a side in the nation's biggest business rivalry.

Ant Financial Services Group, a financial-technology juggernaut controlled by billionaire Jack Ma, is preparing

to close a \$10 billion private fundraising round that would value the Hangzhou-based company at \$150 billion, according to people familiar with the matter. As part of the deal, investors putting money into

Ant have to agree not to invest in or raise their stakes in companies controlled by major rivals such as social-media giant **Tencent Holdings** Ltd. and online retailer **JD.com** Inc., the

people said.

Such severe investment restrictions are rare, investors and lawyers say, because investors are normally the ones who set conditions for companies before ponying up cash.

Ant's ability to dictate its investment terms shows how the company and its affiliate **Alibaba Group Holding** Ltd. wield significant market power. It also reflects high demand for

Ant's shares: Some investors who wanted to take part were rebuffed because they weren't offering enough money or had backed Tencent-linked companies, according to people familiar with the matter.

Ant, which was originally carved out from Alibaba in 2011, owns a mobile- and online-payments network called Alipay that is used by more than half a billion people in

China for everyday purchases and handles financial transactions on Alibaba's e-commerce websites. Ant also makes loans to individuals and companies, sells insurance and investment products and has other financial businesses. It generated \$2 billion in pretax profit last year.

Tencent, which owns popular Chinese social-messaging app WeChat and a fast-growing

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FAA Was Slow to Act On Engine Warning

By ANDY PASZTOR

Investigators have yet to issue their final report on a **Southwest Airlines** Co. flight last month that ended in an emergency landing and a passenger's death. But one thing is clear: Despite a warning about a suspect engine part nearly two years earlier, investigators didn't mandate enhanced inspections for an unusually long time and acted only after the high-profile fatality.

Questions about the time it took regulators to mandate more comprehensive inspections—and whether an alternate response would have made a difference in uncovering what emerged as the greatest danger—remain unanswered.

More than any commercial aviation accident in recent years, circumstances surrounding last month's events have spurred industry officials, regulators and independent experts to reassess the best way to identify, rank and combat risks in an industry where safety statistics have become so exemplary.

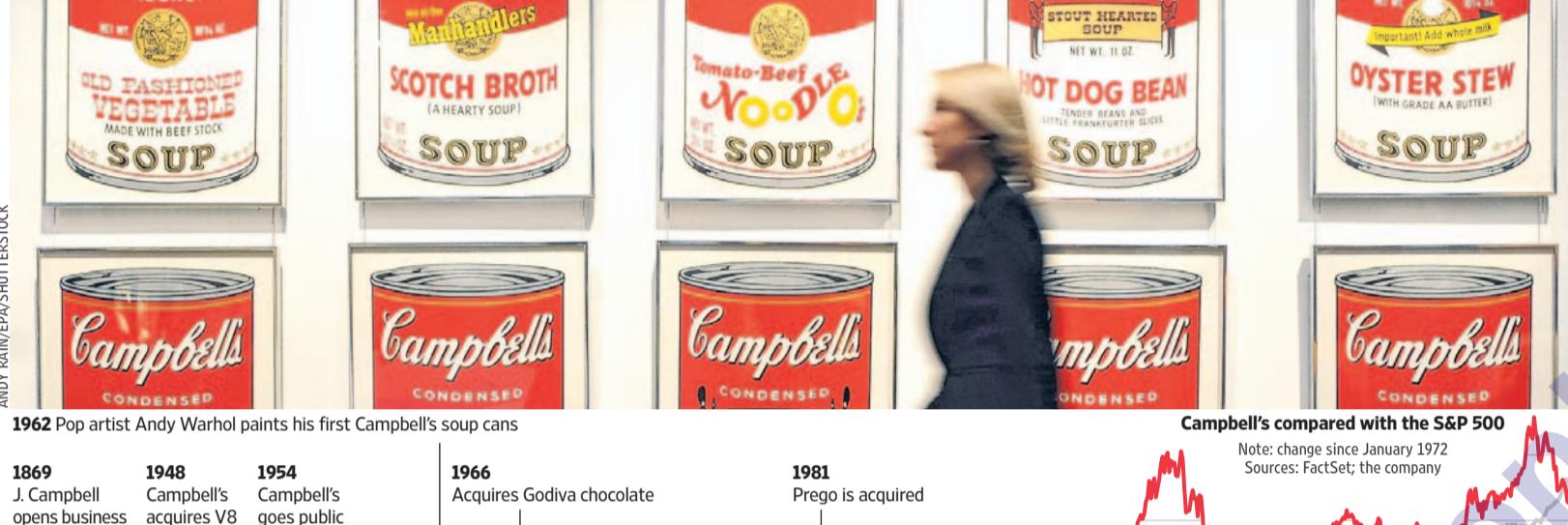
In the April accident, serious metal fatigue caused a single, fast-moving engine-fan blade to break into pieces at roughly 32,000 feet. The violent rupture ended up spewing remnants of the front engine cover into the plane's wing and body, killing a passenger who was partly sucked out a window that had been destroyed by the debris.

A similar but nonfatal accident in August 2016 drew industry attention to the potential for blades in the engines to crack, after the engine maker quickly notified regulators and some airlines that it was working on stepped-up inspection procedures. Roughly seven months later, the engine maker began recommending ultrasound inspections, rather than just visual checks, for certain fan blades based on the number of flights in service.

Several months after the manufacturer's initial recommendation, the Federal Aviation Administration proposed similar stepped-up checks. But the FAA was still weeks away from making those checks mandatory when last month's fatal accident occurred. After that, some airlines accelerated voluntary inspections almost immediately and the FAA quickly mandated comprehensive inspections, which are now under way.

That roughly 20-month interval from the August 2016 accident was more than twice as long as the average time lag between the industry's first steps to raise concerns about serious

Please see ENGINE page B2



1962 Pop artist Andy Warhol paints his first Campbell's soup cans

1869 J. Campbell opens business that will become Campbell's Soup Co. in Camden, N.J.
1948 Campbell's acquires V8 vegetable juice
1954 Campbell's goes public
1966 Acquires Godiva chocolate
1981 Prego is acquired



Strategic Overhaul Looms at Campbell

Exit of CEO shows weaknesses of long push into fresh, refrigerated foods

By ANNIE GASPARRO

Denise Morrison was the biggest champion of **Campbell Soup** Co.'s yearslong push into fresh and refrigerated foods,

telling investors earlier this year that management was urgently pressing to transform Campbell into a health-oriented snacking company.

The abrupt departure of Ms. Morrison on Friday as U.S. soup sales and Campbell's fresh-food business falter suggests that the strategy flopped.

The company needs a new plan, analysts and industry ex-

ecutives say. Campbell could stay the course and try to build on the fresh-food business Ms. Morrison built over the past six years. Or it could spin off the fresh business and sell off older brands like V8 juice and SpaghettiOs, to focus on reviving its core soup business. It could also merge with a bigger food company to help it cut costs and widen its reach.

"Everything is on the ta-

ble," said interim chief and board member Keith McLoughlin, on a conference call Friday. He said Campbell would conduct a strategic review of its brands and would discuss the details in late August.

During an all-employee meeting Friday, Mr. McLoughlin said that as a public company, Campbell was for sale every day, but that his strategy was not to sell the com-

pany, according to a person who was there.

Representatives for Campbell declined to provide details of their potential strategic direction or make Ms. Morrison available for comment.

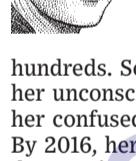
"It's clear given the market dynamics and how they've performed that something has to be done," said Thomas Davenport, an investment banker

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INSIDE

KEYWORDS | By Christopher Mims

The AI Doctor Is In and Will See You Now

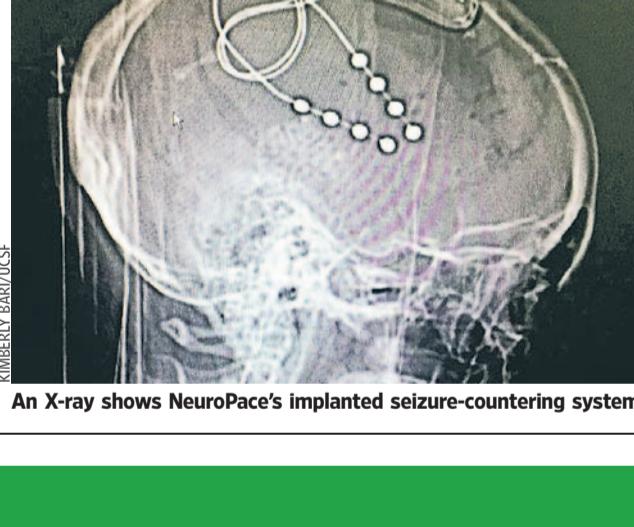

Kimberly Bari had her first seizure in 2010 at age 26 and since then has had hundreds. Some rendered her unconscious, others left her confused and terrified. By 2016, her surgery- and drug-resistant condition led her to try something fewer than 2,000 people in the world have attempted: implanting a computer into her brain.

The NeuroPace Responsive Neurostimulation System "literally provides peace of mind I never imagined could

exist," she said. And, according to its makers, it would be impossible without a type of artificial intelligence known as machine learning.

Machine-learning algorithms accomplish tasks by training on a set of data, rather than being programmed by humans. **NeuroPace** Inc.'s engineers pattern-match patients' neural activity to a database of two million recordings from the brains of other patients. Armed with the knowledge of what worked previously, the system instructs the implant to stimulate users'

Please see MIMS page B5



An X-ray shows NeuroPace's implanted seizure-countering system.

KIMBERLY BARI/UCSF

BUYING LOW PRODUCES NO GUSHER

ENERGY, BIO

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BUSINESS & FINANCE



The European Union is boosting penalties for corporate privacy violations as of May 25. Facebook's data center in northern Sweden.

Privacy Tools in Demand

EU's data-protection regulation is opening up big opportunities for tech consultants

BY NATALIA DROZDIAK

BRUSSELS—The European Union's tough new data-protection law demands costly changes for many companies—and opens rich business opportunities for others.

A cottage industry around privacy technology has sprung up in recent

THE WEEK AHEAD

years, with firms offering new products and services designed to help companies more efficiently meet the demands of the EU's General Data Protection Regulation. In an unexpected twist, some of those compliance tools could create additional legal risk for the companies using them, experts say.

Starting May 25, GDPR will replace the EU's patchwork of 28 different sets of national privacy laws and boost penalties for corporate privacy violations from token amounts now to potentially billions of euros.

"We're seeing a huge development in privacy tech as a direct result of the GDPR," said Paul Jordan, European managing director for the International Association of Privacy Professionals, a nonprofit group supporting industry participants world-wide.

Under the new rules, tech giants and other companies will come under greater scrutiny,

According to a report prepared last year by IAPP and Ernst & Young, more than half of the 600 privacy professionals they surveyed said they would invest in technology to help manage personal data and comply with GDPR, up from 29% the year before.

The privacy-tech firms are offering tools and services that include collecting consent from users to process their data, helping companies map their internal data flows and automating tasks like responding to a data breach.

Under GDPR, firms often need clear and unambiguous consent from users to process their personal data. Data breaches must be reported to authorities within 72 hours. Customers also will have the right to see what data companies hold on them and can request some of it to be deleted.

Companies that violate the rules risk fines as high as 4% of their global revenue.

The EU regulation is taking effect amid broader questions about how internet giants use people's personal information and profit from it through targeted advertising. Facebook Inc. came under fire earlier this year following revelations that the social network allowed personal information of as many as 87 million users to be obtained by data-analytics firm Cambridge Analytica.

Under the new rules, tech giants and other companies will come under greater scrutiny,

New Opportunity

The global marketplace for privacy-tech vendors, who help companies comply with rules like the GDPR, has expanded rapidly since last year.

Companies offering privacy-tech solutions



Source: International Association of Privacy Professionals

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requiring them to overhaul their privacy systems. The exhaustive demands and threats of high fines have led companies to seek external help.

"The reason there's reg-tech business around GDPR is that GDPR requires a lot of technical [modifications] for a company to comply with it," said Roy Smith, chief executive of PrivacyCheq, a York, Pa.-based company that helps firms collect users' consent. When privacy laws changed in the past, he said, companies would simply hire a lawyer and update their privacy policies.

London-based Privitar, which offers tools to remove personal

identifiers in large data sets, was officially set up in 2014 but has seen an increase in interest from potential clients ahead of GDPR and expects momentum in the coming years, said CEO Jason du Preez.

The mushrooming of privacy-tech and regulatory compliance firms for GDPR follows an earlier proliferation of compliance specialists focused on heavily regulated industries such as financial services.

The firms promote their ability to simplify compliance but specialists say they can pose additional compliance risks. One issue can be software tools, said Georges Wantz, a director of technology and a GDPR expert at Deloitte & Touche in Luxembourg. Most of them monitor people in the workplace, he noted, "which in itself is a processing activity of personal data and an intrusive one."

Other privacy experts and regulators warn that the privacy-tech products may duplicate data or collect more of it.

PrivacyCheq says it doesn't see or touch any of the private information that people are consenting to release. Privitar says it doesn't take any customer data and circumvents the risk because it only provides software. Wirewheel.io, based in Arlington, Va., offers tools to help companies locate the data they have and says it doesn't retain any personal information.

—Sam Schechner in Paris contributed to this article.



KEVORK DJANSEZIAN/GETTY IMAGES

Southwest Airlines said that before the accident, it complied fully with all FAA maintenance rules.

ENGINE

Continued from the prior page engine malfunctions or defective parts to the FAA, and publication of final FAA inspection or replacement mandates to resolve the problems, according to a Wall Street Journal analysis of federal safety documents.

A review of more than 100 engine-related safety rules—officially called airworthiness directives—since the beginning of 2015 indicates that on average final federal regulatory action occurred roughly nine months after the release of nonbinding industry safety bulletins. Nearly one-third of the FAA directives were published within five months of the bulletins. The FAA sometimes acts within days in rare emergency actions, instances not included in the analysis.

The data covered engines installed on airliners, turboprops, private planes and helicopters, including internal parts and electronic controls.

In private fundings, investment agreements signed by investors can contain noncompete covenants. If investors breach those covenants, Ant could try to

BUSINESS NEWS

Starbucks Restrooms Open for All Visitors

BY JULIE JARGON

Starbucks Corp. said Saturday it is creating an official policy that allows all guests to use its cafes, including its restrooms, whether or not they make a purchase.

The policy comes a month after a Philadelphia manager called the police in April about two black men who asked to use the bathroom without purchasing anything and then allegedly refused to leave the cafe when asked.

Starbucks baristas and store managers have long found the coffee company's guidelines on how to treat lingering nonpaying guests vague at best. One company executive told the Journal the guidance on nonpaying guests had long been a gray area, which the Philadelphia incident brought to the forefront.

The company said at the time that it had different guidelines for its 28,000 stores globally, depending on the market. The new policy will apply to its more than 8,000 U.S. company-operated cafes.

On Saturday, Starbucks told its employees in a letter that "any person who enters our spaces, including patios, cafes and restrooms, regardless of whether they make a purchase, is considered a customer."

Under the new policy, when a customer is "behaving in a disruptive manner," employees should follow the company's procedure on handling disruptive guests, which will contain some new guidance, a spokesman said. Starbucks didn't say what that procedure entails or define what constitutes disruptive behavior. If a situation presents an immediate danger or threat to employee or customer safety, Starbucks employees should call 911, the company said.

Workers Challenge Time Trackers

Employee lawsuits claim companies use technology as a way to curb wages unfairly

BY RACHEL FEINTZEIG

Punching in and out of shifts is an omnipresent part of work life for many hourly workers at hospitals, factories and stores.

Now some of them say companies are using time-tracking systems to chip away at their pay.

In federal and state lawsuits against **American Airlines** Inc., **Kroger** Co. and luxury chain **Montage Hotels & Resorts** LLC, among others, employees have alleged that the companies they work for are unfairly subtracting fractions of their hourly wages using time-tracking technology.

Breaks that workers never actually get to take and rounding policies that work in employers' favor, multiplied across years of employment, can result in thousands of dollars missing from paychecks, employees' attorneys say.

In some suits against hospitals, nurses have said they spend meal breaks tending to patients but automatically receive a 30-minute deduction from every shift. Call-center workers complain that when they are stuck on the phone at the end of a shift, the extra time is rounded away.

"These people are doing really important jobs, and we're not paying them for the time they're actually working," said Elizabeth Tippett, a professor at the University of Oregon School of Law and author of a new paper on time-tracking software that was published last week in the American Business Law Journal.

The systems are capable of calculating employees' pay to the second. But employers are attracted to features such as rounding and automatic time deductions because they help keep labor costs predictable



A Ralph's grocery store in Los Angeles. Kroger, which owns Ralph's, is among the firms facing lawsuits over time-tracking technology.

LUCY NICHOLSON/REUTERS

Staff Management Booms as Business

Time-tracking software is usually part of a broader workforce-management system that records absences and schedules workers.

These suites of software have come under fire from attorneys general in New York and other states for enabling employers to switch around shift assignments at the last minute, creating unpredictable schedules for workers.

Now, thousands of workers allege that companies are abusing the time-tracking func-

tion as well.

Time-tracking systems have evolved from the days of the old punch card. Employees often log in with a mobile phone, a fingerprint or an iris scan; cash registers come with digital log-ins.

The market for human-capital-management technology, including time-tracking systems, has boomed to become a \$12 billion business, according to Gartner, a research and advisory firm.

Leading providers of time-tracking software include **Kronos** Inc., **Automatic Data Processing** Inc. and **Ceridian**.

All three companies declined to comment.

surfing the internet.

In a lawsuit filed in New Jersey federal court, nine American Airlines employees—including aircraft-maintenance technicians and fleet-service clerks who load bags onto planes—alleged the airline's rounding policy "consistently and artificially reduced the total time employees are credited with working," according to court papers.

That adds up, said Edwin Gonzalez, a plaintiff who has been working as an American fleet-service clerk at Newark Liberty International Airport in New Jersey since 2015. "Every 15 minutes or 30 minutes means a lot to me," Mr. Gonzalez said. "That's like stealing from me and my family."

In March, Judge Jose L. Linares, of the U.S. District Court of New Jersey, certified the complaint, originally filed in 2016, as a class action. Brett Gallaway, Mr. Gonzalez's lawyer, said there are nearly 400 current and former employees in the class. American is ap-

pealing.

"American pays its team members for all the work they perform," said Matt Miller, an American Airlines spokesman. "That's the case in New Jersey and throughout our system."

Kroger and Montage declined to comment on the suits they are facing.

Ms. Tippett said class-action settlements can be small change for many employers who saved money in labor costs over years of automatic deductions and rounding.

In examining a case involving casino workers in Nevada, Ms. Tippett estimated the casino company saved \$12.6 million by implementing its rounding policies; it settled a worker lawsuit over the issue for \$450,000. After attorneys' fees and litigation costs were covered, \$207,500 was distributed to employees.

"It is hard to imagine that wage savings of that magnitude would prompt an employer to change its practices," Ms. Tippett wrote in the study.

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Mayonnaise Makers Bet on New Spreads

Unilever, Kraft Heinz offer more flavors in fight for shelf space; next up: 'mayochup'

BY SAABIRA CHAUDHURI AND ANNIE GASPARRO

It's mayhem in the mayonnaise aisle.

Hellmann's maker Unilever PLC and Kraft Heinz Co., which owns Miracle Whip, are cutting prices and slinging out new concoctions as they battle changing eating habits, an array of new competitors and each other.

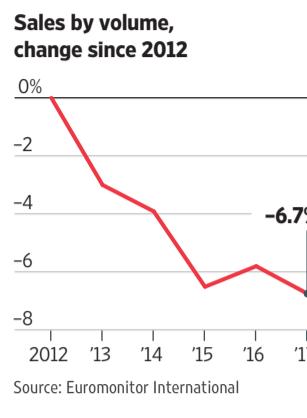
The two, which together account for more than 80% of U.S. mayonnaise sales, are duking it out because they are at risk of losing shelf space to faster-growing rivals.

U.S. sales of mayonnaise fell 6.7% between 2012 and 2017, according to Euromonitor. Small mayonnaise brands, though, which made up just 3.2% of the market six years ago, have almost doubled their share and last year made up 6.1%.

Niche brands have elbowed

A Sauce Boss Undergoes Market Changes

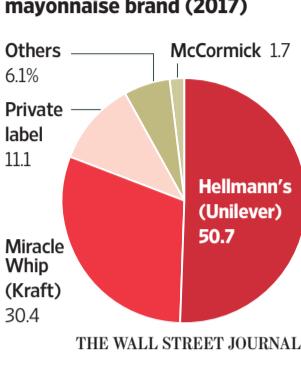
Mayonnaise sales are falling in the U.S., but the spread still retains its lead over other condiments. Category heads Unilever and Kraft Heinz also face growing competition.



Millions of pounds produced (2017)

Category	Millions of pounds produced (2017)
Mayonnaise	608.5
Ketchup	454.2
Barbecue sauces	446.9
Soy sauces	213.6
Other	167.6
Chili sauces	150.8
Mustard	112.7

Share of U.S. market by mayonnaise brand (2017)



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head of marketing for the Heinz brand. "Ten years ago, it was much more simple."

Miracle Whip and Kraft Mayo, Kraft Heinz's other big mayonnaise brand, have been squeezed between less costly offerings on one end, and Hellmann's and other premium brands on the other. Miracle Whip—which doesn't call itself "mayonnaise" because its oil content doesn't match food regulators' definition—lost almost 1 percentage point of

U.S. market share between 2015 and 2017. It and Kraft Mayo have just over 30% of the market, according to Euromonitor.

Ms. Healy said Kraft Heinz is engaged in a mayo push, last month launching a brand—Heinz Mayo—that uses simple ingredients and cage-free eggs. The company also is developing a mayonnaise-ketchup combination that it is calling "mayochup."

Hellmann's, called Best

Foods west of the Rockies, has raced ahead. While overall mayonnaise sales have declined, it boosted its U.S. market share by 3.5 percentage points in the past three years and now has just over 50% of the U.S. market.

Hellmann's and Kraft Mayo have come out with new flavors and variations, such as avocado-oil mayonnaise and roasted garlic and spicy chipotle flavors. Kraft revamped the Miracle Whip recipe last year, going back to its original ingredients and replacing high-fructose corn syrup with sugar. "It was a huge investment for us," said Eduardo Luz, president of Kraft Heinz's U.S. grocery business.

But the big brands have lost some cachet. Beverley Tanel, a Dallas-area mother of three, said she hasn't been buying as much Miracle Whip and Hellman's lately. "I've gone away from it for health reasons," she said. Instead, Ms. Tanel's 16-year-old daughter has been buying avocado-oil mayonnaise from a small brand called Primal Kitchen, which markets its mayonnaise as sugar-free and canola-free,

among other things.

The stakes are high for Big Mayo. Condiments rank among the top 10 most profitable types of food to manufacture, according to market-research firm IBISWorld. Mayonnaise ingredients—basically oil, water, eggs and vinegar—are cheap. Giant companies that have made and marketed mayonnaise for years can "reduce cost and improve margins," said Manny Picciola, a partner at L.E.K. Consulting.

To keep customers and lure new ones, Unilever and Kraft Heinz have been offering discounts. Mayonnaise prices for the first quarter fell 0.6% versus a year earlier, while overall packaged-food prices were up 1.6%, according to Nielsen.

"Kraft went down in price and Hellmann's followed," said Wayne Spencer, president of promotional planning company T-Pro Solutions.

