

# THE WALL STREET JOURNAL.

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## Old Rival's Release Opens Door to New Chapter in Malaysia



**HANOFF:** Former opposition leader Anwar Ibrahim was released from detention Wednesday in Kuala Lumpur, a week after the election of Malaysia's new prime minister, Mahathir Mohamad. Mr. Mahathir has pledged to hand over power to Mr. Anwar in a year or two. A7

## Shari Redstone Hits Back at CBS

Move aims to block attempt to strip her family's voting power over media company

By KEACH HAGEY AND JOE FLINT

Shari Redstone fired back at CBS Corp., moving to block the media company's efforts to strip her family of voting control.

In a power move to protect its position as the media giant's controlling shareholder, the Redstones' family holding company dictated a significant change on Wednesday to the rules of how

CBS's board operates. The adjustment would make it nearly impossible for the current directors to be able to water down the family's voting power.

The decree marks a significant escalation in the battle breaking out between Ms. Redstone and CBS Chief Executive Les Moonves in a long-running disagreement over the future of the media company and Ms. Redstone's desire to recombine CBS with Viacom Inc.

The fight has been thrust into the courts as both sides attempt to outmaneuver the other and decide the fate of the television powerhouse.

CBS said in a lawsuit this

week that it wants to prevent Ms. Redstone and her family's National Amusements Inc. holding company from overhauling CBS's board and forcing a merger with Viacom.

The Redstones and National Amusements responded Wednesday in a legal filing, saying they had no such intentions.

They called CBS's attempts to issue new voting shares to reduce their nearly 80% voting control to 17% "egregiously overboard and unjustified." They also argue that CBS would have other options legally that wouldn't require diminishing the Redstones' voting interest,

including challenging the removal of any director.

"This is an unprecedented usurpation of a controlling stockholder's voting power," National Amusements' lawyers wrote.

The documents filed by the Redstones were in opposition to the motion for a temporary restraining order that CBS's special committee of independent board members filed on Monday. The committee is seeking to block National Amusements from replacing board members or modifying the company's governance documents before CBS convenes a special meeting

Please see CBS page A8

## Russia Tried to Promote Trump, Panel Says

WASHINGTON—A GOP-led Senate committee backed U.S. intelligence agencies' finding that Moscow tried to boost Donald Trump's 2016 presidential campaign by hacking and spreading misinformation, a bipartisan conclusion that breaks with a House panel's position and the president's rejection of the notion that Russia wanted him to win.

By Byron Tau, Rebecca Ballhaus and Erica Orden

The Senate Intelligence Committee's conclusion, made public Wednesday after a closed-door hearing with former intelligence chiefs, is part of the panel's continuing probe, begun 14 months ago, into alleged Russian interference in the 2016 election. It supports the findings of the intelligence agencies under former President Barack Obama, a Democrat.

The Republican president and many of his allies have repeatedly dismissed the idea that Moscow meddled on his behalf—particularly disputing that the Russian effort might have had an impact on the election's outcome.

A House Intelligence Committee report released earlier Please see RUSSIA page A4

◆ Trump discloses reimbursement tied to Stormy Daniels..... A4  
◆ Novartis executive departs over payments to Cohen firm.... A4  
◆ Watchdog readies report on FBI's Clinton email probe.... A4

## What's News

### Business & Finance

**S**hari Redstone moved to block CBS's efforts to strip her family of voting control, with the family's holding company dictating a change to board rules. A1

◆ Disney executives have discussed bringing back animation guru Lasseter, who is on leave after accusations about his behavior, in a new role. B1

◆ Vista and Thoma Bravo are seeking to raise money for what would be the buyout firms' biggest funds. B1

◆ Credit card issuers' returns are being pressured by rising loan losses and increased rewards expenses. B1

◆ The Russell 2000 index of small stocks hit a record, reflecting tax-overhaul gains and signs growth in the U.S. looks more robust than overseas. B1

◆ Other U.S. indexes rose, getting a boost from retail shares. The Dow ended 62.52 points higher at 24768.93. B1

◆ Macy's reported a rise in same-store sales amid signs the department-store chain is pulling out of a slump. B2

◆ The SEC said it hasn't been able to collect more than \$800 million in fines for ill-gotten gains after a court ruling set time limits. B10

◆ Zuckerberg will meet with European officials amid criticism of Facebook's handling of users' data. B4

◆ Commercial oil stocks in industrialized economies have fallen to their lowest level in three years, the IEA said. B11

◆ Fox named the new leaders of what would continue as an independent enterprise if the Disney deal closes. B6

### World-Wide

◆ A GOP-led Senate panel backed a finding that Moscow tried to boost Trump's 2016 campaign by hacking and spreading misinformation, breaking with a House committee's position. A1

◆ A new financial disclosure from Trump acknowledged that he reimbursed Cohen for a \$130,000 payment to an adult-film actress. A4

◆ Michigan State agreed to pay \$500 million to victims of sexual abuse by Nassar, leaving unclear the university's future financial path. A1

◆ Trump still plans to hold a summit with North Korean leader Kim, U.S. officials said, brushing off sharp comments from Pyongyang. A6, A7

◆ The Senate intelligence panel recommended Haspel as the next CIA director, clearing the path for her confirmation by the full chamber. A3

◆ The Assad government took control of Syria's largest province, state media said, as it pushed to capture remaining rebel-held territory. A9

◆ Taliban insurgents gave up their bid to take over the capital of the western Afghan province of Farah. A9

◆ GOP centrists are pushing for a House vote on immigration bills, sparking conservative opposition. A2

◆ The Senate voted to reinstate net-neutrality rules, but the measure faces long odds of passage in the House. A2

◆ U.S. births last year hit a 30-year low as American women had children at the lowest rate on record. A3

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Please see NASSAR page A2

## More Seats for Frequent Fliers

Some airlines are making it easier to cash in miles. A13

How the six major U.S. airlines stack up in a survey of frequent-flier rewards availability

% OF SEAT PT. CHG. AIRLINE AVAILABILITY FROM 2017

**Southwest** 100% No change

**JetBlue** 94.3% No change

**American** 82.1% +27.8

**United** 75.5% +10.7

**Delta** 72.1% -2.2

**Alaska** 69.3% -12.1

Note: The research, sponsored by CarTrawler, in March looked for two award seats on each airline's 10 busiest long routes and 10 busiest medium-length routes for 14 different round-trip dates between June and October. Source: IdeaWorks

## Airbus Deal Powered Saudi Royal Family's Wealth

Crown prince has leveraged businesses connected to government

By JUSTIN SCHECK AND BRADLEY HOPE

RIYADH—Prince Mohammed bin Salman was a teenager when he realized his father, Prince Salman bin Abdulaziz, was, by Saudi royal standards, a pauper.

While other sons of Saudi Arabia's founder grew wealthy from government business, Salman, then the governor of this capital city, supported his family with handouts from his brother the king. Mohammed decided to change that, he later told associates.

Nearly two decades later, Salman is king, and Mohammed bin Salman, known as MBS, is the crown prince who says he wants to crack down on corruption and remake the Saudi economy along more modern lines. Prince Mohammed is also fantastically wealthy. In recent years, he has acquired one of the world's larg-

est yachts, a French palace and a \$450 million Leonardo da Vinci painting that was later donated to the United Arab Emirates.

How the prince amassed all his wealth exemplifies ways that the autocratic kingdom, essentially a family business, continues to intermingle commercial ventures and Saudi government connections to a degree far from Western norms. While it's been long known the Saudi royal family keeps a share of the nation's oil income, other business dealings involving the family's dominant branch have been held more closely.

Among the connections: Prince Mohammed is managing director—and 20% owner—of a chemical producer that supplies large, state-controlled firms. Saudi corporate filings showed as recently as last year. A company

Please see PLANES page A12

## At the Disease Job Fair, Typhoid Battles E. coli for the Sickest Talent

\* \* \* \* \*  
CDC divisions compete to recruit outbreak detectives; cookies, balloons

By BETSY MCKAY

Elizabeth Soda, a physician who has investigated dangerous bacteria all over the world, was on the hunt for the best candidates to help her find and stop life-threatening illnesses for the respiratory diseases branch of the Centers for Disease Control and Prevention.

Naturally, she put on a bright orange-and-white Nemo fish costume she picked up on Amazon.

"Finding Pneumo with RDB," read a handmade sign pinned onto her back. "Meet us in room 206-207."

"You gotta stand out, right?" she said.

This is outbreak-themed speed dating.

The CDC admitted a new

class last month to its elite training program for outbreak investigators. It was time to decide where within the agency the new investigators would spend their next two years—especially challenging since this

year there are only 66 recruits to fill 99 openings.

On a hotel conference floor in Atlanta, the competition was ferocious.

"Join the fight against evil bacteria!" scientists urged on a poster inviting coveted candidates to discuss diphtheria, meningitis and whooping cough over breakfast.

Admission to the CDC's Epidemic Intelligence Service, as the fellowship program is called, is almost as tough as to an Ivy

Please see JOBS page A12

## World's First "Self-Driving" Database

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Human labor refers to tuning, patching, updating, and maintenance of database.

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# U.S. NEWS



**U.S. Border Patrol agents and people who illegally crossed the border, near McAllen, Texas, last week. Republican centrists in the House want votes on bills that include a path to citizenship for young immigrants, and conservatives are trying to block that.**

## Immigrant Bills Split House GOP

By KRISTINA PETERSON

**WASHINGTON**—Support grew in the House for an effort to force a vote on several immigration proposals, sparking some conservatives to consider using a coming vote on the farm bill as leverage to try to block them.

GOP Reps. John Katko of New York and David Trott of Michigan on Wednesday joined a push from 18 other centrist Republicans to force a House floor vote on a series of immigration bills, including ones with a path to citizenship for young undocumented immigrants known as Dreamers. That left the GOP centrists just five GOP votes shy of the 218 signatures needed to trigger the votes, assuming all Democrats later join them.

The push is pitting one wing of the Republican Party against another. Centrists facing tough re-election fights in November

are clamoring for an immigration vote that could widen their appeal at home, while conservatives threatened to potentially derail the farm bill to avoid that outcome. The farm bill includes federal support for farmers and tighter work requirements for food-stamp recipients.

Rep. Carlos Curbelo (R., Fla.), one of the immigration push's leaders, said his group was "very close" to securing enough support. That "could happen this week," he said.

The momentum for the immigration push alarmed some of the House's more conservative members, who take a tougher line on immigration and worry that the centrists' effort could end up allowing a bill to pass with mostly Democratic support.

"This immigration thing is coming to a head," said Rep. Jim Jordan (R., Ohio), one of the founders of the House Freedom Caucus, roughly three

dozen of the most conservative Republicans. "We're nervous about what kind of bill that would be," he said. "Our party wasn't elected to put together a bill with 190 Democrats and a handful of Republicans."

The centrist Republicans are seeking to use a rarely employed procedure known as "Queen of the Hill," under which the House would vote on four immigration measures, and the one with the most votes would pass.

The measures range from a Democratic proposal to offer a path to citizenship to Dreamers to a far more conservative bill from House Judiciary Committee Chairman Bob Goodlatte (R., Va.) that emphasizes interior enforcement and provides \$30 billion for the border wall.

They also include a placeholder that House Speaker Paul Ryan (R., Wis.) can fill with legislation of his choosing. Mr. Ryan, who has said he wants to

find an immigration solution, says the centrists' approach turns power over to Democrats.

Leaders of the centrist group met Wednesday evening with top House GOP leaders, who were hoping to find a plan that would satisfy all sides.

"We have our plan, we're sticking to it, but we're willing to see what theirs looks like," Mr. Curbelo said as he left the meeting.

Conservatives, worried that one of the more centrist or Democratic measures might pass, were discussing whether to try to prevent that outcome by withholding support for the farm bill expected to come to the House floor on Friday.

House GOP leaders have been working for weeks to find enough GOP support for the farm bill. Most Democrats are expected to oppose the bill over their objections to its work requirements for food stamps.

## Senate Makes Play For Net Neutrality

By JOHN D. MCKINNON

**WASHINGTON**—The Senate voted Wednesday to reinstate Obama-era open-internet rules, handing a symbolic defeat to the Trump administration over its efforts to roll back those regulations.

The measure, adopted 52 to 47, faces long odds of passage in the House. The White House says it supports the new rules, adopted by the GOP-run Federal Communications Commission late last year, and many Republicans believe President Donald Trump would veto the reinstatement measure if it ever reached his desk.

The Obama-era FCC's net-neutrality rules, adopted in 2015, required internet service providers such as cable and wireless firms to treat all online traffic equally. The rules barred them from blocking and throttling websites, or creating fast and slow lanes.

The debate is sure to continue for months, in part because Democrats view it as good politics as well as good policy. Democratic leaders have said they believe battling with Republicans over reinstatement of the 2015 open-internet rules will help them get more millennials—especially millennial males—to support them at the polls in November.

Conservatives, worried that one of the more centrist or Democratic measures might pass, were discussing whether to try to prevent that outcome by withholding support for the farm bill expected to come to the House floor on Friday.

House GOP leaders have been working for weeks to find enough GOP support for the farm bill. Most Democrats are expected to oppose the bill over their objections to its work requirements for food stamps.

"There's good momentum

for net neutrality," said Sen. Brian Schatz (D., Hawaii) in an interview. "People didn't think we were going to succeed in the Senate...so now it's on to the House of Representatives."