"We're engaging toe to toe," Unilever Chief Financial Officer Graeme Pitkethly said on a recent investor call. Kraft Heinz's Ms. Healy said, "We've been consistent on how we promote, and we promote less than our competitors."

SOUP

Continued from page B1

at Sikich, an investment bank and advisory firm. "First, they need to figure out first who is going to lead the charge, and then ask 'what are we charging after?'"

The uncertainty, as well as its resulting drop in stock price, with shares down 29% this year, could make Campbell an acquisition target for larger packaged-food rivals.

Some analysts and bankers have pointed to Kraft Heinz Co. as a potential suitor as pressures in the canned- and packaged-food industry have made consolidation a necessity. Kraft Foods Group Inc. experienced vulnerability back in December 2014 when its

chief stepped down suddenly. A few months later it struck a deal with H.J. Heinz Co. Kraft Heinz declined to comment.

Trouble with Big Food—namely, Campbell, Kellogg Co., Mondelez International Inc. and more—has been mounting for years, as slower sales led companies to slash spending and close factories in North America. Campbell said in January it would close a Toronto soup plant because of weak demand in the U.S. Before that, Ms. Morrison had closed several other factories since she became chief in 2011, eliminating thousands of jobs.

Campbell's challenges are similar to those burdening the rest of the industry, which has faced the proliferation of niche brands and private-label products that have been chipping away at shelf space long domi-

nated by Big Food.

Campbell hasn't been the only company to pay a high price to acquire a small but growing brand—like its recent \$700 million acquisition of organic-soup maker Pacific Foods. Its peers have made similar bets while they try to stabilize their core business, whether that is soup, cereal or soda. Some have turned to bigger deals to help them survive. By pairing up like Kraft and Heinz did in 2015, companies can eliminate costs and boost profit margins.

To cut it on its own, Campbell may need to undo a lot of what it has done in the past few years, analysts said.

Ms. Morrison's decision to focus on building a fresh-food business at the expense of profit margin dates to the beginning of her tenure, when

she persuaded a skeptical board in 2012 to approve a \$1.55 billion acquisition of Bolthouse Farms, a seller of baby carrots and refrigerated juices. Since then, Campbell's management team touted its refrigerated juices and salad dressings as its foothold in the faster-growing part of the grocery store. But it has been a consistent drag on earnings.

"Campbell's has put an amazing amount of effort and time into getting the supply chain right [in its fresh business], and it just feels like we just keep hearing problems," Citigroup analyst David Driscoll said Friday.

In December, Campbell diverged from its plan to further expand in fresh foods when Ms. Morrison orchestrated the acquisition of Snyder's-Lance pretzels and nuts for \$6.1 bil-

lion, including debt, Campbell's largest purchase ever. She started talking about the company becoming a snacking giant, no longer narrowly eyeing fresh, refrigerated foods.

"While the company's name makes it tempting to look at Campbell Soup as a soup company, it has meaningfully shifted its business mix toward snacks," said RBC Capital Markets analyst David Palmer.

Snacks now make up more than 40% of Campbell's sales.

But the focus on snacks and fresh may have kept Campbell from successfully reviving its U.S. soup business, which it pioneered in the early years of the company's formation. Campbell's 150-year history—and the continued involvement of heirs of its founders—set it apart in the industry.

Deals might be tougher

with family members maintaining significant ownership of the company and positions on the board. Since the company was formed, Campbell has remained largely a family business, with descendants of Arthur Dorrance, who joined Campbell in 1882 and was a key player in the creation of the canned-soup business. They are still involved in overall decisions.

They allowed Campbell's to broaden its reach beyond soup, buying V8 vegetable juices in 1948 and Pepperidge Farm cookies in 1961. Campbell expanded Pepperidge Farm from fewer than 60 items to nearly 600. Campbell also started coming out with dozens of new soup flavors and various formats like soups in sipping cups and pouches, hoping to revive sales.

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TECHNOLOGY & BUSINESS

The Tale of the \$70 Hoodie

Online sellers use social-media ads to flip products bought from marketplace sites

BY KHADEEJA SAFDAR

Liz Carlson forked over \$70 for a "heavyweight cotton" hoodie after seeing an enticing ad on Facebook that claimed it had "the softest interior we've ever created."

"I love hoodies, so when I saw that ad, it spoke right to my heart," said Ms. Carlson, a 32-year-old in Oakland, Calif.

The ad was from an e-commerce site called **Affinity Find**, which has more than 700,000 Facebook followers—about the same as eyeglass seller Warby Parker. Affinity Find sells dozens of products on its website, which says a store is coming soon to downtown Seattle.

Ms. Carlson's hoodie, however, arrived three weeks after she ordered it from an address in China. "It was reeking of a pungent chemical smell like gasoline," she said. "The item was a rough combination of synthetic fibers with no tags and plastic zips."

Affinity Find is run by Jonathan Smith, the owner of **Clear Creek Marketing & Sales LLC** in Poulsbo, Wash. Mr. Smith declined to comment and asked The Wall Street Journal not to publish his name, citing "copycat entrepreneurs."

Welcome to a little-known corner of the e-commerce world, where small entrepreneurs use social-media ads and hip virtual storefronts to entice people into buying products listed on online marketplaces such as **Alibaba Group Holding Ltd.'s AliExpress**.

The process often involves online storefronts transferring customer details to an AliExpress seller, which ships the goods directly to the customer; the storefront bills the customer. Called dropshipping,



The hoodie reeked 'of a pungent chemical smell,' the buyer said.

sites like Amazon.

Such sites often use **Shopify Inc.**, a commerce platform where sellers create their own e-commerce storefronts. In a blog post, Shopify provides detailed instructions on how to sell using AliExpress, calling it "retail arbitrage." It said it doesn't comment on individual sellers that use its platform.

Craig Miller, Shopify's chief product officer, said the company wants more people to start businesses. "If the quickest way for someone to start being an entrepreneur and to try it out is to resell someone else's products, I actually don't think there's anything wrong with that," he said. "But again I want to make sure that whoever does sell online really stands behind their products."

Facebook said it is taking steps to ensure people have good experiences when they buy items. "We're developing a new way for people to flag businesses that deliver products or services that are overwhelmingly unsatisfactory," said Joe Osborne, a Facebook spokesman. "We think this can help hold businesses more accountable."

A spokesman for Alibaba, which owns AliExpress, declined to comment.

Many sellers run small operations; they curate items from AliExpress and other marketplaces, often using the same images, then generate enticing ads for Facebook and Instagram.

When a customer orders from a Shopify-hosted storefront, the seller transfers the shopper's shipping details to AliExpress. Many sellers automate the transfer using an app called Oberlo, which Shopify acquired last year. The app can pull products from AliExpress into Shopify and send a default note to the suppliers asking them to refrain from putting an invoice in the package.

—Jim Oberman

contributed to this article.

Multiple Sites List the Same Product for Sale

The hoodie that Liz Carlson purchased on Affinity Find for \$70, plus shipping and tax, is available on AliExpress for about \$20 with free shipping to the U.S. Several other items for sale on Affinity Find match listings at lower prices on the Chinese marketplace.

Affinity Find has an F rating with the Better Business Bureau, whose website says it found advertising issues and received complaints about products, service and delivery.

The same hoodie was being

pushed by other sites, including Sugar Picks, which says it sells "carefully selected unique products," and Teelandia, which says it collaborates with local artists to design clothes.

Both sites posted Facebook ads in January with the same language and images as Affinity Find's ad.

A representative for Sugar Picks, which lists an address in Casper, Wyo., said in an email that the site has discontinued the practice of dropshipping, noting "the bulk of our expenses comes from advertisement cost which can be higher than the product cost itself."

Teelandia, which lists a Las Vegas address, didn't respond to requests for comment.

It is a twist on a fulfillment technique that major online retailers also use to send goods directly from their manufacturers to the customer.

The entrepreneur profits by charging a high markup,

betting shoppers are unlikely to stumble upon the less expensive goods on a marketplace site. AliExpress is the most popular such marketplace, but some entrepreneurs order from sellers on other

ALIVECOR AliveCor's KardiaBand is an EKG recorder for Apple Watch.

ALIVECOR

Continued from page B1

brains to interrupt a seizure at its onset.

The innovation is part of a larger phenomenon that has big implications for how we identify and treat disease: the introduction of artificial intelligence to consumer and clinical electronics. As machines learn from at times millions of humans, doctors are gaining the ability to better identify disease and even predict it before it becomes catastrophic.

As in every other area of human endeavor, the introduction of AI to medicine comes with challenges.

There's the need to educate both patients and practitioners about how to use these tools. There are major potential privacy issues around patient data. Then there's the possibility of overdiagnosis. If Google Search created a generation of hypochondriacs, imagine what happens when an overzealous AI starts sending people to the doctor every time it detects a small chance of a rare disease.

Another challenge, said Robert Mittendorff, a physician and venture capitalist, is that AI isn't always trained with the same population it serves. For example, an MIT study showed some facial-recognition software that uses machine learning is highly accurate at identifying the faces of white men, but relatively shoddy at identifying the faces of dark-skinned women, because of the data these systems were trained on.

Despite these concerns, medicine might be uniquely suited to a safe and effective rollout of AI. It's a highly regulated industry, full of risk-averse practitioners who are nevertheless accustomed to incorporating new technology and insights.

The NeuroPace system requires installation by a brain surgeon, but much of this innovation is likely to reach the masses through our mobile devices. The KardiaMobile is a pocket-size electrocardiogram monitor, and the first iPhone accessory ap-

proved by the U.S. Food and Drug Administration. Now its maker, **AliveCor**—which also sells the KardiaBand EKG recorder for Apple Watch—is gathering data from its devices that could someday feed a machine-learning system that doctors could use to spot disease.

One potential application is a "bloodless blood test," said Paul Friedman, head of cardiovascular medicine at the Mayo Clinic, which formed a partnership with AliveCor.

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This test would look at a subtle shift in the EKG that's characteristic of a potential potassium blood-level elevation, which the AI is uniquely skilled at identifying.

Currently, the condition can be diagnosed only by drawing blood. Measuring this marker in real time, from the convenience of a phone or smartwatch, could transform how people are treated after a heart attack or while on certain medications, Dr. Friedman added.

His research also has led to an algorithm that uses machine learning to predict whether someone has or will

develop a medical condition known colloquially as a "weak heart pump"—which affects 2% to 9% of the population and is predictive of heart failure.

"Our body is giving off signals as to our health all the time that we've never been able to capture before," Dr. Friedman said. "Now, not only can we capture them," he added, "we might be able to interpret those signals in ways that allow us to prevent disease."

EDWARDS LIFESCIENCES' Acumen Hypotension Prediction Index, for example, was recently approved by the FDA, and has already been used on thousands of patients in Europe. The U.S. rollout has been slow, doctors who have used it say, because it's one of the first pieces of medical equipment to incorporate AI. The HPI uses machine learning, applied to previously gathered data, to give doctors a moment-to-moment probability that a patient's blood pressure might drop in a life-threatening way.

Monty Mythen, a physician at University College London who was part of the system's testing in Europe, compared it to a weather app. Watching the system's AI-powered prediction values "twitch" helps alert doctors to the possibility that something could be amiss with a patient, many minutes before conventional measures might, he said.

Firm Weighs Sale Of Therapy Brands

By LAURA COOPER

The growth unit of **Providence Equity Partners** is weighing a possible sale of Therapy Brands, a provider of behavioral-health software, as private-equity firms continue to flock to behavioral health

for therapists, psychologists, social workers and counselors.

Therapists use TheraNest's software to keep therapy notes, schedule appointments, make treatment plans and assessments as well as streamline client and insurance billing. TheraNest also provides a client portal for patients to self-schedule, pay for services and send secure messages.

The behavioral-health sector has been of particular interest to investors since both the Patient Protection and Affordable Care Act, along with the Mental Health Parity and Addiction Equity Act of 2008, helped expand insurance coverage for behavioral-health services. Software providers working with behavioral health companies also are attracting capital.

Insight Venture Partners in February said it invested in CentralReach LLC. The company provides electronic health-record and practice-management software

Athletes Fight Fantasy Games Over Likenesses

By ANDREW BEATON

Sports unions and players associations said Friday that two fantasy sports games shouldn't be allowed to use players' images without permission.

The groups made their argument in an amicus brief filed in a case being heard by the Indiana Supreme Court. In the case, three former college football players argue **DraftKings** and **FanDuel** violate state publicity laws by using players' names and likenesses.

Unions and players associations representing Major

League Baseball, Major League Soccer, the National Basketball Association, the National Football League, the National Hockey League, the U.S. women's national soccer team and Women's National Basketball Association argue in court papers that the fantasy sports operators "infringe upon plaintiffs' statutory publicity rights and are not within any statutory exemption."

DraftKings and **FanDuel** have argued that the players' names and statistics are widely available for free. They didn't respond immediately to request for comment.



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CLASS ACTION

LEGAL NOTICE

IF YOU PURCHASED OCCUPANT SAFETY SYSTEMS IN THE UNITED STATES DIRECTLY FROM AUTOLIV, TAKATA, TOKAI RIKIKA, TRW OR TOYODA GOSEI FROM JANUARY 1, 2003 THROUGH FEBRUARY 25, 2015 YOUR LEGAL RIGHTS MAY BE AFFECTED BY PROPOSED SETTLEMENTS WITH THE TOYODA GOSEI AND TOKAI RIKIKA DEFENDANTS

Proposed settlements totaling \$38 million have been reached in *In re Automotive Parts Antitrust Litigation*, Master File No. 12-md-02311, 2:12-cv-00601, 2:16-cv-10002 (E.D. Mich.), with the Toyoda Gosei and Tokai Rika Defendants (collectively, the "Settling Defendants").

What is the lawsuit about? This class action is part of coordinated legal proceedings involving Occupant Safety Systems purchased in the United States directly from a Defendant (as defined below). These proceedings do not relate to, and have no effect upon, cases involving any other product.

"Occupant Safety Systems," for purposes of the settlements, are seat belts, airbags, steering wheels or steering systems, safety electronic systems, and related parts and components.

Direct Purchaser Plaintiffs allege that Defendants entered into a conspiracy to suppress and eliminate competition for Occupant Safety Systems by agreeing to fix, maintain, or stabilize prices, rig bids, and allocate the supply of Occupant Safety Systems, in violation of federal antitrust laws. Plaintiffs further allege that as a result of the conspiracy, they and other direct purchasers of Occupant Safety Systems were injured by paying more for those products than they should have paid, and seek recovery of treble damages, together with reimbursement of costs and an award of attorneys' fees.

You were previously notified of the existence of this class action, the nature of the Plaintiffs' claims, and settlements with the Autoliv Defendants in the amount of \$35,516,800, and with the TRW Defendants in the amount of \$6,500,000. Those settlements were approved by the Court in Orders dated January 7, 2015 and July 24, 2015, respectively.

Additional proposed settlements have been reached with the Toyoda Gosei Defendants for \$34,000,000, and with the Tokai Rika Defendants for \$4,000,000. These settlements, when added to the Autoliv and TRW settlements, bring the total settlements in this case to \$80,016,800.

Each of the Settling Defendants denies Plaintiffs' allegations and has agreed to settle this matter in order to avoid the expense and burden of further litigation. The Court has not issued any findings or rulings with respect to the merits of Plaintiffs' claims or Defendants' defenses. This is a settlement with the Settling Defendants only.

Who is included? The Court has preliminarily approved, and has provisionally certified, Toyoda Gosei and Tokai Rika Settlement Classes, which are composed of all individuals and entities who purchased Occupant Safety Systems in the United States directly from any of the following Defendants during the period from January 1, 2003 through February 25, 2015 (the "Class Period"): Autoliv Inc.; Autoliv ASP, Inc.; Autoliv B.V. & Co. KG; Autoliv Japan Ltd.; Takata Corporation; TK Holdings, Inc.; Tokai Rika Co., Ltd.; TRAM, Inc. d/b/a Tokai Rika U.S.A., Inc.; Toyoda Gosei Co., Ltd.; Toyoda Gosei North America Corporation; TG Missouri Corporation; TRW Automotive Holdings Corp.; and TRW Deutschland Holding GmbH.

A Notice of Proposed Settlement and Claim Form ("Notice") was mailed to potential Toyoda Gosei and Tokai Rika Settlement Class members on or about May 16, 2018. The Notice describes the litigation and options available to Settlement Class members with respect to the Toyoda Gosei and Tokai Rika settlements in more detail.

If you did not receive the Notice you may obtain a copy on the internet at www.autopartsantitrustlitigation.com, or by calling or writing to any of the following Settlement Class Counsel:

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LEGAL NOTICE

A CLASS ACTION SETTLEMENT WITH BARCLAYS BANK PLC WILL PROVIDE PAYMENTS TO INDIVIDUALS AND ENTITIES WHO WERE HARMED BY MOVEMENTS IN DAILY INDEX PRICES FOR ELECTRICITY AT FOUR WESTERN U.S. TRADING HUBS.

A \$29 million settlement, subject to final court approval, has been reached with Barclays Bank PLC ("Barclays") in a lawsuit about whether Barclays engaged in a scheme to unlawfully monopolize or attempt to monopolize the markets for setting certain electricity-related daily index prices at four major western U.S. electricity trading hubs known as Mid-Columbia, Palo Verde, South Path 15 and North Path 15. Barclays denies all claims.

WHO IS INCLUDED?

The Settlement Class includes any individual or entity that held any physical or financial contract which settled against the ICE or Dow Jones published daily index prices for peak or off-peak electricity at either Mid-Columbia, Palo Verde, South Path 15 or North Path 15 between November 1, 2006 and December 31, 2008, and was damaged by movements in such index prices allegedly caused by Barclays.

WHAT DOES THE SETTLEMENT PROVIDE?

Each Settlement Class Member who submits a valid Claim Form with supporting documentation and was damaged by movements in the ICE or Dow Jones published daily index prices for peak or off-peak electricity caused by Barclays between November 1, 2006 and December 31, 2008 will be eligible to receive a payment.

HOW DO YOU ASK FOR A PAYMENT?

To receive a payment you must submit a Claim Form by October 18, 2018. The Claim Form is available at the website www.WesternHubElectricitySettlement.com or by calling 1-866-673-9669.

YOUR OTHER OPTIONS.

If you do not want to be bound by the settlement, you must exclude yourself from the Settlement Class by July 5, 2018; otherwise you will release certain legal rights against Barclays and related entities as set forth in the Settlement Agreement.

If you exclude yourself, you cannot get a payment from the settlement. If you stay in the settlement, you may object to it by August 25, 2018. A detailed Notice, the Settlement Agreement, and other related documents are available at the website or by calling 1-866-673-9669.

The United States District Court for the Southern District of New York will hold a hearing in the case, called *Merced Irrigation District v. Barclays Bank PLC*, No. 1:15-cv-04878-VM-GWG, on September 14, 2018, to consider whether to grant final approval of the settlement, and to approve a request by Settlement Class Counsel for attorneys' fees, expenses and an incentive award to the class representative. You or your own lawyer, if you have one, may ask to appear and speak at the hearing at your own cost, but you do not have to.

SETTLEMENT CLASS COUNSEL

Solomon B. Cera

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MEDIA



TWENTIETH CENTURY FOX

Deadpool 2 took in \$125 million in the U.S. and Canada, kicking off a busy summer movie season.**An R-Rated Sequel, 'Deadpool 2,' Is in First Place, Ahead of 'Avengers'**

BY ERICH SCHWARTZEL

LOS ANGELES—"Deadpool 2" became the rare R-rated blockbuster at the box office over the weekend, kicking off what Hollywood hopes is a robust summer season.

The sequel about a foul-mouthed superhero (Ryan Reynolds) collected a strong \$125 million in the U.S. and Canada, according to studio estimates. It collected an additional \$176 million in overseas markets.

"Deadpool 2" couldn't match the original "Deadpool," which broke records and shattered expectations when it took in \$132 million in its opening weekend two years ago. But the movie's relatively inexpensive budget and strong reaction from fans still give its studio, **Twentieth Century Fox**, a hit.

Based on a spinoff character in Marvel Comics' X-Men series, the original "Deadpool" pulled in audiences despite an R rating that kept young moviegoers away and a release date typically reserved for studio leftovers.

"Deadpool" went on to gross \$363 million domestically and \$420 million overseas, making it one of the year's biggest hits and a better performer in the

Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. <i>Deadpool 2</i>	Twentieth Century Fox	\$125	\$125	--
2. <i>Avengers: Infinity War</i>	Disney	\$28.7	\$595	-54
3. <i>Book Club</i>	Paramount	\$12.5	\$12.5	--
4. <i>Life of the Party</i>	Warner Bros.	\$7.7	\$31	-57
5. <i>Breaking In</i>	Universal	\$6.5	\$28.7	-63

*Friday, Saturday and Sunday Source: comScore

U.S. than more conventional superhero epics released in 2016, like "Batman v Superman: Dawn of Justice" and "Doctor Strange." It remains the second-highest-grossing R-rated movie of all time, behind "The Passion of the Christ."

For the sequel, the studio raised the stakes, choosing a prime summer release date and increasing the budget from \$58 million to \$110 million, still about half what it costs DC Comics and Marvel Studios to make their massive superhero offerings.

"Deadpool 2" begins an unusually busy summer movie season, with **Walt Disney** Co.'s "Solo: A Star Wars Story" coming next week and major releases like "Jurassic World" following soon behind. Industry analysts expect the summer box office to rise about 20% compared with last year's disappointing showing.

One of "Deadpool's" many satirical targets is the assortment of other comic-book adaptations that crowd multiplexes and that will soon start drawing moviegoers away in the weeks to come.

Another superhero sequel, Disney's "Avengers: Infinity War," followed in second place. It added \$28.7 million to its blockbuster haul of \$595 million. "Infinity War" grossed \$1.8 billion globally so far.

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BUSINESS NEWS

Main Street Banks Face a Challenge From New Rivals

By CHRISTINA REXRODE

Main Street banks are feeling squeezed by competition from new rivals: nonbanks such as hedge funds and private-equity firms that are elbowing into business loans.

The situation is forcing the banks to rethink a business that is a key part of their revenue but which is weighing down what many had hoped would finally represent a banner year in commercial lending.

Growth in business lending has picked up recently—it was up 3.3% year over year as of May 9, according to Federal Reserve data released Friday, after falling below 1% earlier this year.

But the growth rate is still far below where it has been in recent years, when loans to businesses grew at a double-digit clip for much of 2014, 2015 and 2016.

3.3%

Growth in business lending year over year as of May 9

Banks have been blaming a variety of factors for the lending drop-off, including political uncertainty over things like trade policy. In recent conference calls and interviews, bankers highlighted another reason that could prove longer lasting: nonbanks swooping in on their commercial clients by offering looser repayment conditions and longer loan terms.

"That competition has been aggressive," Greg Carmichael, CEO of **Fifth Third Bancorp**, said in an interview. "Private equity, REITs, insurance companies—it's definitely a formidable competitor."

Hedge funds and private-equity firms can compete with banks because they are more lightly regulated and often flush with cash. Insurance companies and pension funds, interested in steady long-term returns, are bidding for commercial mortgages, bankers said.

"There's more nonregulated lenders in the market all the time, and I don't see that trend abating," Terry Katon, head of capital markets at Regions Financial Corp., said in an interview.

To be sure, the nonbanks are often pinpointing debt-laden companies that banks

would shun. Still, banks are being forced to find ways to adapt.

Mr. Carmichael said Fifth Third is focused on maintaining its long-term relationships with commercial clients, which aren't based solely on loans. "What a REIT can't do is provide the technology we have in treasury management or corporate banking," he said.