House Energy and Commerce Committee Chairman Greg Walden (R., Ore.) said recently that he doesn't expect the reinstatement measure to come to the House floor.

FCC Chairman Ajit Pai said he was disappointed by the Senate vote but that the internet "will continue to be free and open" after his rule takes effect on June 11, just as it was before the 2015 Obama-era order. He added that the current FCC's "light-touch approach will deliver better, faster and cheaper internet access and more broadband

*The measure to bring back Obama-era rules faces long odds of passage in the House.*

competition."

The Obama-era rules were supported by big internet firms such as Amazon.com Inc. and Alphabet Inc.'s Google, as well as smaller services. All said they worried the big internet service providers such as cable and wireless firms could use their leverage over the internet's pipes to compete unfairly.

Providers such as Comcast Corp. and AT&T Inc. said they supported net neutrality, too, but adamantly opposed the 2015 rules. They feared the measure would open the door to regulation of their rates.

## U.S. WATCH

### ANTITERRORISM

#### Report Puts Price Tag At About \$2.8 Trillion

The U.S. has spent as much as \$2.8 trillion on the fight against terrorism since the Sept. 11, 2001, attacks, according to a study published Wednesday.

The report from the Washington-based Stimson Center think tank said the figure included spending on the wars in Afghanistan, Iraq and Syria, in addition to homeland-security efforts and overseas programs..

The report said that the U.S. lacked a system for accounting for spending on counterterrorism and that loopholes have increasingly allowed billions to be spent on items that shouldn't qualify for emergency funding.

"The Stimson study group found a variety of weaknesses in definitions, tracking, and consistencies that limit accuracy and contribute to a lack of transparency regarding the current data," the report said. "These weaknesses make it difficult to evaluate whether CT spending has been effective."

—*Jessica Donati*

### STATE DEPARTMENT

#### Ex-Secretary Tillerson Says Freedom at Risk

Former Secretary of State Rex Tillerson said a crisis in integrity and ethics among America's leaders is putting the country's freedom and democracy at risk, delivering the message in a commencement address at the Virginia Military Institute.

Mr. Tillerson, speaking to graduates Wednesday in a rare public appearance since he was fired by

President Donald Trump via a Twitter message two months ago, said every American citizen has a duty to seek the truth and hold leaders accountable.

"If our leaders seek to conceal the truth, or we as people become accepting of alternative realities that are no longer grounded in facts, then we as American citizens are on a pathway to relinquishing our freedom," he said. The former chief diplomat didn't name Mr. Trump in his speech but appeared to refer to the president's clashes with news organizations. A spokeswoman for Mr. Tillerson didn't respond to a request for further comment.

—*Jessica Donati*

### CALIFORNIA

#### Explosive Device Killed Woman at Spa

A blast that killed one woman at a day spa in Southern California was caused by an explosive device, authorities said.

Investigators don't know who set off the explosion or why, but it is being investigated as a criminal act, Don Barnes, Orange County undersheriff, said Wednesday.

Bomb technicians have been sorting through the wreckage.

"The damage at the scene was extensive, so it's hard to identify some of the pieces of the potential device," said Paul Delacourt, assistant director in charge of the Federal Bureau of Investigation's Los Angeles field office. "What we have identified are some items that are not consistent with a business of that type."

The explosion went off Tuesday afternoon at a medical building in Aliso Viejo, sparking a fire and injuring three other people.

—*Zusha Elinson*

## NASSAR

*Continued from Page One*  
families for what they have been through, and we admire the courage it has taken to tell their stories."

Michigan Sen. Tonya Schuitmaker, chair of the subcommittee for higher education appropriation, said the university hadn't approached the state for money to cover the settlement. "I would certainly hope before they agreed to a settlement they figured out how to pay for it," she said.

A Michigan State spokeswoman said the school "will be working on the solution in the near future," and that the school was in negotiations with its insurer about how much of the settlement it would cover.

In testimony earlier this year before the state legislature, Mr. Engler warned that the costs for the settlement ultimately would be borne by "students and taxpayers."

"I don't know if it would force bankruptcy [for the university] or not," he said. "I hope not."

Ms. Schuitmaker said she didn't believe the costs would be passed on to students in the form of higher tuition. The state allocated the university \$289 million for the current year, or 11% of its budget. That money comes with a cap on tuition. If the school tried to raise tuition to pay for the settlement they would lose \$289 million, she said.

The school's estimated annual revenue for this year of \$1.36 billion is matched by its expected expenditures.

Nassar pleaded guilty last year to 10 counts of sexual



**Former Michigan State gymnastics doctor Larry Nassar, who pleaded guilty to sexual assault, at his sentencing hearing in February.**

some of the Michigan girls and women have also filed suit against USA Gymnastics, alleging that Nassar's link to the elite team allowed him to attract new patients and that USA Gymnastics knew or should have known about his actions.

The per-victim settlement amount tracks closely with the \$1.25 million USA Gymnastics agreed to pay Ms. Maroney, in December 2016, to resolve her sexual-abuse claims against Nassar, The Wall Street Journal has reported. Ms. Maroney filed a lawsuit in December against Michigan State, the U.S. Olympic Committee and others, seeking in part to be released from the confidentiality agreement attached to that earlier settlement.

Mr. Engler said at the time of his legislative testimony that he hoped insurance would cover settlement costs.

Judy Galliher, a spokeswoman for United Educators, which provides insurance for Michigan State, said Wednesday she couldn't share any information related to the insurer's portion of the settlement.

A person familiar with higher-education insurance policies said an insurer could try to lump together all of the losses related to a serial offender into one policy year, capping their liabilities at the one-year maximum—in this case, \$39 million. The person noted that universities generally have additional liability coverage as well, besides the primary insurance policy.

The school could argue, however, that claims should be paid from multiple years' of insurance policies, because the claims allege abuse from different years. "There would be an argument that a separate policy and a separate limit would come into play. This happens a lot in asbestos, and it's a very complex issue legally," said James Lynch, chief actuary of the Insurance Information Institute, a trade group representing insurance companies.

As part of the settlement, there will be no confidential agreements or nondisclosure agreements, according to attorneys for the survivors.

"This historic settlement came about through the bravery of more than 300 women and girls who had the courage to stand up and refuse to be silenced," said John Manly, an attorney for the victims.

—Rebecca Davis O'Brien and Kris Maher contributed to this article.

## CORRECTIONS & AMPLIFICATIONS

Tencent Holdings Ltd. has bought stakes in 277 startups since 2013. In some editions Wednesday, a Page One What's News item incorrectly gave the year as 2014.

Amazon.com Inc. introduced Prime in 2005 for \$79 annually. A Business News article Wednesday about Prime customers' discounts at Whole Foods incorrectly said that the service was introduced in 1995 for \$75 annually.

The Closed-End Funds table that appeared in Monday's Business & Finance section incorrectly contained data from the week ended May 4. The data as of Friday, May 11 are available at WSJ.com/Corrections.

American Henry Ford introduced assembly-line-produced automobiles to the world. A Review essay Saturday about the World Cup soccer tournament incorrectly

said the automobile was a U.S. invention. Also, the last name of the essay writer's collaborator on a book about soccer, Michael Davies, was misspelled as Davis.

An Off Duty article Saturday about "bonus preppers" incorrectly called Nick Robbins's fiancée his wife, and the article failed to mention that she is employed by the company that makes their home's water system.

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

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## U.S. NEWS

# Births Hit Lowest Number Since 1987

Last year's fertility-rate drop was the largest one-year decline since 2010

BY JANET ADAMY

American women are having children at the lowest rate on record, with the number of babies born in the U.S. last year dropping to a 30-year low, federal figures released Thursday showed.

Some 3.85 million babies were born last year, down 2% from 2016 and the lowest number since 1987, according to the Centers for Disease Control and Prevention's National Center for Health Statistics. The general fertility rate for women age 15 to 44 was 60.2 births per 1,000 women—the lowest rate since the government began tracking it

more than a century ago, said Brady Hamilton, a statistician at the center.

The figures suggest that a number of women who put off having babies after the 2007-09 recession are forgoing them altogether. Kenneth M. Johnson, senior demographer at the University of New Hampshire, estimates 4.8 million fewer babies were born after the recession than would have been born had fertility rates stayed at prerecession levels.

"Every year I expect the number of births to go up and they don't," said Prof. Johnson.

This dearth of births could exacerbate the problems of America's aging population. Many baby boomers are in or are near retirement, leaving a smaller share of young workers to pay into Social Security and Medicare.

The postrecession baby lull appeared to be ending when births ticked up in 2014. But they've now fallen for three straight years, and last year's fertility-rate drop was the largest one-year decline since 2010.

Even women in their 30s—a group that had increasingly carried America's childbearing in recent years—saw their fertility rate decrease in 2017. For women age 30 to 34, there were 100.3 births per 1,000 women, down 2% from the prior year. Among women age 35 to 39, the birthrate was 52.2 births per 1,000 women, down 1% from 2016.

The only age group that had babies at a higher rate in 2017 was women in their early 40s, with those age 40 to 44 having 11.6 births per 1,000



Federal figures show that American women are having children at the lowest rate on record. Above, a newborn in Casper, Wyo., in April.

women, up 2% from the prior year.

One bright spot in Thursday's figures, which are preliminary, is a continued sharp decline in teen birthrates, which fell 7% last year.

Since 2007, the teen birthrate has declined by 55%, and is down 70% since its peak in 1991. Children born to adolescents are more likely to have poorer educational, behavioral

and health outcomes throughout their life.

"I'm absolutely astounded at the continuing decline in teen birthrates," Mr. Hamilton said.

Public health advocates credit the broader use of long-acting birth control such as intrauterine devices with helping drive down these rates, though many factors are likely at play.

## Fewer Babies

Births per 1,000 women reached an all-time U.S. low in 2017



Source: CDC's National Center for Health Statistics  
THE WALL STREET JOURNAL

## CIA Nomination Advances in Senate

BY BYRON TAU

WASHINGTON—The Senate Intelligence Committee recommended Gina Haspel as the next Central Intelligence Agency director, clearing the path for her confirmation by the full chamber.

The committee on Wednesday voted 10-5 to advance Ms. Haspel's nomination to be the first woman to lead the agency, forwarding it to the full Senate. Republican leaders are hoping to confirm her this week, though the vote could slip into

next week. She has the support of at least six Democrats, all but assuring her confirmation.

Ms. Haspel, 61 years old, would become only the second person to lead the CIA after spending an entire career undercover. During her confirmation, Democratic lawmakers have voiced frustration over the limited amount of information available about her past and long CIA career.

The CIA has said she is a native of Ashland, Ky.; a graduate of the University of Louisville; and a Johnny Cash fan. It also

said she has spent 33 years with the agency rising through the ranks of the CIA's post-Soviet European operations to hold top jobs supervising covert actions, managing U.S. spies' collection of human intelligence and working on counterterrorism.

Her nomination was, at times, mired in controversy because of certain parts of her furtive career. Between 2003 and 2005, Ms. Haspel was in charge of a secret detention center where at least one detainee was waterboarded, which

the U.S. now considers torture.

And she wrote a memo that led to the destruction of 92 videotapes showing detainees being subject to harsh interrogation. A CIA review said the decision to destroy the tapes was made by Ms. Haspel's boss, Jose Rodriguez, who was then director of the National Counterterrorism Service.

Ms. Haspel became deputy director of the agency in 2017. After her predecessor, Mike Pompeo, was confirmed as secretary of state in April, she also became acting director.



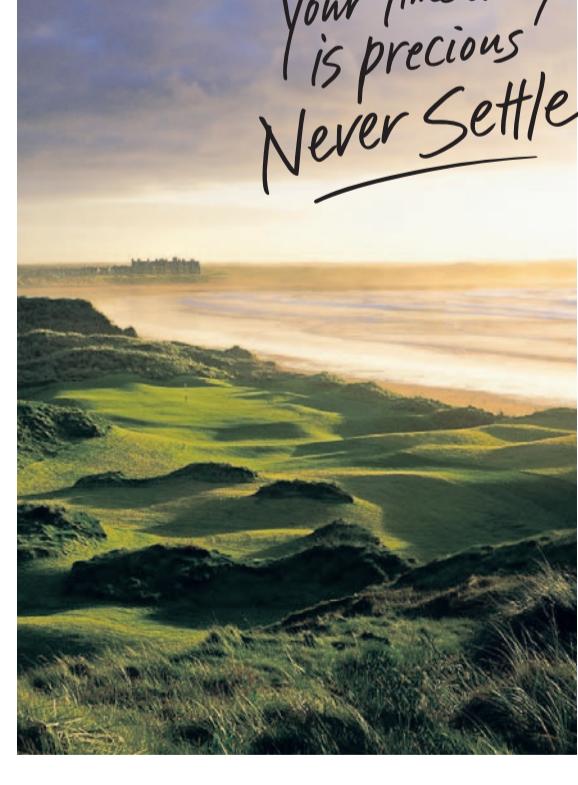
### North Carolina Teachers Latest to Protest

Thousands of teachers marched in support of increased school funding on Wednesday in Raleigh, N.C., trying to harness momentum from protests in other states to draw attention to deteriorating buildings and salaries that lag the national average.



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## Pennsylvania Contest Is Contrast of Styles

BY SCOTT CALVERT

Pennsylvania State Sen. Scott Wagner, who has been likened to President Donald Trump, captured the Republican primary for governor Tuesday, winning the right to challenge Democratic Gov. Tom Wolf this fall.