Mr. Katon said that when a corporate client chooses to take a loan from a nonbank, Regions will often act as intermediary so that it will earn fee income.

The business-loan malaise has been a puzzle to banks since at least the start of 2017. At that time, the pace of loan growth began to slow despite a relatively buoyant economy and Trump administration promises of deregulation.

The ensuing slump has led to debate among bankers about whether fast-paced business-loan growth is on a brief hiatus or gone for good.

Before the election, bankers said companies were waiting to find out who would be president.

Afterward, they said companies were waiting for clarity on policy. They later said companies needed the details on the new tax bill. After that was enacted, they said companies had so much extra cash that they didn't need to borrow.

Allison Dukes, chief financial officer of **SunTrust Banks Inc.**, said at an industry conference last week that one problem might be abating: Companies last year looked to take advantage of low rates by raising money in the bond market rather than through bank loans.

But Ms. Dukes said that trend appeared to be slowing as interest rates rise.

Lending Blues

Commercial-lending annual growth has picked up in recent weeks, but it is nowhere near what banks enjoyed a year ago.



Source: Federal Reserve

THE WALL STREET JOURNAL.

Alvarez Affiliate Looks For Deals in Europe

By WILLIAM LOUCH
AND ED BALLARD

A&M Capital Partners, a U.S. midmarket private-equity investor affiliated with restructuring advisory firm **Alvarez & Marsal**, has set up shop in Europe.

The firm is scouting for deals ahead of launching a fund to buy companies on the Continent later this year, according to people familiar with the matter.

The European arm may tap the firm's existing \$600 million fund, which has focused on U.S. deals, before raising a separate fund, a person familiar with the matter said. In Europe, A&M Capital Partners will back companies with at least €10 million (\$11.8 million) of earnings before income, depreciation and amortization, writing equity checks of up to €100 million, one of the people said.

The European investment team is led by three partners: Alvarez & Marsal veteran Shepard "Colie" Spink; Mark Kelly, a co-founder of **H.I.G. Europe**; and Joachim Oglend, who left **BC Partners** in 2017 after 14 years there.

Messrs. Spink and Kelly have worked together previously.

As head of Alvarez & Marsal's European private-equity performance improvement team, Mr. Spink worked with H.I.G. portfolio compa-

nies that Mr. Kelly had invested in, one of the people said.

Other deal makers have been hired from Singaporean sovereign-wealth fund **Temasek Holdings Pte. Ltd.**, European buyout shop **IK Investment Partners** and **CCMP Capital Advisors**, a U.S. firm that recently closed its London office, according to A&M Capital Partners' website.

The firm has its roots in the global financial crisis, when Alvarez & Marsal assumed control of the assets of bankrupt investment bank Lehman Brothers Holdings Inc. Michael J. Odrich, the head of Lehman's alternative investing business, was put in charge of a newly created investment firm, Alvarez & Marsal Capital LLC.

From the outset, the firm aimed to work closely with Alvarez & Marsal, looking for turnarounds, corporate restructurings and opportunities for operational improvements, according to a 2009 statement.

A&M Capital Partners targets taking controlling stakes in companies worth between \$75 million and \$750 million. Its website lists eight portfolio companies, from discount retail chain **Gabriel Brothers Inc.** to **Centerra Services LLC**, a security company that serves the U.S. government. All are U.S.-based, but the firm can also invest in Western Europe, the website says.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Company Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase (as defined below), dated May 21, 2018, and the related Letter of Transmittal (as defined below) and any amendments or supplements thereto. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Company Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction or any administrative or judicial action pursuant thereto. Purchaser (as defined below) may, in its discretion, take such action as it deems necessary to make the Offer to holders of Company Shares in such jurisdiction. In those jurisdictions where applicable laws require that the Offer be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

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a wholly owned limited liability company of funds advised by

HGGC, LLC

Riptide Purchaser, Inc. ("Purchaser"), a Delaware corporation and a direct wholly owned subsidiary of Riptide Parent, LLC ("Parent"), a Delaware limited liability company and a wholly owned limited liability company of funds advised by HGGC, LLC, a Delaware limited liability company, is offering to purchase for cash all outstanding shares of common stock, par value \$0.0001 per share (the "Company Shares"), of RPX Corporation, a Delaware corporation (the "Company"), at a purchase price of \$10.50 per Company Share, net to the seller in cash, subject to reduction for any applicable withholding taxes in respect thereof, without interest (such amount per Company Share, or any different amount per Company Share that may be paid pursuant to the Offer (as defined below) in accordance with the terms of the Merger Agreement (as defined below), the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 21, 2018 (the "Offer to Purchase"), and in the related letter of transmittal (the "Letter of Transmittal") and, together with the Offer to Purchase, as each may be amended or supplemented from time to time, the "Offer"). Tendering stockholders whose Company Shares are registered in their names and who tender directly to Computershare Trust Company, N.A. (the "Depository") will not be obligated to pay brokerage fees or commissions or, except as set forth in the Letter of Transmittal, transfer taxes on the purchase of Company Shares by Purchaser pursuant to the Offer. Stockholders who hold their Company Shares through a broker, bank or other institution should consult with such institution as to whether it will charge any service fees or commissions.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT ONE (1) MINUTE AFTER 11:59 P.M., NEW YORK CITY TIME, ON JUNE 18, 2018, UNLESS THE OFFER IS EXTENDED OR EARLIER TERMINATED.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of April 30, 2018, by and among Parent, Purchaser and the Company (the "Merger Agreement"), pursuant to which, following the consummation of the Offer and the satisfaction or waiver of each of the applicable conditions set forth in the Merger Agreement, Purchaser will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger (the "Surviving Corporation"). Upon consummation of the Merger, the Surviving Corporation would be a direct wholly owned subsidiary of Parent. As a result of the Merger, each Company Share outstanding immediately prior to the effective time of the Merger (other than Company Shares held by Parent, Purchaser or the Company (as treasury stock), any wholly-owned subsidiary of Parent or the Company, or by any stockholder of the Company who or which is entitled to and properly demands and perfects appraisal of such Company Shares pursuant to, and complies in all respects with, the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL")) will at the effective time of the Merger be converted into the right to receive an amount in cash equal to the Offer Price. Upon consummation of the Merger, the Company will cease to be a publicly traded company.

The purpose of the Offer is for Parent, through Purchaser, to acquire control of, and ultimately the entire equity interest in, the Company. Following the consummation of the Offer, Purchaser intends to effect the Merger as promptly as practicable, subject to the satisfaction of certain conditions.

The Merger Agreement provides, among other things, that subject to the satisfaction, or waiver by Purchaser, of the Offer Conditions (as defined below), Purchaser will (and Parent will cause Purchaser to) (i) at or as promptly as practicable following the Expiration Time (as defined below) (and in any event, no later than the business day immediately following the date on which the Expiration Time occurs), accept for payment (the time of acceptance for payment, the "Offer Acceptance Time") and (ii) at or as promptly as practicable following the Expiration Time (and, in any event, within three (3) business days following the Expiration Date), pay the aggregate Offer Price (by delivery of funds to the Depository) for all Company Shares validly tendered and not validly withdrawn pursuant to the Offer. Parent will provide (or cause to be provided to Purchaser) the consideration necessary for Purchaser to comply with the obligations to accept for payment and pay for such Company Shares.

On April 30, 2018, after careful consideration, the board of directors of the Company (the "Company Board") unanimously (a) determined that it is in the best interests of the Company and the Company stockholders, and declared it advisable, for the Company to enter into the Merger Agreement, (b) approved the execution, delivery and performance by the Company of the Merger Agreement and the consummation of the Offer, the Merger and the other transactions contemplated by the Merger Agreement and (c) resolved to recommend that the Company's stockholders tender their Company Shares to Purchaser pursuant to the Offer and on the terms and subject to the conditions set forth in the Merger Agreement. The Company Board recommends that Company stockholders accept the Offer and tender their Company Shares in the Offer.

The Merger Agreement contemplates that the Merger will be effected pursuant to Section 251(h) of the DGCL, which permits completion of the Merger upon the collective ownership by Parent, Purchaser and any other subsidiary of Parent of one share more than 50% of the number of Company Shares that are then issued and outstanding, and, if the Merger is so effected pursuant to Section 251(h) of the DGCL, no vote of the Company's stockholders will be required to adopt the Merger Agreement or consummate the Merger. Parent and Purchaser do not foresee any reason that would prevent them from completing the Merger pursuant to Section 251(h) of the DGCL following the consummation of the Offer; however, if the Merger is not permitted to be effected pursuant to Section 251(h) of the DGCL for any reason, Parent, Purchaser and the Company have agreed to take all reasonable actions necessary to cause the consummation of the Merger as promptly as practicable after the consummation of the Offer.

The Offer is conditioned upon the satisfaction or waiver (where applicable) of a number of conditions set forth in the Merger Agreement (the "Offer Conditions"), including, among other things, (a) there having been validly tendered and "received" (within the meaning of Section 251(h)(6) of the DGCL) and not validly withdrawn prior to one (1) minute after 11:59 p.m., New York City time, on June 18, 2018 (the "Expiration Time" and such date, or such subsequent date to which the expiration of the Offer is extended in accordance with the Merger Agreement, the "Expiration Date") that number of Company Shares (excluding Company Shares tendered pursuant to guaranteed delivery procedures that have not yet been "received" (within the meaning of Section 251(h)(6) of the DGCL) by the depositary in the Offer) that, when added to the Company Shares already owned by Parent, Purchaser or their respective affiliates and any Company Shares that constitute "rollover stock" (within the meaning of Section 251(h)(6) of the DGCL), represents in the aggregate one (1) Company Share more than 50% of the sum of (i) all Company Shares outstanding at the Expiration Time, plus (ii) the aggregate number of Company Shares that the Company may be required to issue upon conversion, settlement or exercise of all then-outstanding options to purchase Company Shares granted for which the Company has received a notice of exercise prior to the Expiration Time (and as to which Company Shares have not yet been issued to such exercising holders) (the "Minimum Tender Condition"); (b) the expiration or termination of the waiting period (and any extension of such period) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the transactions contemplated by the Merger Agreement, including the Offer and the Merger ("the HSR Clearance Condition"); (c) the German Federal Cartel Office ("Bundeskartellamt") having either: (i) decided that the prohibition criteria in the German Act against Restraints of Competition of 1957, as amended (*Gesetz gegen Wettbewerbsbeschränkungen 1957* ("GWB")) are not satisfied, or (ii) been deemed to have made such a decision in accordance with the GWB (collectively, the "German Merger Control Clearance Condition"); (d) no law and no judgment, order, decree, ruling, writ, assessment or arbitration award of a governmental authority of competent jurisdiction, whether preliminary, temporary or permanent, being in effect that would restrain, enjoin, prohibit or otherwise make illegal the consummation of the Offer or the Merger (the "Restrainment Condition"); and (e) the Merger Agreement having not been validly terminated in accordance with its terms and the Offer having not been terminated in accordance with the terms of the Merger Agreement (the "Termination Condition").

Subject to the provisions of the Merger Agreement and applicable law, Purchaser expressly reserves the right, at any time, in its sole discretion, to waive, in whole or in part, any Offer Condition, or modify the terms of the Offer. However, without the prior written consent of the Company, Purchaser is not permitted to (i) reduce the number of Company Shares subject to the Offer, (ii) reduce the Offer Price or change the form of consideration payable in the Offer, (iii) change, modify or waive the Minimum Tender Condition, the Termination Condition, the HSR Clearance Condition or the Restraining Condition, (iv) add to the Offer Conditions or make any Offer Condition more difficult to satisfy, (v) extend the Expiration Time other than in accordance with the Merger Agreement, (vi) provide a "subsequent offering period" (or any extension thereof) within the meaning of Rule 14d-11 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), or (vii) otherwise amend the Offer in any manner adverse to the Company stockholders (other than Parent, Purchaser or any of their respective affiliates) or the Company.

The Merger Agreement provides that, if on any scheduled Expiration Time any Offer Condition (including the Minimum Tender Condition) is not satisfied (other than the condition that Parent shall have received a certificate signed on behalf of the Company by an executive officer of the Company certifying the satisfaction of certain conditions of the Offer ("Officer Certificate Condition")), which by its nature is to be satisfied at the Expiration Time) or, in Purchaser's sole discretion, waived (if such Offer Condition is permitted to be waived pursuant to the Merger Agreement and applicable law), then Purchaser will extend the Offer for successive periods of up to five (5) business days each (calculated in accordance with Rule 14d-1(g)(3) under the Exchange Act) or such longer period as Parent, Purchaser and the Company may agree in order to permit the satisfaction of such conditions; provided, however, that if at any scheduled Expiration Time the only unsatisfied Offer Condition is the Minimum Tender Condition, (i) Purchaser will not be required to extend the Offer for more than a total of twenty (20) business days (calculated in accordance with Rule 14d-1(g)(3) under the Exchange Act) and (ii) if prior to any scheduled Expiration Time on or after such twentieth (20th) business day referred to in the foregoing clause (i) Purchaser has received from the Company a written notice of the Company's election that Purchaser not extend the Offer beyond such scheduled Expiration Time.

In any case, (a) Purchaser will not be required to, and without the Company's written consent will not, extend the Offer to a date later than 5:00 p.m., Eastern time on October 30, 2018, (b) subject to the following clauses (c) and (d), Purchaser will not, without the Company's prior written consent, extend the Offer if all Offer Conditions have been satisfied, (c) Purchaser will extend the Offer for any period or periods required by applicable law, including applicable rules, regulations, interpretations or positions of the SEC or its staff (including any comments issued by the staff of the SEC to any of Parent, Purchaser or the Company), or rules of any securities exchange, and (d) if, at the scheduled Expiration Time, each Offer Condition has been satisfied (other than the Officer Certificate Condition, which by its nature is to be satisfied at the Expiration Time), or, in Purchaser's sole discretion, waived (if such Offer Condition is permitted to be waived pursuant to the Merger Agreement and applicable law), and the proceeds of the debt financing that are expected to be drawn for the purpose of financing the Offer and the Merger and paying related fees and expenses are not available to Parent and Purchaser, in an amount sufficient (in combination with the equity financing committed by funds advised by HGGC, LLC, for the purpose of funding a portion of the aggregate Offer Price and consideration in the Merger) to consummate the transactions contemplated by the Merger Agreement, the Purchaser shall have the right to extend the Offer for one (1) or more periods of ten (10) business days each (calculated in accordance with Rule 14d-1(g)(3) under the Exchange Act) (or such longer period as Parent, Purchaser and the Company may agree).

The Merger Agreement does not contemplate a subsequent offering period for the Offer.

Any extension, delay, termination, waiver or amendment of the Offer will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Time.

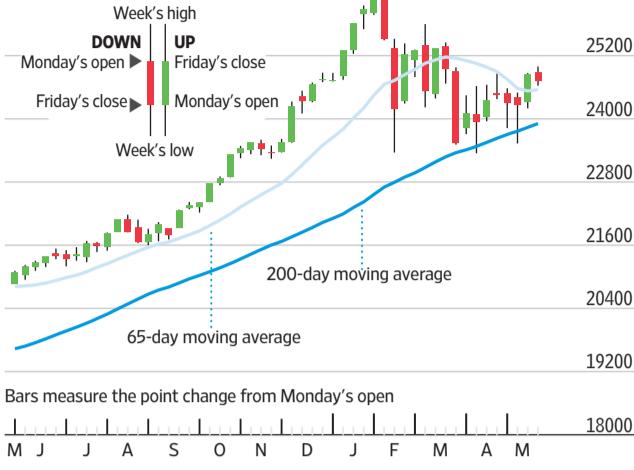
For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Company Shares validly tendered and not validly withdrawn, if and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance for payment of such Company Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Company Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefor with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Company Shares have been accepted for payment by Purchaser. If Purchaser extends the Offer, is delayed in its acceptance for payment of Company Shares, or is unable to accept Company Shares for payment pursuant to the Offer for any reason, then without prejudice to its rights under the Offer and the Merger Agreement, the Depository may retain tendered Company Shares on Purchaser's behalf, and such Company Shares may not be withdrawn except to the extent that remaining stockholders are entitled to withdrawal rights as described herein and in the Offer to Purchase and as otherwise required by Rule 14d-1(c) under the Exchange Act. In all cases, Purchaser will pay for Company Shares tendered and accepted for payment pursuant to the Offer only after timely receipt by the Depository of (i) the certificate(s) evidencing such Company Shares or confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company pursuant to the procedures set forth in the Offer to Purchase or the Letter of Transmittal, properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) in lieu of the Letter of Transmittal, and (ii)

MARKETS DIGEST

Dow Jones Industrial Average

24715.09 ▼116.08, or 0.47% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 24.30 20.25
P/E estimate * 16.32 17.64
Dividend yield 2.18 2.37
All-time high 26616.71, 01/26/18



Current divisor 0.14523396877348

Bars measure the point change from Monday's open

M J J A S O N D J F M A M

NYSE weekly volume, in billions of shares



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2712.97 ▼14.75, or 0.54% last week
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 24.27 23.44
P/E estimate * 17.11 18.41
Dividend yield 1.91 1.98
All-time high 2872.87, 01/26/18

Financial Flashback
The Wall Street Journal, May 21, 2007

TPG Capital LLP and the private-equity arm of Goldman Sachs Group Inc. agreed to purchase wireless operator Alltel Corp. for about \$27.5 billion.

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Symbol	Pricing
Expected primary pricing date	Shares Filed Range(\$)
Exchange (mil.)	Low/High Bookrunner(s)
EVO Payments	14.0
5/22 4/25	Holding company for EVO Payments International.
Nq	14.00/ JPM, BofA ML, 16.00 Citi, DB, SunTrust
GreenSky	34.1
5/23 4/27	Operates a digital lending platform that facilitates merchant financing
Nq	21.00/ GS, JPM, 23.00 BofA ML, Citi, Credit Suisse, SunTrust
Kiniksa Pharmaceuticals	7.0
5/23 4/27	Clinical-stage biopharmaceutical company.
Nq	17.00/ GS, JPM, 19.00
Scholar Rock Holding	5.4
5/23 4/27	Biopharmaceutical company.
Nq	13.00/ Jefferies, Cowen & Co, 15.00 BMO Cptl Mkts
Iterum Therapeutics	5.3
5/24 5/1	Clinical-stage pharmaceutical company.
Nq	14.00/ Leerink Prtnrs, 16.00 RBC Cptl Mkts

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
May 27	Nov. 28, '17	ReTo Eco-Solutions	RETO	5.00	16.1	-0.4	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	Friday's close (\$)	Offer price(\$)	1st-day close	% Chg From IPO date/Offer price	Company SYMBOL	Friday's close (\$)	Offer price(\$)	1st-day close	% Chg From IPO date/Offer price
Pluralsight	20.88	39.2	4.4	Pluralsight	Evelo Biosciences	16.00	...	-1.5	Evelo Biosciences
PS May 17/\$15.00					EVLO May 9/\$16.00				EVLO May 9/\$16.00
VectoIQ Acquisition	10.01	0.1	0.1	VectoIQ Acquisition	Origin Bancorp	37.47	10.2	-0.1	Origin Bancorp
VTIQU May 16/\$10.00					OBNK May 9/\$34.00				OBNK May 9/\$34.00
Trinity Merger	10.03	0.3	0.2	Trinity Merger	ASLAN Pharmaceuticals	6.19	-12.0	10.3	ASLAN Pharmaceuticals
TMXCU May 15/\$10.00					ASLN May 4/\$7.03				ASLN May 4/\$7.03
HUYA May 11/\$12.00	19.04	58.7	18.6	HUYA May 11/\$12.00	Carbon Black	23.93	25.9	-0.0	Carbon Black
CBLK May 4/\$19.00					CBLK May 4/\$19.00				CBLK May 4/\$19.00
AXA Equitable Holdings	21.58	7.9	6.1	AXA Equitable Holdings	Construction Ptrs	12.38	3.2	2.3	Construction Ptrs
EQH May 10/\$20.00					ROAD May 4/\$12.00				ROAD May 4/\$12.00

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

None expected this week

Off the Shelf

None expected this week

Public and Private Borrowing

Treasurys

Monday, May 21

Wednesday, May 23

Auction of 13 week bill;

Auction of 2 year FRN;

announced on May 17; settles on May 24

announced on May 17; settles on May 25

Auction of 26 week bill;

Auction of 5 year note;

announced on May 17; settles on May 31

announced on May 17; settles on May 31

Tuesday, May 22

Thursday, May 24

Auction of 4 week bill;

Auction of 7 year note;

announced on May 21; settles on May 24

announced on May 17; settles on May 31

Auction of 52 week bill;

Auction of 2 year note;

announced on May 17; settles on May 24

announced on May 17; settles on May 31

Auction of 2 year note;

announced on May 17; settles on May 31

Public and Municipal Finance

Deals of \$150 million or more expected this week

Final Sale maturity	52-Week Issuer	Total (\$ mil.)	Rating Fitch Moody's	Bookrunner/ S&P Bond Counsel(s)
May 21 Nov. 1, 2024	Dallas & Fort Worth Cities-Texas	302.4	N.R. N.R. N.R.	BoA Merrill/ Bracewell LLP
May 21 April 1, 2033	Milwaukee City-Wisconsin	165.3	N.R. N.R. N.R.	Preliminary/ Katten Muchin Zavis Rosenman/ Hurtado Zimmerman LLC
May 23 June 1, 2043	West Virginia	488.2	N.R. N.R. N.R.	Preliminary/ Jackson Kelly
May 25 June 1, 2038	Franklin Co.-Ohio	250.0	N.R. N.R. N.R.	BoA Merrill/ Frost Brown Todd LLC
May 25 prelim.	Phoenix City Civic Imp.	219.0	N.R. N.R. N.R.	BoA Merrill/-
May 25 prelim.	Regents of the Univ of California	378.3	N.R. N.R. N.R.	BoA Merrill/-
May 25 prelim.	Regents of the Univ of California	1,685.8	N.R. N.R. N.R.	BoA Merrill/-

Source: Thomson Reuters/Ipro

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end funds generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. NA signifies that the information is not available or is applicable. The 12-month yield is computed by dividing income dividends paid during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, May 18, 2018

52 wk Prem Ttl NAV Close/Disc Ret

Fund (SYM)	NAV Close	Prem	Ttl	Ret
General Equity Funds				
Adams Diversified Equity Fd ADX	17.83	15.18	-14.9	18.4
Boulder Growth & Income BDY	12.70	10.77	-15.2	19.2
Central Securities CET	33.70	27.65	-18.0	15.4
CohSteer Opprtunity Fd FOF	13.54	12.65	-6.6	5.4
Cornerstone Strategic CLM	12.74	14.81	+16.2	10.1
Cornerstone TR Fd CRF	12.39	14.61	+17.9	14.2
EtnVnc TaxAdvDiv EVT	23.21	22.83	-1.6	14.2
Gabelli Dividend & Income GDI	24.35	22.65	-7.0	12.6
Gabelli Trust GAB	6.38	6.32	-0.9	15.4
Genl American Investors GAM	40.79	34.50	-15.4	13.4
Guggenheim Enh Fd GPM	8.71	8.62	-1.0	17.2
Hnck John TaxAdv HTD	23.81	22.32	-6.3	10.6
Liberty All-Star Equity USA	6.81	6.35	-6.8	27.9
Royce Micro-Cap RMT	10.90	9.95	-8.7	23.7
Royce Value Trust RVT	17.68	16.59		