Mr. Wagner took the primary with 44% of the vote after a bruising, expensive campaign. Retired health-care consultant Paul Mango finished second with 37% and lawyer Laura Ellsworth came in third with 19%.

The general election pits two wealthy businessmen from York County in the south-central part of the state. Mr. Wagner owns a large waste-hauling firm, and Mr. Wolf previously owned a cabinet company. But the two men share little else in common, personally or politically. While the 69-year-

old Mr. Wolf comes across as reserved and professorial, Mr. Wagner, 62, is known for his blunt political rhetoric.

The election could wind up as a referendum not only on Mr. Wolf's first term as governor, but also as a gauge of Mr. Trump's standing in Pennsylvania, said Chris Borick, a political-science professor at Muhlenberg College in Allentown, Pa.

"I think Wagner is very much the type of candidate that's going to be a test of Donald Trump's agenda and approach to politics this fall," Mr. Borick said. "He is in many ways of style and ideology aligned with the president."

The general-election campaign is sure to be expensive. Mr. Wolf, who didn't face a primary challenger, has a \$14 million war chest, according to campaign finance reports. Mr. Wagner, whose campaign

spent more than \$12 million in the primary, including more than \$3 million of his personal money, had \$2.2 million on hand in late April.

Registered Democrats account for 48% of the state's 8.5 million voters, and Republicans make up 38%, according to the Pennsylvania Department of State. "Other parties" account for 13%.

In 2014, Mr. Wolf defeated then-Gov. Tom Corbett, a Republican, 55% to 45%. In the 2016 presidential contest, Donald Trump narrowly defeated Democrat Hillary Clinton in Pennsylvania, 48.6% to 47.9%.

In his victory speech Tuesday evening, Mr. Wagner said the state needs more jobs and economic development, and he said property taxes were too high.

"The people will have a clear choice this fall: a bold disrupter who isn't afraid to

tell you like it is or a timid leader who is more interested in getting re-elected than getting things done," Mr. Wagner said in his prepared remarks.

The Wolf campaign went on the offensive Wednesday, posting a web video that calls Mr. Wagner "the very worst of Harrisburg." It asks, "Do we really want a guy like Scott Wagner as our Governor?"

The Wagner campaign responded by saying Mr. Wolf "seems to have changed his mind on attack ads" after criticizing Republicans for running negative campaigns.

Jack Hanna, chairman of the Pennsylvania Democratic Party, issued a statement calling Mr. Wagner an "extremist" and said he is "absolutely unfit" to be governor. Mr. Hanna said the Democratic Party stands for issues like good jobs, a higher minimum wage and access to good health care.

## U.S. NEWS

# Trump Discloses Repaying Cohen

BY JULIE BYKOWICZ  
AND RICHARD RUBIN

A new financial disclosure from President Donald Trump acknowledged that he reimbursed his lawyer, Michael Cohen, for a \$130,000 payment to an adult-film star just before the 2016 election, the first time the president has officially stated the payment in government disclosures.

A footnote in Mr. Trump's 2017 financial disclosure released Wednesday documented a reimbursement of between \$100,001 and \$250,000 for expenses in 2016 to his attorney for payment to Stephanie Clifford, known professionally as Stormy Daniels. The payment wasn't listed in his previous financial disclosure, released last year. Disclosure rules require liabilities to be listed.

The Office of Government

Ethics said Wednesday that it considered the payment to Mr. Cohen to be a liability that needed to be disclosed, and flagged the matter to the Justice Department.

The Wall Street Journal previously reported that Mr. Cohen struck an agreement with Ms. Clifford weeks before the presidential election. Through a limited liability company, Mr. Cohen paid Ms. Clifford \$130,000.

Mr. Trump's attorney, Rudy Giuliani, said recently that the president paid monthly installments of \$35,000 to Mr. Cohen beginning in early 2017 to reimburse him. Mr. Giuliani said he wasn't aware of whether Mr. Cohen had advised the president about why he had paid Ms. Clifford, who alleged a sexual affair with Mr. Trump. Mr. Trump has denied a relationship with Ms. Clifford.

The Office of Government Ethics' acting director, David Apol, wrote in a letter Wednesday to Rod Rosenstein, U.S. deputy attorney general, that he was forwarding Mr. Trump's financial disclosures from this year and last in case there is any open inquiry.

"OGE has concluded that the information related to the payment made by Mr. Cohen is required to be reported and that the information provided meets the disclosure requirement for a reportable liability," the new financial disclosure says.

The letter to Mr. Rosenstein notes that Citizens for Responsibility and Ethics in Washington had filed a Justice Department complaint in March alleging that Mr. Trump had improperly failed to note the reimbursement to Mr. Cohen in a report he signed in June 2017.

Presidents aren't required to submit financial disclosure forms in their first year in office, and Mr. Trump did so voluntarily last year, following the tradition of previous presidents. He certified the form as true. Such a certification means that if a person knowingly included incorrect financial information, the OGE can seek a civil penalty such as a fine or



Donald Trump disclosed reimbursing Michael Cohen, above, for a payment to Stormy Daniels, below.



DREW ANGERER/GETTY IMAGES

refer the matter to the Justice Department for criminal prosecution.

Mr. Trump's lawyers didn't immediately respond to a request to comment.

Overall, the president's financial picture appeared to remain largely the same as the last time he reported his finances, about a year ago. He listed assets of at least \$1.4 billion and income of at least \$452 million, slightly less than in his previous financial disclosure—which included several

months of 2017 and all of 2016. The new report covers only 2017.

The properties Mr. Trump has frequented as president appear to be driving his income. The Trump International Hotel in Washington produced more than \$40.4 million, his Mar-a-Lago private club in Florida more than \$25 million, and Trump National Doral golf club near Miami about \$75 million—making it potentially his highest-earning asset.

Mr. Trump's new disclosures

include income from several entities that were formed during his presidency, including more than \$100,000 in sales from T Retail LLC, which is described as a startup online retail business. He also reported more than \$20,000 in management fees from Westminster Hotel Management LLC, an entity created in May 2017.

Although Mr. Trump's sons are running the business, the president maintains significant ownership, including in entities formed during his time in the White House. Most of the Westminster management company is owned by DJT Holdings LLC, which is in turn owned by the Donald J. Trump Revocable Trust, one of the primary vehicles for the president's holdings.

Among other new items, the president reported receiving \$1,900 in golf equipment from pro golfers Kevin Streelman and Bryson DeChambeau. Mr. Trump also disclosed an actor's pension, which was \$6,543 in 2017.

He also received royalties from appearances in "The Fresh Prince of Bel-Air" and "The Little Rascals."