CLOSED-END FUNDS

wsj.com/funds

Continued From Page B8

Fund (SYM)	NAV	Prem	52 wk Close	52 wk Disc	Ttl Ret
First Tr MLP & Engr Incm FEI	12.93	13.16	+1.8	-9.9%	-9.9%
Gabelli Hlthcr & Well GRX	11.50	9.79	-14.9	-0.5	-0.5%
Gabelli Utilty Tr GUT	4.80	5.75	+19.8	-4.6	-4.6%
GAMCO Glbl Natl Rsrcs GNR	5.15	5.06	-1.7	3.7	3.7%
Gordon Sachs M&P Inv Cpt GMZ	NA	9.15	NA	-4.3	-4.3%
Goldman Sachs MLP Energy GER	NA	6.66	NA	-9.0	-9.0%
John Hancock Finl Ops Fd BTO	39.13	39.24	+0.3	1.91	1.91%
Macquarie Glbl Infrastrct MGU	25.50	22.50	-11.8	-0.8	-0.8%
Neuberger Berman MLP Inv NML	NA	9.11	NA	1.0	1.0%
Neubrgr Brnrl Est Secd NRO	4.96	4.74	-4.5	1.2	1.2%
Neutriose Dow 30 Dynamic DIAK	18.65	19.42	+4.1	2.83	2.83%
Voya Gl Equity Div IGD	7.80	7.27	-6.8	7.0	7.0%
Income & Preferred Stock Funds					
Calamos Strat Fd CSQ	12.94	12.35	-4.6	16.4	16.4%
Cohen & Steers Dur Pfd LDP	26.06	25.18	-3.4	3.4	3.4%
Cohen & Strs Sel Pfd Inco PSF	26.28	25.50	-3.0	-0.2	-0.2%

52 wk

Fund (SYM)	NAV	Prem	52 wk Close	52 wk Disc	Ttl Ret
Nuveen Real Est Incm Fd JRI	10.12	9.58	-5.3	-7.1	-7.1%
Nuveen Real Asset Income JRI	18.34	16.26	-11.3	1.3	1.3%
Nuveen S&P 500 Div Overwrite SPXK	NA	18.41	NA	28.0	28.0%
Nuveen S&P 500 Buy-Write BXMX	13.97	14.00	+0.2	7.6	7.6%
Reaves Utility Fund UTG	30.41	28.15	-7.4	-13.9	-13.9%
Tekla Healthcare Opps Fd THQ	18.66	16.74	-10.3	5.7	5.7%
Tekla Life Sciences HOL	19.11	18.97	-4.7	1.3	1.3%
Tekla World Hlthcr Fd THW	14.20	13.03	-8.2	0.1	0.1%
Tortoise Energy TYG	27.22	29.88	+9.8	-4.9	-4.9%
Tortoise MLP Fund UTG	17.44	19.30	+10.7	3.8	3.8%
Voya Gl Equity Div IGD	7.80	7.27	-6.8	7.0	7.0%
Income & Preferred Stock Funds					
Calamos Strat Fd CSQ	12.94	12.35	-4.6	16.4	16.4%
Cohen & Steers Dur Pfd LDP	26.06	25.18	-3.4	3.4	3.4%
Cohen & Strs Sel Pfd Inco PSF	26.28	25.50	-3.0	-0.2	-0.2%

52 wk

Fund (SYM)	NAV	Prem	52 wk Close	52 wk Disc	Ttl Ret
FT Intern Duration Pfd FFP	23.78	21.96	-7.7	-2.6	-2.6%
Flaherty & Crumrine Dyn DFF	24.86	23.19	-6.7	2.1	2.1%
Flaherty & Crumrine Pfd FFC	19.44	18.54	-4.6	-7.3	-7.3%
John Hancock Pfd Income HP	20.91	20.66	-1.2	3.7	3.7%
John Hancock Pfd Income HP	20.61	20.10	-2.5	1.0	1.0%
John Hancock Pfd Incf HPC	18.41	17.85	-3.0	3.9	3.9%
John Hancock Pr Dif PDH	14.43	15.29	+6.0	3.5	3.5%
John Hancock Pr Dif PDH	14.39	13.08	-9.1	0.9	0.9%
Nuveen Pfd & Incm Opps Fd JPC	10.22	9.68	-5.3	3.1	3.1%
Nuveen Pfd & Incm Secs Fd JPC	9.85	9.30	-5.6	0.4	0.4%
Nuveen Preferred & Incm JPA	24.65	23.53	-4.5	2.2	2.2%
Nuveen Tax Adv Gr JTD	17.60	16.97	-3.6	15.6	15.6%
TCW Strategic Income Fund TSI	NA	5.41	NA	3.6	3.6%
Virtus Global Dividend ZTR	NA	10.92	NA	-0.7	-0.7%
Convertible Sec's Funds					
Advt Clnyrm Fd AVK	17.14	15.28	-10.9	6.0	6.0%
Allianz Conv & Incm NCV	6.24	6.81	+9.1	1.1	1.1%
Allianz Gl Conv & Incm NIC	5.60	5.96	+6.4	1.1	1.1%
Allianz Gl Equity & Conv NIE	23.97	21.60	-9.9	18.0	18.0%
Calamos Conv Hlnc Fd CHY	11.71	12.17	+3.9	18.0	18.0%
Calamos CHI	11.11	11.50	+3.5	16.8	16.8%
World Equity Funds					
Aberdeen Total Divn Inv AOD	10.15	9.13	-10.0	14.5	14.5%
Calamos Glbl Inv Cnch CHV	9.04	9.16	+1.3	21.8	21.8%
Cdn Genl Inv CGI	35.63	24.78	-30.5	16.4	16.4%
China Fund CHN	24.66	22.01	-10.7	26.5	26.5%
Clough Global Opp Fd GLO	11.95	10.89	-8.9	14.8	14.8%
Etrn VnC Adx Gbdvdr ETG	18.41	17.19	-6.6	10.8	10.8%
Eaton Vance Tx Opprt ETO	24.60	25.97	+5.6	17.3	17.3%
First Trust Dynamic E FDE	18.74	17.47	-6.8	0.0	0.0%
Gabelli Glb Multimedia GGT	8.99	9.56	+6.3	23.6	23.6%
GDL Fund GDL	11.29	14.90	-16.7	-0.7	-0.7%
India Fund IFN	27.97	24.31	-13.1	5.0	5.0%
Japan Sml Cap JOF	14.02	12.27	-12.5	26.0	26.0%
Korea Fund KF	45.40	49.93	-9.9	10.3	10.3%
Mexico Fund MXF	16.83	14.71	-12.6	-7.7	-7.7%
Morgan Stanley Asia Pac APP	20.68	17.71	-14.4	10.3	10.3%
MS China a Shrd Fd CAF	29.94	26.25	-12.3	33.6	33.6%
MS Emerging Fund MSF	19.64	17.19	-12.5	7.4	7.4%
MS India Invest IF	33.08	29.53	-10.7	4.1	4.1%
New Germany Fund GF	21.49	19.16	-10.8	26.0	26.0%
Swiss Helvetica Fund SWZ	13.61	12.40	-8.9	1.2	1.2%
Templeton Dragon TDF	26.22	22.53	-14.1	25.8	25.8%
Templeton Emerging EMF	17.59	15.58	-12.6	10.4	10.4%
Virtus Total Return Fund ZT	11.15	10.81	-3.0	3.7	3.7%
Voya Infr Indls & Mtls IDE	15.97	15.33	-4.0	10.8	10.8%
Wells Fargo Gl Div Opp EDO	6.09	5.70	-6.4	1.4	1.4%
U.S. Mortgage Bond Funds					
BlackRock Income Trust BKT	6.29	5.72	-9.1	5.5	5.5%
Investment Grade Bond Funds					
BlackRock Corp Investors NCI	15.28	15.20	-5.9	5.9	5.9%
BlackRock Multi-Sector IT BIT	18.88	16.86	-10.7	9.0	9.0%
BlackRock Taxable Mun Bnd BBN	22.77	21.34	-6.3	7.1	7.1%
DoubleLine Opport Credit DBL	NA	20.62	NA	9.5	9.5%
Duff & Phelps Ut & Cb DUC	9.20	8.40	-8.7	6.3	6.3%
Wells Fargo Incm Opps Fd EDF	8.96	8.05	-10.2	8.4	8.4%
Wtn Asset Glb Incm Tr EHH	NA	9.31	NA	8.3	8.3%
Wtn Asset High Incm Cncl HIX	NA	6.53	NA	8.8	8.8%
Wtn Asset Opp Fd HIO	5.43	4.84	-10.9	6.9	6.9%
West Astn Hy Def Opp Fd HYI	NA	14.64	NA	7.6	7.6%
Other Domestic Taxable Bond Funds					
Ares Dynamic Credit Alloc ARDC	16.49	14.99	-16.7	NA	NA
Barings Corp Investors NCI	15.28	15.20	-5.9	5.9	5.9%
BlackRock Multi-Sector IT BIT	18.88	16.86	-10.7	9.0	9.0%
Prudential Corp PH	16.11	13.77	-14.5	7.7	7.7%
Prudential Sh Dr Hld Fd ISD	16.27	14.01	-13.9	7.8	7.8%
Wells Fargo Incm Opps Fd EDF	8.96	8.05	-10.2	8.4	8.4%
Wtn Asset Glb Incm Tr EHH	NA	9.31	NA	8.3	8.3%
Wtn Asset High Incm Cncl HIX	NA	6.53	NA	8.8	8.8%
Wtn Asset Opp Fd HIO	5.43	4.84	-10.9	6.9	6.9%
West Astn Hy Def Opp Fd HYI	NA				

MARKETS

Bets on Oil-Field Pain Miss the Mark

Despite rally, investors shun shares of weaker producers, upsetting Fir Tree's strategy

BY RYAN DEZEMBER

With oil prices at their highest level in three years, it would seem a good time to cash out of energy investments purchased cheaply during the oil rout.

Hedge-fund manager **Fir Tree** is finding it isn't.

Fir Tree was one of several Wall Street firms that saw an opportunity to profit from the pain inflicted on heavily indebted energy producers when oil prices plunged in late 2014 from more than \$100 a barrel to as little as \$26.

The gambit involved buying up the debt of struggling producers for pennies on the dollar from investors hitting the exits, swapping the bonds and loans for stock in restructured companies and then waiting for an upswing in oil prices to lift the shares.

But Fir Tree and others that pursued this trade misjudged investors' appetite for many of the stocks. While U.S. oil prices have climbed to more than \$70 a barrel, the rise has failed to draw investors to the industry's weaker players.

Some of these companies are having a hard time being profitable due to drilling fields that are less prolific than those of rivals. Others wiped out shareholders when they filed for bankruptcy protection and have had trouble convincing prospective investors it won't happen again.

Investors are also wary of natural-gas prices that remain unprofitably low for many drillers and the potential for oil prices to tank again if the Organization of the Petroleum Exporting Countries ends its 2016 pact to limit output.

"This is ground zero for the worst area in the market," said Clinton Biondo, one of Fir Tree's managing partners. "As these companies have emerged, the public markets' response has been really unbelievable to us. It's historic how poorly they've performed."

Though oil is up 20%



East Texas operations of Linn Energy, where Fir Tree owns 19.2%. After it emerged from bankruptcy, it sold \$1.9 billion in assets.

Fir Tree Focuses on Instilling Fiscal Discipline in Drillers

Managing partner Clinton Biondo said **Fir Tree** has focused on instilling fiscal discipline among drillers accustomed to spending more than they made chasing \$100 barrels.

"Guys were just lighting cash on fire, growing at any cost," he said.

Partner Evan Lederman became chairman at **Linn Energy** Inc., a Houston company in which Fir Tree holds a 19.2% stake.

After emerging from bankruptcy protection, Linn sold \$1.9 billion of assets to repay debt and buy back shares; said its longtime CEO would retire; laid out plans to ditch a corporate structure in which profits are paid out to shareholders to avoid taxes, and said it would split into two companies. Its shares are up 51%.

A smaller bet with an even sharper rise has involved **Legacy Reserves** LP. Its stock has quintupled since Fir Tree acquired about 5% in a deal to sell the company back some of its debt.

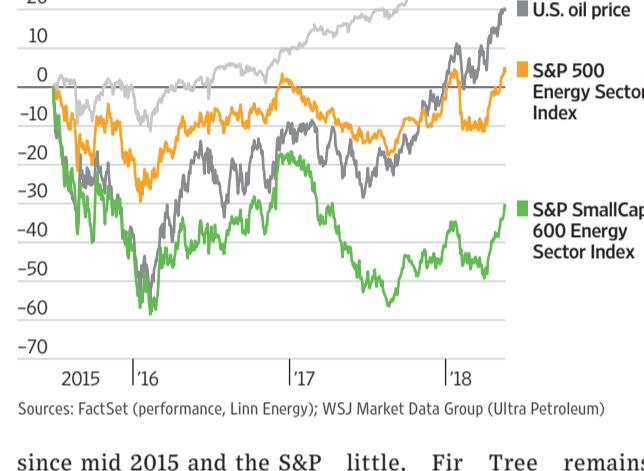
Fir Tree's bet on busted oil companies will ultimately depend on some of the worst-performing stocks in America reversing course.

"While there is still some work to do, these companies are as healthy as they've ever been," Mr. Biondo said. "The market will take notice over time."

Bottom of the Barrel

Shares of oil-and-gas producers, particularly smaller companies, have been left behind in rallies of crude prices and the broader stock market.

Performance since the end of 2014



Sources: FactSet (performance, Linn Energy); WSJ Market Data Group (Ultra Petroleum)

Stock performance of two of hedge fund Fir Tree's largest energy investments since the companies emerged from bankruptcy protection

Linn Energy



Ultra Petroleum



THE WALL STREET JOURNAL.

Source: FactSet (performance, Linn Energy); WSJ Market Data Group (Ultra Petroleum)

since mid 2015 and the S&P 500 stock index has gained nearly one-third, energy stocks, particularly those of smaller companies, have lagged behind. Energy shares in the S&P 600 index of smaller companies have lost 31%.

"Not too many investors want to sell **Amazon** to buy an oil-and-gas company," said Michael Scialla, an energy analyst at Stifel Financial Corp.

Fir Tree bought distressed energy-company debt with a face value of more than \$3 billion. Because it paid so

little, Fir Tree remains ahead on its overall energy wager, which at times has been as big as \$1.6 billion, according to people familiar with the matter. But swooning shares have gnawed away at its gains and complicated its ability to cash out.

The firm has big stakes in six oil-and-gas explorers whose shares have lost at least 20% over the past year. Shares of **Ultra Petroleum** Corp., representing one of the firm's largest energy bets, are down 84% since the company emerged from

bankruptcy protection about a year ago.

"It stands to reason these are not bad investments," said Brian Williams, a partner at investment-banking and restructuring advisory Carl Marks Advisors. "They're just getting hung up in them longer than they'd want."

In a letter sent to investors last autumn, Fir Tree described how its investment in Ultra remained "highly profitable" despite shares that by then had lost nearly half their value.

The firm said it paid less

than 10 cents on the dollar for Ultra bonds valued at \$440 million, which gave it a prominent place at the negotiating table during the Wyoming-focused driller's reorganization. When Ultra came out from bankruptcy protection, Fir Tree was its top shareholder.

Fir Tree, which managed \$8 billion at year end, specializes in wringing profits from distress. As a holder of Puerto Rico's defaulted bonds, a creditor in the yearslong bankruptcy of Lehman Brothers Holdings Inc. and negotiating settle-

ments with banks over bad mortgage bonds, the firm's strategy often involves as much legal maneuvering as trading. In the oil patch it has taken activist-shareholder stances at **SandRidge Energy** Inc. and **Jones Energy** Inc., where it has disclosed 5.6% and 6.7% stakes, respectively.

It appointed one of its partners, former bankruptcy attorney Evan Lederman, to be chairman at Ultra and pushed the company to replace its longtime chief executive and hedge more of its output to lock in prices.

Gold Edges Up as Treasury Yields Fall

BY DAVID HODARI AND AMRITH RAMKUMAR

Gold prices swung between small gains and losses before closing slightly higher Friday, helped by a drop in Treasury yields.

Front-month gold for May delivery closed up 0.2% to \$1,290.20 a troy ounce on the Comex division of the New York Mercantile Exchange but still capped off its worst week of the year.

Bets on higher interest rates have pushed up Treasury yields and the dollar recently, hurting gold because a stronger dollar makes the precious metal more expensive for overseas buyers and higher bond yields make gold less attractive to some investors.

On Friday, the WSJ Dollar



Front-month gold for May delivery closed 0.2% higher on Friday.

Index, which tracks the U.S. currency against a basket of 16 others, added 0.2% to hit a year-to-date high. But the yield on the benchmark 10-year U.S. Treasury note edged down from its highest level

since 2011.

Even though gold hit its lowest level of the year last week, some analysts expect the dollar's rally to cool.

Steady haven buying and investors hedging against in-

flation kept gold above \$1,300 and in a tight range despite the interest-rate worries entering last week.

Investors were keeping an eye on the latest news from Italy, where two antiestablishment parties completed a coalition agreement that challenges the constraints of the euro.

"We expect longer-term holders/consumers to build a floor for the yellow metal even if it remains shunned by active money managers hunting for more attractive near-term returns," ING analysts said in a note to clients.

Analysts are tracking economic data and speeches from central-bank officials for clues about whether the Federal Reserve might raise rates three more times this year, compared with its previous projection of two.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	Fri per US\$	US\$ vs. YTD chg (%)
Americas			
Argentina peso	.0410	24.4025	31.2
Brazil real	.2675	3.7380	12.9
Canada dollar	.7762	1.2884	2.5
Chile peso	.001569	637.50	3.6
Ecuador US dollar	1	1	unch
Mexico peso	.0501	19.9522	1.4
Uruguay peso	.03250	30.7700	6.8
Venezuela b. fuerte	.00001469912.5251	679157	-1.3
Asia-Pacific			
Australian dollar	.7510	1.3316	4.0
China yuan	.1568	6.3780	-1.9
Hong Kong dollar	.1274	7.8501	0.5
India rupee	.01471	67.985	6.4
Indonesia rupiah	.0000707	14140	4.9
Japan yen	.009029	110.75	-1.7
Kazakhstan tenge	.003041	328.82	-1.2
Macau pataca	.1237	8.0858	0.5
Malaysia ringgit	.2518	3.9720	-2.2
New Zealand dollar	.6914	1.4463	2.6
Pakistan rupee	.00864	115.780	4.6
Philippines peso	.0191	52.401	4.9
Singapore dollar	.7447	1.3429	0.4
South Korea won	.0009248	1081.35	1.3
Sri Lanka rupee	.0063387	157.76	2.8
Taiwan dollar	.03339	29.947	0.9
Thailand baht	.03106	32.200	-1.2
Middle East/Africa			
Bahrain dinar	2.6494	.3774	0.1
Egypt pound	.0562	17.8090	0.2
Israel shekel	.2783	3.5928	3.3
Kuwait dinar	3.3128	.3019	0.1
Oman rial	.25977	.3850	unch
Qatar rial	.2743	3.645	-0.1
Saudi Arabia riyal	.2666	3.7504	unch
South Africa rand	.0783	12.7729	3.3
WSJ Dollar Index	87.16	0.14	0.16

Sources: Tullett Prebon, WSJ Market Data Group

THE TICKER | Market events coming this week

Monday

Earnings expected*

Estimate/Year Ago(\$)

Nordson **1.44**/1.35

COMMODITIES

closed up 0.2% to \$1,290.20 a troy ounce on the Comex division of the New York Mercantile Exchange but still capped off its worst week of the year.

Bets on higher interest rates have pushed up Treasury yields and the dollar recently,

hurting gold because a stronger dollar makes the precious metal more expensive for overseas buyers and higher bond yields make gold less attractive to some investors.

On Friday, the WSJ Dollar

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 1.4

Gasoline down 3.8

Distillates down 0.1

current position, at April 30

NYSE 4.9

Nasdaq 4.3

Ross Stores **1.07**/0.82

Bond market closes early, at 2 p.m. ET

Initial jobless claims

Previous 222,000

Expected 220,000

Durable-goods orders

March, previous up 2.6%

April, exp. down 1.5%

U.Mich. consumer index

May, prelim. 98.8

May, final 98.8

MARKETS

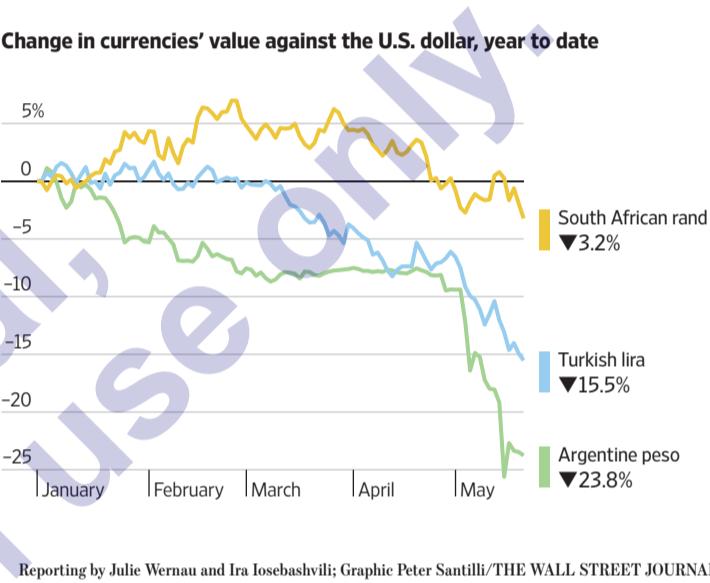
Cracks in the Emerging World

A rising dollar and higher interest rates in the developed world are drawing foreign investment out of emerging markets. Developing countries that are highly reliant on outside capital to finance their budgets have large amounts of debt coming due over the next year and not enough dollar reserves on hand to cover it all are the most economically vulnerable to the investor flight from risk.



Note: Chart excludes Bahrain, which has dollar debt of 182% of GDP and short-term debt of 1,803% of reserves.

Sources: International Monetary Fund via Brown Brothers Harriman



Reporting by Julie Wernau and Ira Iosebashvili; Graphic Peter Santilli/THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Winners Take All in Tech Funding

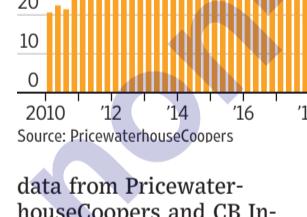
Masayoshi Son is at it again: Not content with one \$100 billion tech fund, the SoftBank founder this week said it is "just a matter of time" before he launches another.

If and when that happens, it is likely to widen the gap between the haves and have-nots in the tech sector.

The Japanese company's \$97 billion Vision Fund, launched last year, already has had a deep effect on how venture-capital firms finance tech startups. The vast sum it is deploying has tempted companies into bigger financing deals: Globally, the number of private-equity-backed fund raisings of over \$100 million, known as mega-rounds, jumped 62% last year to 258, according to

Fashionably Late

Number of seed-round deals in venture capital-backed firms in the U.S., as a percentage of total



data from PricewaterhouseCoopers and CB Insights.

SoftBank was involved in two of the biggest: a \$5.5 billion round for Chinese ride-hailing company Didi and one that raised \$4.4 billion for office-space-sharing

company WeWork. This year, it has already sunk nearly \$8 billion into Uber Technologies.

The Vision Fund's emergence has exacerbated the trend of recent years toward fewer but bigger fund raisings in tech. Partly, that reflects the "winner-take-all" nature of the internet economy, in which companies like Facebook or Google have become so dominant. Venture-capital firms, seeking surer bets, are favoring late-stage unicorns—private companies worth over \$1 billion—that already have big user bases.