## Watchdog Readies Report on FBI Probe

BY ARUNA VISWANATHA  
AND SADIE GURMAN

Multiple subjects of a report on the Justice Department's handling of a 2016 investigation into Hillary Clinton's email use have been notified that they can privately review the report by week's end, signaling the long-awaited document is nearing release.

Those invited to review the report were told they would have to sign nondisclosure agreements in order to read it, people familiar with the matter said. They are expected to have a few days to craft a response to any criticism in the report, which will then be incorporated in the final version to be released in coming weeks.

Michael Horowitz, the Justice Department's inspector general, told lawmakers last month he expected to issue the report in May, but Tuesday's notification was the first indication that Mr. Horowitz has largely completed his inquiry. Congressional committees are expected to review the report in coming weeks.

Mr. Horowitz's office issued a related report last month, which laid the groundwork for the firing of former FBI Deputy Director Andrew McCabe, finding that he misled investigators probing his role in providing information to a reporter for The Wall Street Journal. Mr. McCabe disputed the allegations.

The inspector general's yearlong review is expected to yield sharp criticism of actions by several top officials, including former Federal Bureau of Investigation Director James Comey's announcement in July 2016 that Mrs. Clinton had been reckless with the nation's secrets but he was recommending against prosecuting her.

### Novartis Executive Exits Over Payment

A top executive at Swiss drugmaker Novartis AG is stepping down amid the controversy over payments that corporations made to a company owned by President Donald Trump's longtime personal lawyer.

Novartis said general counsel Felix Ehrat, 61 years old, is retiring from the company in connection with \$1.2 million in payments it made over the course of a year to Michael Cohen's shell company, Essential Consultants LLC.

Novartis has said the payments, made in \$100,000 monthly installments under a contract that ended in February, were aimed at gaining insight into U.S. health-care policy. Novartis Chief Executive Vasant Narasimhan last week called the agreement a mistake and denied any involvement himself.

—Brian Blackstone

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## RUSSIA

*Continued from Page One*  
this year said Russia didn't aim to boost Mr. Trump's chances of winning the election but instead sought to subvert the notion of free and fair elections and spread "chaos and discord" in the U.S.

Russia's alleged role in the election—and whether there was any collusion between Mr. Trump's associates and the Kremlin—is a central part of special counsel Robert Mueller's investigation, which is separate from the congressional probes.

Several guilty pleas and criminal indictments of Mr. Trump's associates have arisen from Mr. Mueller's investigation, including charges of tax fraud and conspiracy to launder money. None of the charges relate to collusion with Russia, and the House Intelligence Committee report said it found no evidence of coordination between the campaign and Moscow.

Mr. Trump has denied there was any collusion and has criticized Mr. Mueller's probe as a "witch hunt." Russia has denied interfering in the election.

The Senate Intelligence Committee is expected to release a more detailed evaluation in the coming weeks that addresses the question of collusion.

The president hailed the House Intelligence Committee's findings last month, tweeting, "As I have been saying all along, it is all a big Hoax." He issued no public comment, as of Wednesday evening, on the Senate panel's release, and the White House didn't respond to a request for comment.

A separate Senate committee release Wednesday detailed several attempts by a billionaire Russian-Azerbaijani family to communicate with Mr. Trump's associates over Russia's interest in a repeal of the Magnitsky Act. The 2012 U.S. law targets Russian human-rights abuses.

The Senate Judiciary Committee released transcripts of interviews it had conducted that suggest the Agalarovs sought to act as a conduit, before and after the election, for Russians seeking the law's repeal.

Most notably, Rob Goldstone, a representative of the Agalarovs, arranged a meeting



President Trump's son-in-law, Jared Kushner, and Donald Trump Jr.

in Trump Tower in 2016. The meeting, which was previously reported and is being investigated by Mr. Mueller, was pitched by Mr. Goldstone as an opportunity for Russians to share incriminating information on Democratic presidential nominee Hillary Clinton, Mr. Trump's 2016 rival.

It was attended by the president's eldest son, Donald Trump Jr., his son-in-law, Jared Kushner, and his then-campaign chairman, Paul Manafort. Mr. Goldstone and Russian lawyer Natalia Veselnitskaya, among others, also attended.

Donald Trump Jr. asked the

*Russia's alleged role in the election is a central part of Robert Mueller's probe.*

visitors if they had dirt on Mrs. Clinton, according to the testimony of one of the Russians who attended. But the Russians provided scant information and focused instead on the Magnitsky Act, with Ms. Veselnitskaya asking the younger Mr. Trump to "look out for this," according to Mr. Goldstone's testimony.

Donald Trump Jr., according to Mr. Goldstone, told her to take her concerns to Mr. Obama's administration and ended the meeting. The president hasn't called for the Magnitsky Act to be overturned.

In 2015, shortly after Mr. Trump launched his campaign, Mr. Goldstone offered to ar-

range a meeting between Mr. Trump and President Vladimir Putin of Russia. That never took place.

Weeks after the election, Mr. Goldstone also sent Mr. Trump's personal assistant a document noting that the Magnitsky Act was "one of the key issues" preventing a thaw in U.S.-Russia relations. The assistant forwarded the document to Steve Bannon, then the incoming White House chief strategist.

The U.S. intelligence community issued a finding in January 2017 that Mr. Putin ordered a campaign to influence the outcome of the 2016 election and that Mr. Putin aspired to help Mr. Trump to victory and denigrate Mrs. Clinton as part of a broader ambition to undermine Western liberalism.

The Senate Intelligence Committee's members "see no reason to dispute the conclusions," Sen. Richard Burr (R, N.C.), the panel's chairman, said in a statement Wednesday.

Sen. Mark Warner of Virginia, the committee's top Democrat, said: "Despite the short time frame they had to prepare it, the intelligence community did a very good job."

The House and Senate intelligence committees were both charged in early 2017 with examining the evidence around what happened during the presidential election and writing a public report. The House committee process has been rife with partisan infighting over the course of the year-long investigation. The Senate Intelligence Committee has remained more unified throughout the process.

## U.S. NEWS

# Pruitt Is Grilled At Senate Hearing

By TIMOTHY PUZO

WASHINGTON—Scott Pruitt, the head of the Environmental Protection Agency, continued to defend himself on Wednesday against a growing list of allegations involving management missteps and spending at the agency, denying some and deflecting others in a Senate subcommittee hearing.

Sen. Tom Udall (D., N.M.) counted up 16 continuing federal reviews of Mr. Pruitt's actions, including two at the White House. They range from issues involving travel and security costs, to personnel moves at the agency and how he obtained rental housing connected to a Washington lobbyist.

"Every day there seems to be a new scandal and you at dead center," said Mr. Udall, the top Democrat on the subcommittee and a longtime critic of Mr. Pruitt. "I'm worried you are spending all of your time enriching yourself and your friends while betraying your mission to protect human health and the environment."

Mr. Udall also alleged that an EPA staffer helped Mr. Pruitt look for housing in Washington and that work qualifies as a gift in violation of federal law.

Mr. Pruitt reiterated past defenses that some of the accusa-

tions are false, and that other actions he took were justified by policy needs or cleared by ethics and security officials. He said he did get help from a staff member with house hunting, but that staff member was a longtime family friend helping on her own time.

In regards to reports that he rented accommodations in Washington at below-market rates from the family of an energy lobbyist, Mr. Pruitt has noted that his agency's ethics officer signed off on his lease agreement. That review came months later and the ethics office has since said it is revisiting the issue.

Mr. Udall said he has asked the Government Accountability Office to investigate whether the agency has violated a ban on political speech in government social media. He singled out an April 13 tweet in the EPA's official account that said "the Democrats couldn't block the confirmation of" former coal lobbyist Andrew Wheeler to the agency's No. 2 post.

"I was unaware of the tweet and that shouldn't have occurred," Mr. Pruitt said.

Mr. Pruitt also confirmed there is a legal fund set up for his personal defense when he was asked about it by Sen. Chris Van Hollen (D., Md.).



EPA's Scott Pruitt faces questions on a growing list of allegations.

ANDREW HARNIK/ASSOCIATED PRESS

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## Canadian Leader Addresses NYU Graduates



DRAWING A CROWD: Prime Minister Justin Trudeau was at Yankee Stadium on Wednesday to speak at New York University's commencement ceremony and pick up an honorary doctor of laws degree.

## Industrial Output Increased In April

By JOSH MITCHELL

WASHINGTON—U.S. industries pumped out more goods in April to meet growing demand from consumers and businesses, another sign the economy is gaining momentum.

Industrial output—reflecting everything produced by factories, mines and utilities—rose a seasonally adjusted 0.7% in April from a month earlier, the Federal Reserve said Wednesday. That marked the third straight month of higher production. Production increased broadly across all sectors and has risen 3.5% over the past year.

Households are buying more consumer goods and companies are stepping up investment in equipment as they gain confidence in the economy. Factories, in turn, are stepping up output. Factory output rose 0.5% over the month and 1.8% over the past year.

The industrial sector is a slice of the overall economy. But the boost in output suggests the economy is strengthening. The nation's gross domestic product—the broadest measure of goods and services produced in the U.S.—rose at a 2.3% annual rate in the first quarter, according to a government estimate, and many economists project growth is approaching a 3% rate in the current quarter.

A separate measure suggests the industrial segment of the economy is firming but not to the extent that inflation seems about to surge.

Capacity utilization—reflecting how much industries are producing, relative to their potential output—rose 0.4 percentage point last month to 78%, the highest level in three years.

## Trump Says Mexico 'Does Nothing for Us' on Border

By PETER NICHOLAS

WASHINGTON—President Donald Trump on Wednesday portrayed Mexico as a poorly in a meeting with local California officials devoted to illegal immigration, maintaining that the country "does nothing for us."

Mr. Trump made his remarks at a round-table discussion in the White House Cabinet Room that reporters were invited to attend.

A San Diego official had told the forum about the case of a gunman who had shot to death a San Diego man earlier this year and is now living "openly and freely" in Tijuana.

Kristin Gaspar, a Republican supervisor in San Diego County, said criminals have the luxury of finding sanctuary either "across the border" in Mexico or in California, where she said they are "shielded by Gov. Moonbeam"—a deroga-

tory nickname for California's Democratic governor, Jerry Brown. Ms. Gaspar is a candidate for the House seat currently held by Darrell Issa (R., Calif.), who is retiring.

Mr. Trump, after listening to her account, asked: "Do you find Mexico helps us or does nothing for us?"

Ms. Gaspar replied that Mexico "does not help with cases like this because it will take years."

Broadening the issue, Mr. Trump said: "Mexico does nothing for us."

He continued: "Mexico talks but they do nothing for us, especially at the border. They certainly don't help us much on trade, but especially at the border they do nothing for us."

At one point, as the discussion turned to gang members, Mr. Trump touted his record in expelling people from the country.

"We have people coming

into the country, or trying to come in—and we're stopping a lot of them—but we're taking people out of the country.

"You wouldn't believe how bad these people are," he continued. "These aren't people. These are animals. And we're taking them out of the country at a level and at a rate that's never happened before."

The Mexican embassy didn't respond to a request for comment about Mr. Trump's remarks.

In a tweet to Mr. Trump in response to Wednesday's round-table discussion, Mr. Brown accused the president of "lying about the laws" of California. "Flying in a dozen Republican politicians to flatter him and praise his reckless policies changes nothing."

Mr. Trump's administration is negotiating with Mexico and Canada on an overhaul of the 24-year-old North American Free Trade Agreement.

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## WORLD NEWS

## North Korean Remarks Don't Deter U.S.

Trump officials proceed with plans for summit despite tough talk from Pyongyang

President Donald Trump is still planning to hold a summit meeting in Singapore with North Korean leader Kim Jong Un, U.S. officials said, brushing off sharp comments by one of Pyongyang's senior diplomats that caught the Trump administration by surprise.

*By Michael R. Gordon  
and Nancy A. Youssef  
in Washington  
and Jonathan Cheng  
in Seoul*

While proceeding apace with summit plans, Mr. Trump and his foreign-policy team on Wednesday also refrained from firing back with tough words of their own. Mr. Trump previously has called North Korean leader Kim Jong Un "rocket man" and warned of American "fire and fury."

Secretary of State Mike Pompeo spoke to his South Korean counterpart as part of a broader effort to coordinate for the June 12 summit, and called Singapore's foreign minister to thank his government for agreeing to host the summit, the State Department said.

"This is something we fully expected," White House press secretary Sarah Sanders said of the North Korean warning. "The



A U.S. F-22 jet fighter landed in Gwangju, South Korea, on Wednesday during a military exercise.

said of the North Korean statements. "This indicates there has been no change in their thinking."

There have been a number of indications that the U.S. and North Korea may not mean the same thing by denuclearization.

Trump administration officials have referred to a speedy approach that might be accomplished within a year under which sanctions relief and economic benefits wouldn't be conferred until the end.

Mr. Kim has suggested he was interested in a phased and potentially prolonged approach in which benefits would be delivered along the way.

The Trump administration, for now, appears determined to get Mr. Trump and Mr. Kim together to explore if the gap might be bridged and is seeking to avoid provocations.

After North Korea denounced the Max Thunder exercise on Wednesday, South Korean officials made clear that it wouldn't include American B-52s, a nuclear-capable bomber that worries Pyongyang.

American officials insisted B-52s were never part of the exercise and refused to discuss operations of the bombers, which are stationed on Guam.

A spokesman for South Korea's president on Wednesday said the "current situation is a difficult process" but played down the possibility that the North would back out of the summit.

president is very used to and ready for tough negotiations."