But with tech unicorns sucking up so much of the available cash and entrenching their market-leader positions, what is left for early-stage startups? As big

fundraising deals soared last year, the number for seed-stage companies slumped by 29% globally, according to consulting firm Delta Partners.

Another consequence is ever higher valuations for some of the bigger unicorns. A warming IPO market has added fuel, as investors pile into later-stage names in hopes of quick profit from new-listing pops. This has been a key factor in the escalating valuations of pre-IPO Chinese companies like Ant Financial and Xiaomi over the past year or so.

As venture capital for the tech sector becomes less adventurous, those who already have the means have all the advantages.

—Jacky Wong

Cartier's Owner May Have Big Deal in Mind

Is luxury group Richemont about to go on a shopping spree?

Billionaire Chairman and controlling shareholder Johann Rupert fed speculation Friday by noting, alongside the company's lackluster annual results, that "our long-term approach does not preclude us from targeting strategic investments and divestments."

The owner of Cartier and other mainly Swiss watch and jewelry brands, properly known as Compagnie Financière Richemont, has a substantial war chest, particularly since its €4 billion (\$4.7 billion) bond-market debut in March. Even after the imminent takeover of Yoox Net-a-Porter, a luxury e-commerce specialist in which it previously held a 25% stake, Richemont will have roughly €6 billion of cash on its balance sheet, or €2.8 billion net of debt. Mr. Rupert is infamously cautious, but it is one thing to sit on cash and another to borrow more, even at very low rates.

The most plausible explanation is that Mr. Rupert wants flexibility to reshape the portfolio radically if the

opportunity comes along. A year and a half ago he launched a major management shake-up to bring Richemont into the digital age. A shake-up of brands has started as well, albeit tentatively. Last year Richemont bought, in addition to YNAP, a 7.5% stake in airport retailer Dufry and entered talks to sell its ailing purse brand Lancel to Italian briefcase specialist Piquadro.

Richemont's historic mainstay, Swiss watches, has been battling a problem of excess inventory that refuses to go away. To stop slow-selling watches being discounted online, the company bought €203 million of them back from retailers in the year through March—more than investors were expecting. Shares fell 6% Friday.

Last week the company also launched a new, entry-level watch brand, Baume. It will be heavy on customization and recycled materials and light on razzle dazzle. This looks like an admission that millennial consumers don't get traditional Swiss luxury.

The changes at Richemont could just be beginning.

—Stephen Wilmot

Small-Cap Rally Has Good Reasons

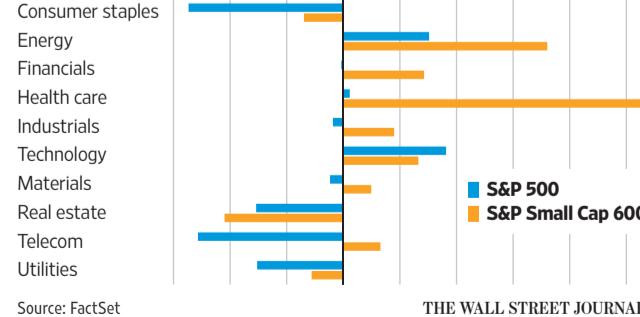
There are some good reasons for investors to favor smaller-market-capitalization stocks these days, but they may not be the main reasons for why the small-cap shares are outperforming.

It has been a good year for small caps: The Russell 2000 is up 5.9% so far and the S&P Small Cap 600 is up 7%. In contrast, the large-cap benchmark S&P 500 is up 1.5%.

Coming up with reasons for the small-cap outperformance isn't hard. Small caps are more domestically focused and as a result are receiving even more of a benefit from the corporate-tax cut than their larger peers are. By the same token, they stand to benefit more from the recent pickup in the dollar, which lowers the dollar value of multinationals' overseas earnings but reduces import costs for U.S. operators. Recent U.S. economic reports have looked better

Little Differences

Sector performance year-to-date



far this year. Health-care stocks in the S&P 500 are up less than 1%.

The S&P 600 health-care sector is full of biotech stocks (as is the Russell 2000), and biotech stocks have been bid higher this year on expectations more of them will be acquisition targets. The S&P 500 health-care sector is dominated by major pharmaceutical companies—the ones struggling with sluggish growth that are presumably shopping for biotechs.

But what about that good backdrop for small-caps? Small-company stocks didn't rally as much as big companies last year in anticipation of the tax cuts. So it is possible that there is still room for small-company stocks to benefit from the effect of tax cuts. Investors who worry they missed out on the small-cap rally might find they still have time.

—Justin Lahart

relative to what has been coming out overseas.

A quick look under the hood of the indexes suggests that as a good as these reasons might be, there are other things going on. Some of the biggest stocks weighing on the S&P 500—Wal-Mart, AT&T, Comcast and Wells Fargo—are mostly do-

mestically focused companies, meaning they should be getting the same bounce as small caps. But they are all being hit by company- or industry-specific issues.

Then there is the composition of the indexes to consider. Within the S&P 600, for example, the health-care sector is up nearly 27% so

OVERHEARD

The police who raided the home of former Malaysian Prime Minister Najib Razak and his wife, Rosmah Mansor, were looking for evidence of corruption. They may have already solved one mystery.

In 2015, a fuchsia pink crocodile Hermès Birkin bag was auctioned at Christie's in Hong Kong for \$223,000, the highest price ever paid for a handbag. The bag featured diamonds and gold hardware and was bought by an anonymous pri-

vate Asian buyer.

Singapore newspaper Today blew up a photo taken by the Malay Mail of the boxes being hauled out of the apartment by police and helpfully circled a label that said, "H-bag Fushia Pink Croco Skin Hermes." Ms. Rosmah had been seen with a similar-looking bag soon after the auction.

The Birkin bag was one of about 300 taken from the former prime minister's apart-



We share the American Dream. We also share responsibility for making it possible.

Financial, demographic, technological and cultural forces are reshaping how people think of themselves, their family and their future. And yet, in the face of pervasive change, the American Dream — in particular, owning a home — persists.

At Freddie Mac, we believe that to serve the next generation of homeowners — the **Borrowers of the Future** — our industry must rededicate itself to understanding their hopes and their fears, their characteristics and their challenges.

So, what's happening right now — and what does the future hold?

A MORE DIVERSE NATION OF HOMEOWNERS

Demographics are changing rapidly. By 2020, the majority of new home buyers will be from ethnic minority groups;¹ more than 20% of these buyers will be living in multigenerational households.²

NEW IDEAS ABOUT SHARING, OWNERSHIP AND WORK

The freelance workforce is growing three times faster than the overall workforce and may account for the majority of workers within a decade.³ The “gig economy” is challenging lenders attempting to evaluate the creditworthiness of borrowers who may be financially qualified for a loan but, being self-employed, don’t receive a W-2.

IN AN ON-DEMAND WORLD, NO ONE WANTS TO WAIT

Technology has created consumers who expect to order nearly anything at the touch of a button. It also means people are using their phones for important transactions more than ever. Already technology is cutting weeks out of the home-buying process by speeding searches and reducing paperwork.⁴

FACING UP TO THE DOWN PAYMENT CHALLENGE

With many coming of age in the Great Recession, the Borrowers of the Future tend to have lower levels of accumulated savings. With outstanding student debt overall recently reaching a staggering \$1.4 trillion,⁵ today’s graduates bear an economic burden on a scale that their parents didn’t.

A DECLARATION OF (CONTINUED) INDEPENDENCE

If you’re a millennial, your parents are probably doing things quite a bit differently than their parents did. Many baby boomers today are working later in life — and staying in their homes longer, “aging in place” by renovating to incorporate safety and convenience features.⁶

At Freddie Mac, we use big data and advanced analytics to identify the key drivers of the housing market, then share useful, actionable insights about the Borrowers of the Future with our lender partners to help them serve their clients’ needs.

We invite our colleagues in the housing finance industry to join us in this effort and share what you’d like to learn more about as we continue to innovate for the Borrowers of the Future.

BorrowersoftheFuture.com

Research. Insights. Stories. Solutions.

C-SUITE STRATEGIES

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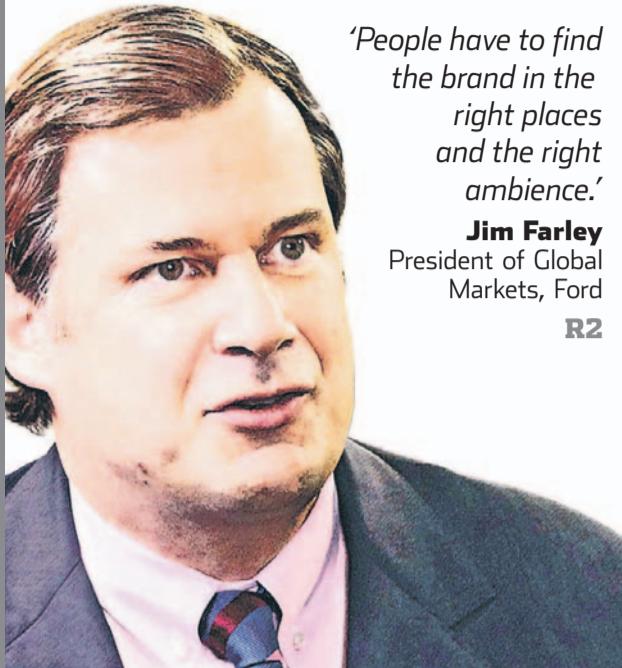
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Monday, May 21, 2018 | R1

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'People have to find
the brand in the
right places
and the right
ambience.'
Jim Farley
President of Global
Markets, Ford

R2



'Fitting all
ingredients
on labels is
incredibly
challenging,
and nearly
impossible, for
many items.'

Kathy Fish
Chief R&D and
Innovation Officer,
Procter & Gamble

R4

'If one is going to
make culture
change, that
always includes
tone from
the top.'

**Roger
Ferguson**
CEO, TIAA

R9



'The organics
consumer will
pay a little
more, but that
may be 5% to
10% more and
not much more
than that.'

Irwin D. Simon
CEO, Hain Celestial

R8



VIEW FROM THE TOP

What are
today's pressing
issues for CEOs,
chief information
officers, marketing
chiefs and others
in the C-suite?
Hear from the
bosses
themselves
in this report,
and join the
conversation
online.

'These people are
very pure. They
don't care about
the old politics,
the old
generation.'

Domenico Dolce
Co-Founder,
Dolce & Gabbana

R4

'I don't want it to
be a health-club
company, I
want it to be a
lifestyle company.'

Bahram Akradi
CEO, Life Time

R12

'We saw an
opportunity to
connect with
women on a
one-to-one
basis.'

Aditi Gokhale
CMO,
Northwestern
Mutual

R7



'What other
airlines do—a
new app here,
a new app
there—won't
change the
game.'

**Christoph
Mueller**
Chief Digital and
Innovation Officer,
Emirates Group

R8



PHOTO ILLUSTRATIONS BY LINDSAY HOLMES

INSIDE

What Women Need to Do to Build Their Networks

Three strategies for gaining contacts and achieving influence

R2

Consumers Care About CEO-Employee Pay Ratios

Companies with big pay gaps could see their business affected

R2

Customer-Service Reps Should Speak for Themselves

Those who use 'I' instead of 'we' signal to customers that they can have an impact

R4



The Delicate Task of Friending Colleagues

When social media and co-workers collide, things can get tricky

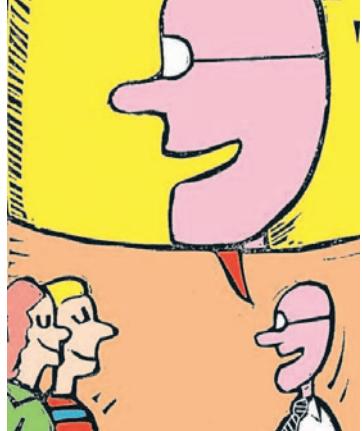
R6

The Key to Improving a Company's Financial Health
There is no shortcut. The message from the best-managed firms: Leaders must do everything well.

R6

Labels With a Human Touch Can Lift Some Products
A handwritten look makes more of a connection with consumers

R6



WSJ CEO COUNCIL: TOKYO

Japan's View of Trump Tariffs

Trade minister Hiroshige Seko on why his country wasn't exempted

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What's Ahead for the U.S. and China on Trade

Two policy veterans say the stage is set for change

R11

Voices From the Conference

U.S. Ambassador to China Terry Branstad on open markets, and Ctrip CEO Jane Jie Sun on travel in China

R10-11

JOURNAL REPORT | C-SUITE STRATEGIES

Behind Ford's New Approach to Advertising

The car giant is rethinking where—and how much—it will spend

BY JOHN D. STOLL

JIM FARLEY joined Ford Motor Co. when print ads and 30-second television spots were the way to sell an automobile. A decade later, the world's digital transformation has the No. 2 U.S. car maker rethinking how it allocates its \$4 billion-plus advertising budget, and how much can be cut.

As president of global markets, and Ford's No. 2 person, Mr. Farley has a sprawling mandate, from overseeing driverless cars to shepherding sales in dozens of countries. Executives working for him are scrambling to be more creative, with the North American management team, for instance, now working entirely without desks.

Mr. Farley's bottom line: Ford can get better, even as it stretches to get its spending under control. "Having a cost problem makes it more important to be curious and find a better way," he says. This means finding even more ways to use platforms like Facebook Inc. as a core selling tool, and looking to entertainment providers, including Netflix Inc., to produce today's auto ads.

Mr. Farley spoke to The Wall Street Journal about how rapid changes in the marketplace are influencing a 115-year-old company. Edited excerpts follow:

Tighter belt

WSJ: Ford is talking about dramatic cost-cutting in the name of what it calls financial "fitness," including putting its longtime advertising account with WPP up for review. What is driving this?

MR. FARLEY: The digital platform to engage with customers is big enough and the targeting tools are precise

enough now that we can make private offers to customers. So it was pretty clear that we needed a new model.

That "fitness" work really questioned the basics of what gets in-sourced; what the agency does; what kind of talent we need, and how efficient can it be. The biggest change is not the agency—it's us.

WSJ: So you believe advertising is a place you can be more efficient?

MR. FARLEY: Creative development and placement of the ads for digital can be done by machines and software. In the past you would kind of position your brand in a search with Google, for instance, and you would have these programs that would help with the search algorithms. We've now moved past that, where if you look at, say, Netflix, they are modifying the creative based on viewers' behavior; they're instantaneously making the creative different.

WSJ: How does this apply to car selling?

MR. FARLEY: Let's say I'd like to talk to Lincoln Navigator and Ford Expedition owners. Most of those customers are in just a few ZIP Codes. You could say: "I want to serve up an ad to people in Ann Arbor who have not done a search for full-size SUV nameplates in the last three years but have the words Expedition, Chevrolet Tahoe or Cadillac Escalade somewhere in their Facebook newsfeed. And they've had at least two conversations about those in the last three months." You may be able to do it through an agency, or you may be able to do it direct.

WSJ: What does this say about using platforms like the National Football League?



WSJ: What are customers telling you about the types of cars they want? Is the crossover craze here to stay?

MR. FARLEY: Customers change in fits and starts. If someone wanted a family vehicle in the '70s, they bought a station wagon. Then Hal Sperlich came along with the Chrysler minivan, and it was a new form factor that was quickly superior to station wagons.

Then customers shifted to SUVs and the reason they shifted is they get superior function and image. These changes happen every 10, 20 years. We are starting to see a silhouette shift again. The battery-electric vehicle allows you to put the electric components low and on the corners. You can move the wheels out and give the customer more interior room for the same overall length.

FORD MOTORS

'Customers change in fits and starts.'

JIM FARLEY

Driving the Message

Ford spends more on advertising than on anything else except research and development.

Budget figures for 2017:

Advertising
\$4.1 billion

R&D
\$8.0 billion

Source: the company

THE WALL STREET JOURNAL.

WSJ: What are you learning as you get out of Detroit?

MR. FARLEY: We need, as an industry, much more professionalism and deeper thought into how customers use the product in reality. We did a leadership-team event in North Carolina and we all rode around in vehicles. Now that sounds really simple, but it was one of the most fascinating days I've had in the auto industry.

We think we know everything, and then you're with a single mom who has two jobs, somehow has to get her kids to school and has to do everything on 75 cents on the dollar. They're not technologists, they don't know how our navigation system works and when you get in their car and they have three phones attached to the dashboard, they're driving with their knees and you can see all the scuff marks in the center console where she throws her purse every day, you start to look at your product differently. It was a huge "aha" moment for most of us.

WSJ: Where does all this transition in the business leave the thousands of dealers who sell your cars in the U.S. and have their own independent businesses? Can you bring them along with the changes you are making?

MR. FARLEY: Dealers will be very important. I think we're going to see a shift. Their ability to manage a fleet of vehicles, keep them maintained and clean—that's a new business.

Mr. Stoll is a reporter for The Wall Street Journal in Detroit and writes the Full Disclosure column. Email john.stoll@wsj.com.

What Women Need to Do to Network

BY HERMINIA IBARRA

NETWORKING IS CRUCIAL for advancing a career, building relationships and getting knowledgeable about a range of subjects.

And women have a much tougher time of it than men.

It comes down to numbers, my research shows. There are so few women in positions of power that it is difficult for women to find sponsors to make introductions and referrals, and models of effective leadership are geared toward men. And because of that, women begin to believe not only that the cards are stacked against them but also that there is something wrong with networking itself.

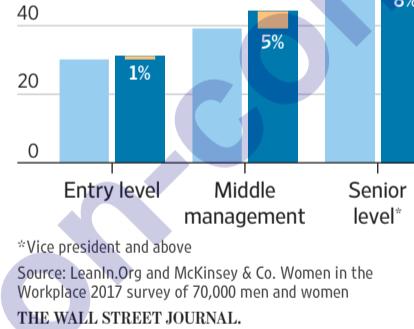
Bonding problems

Of course, it can be daunting for both men and women to reach out to people who are more senior and outside their immediate area. But women's difficulties with workplace networking go beyond that. People form and maintain relationships easily and spontaneously with others like them, decades of research shows. When an organization's senior ranks and an industry's power players are mostly male, the "likes attract" principle means that women often have to work harder to build relationships with decision makers and influential stakeholders.

At the same time, there are few other women around for women to build professional relationships with. The result?

Limited Access

Women are less likely than men to say they have substantive interaction with a senior leader at least monthly, and the difference grows as they move up the career ladder.



*Vice president and above

Source: LeanIn.Org and McKinsey & Co. Women in the Workplace 2017 survey of 70,000 men and women

THE WALL STREET JOURNAL.

Women are consistently excluded from male-dominated social gatherings, which let businesspeople talk shop and bounce ideas in an informal atmosphere that builds camaraderie and trust.

Compounding the problem is that men and women tend to favor different leisure and extracurricular pursuits. So men find it much easier to mix play and work in the first place, with pursuits such as golf, while women often struggle to combine the two spheres of life.

In my research, I ask people to list all the contacts they consult for work matters, as well as the friends they hang out with outside of work. Men often have some people on both lists—they'll play squash or go to dinner with some of those work contacts. Women, in contrast, are more likely to have two separate lists. This difference is most pronounced for women who have children, when outside-of-work relationships tend to become more driven by school activities and family.

All of which means it takes longer for women to achieve influence. It also increases the likelihood that women will have unfavorable views about networking. The more we differ from key stakeholders, and the more we have to go out of our way to interact informally with them, the more likely we'll view networking as disingenuous and calculating. So women begin to see networking as being about selfish gain and using people.

Breaking barriers

Aspiring women leaders can start taking charge of their network with three tactics.

◆ **Be a bridge.** The best way for women to expand their professional relationships is by making connections across the diverse circles that make up their network.

For example, one marketing executive for a large manufacturing firm found herself attending events in which ideas were presented on which she knew could help her colleagues. She started writing up what she was seeing in a LinkedIn blog, and that raised her visibility in the company. When she met the author of a new book on agile working, she knew his methodology could potentially transform her firm's operations. So she introduced him to a manager she had gotten to know through the LinkedIn column. Five years later, the methodology was in place across the organization—and she landed a promotion.

◆ **Do it your way.** Effective networking usually involves investing time in extracurricular activities. But many women balk at what seems to be limited choice among things they are not very interested in, such as playing golf or attending sporting events. I have seen many savvy networkers, however, leverage a personal interest into something more strategic in the workplace.

Take, for instance, one investment banker who was passionate about the theater. Frustrated that she kept missing plays she wanted to see, she made her passion part of her business development. Four times a year, her secretary booked tickets, organized an informal buffet dinner at a restaurant near the theater and invited her clients, prospective clients and other key people she wanted to get to know better. The stage became a backdrop for developing her own business and facilitating connections among people in her networks.

◆ **Join a women's professional network.** Because women's informal networks tend to have separate work and social spheres, it can be harder for women to achieve their potential. Joining a women's network, such as the Wing, is a great way to bring the two spheres together. A women's network can be a supportive setting for women to compare notes and reinforce one another's learning.

One website founder from New Zealand told me, "Coming here, there is a sense of comfort; you can fully relax."

Ultimately, it is women's misconceptions about networking that hold them back. If you believe you will never be any good at it or that you are wasting time, if there is a voice in your head telling you it is self-serving and political, you won't commit to breaking your usual routine.

The only way to debunk such limiting assumptions is for women to try it and learn from their own experience that networking is one of the most valuable ways to invest their time.

Ms. Ibarra is the Charles Handy professor of organizational behavior at the London Business School. She can be reached at reports@wsj.com.

CONSUMERS CARE ABOUT PAY RATIOS

BY BHAVYA MOHAN AND MICHAEL I. NORTON

How much do consumers care about chief executives' pay? We'll soon find out in a big way, but research suggests they care quite a bit—enough that this is something companies need to pay attention to.

Starting this year, the Securities and Exchange Commission requires public companies in the U.S. to disclose—for the first time—how much their chief executive officers are paid compared with the median pay of their employees. Our research shows that Americans believe that the average ratio is 30 to 1 but consider ideal a ratio of just 7 to 1.

They're in for a surprise.

The average ratio of CEO pay to median worker pay has soared over the past 40 years to more than 300 to 1 from about 30 to 1. Among the notable names that have reported on CEO pay this year, PepsiCo revealed a ratio of 650 to 1, Citigroup 369 to 1 and Johnson & Johnson 452 to 1.

We've explored whether disclosing gaps of this magnitude might affect companies' bottom lines. In research we conducted with Tobias Schlager at HEC Lausanne and Rohit Deshpandé at Harvard Business School, we found that consumers are significantly less likely to buy from companies with high CEO pay ratios.

In the know

First, we studied the effect of a push by Swiss citizens in 2009 for a public initiative to cap CEO pay ratios at 12 to 1. The referendum failed. But extensive media coverage meant that citizens were consistently exposed to corporate pay ratios during this time. Our analysis of sales over this period showed that, on average, companies' sales decreased when their pay ratios increased and pay ratios were in the news.

We followed up with a series of experiments designed to assess the causal effect of pay ratios on sales. In one experiment, we offered people the chance to win a gift card to one of two retailers in exchange for filling out a survey. In the absence of pay-ratio information, 68% of people chose one retailer's card and 32% chose the other. But when participants were informed that the first of those retailers had a CEO pay ratio of 705 to 1 and the second had a 3-to-1 ratio, just 44% of people chose gift cards from the first retailer while 56% chose the second.

Dealing with it

On the whole, our results suggest that companies blowing past what people see as reasonable ratios of CEO pay to worker pay could take a hit to their business if the pay gaps are publicized. Companies with low ratios could take this opportunity to trumpet that fact to consumers, while companies with high pay ratios could take this opportunity to reconsider how they pay their CEOs—or their employees.

And here's something else for companies to think about: A series of experiments we conducted with Katy DeCelles of the University of Toronto and Dr. Schlager found that disclosing gender wage gaps negatively affected the purchasing plans of both male and female consumers. These effects were particularly pronounced for companies with large pay gaps whose marketing was targeted toward women.

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JOURNAL REPORT | C-SUITE STRATEGIES

Dolce & Gabbana's Quest for Youth

A look at the company's strategy to reach a whole new audience

BY CHRISTINA BINKLEY

DOMENICO DOLCE, age 59, is steeping himself in youth culture.

Mr. Dolce and his business partner, Stefano Gabbana, who together design the **Dolce & Gabbana** fashion label, are on a mission to raise the profile of their 33-year-old brand with a global generation of teens and 20-somethings for whom social media has become the new pulpit of fashion gospel.

At the designers' biggest shows, YouTube and Instagram stars are seated front and center, and a quirky cast of celebrities' teenage children walk the runways along with the models. Earlier this year, Christian Combs, the 20-year-old aspiring singer with 1.3 million Instagram followers, and son of rapper Sean "Diddy" Combs, opened the Dolce & Gabbana menswear show in Milan. In April, the company opened a store focused on the younger set on Mercer Street in New York. The label has even launched a tinted moisturizer it calls Millennialskin (which it says is aimed at women of any age.)

Such a youth- and social-media-driven strategy—at a brand that sells clothing to royalty and billionaires—has raised some eyebrows. But while certain rivals such as Burberry have struggled to maintain their relevance—proving that a famous name isn't enough to compete in a crowded market—Dolce & Gabbana's revenue of late has a healthy bounce in its step.

Mr. Dolce believes in following his instincts rather than carefully planned campaigns. He says he discovered the label's new social stars by poring over YouTube videos and consulting with friends about whom he should follow,

resulting in the global hedge-hodge of young faces now filling the label's Instagram accounts. He recently spoke at length with a reporter about his brand's current strategy, the influencers it chooses, and some of the impulsive ideas that are helping Dolce & Gabbana reach young people. Edited excerpts follow.

A new world

WSJ: You have embarked on an aggressive strategy to market your clothes to people who weren't born yet when you and Stefano Gabbana started your label in Milan in 1985. You've titled your campaign "The Millennials." What sparked this strategy?

MR. DOLCE: Social media. I'm not too much of a social-media man, but I love to check it and I love to look at it. I think it's very important for my age group. The internet has changed everything completely—the world! The young generation uses the internet completely differently than our generation. They use it in every way. Instagram is like a new window, a new magazine, a new newspaper.

WSJ: Was there something else, or someone, who inspired your new strategy?

MR. DOLCE: My first inspiration was Cameron Dallas.

WSJ: The 23-year-old YouTuber who got his start on Vine?

MR. DOLCE: Yes. I discovered Cameron Dallas in American Glamour magazine. I saw that the young generation used the internet like a private club. They love sharing their private lives and experiences between them via social media. They know each other even if they live on the other side of the world. They are part of a group, a club.

I spoke with Stefano about it. We thought maybe this is



DOMENICO DOLCE

'We love young people because we see they are full of ideas and energy.'

DOMENICO DOLCE (right), WITH STEFANO GABBANA

the moment we need to step into the next generation. That was, I think, about three years ago. So we invited Mr. Dallas [and other young social-media stars] to the men's runway.

WSJ: Have you seen a financial boost from this strategy?

MR. DOLCE: The money—honestly, I don't know. I think we will know this in the future. In New York, many people ask us: Why are you an independent company? Why don't you go public?

This is one reason: I think if you are the mama of a company, it's your right [to take a risk].

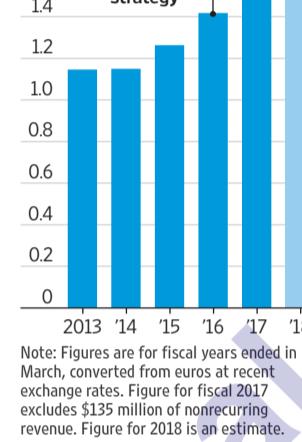
Taking risks

WSJ: You will turn 60 in August. Is there risk in giving so much attention to one generation when the generation that made Dolce & Gabbana is older and has different tastes?

MR. DOLCE: I love fish, and I love meat. I love wine, and I love champagne. I love to talk to the Alta Moda people [older haute couture clients], and I love the millennials.

New Look

Dolce & Gabbana revenue jumped with the start of a strategy focused on young consumers.



Note: Figures are for fiscal years ended in March, converted from euros at recent exchange rates. Figure for fiscal 2017 excludes \$135 million of nonrecurring revenue. Figure for 2018 is an estimate. Source: the company

THE WALL STREET JOURNAL.

WSJ: You're saying that you can do both?

MR. DOLCE: Yes. In New York, we have several stores. On Madison Avenue, we are very classic. Mercer Street is for the artists, the young. I think

you need to respect every location. In this way, I discover a lot. When you go to the culture, you discover things.

WSJ: What have you learned about youth culture?

MR. DOLCE: These people are very pure. They don't care about the old politics, the old generation. They believe in ecology. I notice how these people are wearing jogging trousers all the time. They dress comfortably. But if they wear a tuxedo, it's embroidered. They dress very casual or very elegant.

WSJ: Do you design for them?

MR. DOLCE: We have expanded our sportswear and gym attire, and we focused a lot on sneakers, with a wider offering and with personalization activities done in the store. And we realized that clients are not only millennials. Also older people buy sneakers with handwriting and embroidered patches.

WSJ: Are millennials the same around the world? What have you done to reach out in Asia?

MR. DOLCE: Last year we organized a show inside Tokyo's Isetan department store, with a big street casting done the days before with boys and girls coming from different areas of the city and all representing diverse styles in their way of dressing and representing their personalities. All of them were very enthusiastic and had a huge love for fashion that we didn't expect to be so big.

One hour before the show, a girl stopped near us while we were taking a picture on the street. She recognized us and she was very excited. So we asked her to walk the runway for us. We made a last-minute dress for her, we added a headpiece and shoes. Minutes later, she was on the catwalk.

WSJ: Many of your influencers are technically younger than millennials, even though that is the name of the campaign. Is there an age range that you are targeting with this campaign?

MR. DOLCE: We are not targeting any age range. We love young people because we see that they are full of ideas and energy.

YouTube factor

WSJ: Can you say how you researched and found those first influencers that you used in your marketing? Some are teenagers—Generation Z.

MR. DOLCE: YouTube. I love watching music videos on YouTube. Sometimes I receive some suggestions from friends. To identify the kids, I don't look at the number of followers but to the feeling I have for them and their personality. YouTube is a very important window for the younger generation.

Ms. Binkley is a writer in Los Angeles. She can be reached at reports@wsj.com.

P&G's Strategy of Transparency

Kathy Fish explains why ingredient details are online, not on labels

BY ALESSANDRA MALITO



NANCY ARMSTRONG

'Natural means different things.'

KATHY FISH

CONSUMER-PRODUCTS makers are facing growing pressure from retailers and consumers to ensure products are free of risky ingredients. So in a move toward greater transparency, **Procter & Gamble** Co. is now disclosing the ingredients in most of its 3,500-plus consumer products on SmartLabel, a website where brands provide more detailed information about their products.

To access the expanded ingredient list, shoppers can use a smartphone to scan a product's QR code (a coded square on packages that, when scanned, brings smartphone users to a link) or go the SmartLabel site and look up the product by name.

The move by the maker of Tide laundry detergent, Pampers diapers and Pantene hair products comes as big brands try to change the perception that their products contain harsh, unsafe or simply too many chemicals. It also comes as competition from smaller firms claiming to use only natural ingredients grows.

In an interview, Kathy Fish, chief research, development and innovation officer at Cincinnati-based P&G, talked about the plan for more transparency and a push to satisfy consumers' demands for more natural ingredients.

Edited excerpts follow:

Seeking balance

WSJ: Why do you think there is a growing concern about fragrances and chemicals in products?

MS. FISH: It started in the food industry more than a decade ago, which led to a desire to make sure the brands and products we use are safe and effective. That has expanded to include household and personal products, but unless you're a scientist it's hard to look at an ingredients list and know what they are. So we are committed to making information more transparent for those who use our products.

WSJ: Why not put all the ingredients on the package?

MS. FISH: Fitting all ingredients on labels is incredibly challenging, and nearly impossible, for many items. We would compromise friendly usage instructions. Those who want this information are seeking product information online before going shopping, and if they want more at the shelf, they almost always have a phone with them, so it is easy to access.

WSJ: How will P&G balance the goal of transparency with keeping product secrets safe?

MS. FISH: Most of our products are protected through patents. And ingredients are just part of it. There are many other things that go into product development, such as sourcing and quality, how we manufacture and how we make sure that products are stable.

WSJ: It seems like SmartLabel enables companies to describe ingredients in a neutral or positive way. For example, the description of fragrance on one Pantene product says, "Makes hair smell great." Is product promotion part of why you are doing this?

MS. FISH: We formulate with things because they do have positive benefits, and this is an opportunity to educate consumers about what an ingredient is and why it's there. We

aren't trying to mislead people. We know our products are safe or we wouldn't sell them. We now give more ingredients and why we use what we do.

WSJ: Listing an ingredient as "fragrance," may not mean much to consumers. Is P&G planning to disclose the chemicals that go into fragrances?

MS. FISH: Fragrances in general have captured both consumers' and advocacy groups' attention, largely because the ingredients in fragrances aren't disclosed. And in reality, some consumers have sensitivities to fragrances. We plan to disclose fragrance ingredients by the end of next year. It is a work in progress. Within each fragrance, this means nearly 100 ingredients could be disclosed.

What consumers want

WSJ: Is there a sense of urgency within P&G to get more natural ingredients into your products?

MS. FISH: We see a shift toward consumers wanting more naturals, and there is always urgency to meet consumer needs. The challenge is that natural means different things to different people. It can mean what is in a product or what isn't in a product. Interestingly, there is no legal definition of what natural means, so it is important to understand what a product is claiming.

ing. It may have natural ingredients but not be all natural.

WSJ: Is that why P&G is using the word "pure" more now?

MS. FISH: Our approach is to understand, for each of our brands, what consumers think is important and design accordingly. It is up to each brand team to name products in a way that will resonate with their consumers. We have used "pure" on products such as Tide Purclean and Pampers Pure Protection because the name signals a very deliberate product design, and the additional information on the package provides a better definition on what "pure" means. Pure can mean free from specific ingredients or full of good things like ingredients derived from plants.

WSJ: Does having natural ingredients mean you have to sacrifice performance?

MS. FISH: We are very committed to our core products striking a balance. A lot of natural products are about taking things out or removing ingredients that consumers are concerned about. That isn't innovation. That is diluting the product, so we are instead looking at ingredients that are sourced in more natural ways. That requires innovation and strong quality-control systems, as there tends to be more variability.

In general, ingredients that are formulated vs. harvested or naturally sourced have less variation as they are controlled to meet specifications; nature isn't as reliable, and just as you may find fruits and vegetables of varying flavor, appearance and other characteristics, this is true of all naturally sourced materials.

So first we evaluate and confirm that any new ingredient is fully safe and effective, and then we focus on ensuring that our supply of that ingredient meets our specifications.

WSJ: Ms. Malito is a reporter for MarketWatch in New York. Email her at amalito@marketwatch.com.

WE—THAT IS I—WANT YOU TO READ THIS

BY ALINA DIZIK

"How can we help?" It is the sentence customer-service workers probably utter more than any other. And, according to one study, it has a fatal flaw: They should be saying "I" instead of "we."

That suggestion runs counter to what sales representatives and other employees who deal with customers have long been trained to do. Don't use the word "I," they are told, because it is thought to make the employee sound self-centered. It should be, "How can we help you?" rather than, "How can I help you?"

But this is all wrong, according to a study set to be published in the Journal of Marketing Research. "When using 'we,' you are signaling to the person you're speaking to that you're not personally involved," says Grant Packard, professor of marketing in the Lazaridis School of Business and Economics at Wilfrid Laurier University in Waterloo, Ontario, and the lead researcher on the study.

By contrast, a healthy use of "I" can indicate that the speaker takes personal responsibility for the situation. "The 'I' pronoun creates a perception that they care and are concerned in the interaction," Dr. Packard says. It helps the speaker appear more empathetic and subconsciously signals to the listener that the

speaker is involved and can have an impact.

"There is this theory in organizations that you should talk to customers" in a team-focused way, he says. "We found that this is completely backward."

In a series of 10 experiments involving speech samples from some 40 companies, Dr. Packard and his team analyzed email and texts of customer-service agents in roughly 1,000 interactions, paying close attention to the personal pronouns they used. The researchers found that customer agents typically used "we" or "you" more than "I"—a pattern not typically found in natural speech.

And in one experiment that looked at sales data in addition to employee pronoun usage, they found evidence suggesting that the more an employee used "I," the more likely customers were to spend more in the 90 days following the interaction than they had in the preceding 90 days.

Dr. Packard believes the benefits of preferring "I" to "we" aren't limited to interactions with customers. When executives use "we" at a companywide meeting, for example, or during an earnings call, it separates them from their actions, he says. "By using 'I' they are taking responsibility for how they are going to act," he says.

Companies haven't had much luck retraining workers to stop using "we," says Dr. Packard. In one study, getting customer-service agents to use "I" worked for only three weeks before they went back to "we" and "you," he says.

However, Dr. Packard suggests that if companies encourage customer-service reps to "interact with customers as a person," this could result in the use of more natural language without formal training.

WSJ: Ms. Dizik is a writer in Chicago. She can be reached at reports@wsj.com.

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JOURNAL REPORT | C-SUITE STRATEGIES

The Tricky Task of Friending Colleagues

BY DEBORAH COHN
AND JOSHUA BIENSTOCK

FRIENDING a colleague from the office might seem like a no-brainer.

But before you click that button, think about this: What happens if you later want to unfriend that person?

That question offers a small glimpse into an increasingly problematic—but rarely considered—issue in the workplace. Most professionals believe that expanding their personal and professional networks via social media is a good thing, making it more likely they'll get personal recognition and connections with stimulating people. At the same time, companies encourage this behavior to tap into employee networks to promote brands.

If only it were that easy. The truth, though, is that social-media relationships at work are just like real-life relationships. At their best, they can enhance workplace harmony—increasing productivity, employee retention and job satisfaction. At their worst, they can trigger conflicts, making employees uncomfortable and distracted and leaving them vulnerable to such transgressions as sexual harassment and bullying.

It's up to companies to make sure they get the best and avoid the worst. Yet our research indicates that few companies even think about this issue. Yes, some have social-media policies, but they typically focus on content, providing guidelines on what employees can and can't say on social media. But they rarely involve guidance on social-media relationships with colleagues.

To that end, we found managers would do well to follow these rules if they want to benefit from the social-media connections among employees without risking either employee dissatisfaction or brand damage:

♦ **Separate the integrators and segmentors:** In a typical office, we found, there are “integrators” and there are “segmentors.” Segmentors prefer to keep work and home life separate, as difficult as that is in the social-media age. By contrast, integrators have no problem blending their personal and professional lives.

Each type of employee deserves respect. A segmentor will inevitably feel stress when engaging with colleagues outside of work.

Managers should ask employees directly whether they would like to participate in social media with their co-workers. Those who opt out would appear on a list, and all employees should consult the list before sending a social-media request to a colleague.

Similarly, managers should send requests to share the company's social-media content only to people on the “integrator” list.

♦ **Bosses shouldn't connect with subordinates:** In many ways, the simplest way to think about social-media rules is to apply the rules of real-life social interactions to the social-media space.

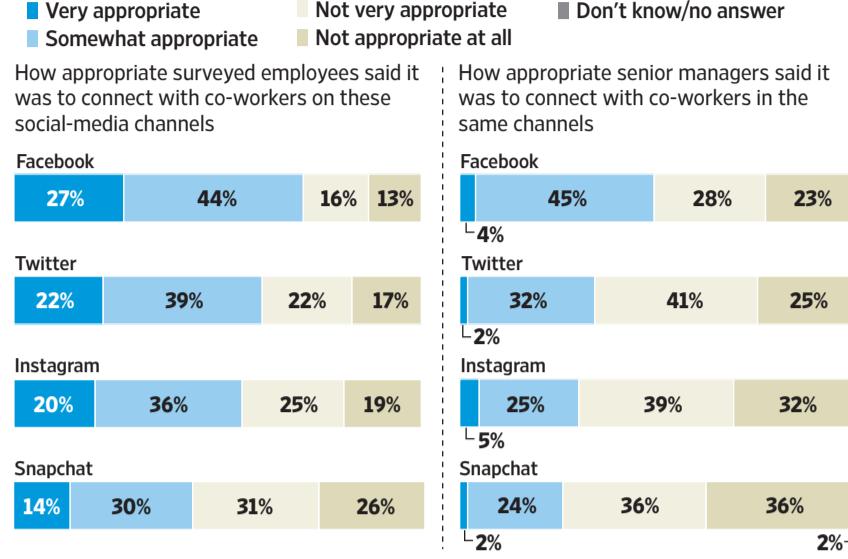
To that end, companies should discourage supervisors from connecting on social media with subordinates. If not, they run the risk of violating laws concerning quid pro quo harassment and hostile work environment harassment.

One supervisor told us she doesn't friend subordinates to protect them from having their social-media follies observed. She digitally averts her eyes.

We did interview one supervisor who

Social Media and the Office

A look at attitudes toward mixing your online life with people at work



Source: OfficeTeam online survey of 1,006 U.S. workers in office environments in July 2017, and phone survey of 307 senior managers in December 2016

accepts friend requests from subordinates, but then filters what she shares about herself, omitting details about her personal life. In addition, she doesn't share or comment on subordinate's posts, but may ask about social activities in real life. For example, if she sees that her subordinate attended a baseball game she may make small talk about the game the next day at work. The small talk helps to cement their relationship.

That doesn't mean workers who become the boss should automatically unfriend those who are now their subordinates; in fact, unfriending can cause conflict in the workplace. But because they are now in a position of power, they need to behave differently in real life as well as on social media. It is generally more strategic to remain “friends” and limit what the new subordinates can see on the boss's social-media accounts. But if new bosses feel it's crucial to unfriend a subordinate, it may be better to tell the subordinate that they're going to unfriend them because of the company's policies. That's a big advantage of having such policies: They give people an excuse for what otherwise might be seen as rude behavior.

♦ **Avoid the third rail:** Companies should strongly recommend that employees avoid the hot-button topics most likely to lead to conflict: sex, religion and politics. These topics are the “third rail” of interpersonal conflict, especially online. In fact, in our research, discord created by a social-media post—especially involving politics—was the most common reason people unfriended a co-worker.

♦ **Try not to talk about work conditions or pay:** Another trigger for conflict is discussing details about working conditions and payment disparities. Employees, of course, are free to discuss any of these. But our research shows that doing so is a minefield. For example, employees who announce they received a raise or promotion may trigger envy and resentment among their co-workers, especially if others were hoping for that promotion.

In addition, some employees turn to social media to complain about their company, their working conditions, their co-workers and their bosses. These posts are contagious, and managers will end up with increased turnover, more dissatisfaction and lower productivity.

♦ **Remember what's confidential:** Co-workers must maintain confidentiality about both their colleagues and their em-

ployer. This seems obvious, but it's worth emphasizing to employees that they shouldn't discuss data protected by health privacy law, as well as personal information about their colleagues' relationships, opinions or religious beliefs. And of course they should keep quiet about the company's sales, confidential financial data and customers.

♦ **See something, say something:** Managers should remind employees to report to human resources any social-media behavior that constitutes something they would report if they saw it in the office: bullying, sexual harassment or unwelcome sexual advances, for example. Too often, social-media behavior is dismissed as being normal for social media, even if the same behavior wouldn't be tolerated in the office. That has to stop.

♦ **Offer training:** Managers should support their employees' success by offering “social media sensitivity training” (similar to real-life training currently offered in many workplaces). Training can include how to navigate challenging topics with grace, how to unfriend a colleague without causing offense, cultural competency, and sensitivity to diversity, with an emphasis on microaggression management on social media.

Navigating workplace relationships can be a minefield; establishing “friendships” can be rewarding to the employee and of great benefit to the employer. However, establishing workplace friendships on social media is playing with fire. An error in judgment in choosing your workplace “friends” and the consequences of broken relationships can be dire. While some of these policies will feel intrusive, it's important to remember that online relationships can be just as beneficial—and just as harmful—as relationships in the real world. Most people wouldn't think twice about companies' efforts to encourage the best behavior among colleagues in the office. It's time they do the same thing in the virtual world.

Dr. Cohn is associate dean of faculty affairs and associate professor of marketing at New York Institute of Technology School of Management. Prof. **Biensztok** is a lawyer and an assistant professor of business law at New York Institute of Technology School of Management. They can be reached at reports@wsj.com.

FOR SOME PRODUCTS, HANDWRITING ADDS A HUMAN TOUCH

BY HEIDI MITCHELL

It pays for companies to have their product labels printed in a handwritten style. Sometimes.

According to a paper published in the Journal of Consumer Research, a series of studies showed that when products were rooted in something pleasurable, like a food or a scented candle, sales were noticeably greater when the product had a handwritten label than when it had a label with a standard font. But consumers reacted negatively to handwritten labels for some other kinds of products.

“We have been observing that companies are using handwritten fonts a lot lately,” says Roland Schroll, a co-author of the paper and assistant professor in strategic management, marketing and tourism at Austria's University of Innsbruck. “This is part of a bigger trend, which we call ‘the re-humanization of brands and products,’ ” Dr. Schroll says.

'A human element'

As business processes have become increasingly automated, companies are realizing that something intangible is getting lost, Dr. Schroll says. “To counter all this digitization, standardization and automation, companies are trying to add a human element, a human warmth.”

To test this theory, Dr. Schroll and his colleagues conducted 13 studies across two years in Europe and the U.S., working at times with products that are currently on store shelves. In one case, his team designed two labels for a bread product: one with a sans serif font and one with a font that appeared handwritten. Subjects could try the bread and then buy a package for €1 (about \$1.19).

Around 30% of samplers bought the bread with the handwritten label, compared with 6% who purchased the bread with the other label, Dr. Schroll says. Further studies suggest that with bread and other hedonic products like candles and chocolate, handwritten fonts signal some form of human presence. “There is a basic need for human connection, and the idea of a human presence is related to intimacy and a feeling of closeness,” says Dr. Schroll.

This doesn't apply to all types of products, however. When the test was conducted using a product like a USB charger or a battery, Dr. Schroll says, consumers had a negative response to the handwriting.

Form and function

“With functional products, people expect a constant quality,” he says. “‘Humaness’ is associated with imperfection when compared with machines. So adding a human element to these standardized products isn't appropriate.”

Brands to which consumers already have a strong connection were found to be another exception. Handwritten labels didn't increase the emotional link to these products. “You could say these brands had already done a good job of connecting with consumers,” says Dr. Schroll.

But for new hedonic products, he observes that by using a handwritten font, companies can create an intimacy with consumers quickly and cheaply.

“A handwritten typeface serves as a cue to activate human knowledge that a person was involved in making this,” he says. “That can result in more positive product evaluations and emotional connections for very little investment.”

Ms. Mitchell is a writer in Chicago. She can be reached at reports@wsj.com.

MANAGEMENT TOP 250 | RICK WARTZMAN AND LAWRENCE CROSBY

The Key to Improving a Firm's Financial Health

The message from the best-managed companies is clear: Leaders have to do everything well

When executives ask us about the Drucker Institute's measure of corporate effectiveness, they're often trying to get at one thing: What aspect of the business needs to be managed most closely to improve a company's financial picture?

This focus on financial results isn't surprising. Because of pressure from Wall Street, many in the C-suite are looking for the easiest way to unlock higher profits and bigger shareholder returns. But our latest analysis delivers a clear answer: There are no shortcuts. If you want to boost your finances, it helps to manage well across the board.

Introduced last December, the Drucker Institute's metric forms the basis of the Management Top 250, an annual ranking of corporate performance produced in partnership with The Wall Street Journal (see WSJ.com/ManagementTop250). Grounded in the teachings of the late management thinker Peter Drucker, it offers a holistic view of a company's “effectiveness,” defined as Mr. Drucker did: “doing the right things well.”

Under our system, 693 large,

publicly traded companies were examined through the lens of 37 indicators in five areas: customer satisfaction, employee engagement and development, innovation, social responsibility and financial strength. The companies were compared with one another through standardized scores, which have a range of 0 to 100 and a mean of 50.

The consistency connection

Recently, to understand what drives a company's financial strength, we scored each company on the same 0 to 100 scale to gauge another factor: How consistently does it perform across the five areas?

Consider, for instance, Hasbro Inc. and Hewlett Packard Enterprise Co. They were tied for No. 72 in the 2017 Management Top 250 with an overall effectiveness score of 61.8. Yet Hasbro was relatively steady in its performance. Its lowest mark was 50.4 in customer satisfaction; its highest was 64.5 in social responsibility. Hewlett Packard was much more uneven, scoring 79.4 in customer satisfaction but only 41.2 in employee engagement and development.

But does consistency really matter?

To investigate, we pulled data going back to 2012. And the findings are unmistakable: The more



Tim Cook of Apple, one of just six companies that scored consistently well in all five areas measured by the Management Top 250 ranking.

consistently a company performs across all five areas—avoiding major peaks and valleys—the higher it is apt to score the following year in financial strength. (Our tally of financial strength rests on a mix of seven indicators: market share, five-year average total shareholder return, operating return on invested capital, return on assets, return on common equity, earnings for common shareholders and economic spread.)

Specifically, we discovered that from 2014 through 2017, companies with an overall effectiveness score

of, say, 60 and a consistency score of 50 could anticipate a financial-strength score the next year of about 56 on average. But if their consistency score hit 70, their financial-strength score would jump to about 59 (all else being equal).

Likewise, companies with an overall effectiveness score of 70 and a consistency score of 50 had a predicted 62 in financial strength a year down the line. But if their consistency score rose to 70, their financial-strength score would climb by nearly three points.

That may not sound like much of a bump, but it's the difference between being in the top 7% of all companies in terms of financial strength as opposed to the top 12%.

Possible red flags

Why does consistency count? An uneven performance may indicate red flags that, over time, can threaten financial strength. Take Facebook Inc. It ranked No. 44 last year with an overall effectiveness score of 65.7. But two of its scores—customer satisfaction and social responsibility—each came in at about 45, perhaps portending some of the trouble that the social network has faced of late.

Like an elite athlete who can't neglect endurance or strength in pursuit of speed or agility, a well-managed company must balance all of the basics.

Facebook, though, is not untypical. Many corporations (including the highest-ranked company in the Management Top 250, Amazon.com Inc.) scored quite unevenly. Meanwhile, only six companies scored 60 or higher in all five categories: Apple Inc., Alphabet Inc., Procter & Gamble Co., 3M Co., Nike Inc. and Colgate-Palmolive Co.

In our view, these are the true all-stars. We would expect their future financial strength, in turn, to shine a little brighter.

Mr. Wartzman is the director and Mr. Crosby is the chief data scientist at the KH Moon Center for a Functioning Society, a part of the Drucker Institute. They can be reached at reports@wsj.com

JOURNAL REPORT | C-SUITE STRATEGIES

Ads That Talk to Women

Northwestern Mutual CMO Aditi Gokhale says the firm's financial advisers were missing a crucial market

BY ALEXANDRA BRUELL

WHEN Northwestern Mutual named Aditi Gokhale as its first official marketing chief last May, the company signaled that marketing would play an increasingly important role in expanding its customer base.

Since then, Ms. Gokhale, who held senior marketing roles at a number of companies as well as working in consulting at Booz Allen Hamilton, has completely revamped the insurance company's marketing strategy, shifting from a focus on building awareness of the brand to driving real action among customers.

A few months into the job, she conducted extensive research to identify new customer segments and marketing opportunities. In particular, she began targeting women more aggressively, as well as positioning Northwestern Mutual as a financial-planning company rather than an insurance company.

New Connections

After Northwestern Mutual redesigned its website and started a women-focused marketing effort in late December, it saw these increases through the end of the first quarter.

66%

Unique visits to website

30%

Social brand mentions

400%+

Leads

18%

Social followers

Source: the company
THE WALL STREET JOURNAL.

Her team was behind the company's "Spend Your Life Living" campaign. The series of ads, which demonstrates how financial planning can help people live life to the fullest, includes a commercial starring a female architect who decided to leave her current job to start her own business, with support from Northwestern Mutual. It is the company's first TV ad with a story line focused solely on a woman and her career.

The Wall Street Journal talked to Ms. Gokhale about the company's move to better target women, as well as new ways it is using technology and data to engage with customers. Here are edited excerpts of the conversation.

The new audience

WSJ: You recently launched an ad campaign with a spot targeted at women. Why?

MS. GOKHALE: When you look at the data for the purchasing power in terms of wealth, women are the primary decision makers in life stages—starting a family, buying a home. Women have a fairly important and large voice in the equation.

Women were the daily money managers in the household; they were the breadwinners. But advisers' sales conversations have largely skewed toward men. We saw an opportunity to connect with women on a one-to-one basis.

WSJ: What did you find when you conducted research about how men and women think about financial planning?

MS. GOKHALE: We did a study and focus groups, and 71% of women said, "Financial firms are not in touch with my real needs or concerns. They're not connecting with me emotionally and rationally."

A universal insight around the constant struggle between the now and the future was consistent across men and women. The way women deal with financial planning was different from men.

When it came to financial planning, women were very open to it, but there was this stress and fear of judgment, such as, "I'm not sophisticated when it comes to financial

terms." There was also this feeling like they have the burden of the world on them around "want" versus "need." "Want" is more aspirational.

With men, we didn't feel that tension when we were talking to them. Men sort of had an overconfidence of, "We got this."

WSJ: What did this data teach you about how Northwestern Mutual should be connecting with women? What messages and imagery actually resonate with women?

MS. GOKHALE: It was loud and clear, women needed help in a way that was not just about balance sheet and return on stock portfolio. It was more around holistic planning. To inspire action, we would need to connect with them emotionally—combat barriers of trust and fear of judgment by removing the jargon.

We have found success engaging women through content about real women who are reaching their financial goals, as well as through content that speaks to their specific needs, such as preparing for maternity leave or networking groups for women. So, we made a conscious decision to feature women prominently in our imagery and in our content.

We wanted to have an all-women ad spot as one of the four ads in our campaign. That has been one of the most popular ad spots.

We are using digital, editorial content and social-media efforts to reach women in a more targeted way.

Many of our first-person articles, including articles about couples, are told through the perspective of women. For example, the highest-performing video of 2018 profiled a mom who turned a career setback into the adventure of a lifetime.

In both articles and videos that appear on Northwestern-Mutual.com and on social-media channels, we're featuring women who've taken a leap—switching careers, climbing the ladder, starting their own businesses—with the goal of offering tangible advice to our audience. We're also producing how-to service articles geared toward women, to help them improve their hiring prospects, boost their earning power and manage maternity leave.

We also optimized our TV media buy to reach more women, shifting further into lifestyle programming with key outlets such as Bravo, E!, HGTV, Food Network, TLC, Cooking Channel, DIY, among others.

Strong results

WSJ: What else did you learn from your ad campaign?

MS. GOKHALE: I can tell you within the first week of our campaign we saw triple-digit growth of our key performance indicators, including traffic, leads and brand mentions online.

We did focus groups across all segments. The women segment drove significantly higher results than the baseline across a few dimensions. One is "consideration"—you'd want to buy a product or talk to an adviser. Second, it stirred women's emotions. Third is relevance. The last one, where I feel like it is a home run, is it makes women think about financial planning in a new way.

WSJ: How has your marketing toward women had an impact on sales?

MS. GOKHALE: In terms of sales, we're seeing a minor shift toward more women purchasing insurance and investment products. For any meaningful shift, it takes time. This is a high-consideration category. It's not about buying a red sweater.

WSJ: What initially drove Northwestern Mutual to appoint its first CMO?

MS. GOKHALE: They wanted to make sure that marketing as a function has a voice—a very strong voice—and a seat at the table. More people are going online than watching TV ads. There's an 8,000-strong vibrant adviser network. It is about combining human plus digital. We knew NorthwesternMutual.com, our storefront, played an important part.

WSJ: What did you do to make the digital experience better and the website more engaging?

MS. GOKHALE: The first step was to create an inviting space to learn and connect. Historically, the website was a product-focused website. I made the decision that it had to be a consumer-focused website—keep it simple, get rid of jargon. Don't tell me the difference between a Roth IRA and 401(k).

We were connecting consumers with advisers based on the closest adviser, based on ZIP Code. It had to be more meaningful. I brought together a data-science team, and we built a proprietary algorithm that can match the consumer



'The way women deal with financial planning was different from men.'

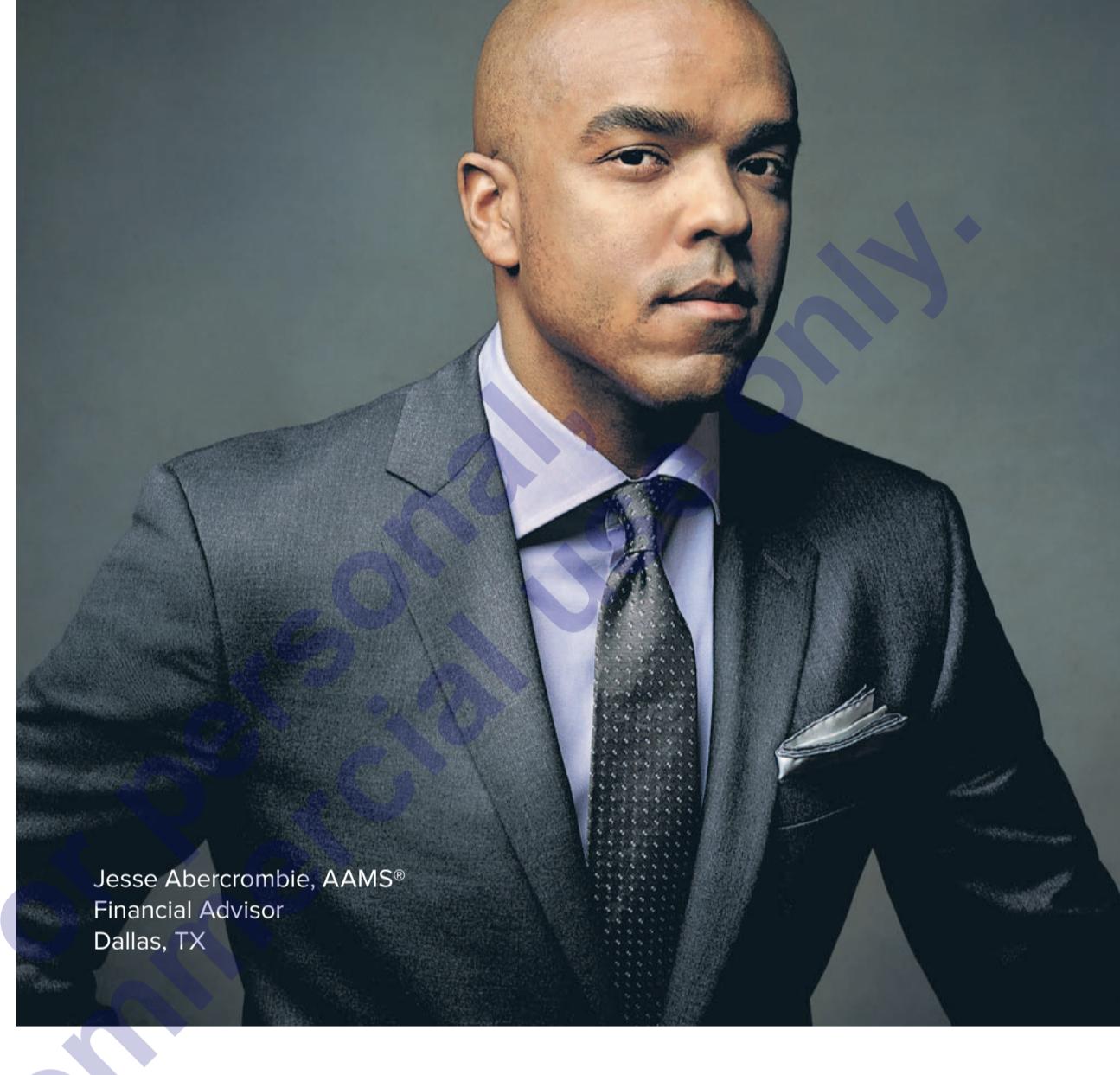
ADITI GOKHALE

with the right adviser for them.

Here's an example. I'm a

doctor. I'm buying my first home. We have all the information about advisers who have connected with women

doctors buying a home, and who really understand how to think about financial planning for doctors.



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JOURNAL REPORT | C-SUITE STRATEGIES

Emirates Air Flies Into Uncharted Territory

The company wants to reinvent what an airlines does, selling services for your whole trip

BY NICOLAS PARASIE

DUBAI—At the headquarters of **Emirates Airline**, techies have taken over an entire floor. A sign hanging on the wall captures their ambition—and challenge.

It shows an airplane with Google written on its side, a fanciful reminder of the company the airline considers one of its biggest future competitors, not in the air but in cyberspace.

Emirates is the world's largest airline by international traffic. But it worries that nimble tech giants like Google that hold massive amounts of customer data could start using all that information to get into the business of selling trips.

The nightmare scenario for Emirates is that it could be reduced to a mere inventory provider of flights to companies with the technological understanding to develop and offer high-margin products to its customers—privatized ser-

vices like ground transportation, entertainment, restaurant bookings and hotel stays.

Instead, Emirates wants to provide those services itself. To do that, it is building a proprietary information-technology system that will rely on mountains of data and artificial intelligence to anticipate each of its customers' travel needs before, during and after their flights—and have the technological power to fulfill those needs.

This digital revamp is being driven by Christoph Mueller, chief digital and innovation officer of **Emirates Group**, the airline's parent.

"The transportation wallet of a given individual might be a \$500 budget per year, whereas the travel wallet including the hotels and other transportation is \$5,000," Mr. Mueller says. "But the lifestyle wallet is \$10,000. Lifestyle is basically driving the whole thing: tickets for rock concerts, soccer, sailing courses, going skiing, going to a spa."

Mr. Mueller, who turned



SIDDARTH SIVA FOR THE WALL STREET JOURNAL

'We have rewritten our business model.'

CHRISTOPH MUELLER

around Ireland's Aer Lingus and helped Malaysia Airlines recover after the disappearance of one plane and the shooting down of another in 2014, joined Emirates in 2016. He spoke with The Wall Street Journal about his plans; edited excerpts follow.

'We are disrupted'

WSJ: Why is there a need for a digital revamp at Emirates?

MR. MUELLER: In the past, you would simply ask the question: Where is my competitive advantage? Who is attacking me with conventional weaponry? The new thing is that we are disrupted.

These are social-media companies, these are the search companies, these are the retail companies, basically everybody is trying to get into the travel space, and that of course would degrade us to a pure transportation company, and that is what we are not willing to accept.

WSJ: What does the revamp entail?

MR. MUELLER: We have rewrit-

ten our business model. The supporting technology has not been invented yet. So we had no choice but to start to build it now and with our partners in a bespoke platform for the Emirates Group. What other airlines do—a new app here, a new app there—won't change the game. We want to change the game.

WSJ: What is Emirates trying to accomplish here?

MR. MUELLER: It's really the personalization of travel. The best example of personalization, you carry in your pocket. You buy a cold piece of metal in the store and one hour later there's no other iPhone like yours: the combination of music, pictures, the combination of apps, it is basically your digital fingerprint, it's almost a carbon copy of your brain. And that's how we believe people will want to travel.

WSJ: As an airline traveler, how would I benefit from the digital revamp?

MR. MUELLER: Let's say you watched the first two episodes

of "House of Cards" at home before your flight. [By linking your Netflix account to your Emirates account,] we could upload No. 3 and 4 for your convenience.

Or you come on board and get into your seat and you could think about flight attendants approaching you and saying: "I just saw you had that New Zealand Sauvignon Blanc in the lounge. Would you like to continue with that white wine or would you like to try out something else?" It's seamless customer experience.

WSJ: You talk about a professional wanting to work on his outbound flight but perhaps sleep on his return. How does that fit into the company's digitization effort?

MR. MUELLER: There is an infinite choice of combinations of transportation class—first, business, economy, food and in-flight entertainment, lounge access, ground transportation, fast-track security, etc.

The endgame is really that you can personally combine that on our website exactly

the way you anticipate your travel is going to happen.

Privacy issue

WSJ: How would you collect this type of personal data from your passengers?

MR. MUELLER: Every data point that would enable us to learn your preferences better will be voluntarily given by you. So if you enter in your profile that you're a fan of U2 or the Rolling Stones, then we will be able to curate an individualized offer and send it to you if you want and draw your attention to the fact you can combine a business trip to New York with visiting one of those concerts.

WSJ: So will Emirates not be fundamentally an airline after this digital transformation?

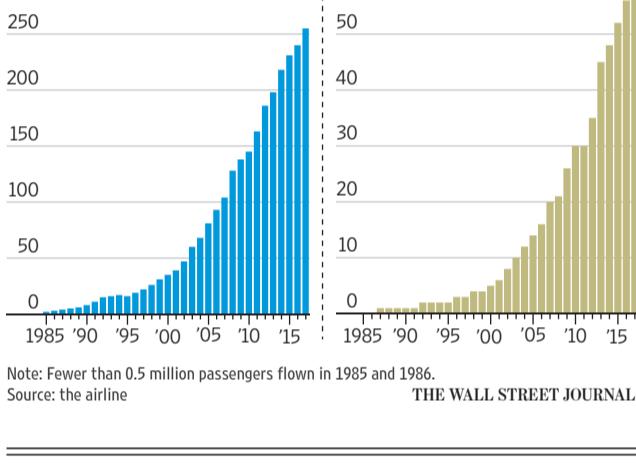
MR. MUELLER: Emirates Airline alone has an asset value of more than \$100 billion today. The airline won't be a sideshow, ever. But we need to support the transportation proposition with the travel and lifestyle proposition end-to-end.

The user experience let's say for in-flight entertainment will be benchmarked against capabilities of modern tablets and streaming services, not so much against the in-flight entertainment capabilities of other airlines. Our payment solutions will be compared to the everyday online shopping experience during iPay, you pay with your thumb, you pay with your face, you pay with all other kind of biometric things. Our business will be benchmarked against the day-to-day experience that particularly our young customers have in their life every day.

Mr. Parasie is a Wall Street Journal reporter in Dubai. He can be reached at nicolas.parasie@wsj.com.

Rising From the Desert

Emirates Airline's passenger fleet and passengers flown by year



Note: Fewer than 0.5 million passengers flown in 1985 and 1986.

THE WALL STREET JOURNAL.

Hain Celestial's Niche Goes Mainstream

CEO Irwin Simon faces lots of new competition—and the possibility of being a takeover target

BY AISHA AL-MUSLIM

IRWIN D. SIMON, founder and chief executive of **Hain Celestial Group Inc.**, still runs the organic- and natural-products company he started 25 years ago. But in all that time, he has rarely faced as many challenges as he does today. Among them: changing consumer tastes, consolidation of retailers, competition from food conglomerates and specialty companies, and takeover speculation.

As a result, Hain Celestial, whose brands include Celestial Seasonings tea, Earth's Best baby food, Terra chips and Sensible Portions snacks, is experiencing shrinking margins and lower U.S. sales. (Sales in its latest fiscal year fell 1% to \$2.85 billion.) It is also feeling more pressure as Amazon's expansion into the grocery market with the acquisition of **Whole Foods Market** has pushed more retailers to resist price increases and ask for lower prices from food suppliers to compete.

Hain Celestial, which has been the subject of takeover speculation for years, disclosed accounting irregularities in 2016 that kept it from reporting earnings for a year and put it at risk of being delisted from the stock exchange. Last fall, the company reached an agreement with an activist investor to add new board members and start a strategic review of its operations.

Mr. Simon recently spoke with The Wall Street Journal about the challenges the company faces. Here are edited excerpts.

WSJ: How does Hain deal with the challenges of keeping up with changing trends?

MR. SIMON: When I started this company, healthy living and healthy food was not something that was on consumers' minds. I stuck to a strategy with the common denominator being a health-food company. Our biggest customer back then was distribu-

tors that sold to all the small independent natural-food stores.

But as Whole Foods got bigger and bigger, it drove the awareness level. It has become big business. It has become a big part of consumers' lives. The good news is that what Hain was doing 25 years ago is what consumers want today.

WSJ: How does Hain deal with competition in the natural- and organic-food sector?

MR. SIMON: A big part of competition today is retailers and e-commerce doing their own private label. What we have to make sure is that our brands stand for something. Because when customers want to buy almond butter, it's MaraNatha, or they want to buy a bag of chips, it's Terra chips.

Certain commodities will be about price, but millennials prefer to buy brands over private label. They aren't going to buy it if it is a \$4 or \$5 price difference.

But what we can't do is alter the quality just to bring the price down.

WSJ: With so many almond butters being sold, how do you make sure that when customers want to buy almond butter, it's MaraNatha?

MR. SIMON: We are spending more and more money on our brands so that customers connect with our products, know our products and know that our products are organic. It is about continuously building brand awareness, letting them know the ingredients that we are using in our products and the quality that they are getting.

We are also selling snack packs and providing sampling of products through in-store demonstrations and at events at places such as Citi Field and Madison Square Garden. It is important getting a product into consumers' mouths and letting them taste it and try it.

WSJ: You have a lot of venerable brands like Celestial Seasonings tea, which dates back

to 1969. How do you re-engineer your brands to keep them feeling fresh to consumers?

MR. SIMON: You have to continuously innovate and look at your ingredient list and packaging almost quarterly, but you have to be careful. You take what is important to the consumer and put some iron gates around that, but what else can you improve to bring new consumers today?

Celestial Seasonings changed its packaging three years ago, but consumers didn't connect to it. Consumers connect to the Celestial Seasonings packaging because of the artists and because of the color. [The company went back to the old packaging in 2016.]

WSJ: Why didn't the redesign of the Celestial Seasonings packaging go so well?

MR. SIMON: Before we do any redesigns, we do a lot of consumer testing. I don't think we did the right testing when we redid Celestial Seasonings.

When you get stung by a bee, you are very cautious around bees. Since we got stung on Celestial Seasonings, we have done more testing before making packaging changes.

WSJ: Why has Hain recently decided to increase prices?

MR. SIMON: We haven't taken a price increase since 2015 on most of our products, but today with the cost increases of freight, ingredients and labor, we had to take price increases. And it's not only us, it is every other consumer-packaging business out there. It is a percentage price increase of low single digits.

WSJ: What's different about the organics consumer when it comes to price?

MR. SIMON: The organics consumer will pay a little more, but that may be 5% to 10% more and not much more than that.

WSJ: Has Hain ever followed a trend only to regret it?

MR. SIMON: There are multiple categories where we followed



'There are a lot of benefits being a part of a bigger company.'

IRWIN SIMON

About Hain Celestial

Founded
1993

Sales in fiscal 1993
\$4.8 million

Sales in fiscal 2017
\$2.85 billion

International sales in fiscal 2017
41% of total sales

Manufacturing facilities
38

Products sold in
More than 80 countries

Brands include

Celestial Seasonings tea,
Earth's Best baby food,
Sensible Portions snacks,
Terra chips, Spectrum oils

Note: Sales figures are for fiscal years ended June 30. Figure for fiscal 1993 was on a pro forma basis.

Source: the company

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other brands that we are looking to divest. Putting our focus on our biggest brands with the highest margins makes more sense than dabbling with some of our smaller brands.

WSJ: How do you deal with Hain being an acquisition target?

MR. SIMON: There is a lot of energy and a lot of fight left in me, but as a fiduciary responsibility, you have to make sure you have the right people to help take you to the next level. I think the value is that if Hain was part of another company, it has a lot of great brands and products. There is tremendous demand for our products in China and tremendous opportunities, but we don't have plants in China. If we were part of a company that had plants in China, it would be a lot easier.

There are a lot of benefits being a part of a bigger company. Being a \$3 billion-plus public company, when you hit a bump in the road you feel it. If you are a \$50 billion or \$60 billion company, you don't get those.

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JOURNAL REPORT | C-SUITE STRATEGIES

Almost Alone at the Top

Roger Ferguson of TIAA talks about why there are so few black CEOs—and how that can change

BY JOHN SIMONS

ROGER FERGUSON has moved with ease through a life in exclusive circles—first as a scholarship student at the Sidwell Friends School, later at Harvard University, McKinsey & Co. and the Federal Reserve. So, as chief executive of TIAA, he is no stranger to being the only African-American in the room.

But when his good friend Kenneth Chenault retired as chief executive of American Express in February, the exit left Mr. Ferguson as one of three black CEOs of Fortune 500 companies, along with Kenneth C. Frazier of Merck & Co. and J.C. Penney's Marvin R. Ellison.

In 2012, there were six.

Large companies, including the financial-services firm Mr.

community building among mid- to upper-level African-American professionals with the right kind of coaching and modeling from others who are a little more senior. The other part of it obviously is maintaining a certain kind of value-earned diversity and inclusion. Not in a sense of affirmative action, i.e., "we have to have people who look a certain way because we want to hit a number," but rather in the sense of being open to the possibility that C-suite talent comes in many different packages. I think here, boards play a really important role.

WSJ: You've said that you value diversity of thought and diversity of approach. How does that play into racial diversity, gender diversity in an organization?

MR. FERGUSON: It's the way one manages. There's a fair amount of academic literature that shows that complex organizations work better if they are diverse. I want to see and build a team of folks who are in some ways similar to me, some ways different, who are different from each other, and to get all of us around the table and thinking through problems.

WSJ: What about companies that don't have diversity and inclusiveness in their DNA? How do they change?

MR. FERGUSON: If one is going to make culture change, that always includes tone from the top, urgency, an insistence from the board of directors and the C-suite. It's got to be very intentional. You might actually need a plan. The kind of activities that go on in a big company around becoming lean, for example, or more global, all the energy, focus and investment that's required for any other kind of business initiative, you need for this kind of initiative as well.

A growing resistance

WSJ: There's been pushback and signs of "diversity fatigue" related to some companies' efforts to be more inclusive to women and minorities. Why do you think this is happening, and what can companies do about it?

MR. FERGUSON: Like it or not, Americans may be in different spaces around morality and ethics—even fairness. But there are facts that are becoming incontrovertible: If one is running a consumer-oriented company in the U.S., one must take into consideration that the population you're selling goods and services to is a more diverse population. Full stop. That's not something to debate.

Think about the amount of energy that many businesses spent on how to attract and understand the millennial population. It's a common topic in almost every boardroom, every strategy discussion. Well, that same kind of energy around inclusiveness across age cohorts should be brought to bear around inclusiveness across racial and ethnic inclusiveness as well.

WSJ: But what's behind the pushback?

MR. FERGUSON: The country has been on this very long and tough journey. Think about the civil rights movement. It got going in the late '40s and took hold in the '50s with Brown v. Board of Education. So, people have seen this as a major societal need for about 60 years, if not longer. And for some individuals, that may feel like a very long time and "can't we get this problem solved?"

The second thing that may be driving this is the perception by some that this is a zero-sum game, as opposed to recognizing that creating a more diverse and inclusive business environment has been shown to create better outcomes and thereby increase the size of the pie.

WSJ: That sunny outlook reminds me of a story I've heard you tell. You were at a banquet and a woman who thought you were a waiter asked you to get her a new spoon because hers had fallen on the floor?

MR. FERGUSON: I tell that story to suggest that we have choices in how we respond to the ignorance—the unintended or intended slights—of others.

My philosophy is, I don't want to let the ignorance, racism, biases of other people gnaw away at me.

As a black person, I am almost on a daily basis confronted with some small slight that could very well be driven by race. And I have chosen—and decided—that if I get angry at every one of those incidents, I'm just going to go through life being a very angry person. I tend, maybe more than others would think is right, to try to move forward and not let the stupidity or ignorance of those around me overwhelm my generally positive sensibility.

I believe one of the reasons I've succeeded in life is having a can-do, positive attitude.



'There's going to be a natural ebb and flow.'

ROGER FERGUSON

One of the things that I hope distinguishes me is my general sense of enthusiasm, eagerness to jump in, those kinds of

positive emotions, and I think they would be drained away if the slights of being an African-American on a day-to-day basis—even being a CEO—counted up and tallied up, made me feel like a lesser human being.

Career Path

Selected entries on Roger Ferguson's résumé

■ Attorney, Davis Polk & Wardwell

■ Partner, McKinsey & Co.

■ Vice Chairman, Federal Reserve Board of Governors

■ Head of Financial Services, Swiss Re

■ President and CEO, TIAA

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Ferguson leads, are expressing great concern for ethnic and gender diversity in their workplaces, as well as in boardrooms and C-suites. Still, the number of black CEOs has remained relatively stagnant over the past few decades. At the same time, some workers have begun to push back against efforts to achieve greater representation of women and minorities.

Even so, Mr. Ferguson is optimistic about racial progress in business. "I have to believe that the general arc of humanity is toward improvement," he says.

In a recent interview with The Wall Street Journal, Mr. Ferguson explained his positive outlook and the importance of diversity in financial services. Here are edited excerpts.

Dwindling numbers

WSJ: There are fewer African-Americans heading up large companies than a decade ago. What happened?

MR. FERGUSON: There are many talented African-Americans that started out at about the same time, and a few of us succeeded in the last 10 to 15 years in getting into the C-suites. There's to some degree a demographic change going on here. People retire. They have succeeded, and it's time to move on. Ken Chenault is retiring. Ron Williams retired from Aetna. Ursula Burns retired from Xerox.

One of the things that's happening, frankly, is that African-American CEOs are not immune to the process of an aging baby-boomer generation. So, let's start by recognizing there's going to be a natural ebb and flow.

WSJ: Certainly, people are retiring, but why aren't there others right behind them?

MR. FERGUSON: To be fair, I think there are a number of people coming up behind. I don't think they have quite the profile. There's a group called the Executive Leadership Council that is filled with that next generation, maybe one or two steps removed from the C-suite. I've been involved with them on their CEO council. I can name a few people that are direct reports of CEOs. There's Alicia Boler Davis, who is head of global manufacturing and reports to Mary Barra at General Motors. There's Tammy Franklin, who's chief digital officer for North America at IBM. She actually joined the TIAA board.

WSJ: How do you increase the ranks of this new generation?

MR. FERGUSON: Part of the solution is a very purposeful

Mr. Simons is deputy chief of The Wall Street Journal's management bureau in New York. He can be reached at john.simons@wsj.com.

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JOURNAL REPORT | CEO COUNCIL

Japan's View of the Trump Trade Tariffs

Hiroshige Seko laments that the country wasn't exempted, and what's next for Abenomics

THE ASIA-PACIFIC region is facing a host of changes—from the evolving trade relationship with the U.S. to a potential historic reconciliation between North and South Korea.

To discuss these topics, Wall Street Journal Editor in Chief Gerard Baker spoke with Hiroshige Seko, Japan's minister of economy, trade and industry, at The Wall Street Journal's CEO Council meeting in Tokyo last week. Here are edited excerpts of the conversation, conducted through an interpreter.

The tariff question

MR. BAKER: The Trump administration put a 25% tariff on steel imports. Many countries were able to negotiate either a deferral or an exemption. Japan didn't. What's your understanding of why Japan doesn't seem to be getting the favorable treatment that other allies are getting?

MR. SEKO: It is most unfortunate Japan was not exempted.

The U.S. has taken the reason of national security. We are the closest ally of the U.S.; I don't think there will be any negative for U.S. national security.

strongly ask for Japan to be exempted or excluded.

MR. BAKER: If the U.S. were eager to have a bilateral trade deal, is that something Japan could actually agree with, setting aside the Trans-Pacific Partnership arrangement?

MR. SEKO: On that particular question, [U.S. Trade Representative Robert Lighthizer] and [Toshimitsu Motegi, Japan's economy minister] will have free, fair and reciprocal trade deals. We hope the U.S. will rejoin the TPP.

MR. BAKER: How would you characterize the economic relationship between Japan and China? Can you see ways in which Japan and China could work more closely together?

MR. SEKO: On the economic front, already, we have a very close relationship. Many Japanese businesses have factories and business operations in China. From the Chinese perspective, without engines and

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CEO Council

rity. Having said so, looking at the circumstances of countries that have been exempted, the situations are different from country to country. Australia, Brazil and Argentina—the U.S. is enjoying a trade surplus with those countries. Looking at the European Union, the [Republic of Korea], Canada and Mexico, they are undergoing negotiations on a separate basis with the U.S. And it is not a permanent exemption.

By exempting them, I believe the U.S. government is trying to get leverage for negotiations. In any case, Japan will continue to approach the Trump administration to



'We will try to induce investment through the tax system,' Mr. Seko says.

other parts and components from Japan, they cannot go ahead with production. We are mutually quite dependent. What should the China-Japan relationship be going forward? China will try to develop infrastructure in different countries. And Japanese technology and capital may become necessary.

An opening with Korea?

MR. BAKER: Can you see any significant opening of North Korea that could be mutually beneficial for North Korea and Japan?

MR. SEKO: At this point in time, the issue of North Korea is more strictly to do with the security issue. Having said so, the abduction, missile and nuclear programs, if we do see a genuine solution between Kim Jong Un and President Trump, then on the economic front, Japan will be able to cooperate with North Korea in many ways.

MR. BAKER: We are now into quite an extended period of Abenomics. The record has been patchy, shall we say. If this relatively long period of growth has come to an end, does that mean Abenomics is finally running out of steam?

MR. SEKO: Abenomics is doing quite well. But companies aren't spending money on new investments. They have been accumulating cash. This is true for individuals, as well. Even though their salaries are going up, they are not increasing consumption. They are still increasing savings to prepare for the future. So, how should we create a better flow of money? That would be the last remaining issue for Abenomics.

The biggest thing we can do is to change the mind-set of top managers. We will try to induce investment through the tax system. For capital investment, we have decided to bring down, in a major way, the corporate tax rate. And for those companies that have not spent their money, we would bring the corporate tax back to a higher level. So, in many ways, we are trying to induce top management to spend more money.

MR. BAKER: Do you think we're going to move toward what President Trump and the U.S. would seem to like—a more aggressive, assertive economic nationalism?

MR. SEKO: Rather than trying to forecast, let me make clear the position of Japan. The mul-

tilateral free-trade system, we would utmost try to maintain that. We have already taken action. We have taken the initiative to lead the TPP to success and the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership]. Thailand has indicated they would like to join, and Taiwan, as well as the ROK. So, the CPTPP, the high-level, multilateral trade agreement, should be expanded.

On the Japan-EU [economic partnership pact], we have gone to agreement in principle. We would like to sign and ratify as quickly as possible.

There is another trade agreement, the Regional Comprehensive Economic Partnership. For RCEP, we are aiming for an agreement within this year. On July 1, there will be a ministerial meeting in Tokyo.

Japan will take on the leadership to promote RCEP. And we would like to bring that to conclusion. It's a multilateral trade system. We would continue to place emphasis on that and on a free and fair, reciprocal trade deal with the United States. We would like to conclude on that, so that the United States can come back to TPP or even RCEP.

VOICES FROM THE CONFERENCE



Jane Jie Sun's company, Ctrip.com International, is capitalizing on growing wealth in China and rising demand for travel among Chinese consumers: "The domestic market still is growing tremendously. If you look at Chinese GDP, it's about 6.5% [annual growth]. And the travel industry doubles that. So the travel industry grows at about 10% to 12%. And we can normally outpace the market by taking more market share."

"So we put lots of efforts in getting market share within China. That market still is very fragmented. Although we're big, our market share is single digits still."

—JANE JIE SUN, CEO, Ctrip.com International

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JOURNAL REPORT | CEO COUNCIL

The U.S. Challenge on China Trade

Michael Froman and Claire Reade on the decisions facing the Trump administration



Michael Froman | The tariffs 'certainly get the attention of China.'

AMID THREATS of tariffs and trade war, U.S. and Chinese trade negotiators do live in interesting times. To gain some perspective, John Bussey, associate editor of The Wall Street Journal, spoke with two people deeply involved in U.S. trade issues in recent years: Michael Froman, vice chairman and president of strategic growth at Mastercard Inc., and U.S. trade representative from 2013 to 2017; and Claire Reade, senior counsel at the law firm Arnold & Porter, and

assistant U.S. trade representative for China affairs from 2010 to 2014.

Edited excerpts follow.

An odd fit

MR. BUSSEY: *Can the U.S. and the global trading system accommodate a China that has a very different industrial policy from the major trading partners in the global system?*

MR. FROMAN: That is perhaps the most important and almost existential question we all face now. Because the



Claire Reade | China's ties will 'be under more scrutiny.'

Trump administration is pursuing, really, two different sets of concerns. One is the bilateral trade deficit, and one is China's industrial policy. They may or may not be able to make progress on the bilateral trade deficit by getting China to buy more of our stuff and less of somebody else's stuff.

But on the industrial policy, China feels quite committed to that track. It's been quite successful from their perspective. They've doubled down with Made in China 2025. It seems like it's going to be very hard to get China to back off of that.

The choice we're all going to face is, if we can't change their mind on that, do we have to enable it? Or, by either denying them access to investments in the U.S. and Europe and whoever else is part of this coalition, or by restricting their access to our markets, can we say to China, "You're free to pursue whatever industrial policy you'd like, but we're not going to help it and you're on your own"?

MR. BUSSEY: *Are the tariffs meant to get China's attention, or are they really inconsequential?*

tial and eat up our time?

MR. FROMAN: I think they certainly get the attention of China. President Trump and his administration have been very successful in building global consensus around the concerns that the China challenge poses to the global trading system. The question is now how to pivot to do something about it.

I'm not sure the tariffs, in and of themselves, are going to achieve that.

MR. BUSSEY: *The administration says this is about national security. If that is true, are U.S. companies going to get run over by this policy?*

MS. READE: The Trump administration's exposure of the downsides of the Chinese industrial policy for the global system represents a sea change. The response of countries to the possibility that Chinese investment could result in a transfer of technology in a massive way, or could result in this debt trap that happens in the developing countries where they buy into Chinese infrastructure and then they can't afford to repay it, those kinds of relationships are going to be under more scrutiny now.

I think countries are going to be taking steps. I think that U.S. steps, with regard to its foreign investment controls and export controls, expanding which technologies, relationships, licensing or joint ventures would potentially be stopped, are going to be imitated by a lot of countries. So I think business is going to have to adapt.

Advantage goes to...

MR. BUSSEY: *Who's in a better bargaining position?*

MS. READE: There are attri-

butes in China that make it very possible for China to hang in for the next three years if they need to. They have a centralized government with the power to be able to control lots of dimensions of the society and economy. The U.S. is a democracy, and the people who are hurt will be speaking loudly and voting.

MR. BUSSEY: *What has the administration been able to achieve that previous administrations haven't?*

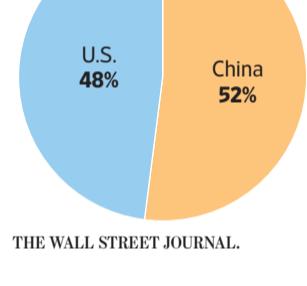
MR. FROMAN: I don't think they've achieved anything to date. But I think they have set the foundation. If they could now pivot from focusing on how to increase their leverage to actually using that leverage to secure positive outcomes—I think with China, the more international support you have for your position, the better.

The question has been, have the other actions the administration has taken made that kind of cooperation more difficult? A Chinese official told me about a year ago, "We understand how important it is for President Trump to have tweetable deliverables. And we're perfectly prepared to give them to him. We just need to know what the price is."

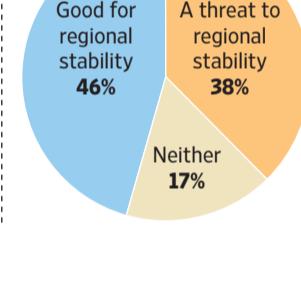
China and Beyond

Views from Wall Street Journal CEO Council members at last week's conference

Better positioned to withstand a protracted trade conflict:



China's continued growth is:



VOICES FROM THE CONFERENCE



"What we would point out is we have a very open market in the United States. And that's not true in China. As an example, companies like WeChat can operate in the U.S.. But Facebook, Google and these companies cannot operate in China. Cloud computing is heavily restricted. There are a lot of areas where we'd like to see more reciprocity, and we'd like to see China being just as open as the U.S. But the U.S. also recognizes we need to protect our national security, and we need to protect against losing some of these critical technologies in which we are the world leader."

—TERRY BRANSTAD, U.S. Ambassador to China



JOURNAL REPORT | C-SUITE STRATEGIES

A High-End Health Club Flexes Its Muscles

Life Time has struggled with medical clinics. Now comes office space.

BY JOHN D. STOLL

Bahram Akradi came to the U.S. from Iran at 17 with an eye on studying engineering and potentially designing airplanes.

Forty years later, he faces a different engineering challenge: building a company that brings fitness, health care, relaxation and work all under one roof.

As founder and chief executive of **Life Time Inc.**, Mr. Akradi already sits atop a national brand of 24-hour health clubs with 1.8 million members in 28 states and Canada. In 2015, he took the company private, with help from private equity, giving him more breathing room to accelerate expansion and to explore new business lines.

Now, in addition to being known as a high-end health club with a strong cafe and spa business, Life Time has expanded into primary health care and shared office space.

But diversification has had its hurdles. The effort to expand into health care with its ProActive Care medical clinics has stalled, in part because of

state regulations on medical practices, Mr. Akradi says. The company hasn't given up on adding conventional health care, but it has scaled back.

Meanwhile, a strategic bet that large numbers of gym-goers will pay additional fees for access to office space in the clubs, Life Time Work, will be a crucial part of the company's plans.

Mr. Akradi is confident. Lifestyles have changed, he says, and people want to do more of their daily tasks in one place. He spoke with The Wall Street Journal about some of the challenges his company faces and why he thinks bundling a co-working space with a health club is part of the future of gyms. Edited excerpts follow:

Lifestyle changes

WSJ: What is motivating you to look at co-working spaces in gyms?

MR. AKRADI: I design space and build space. We have over 80 architects, over 20 engineers, and about 400 people in real-estate development. So it totally makes sense for us in our core competency to enter the workspace.



destiny. So we basically have decided to de-emphasize Pro-Active.

WSJ: But you're not giving up on health and well-being?

MR. AKRADI: We are expediting Life Clinic, which is sports medicine, chiropractic and physical therapy. We only had four or five locations at the early stage of Proactive, but we have 20-some now. We have built all these spaces in our clubs for what I call LT Medical, whether it is for chiropractic, physical therapy, blood testing, nutrition. And we're putting in this recovery zone, which is basically everything from massage to hydro massage to cryotherapy, drip therapy, muscle activation—everything that helps you rejuvenate physically. It's a cash business, and it goes back to what the customer can choose.

WSJ: What's the future of Pro-Active?

MR. AKRADI: I have no time to problem-solve around ProActive. Right now the juice is not worth the squeeze. What we need to do is we need to work on one clinic—only one.

I'm keeping one open in St. Louis Park, Minn. [about 20 minutes from company headquarters in Chanhassen, Minn.]. We need to build the model that is worthy of replicating, and our model of Proactive was flawed. The business unit wasn't working.

One location allows me—I can spend whatever amount I want per month or year as an R&D space. Once you start trying to roll it out, it can become corrosive in terms of our profit and loss. Once we get it right we'll go back and decide to roll out.

WSJ: Co-working is a crowded business. How does that affect the outlook?

MR. AKRADI: What I don't like about the co-working space is that it doesn't have a lot of barrier to entry. A couple of guys can raise a few million bucks and start one. There are thousands of little co-working companies launching.

There is a challenge for that industry that it just may hurt itself too much before it establishes.

WSJ: Why launch ProActive Care clinics?

MR. AKRADI: Because of my interest in problem solving. Government involvement in medicine is hurting it. Let the consumer decide who they want to use as a doctor or a hospital or for medicine rather than having to do what lawyers, networks, administrators, employers want you to do.

I wanted to do the model of care correctly, which means you should go in, get your blood work done, have your doctor sit with you not for five minutes but for an hour,

and with a personal trainer and dietitian all at the same time to give you a full, integrated approach to health and well-being.

Medical regulation

WSJ: You've paused development of it. Is health care not a good fit?

MR. AKRADI: Our culture is a culture of performance. If you're a salesman, a trainer, a club general manager, you make some money and you get the rest of it based on performance. The traditional M.D. is not a hunter. He just wants to show up to work and wants the patients to show up.

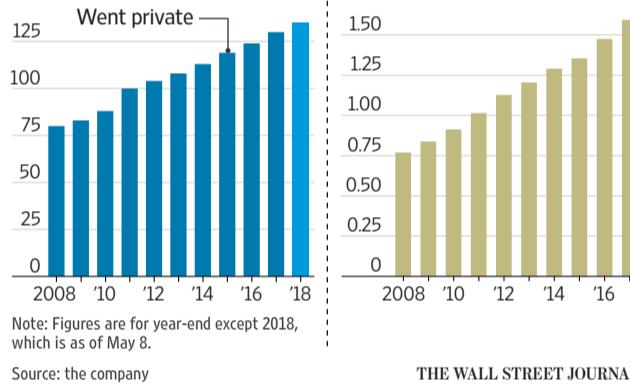
And all the rules and regulations about what we can do and what we can't do made it difficult.

For four to five years we tried to offer this model of care—completely integrated and optimal. In all but two states, Florida and Virginia, we can't even hire an M.D. He has to start a business, he has to hire the doctors and nurses. We have to provide the space. We can't actually control our

WSJ: Co-working is a reporter for The Wall Street Journal in Detroit and writes the Full Disclosure column. Email him at john.stoll@wsj.com.

A Plan to Bulk Up

Life Time went private in 2015 in an effort to grow faster and enter new businesses.



Note: Figures are for year-end except 2018, which is as of May 8.

Source: the company

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