The administration's uncharacteristically subdued response followed North Korea's angry denunciation of the Max Thunder air exercise in South Korea, which involve F-22s, some of the most-advanced U.S. fighters.

Most significant were the comments of Kim Kye Gwan, North Korea's first vice minister at the Ministry of Foreign Affairs, who objected to U.S. as-

sertions that Pyongyang should quickly dismantle its nuclear arsenal in return for economic benefits.

John Bolton, Mr. Trump's national-security adviser, has suggested that the dismantlement of North Korea's nuclear arsenal should be based on Libya, where leader Moammar Gadhafi agreed to give up his nascent nuclear program.

"It is absolutely absurd to dare compare the DPRK, a nuclear-weapon state, to Libya,

which had been at the initial stage of nuclear development," Mr. Kim said.

Some U.S. experts said North Korea's comments may be an effort to strengthen its bargaining position after Trump administration officials asserted their "maximum pressure" campaign had driven the North Korean leader to the bargaining table.

"They are putting down some markers and resetting expectations," said Robert J. Ein-

horn, a former U.S. negotiator, adding it was a message that North Korea's flexibility shouldn't be taken for granted.

But Anthony Ruggiero, a former Treasury Department official, asserted the comments showed North Korea was still clinging to its decades old strategy of trying to get economic benefits up front while deferring hard decisions on dismantling its arsenal.

"They could have been written in the 1990s," Mr. Ruggiero

test firing was for a civilian space program. The U.N. Security Council said it was a violation of a resolution banning ballistic-missile tests.

As a result, North Korea said it would no longer be bound by the Six Party Talk agreements. One month later, the country conducted its second nuclear test.

## Over the Years, Twists, Turns and Backtracking in North's Negotiations

BY CHRIS GORDON

North Korea over the past 25 years has altered course or backtracked on a string of international commitments pertaining to its weapons programs.

Here are some previous instances of North Korean diplomatic shifts:

**The Non-Proliferation Treaty, 1993:** In the early

1990s, North Korea, a signatory of the international nuclear Non-Proliferation Treaty, drew suspicions from the International Atomic Energy Agency, the United Nations body charged with regulating compliance of the treaty through inspection agree-

**The Six Party Talks, 2003-2009:** These talks were

launched in August 2003 among the U.S., China, South Korea, Russia, Japan and North Korea. In 2005, North Korea promised to give up its nuclear weapons and programs and return to the NPT. In return, it would receive aid and security guarantees.

In October 2006, North Korea

conducted its first nuclear test.

In 2007, talks were restarted. North Korea disabled its nuclear reactor at Yongbyon and allowed the IAEA to send inspectors. North Korea, however, insisted the inspections be restricted to Yongbyon.

In April 2009, North Korea test-fired a three-stage Unha-2 rocket. North Korea said the

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## WORLD NEWS

# Bolton Draws Pyongyang Ire

BY DION NISSENBAUM  
AND MICHAEL C. BENDER

WASHINGTON—President Donald Trump's new national security adviser has suddenly become the administration's political lightning rod in talks with North Korea, which delivered an unusually personal attack on Wednesday in threatening to pull out of June's high-stakes summit with the U.S.

John Bolton, known for his bushy white mustache and his confrontational foreign-policy views, is a longstanding figure in the capital's foreign-policy circles and has quickly established himself as the president's prime confidant since taking the job five weeks ago.

Mr. Bolton has become a constant presence at Mr. Trump's side, a position once held by chief of staff John Kelly, whose sway with the president has waned. Mr. Bolton has moved to quickly consolidate power by forcing out rivals jockeying for influence in the White House, current and former Trump administration officials said.

He has sought to dispel his image among detractors as a pompous warmonger by building bridges with other administration officials including Defense Secretary Jim Mattis and Jared Kushner, Mr. Trump's son-in-law and a key presidential adviser.

On Wednesday, North Korea unleashed a blistering condemnation of Mr. Bolton, who came to the White House job after arguing publicly that the U.S. had the right to strike the country even if it didn't pose an imminent threat to America or its allies.

Mr. Bolton has championed a hard-line negotiating position ahead of the planned June 12 summit in Singapore. In television interviews, he has warned that the U.S. won't ease economic pressure until North Korea gets rid of its nuclear-weapons program. He has cited Libya's agreement in 2003 to eliminate its nascent nuclear program as a template for talks with North Korea, which de-



'It's what the North Koreans do,' national security adviser John Bolton said of the criticism.

nounced the comparison as an insulting and "sinister move." "We shed light on the quality of Bolton already in the past, and we do not hide our feeling of repugnance toward him," said Kim Kye Gwan, North Korea's first vice minister for foreign affairs.

It wasn't the first time North Korea has singled out Mr. Bolton for criticism. In 2003, when he was serving as an undersecretary of state while President George W. Bush tried to negotiate with North Korea, Mr. Bolton delivered a speech in Seoul where he denounced then-North Korean leader Kim Jong Il.

"I knew I had struck home when the DPRK's news agency denounced me as 'human scum,' probably the highest accolade I received during all my service in the Bush years," Mr. Bolton wrote in his memoir, "Surrender is Not an Option."

On Wednesday, Mr. Bolton dismissed the latest criticism.

"They called me a blood-

sucker. They said I was a very ugly fellow," Mr. Bolton said on Fox News Radio. "So I kind of get used to it. It's what the North Koreans do. The question is whether this really is a sign that they're not taking our objective of denuclearization seriously."

**Mr. Bolton has pushed out some people and brought in his own allies.**

Mr. Trump and his press secretary, Sarah Sanders, brushed off North Korea's threats. Some analysts suggested North Korea might try to marginalize Mr. Bolton's more uncompromising views within the administration and encourage Mr. Trump to lean more on new Secretary of

State Mike Pompeo, the former Central Intelligence Agency director who has traveled to North Korea twice.

A former ambassador to the U.N., Mr. Bolton has worked to build trust and bring in his own allies.

Mr. Bolton pushed out Tom Bossert, the president's former homeland-security adviser and eliminated the White House cyber coordinator position, a move some Democrats criticized because it came amid growing cyberthreats.

Mr. Bolton also nudged out two top deputies who had been loyal to his predecessor, Lt. Gen. H.R. McMaster, and brought in one ally known for feuding with Mr. Mattis and the Pentagon leadership.

The swift personnel moves, in addition to a reorganization of the NSC that merged several directorates, demonstrated that Mr. Bolton had the president's ear, one person familiar with his thinking said.

# Old Rivals Chart Malaysia's Path After Upheaval

BY JAMES HOOKWAY

KUALA LUMPUR, Malaysia—

When it finally came, Anwar Ibrahim's release from detention Wednesday was almost as dramatic as the democracy leader's first arrest more than 22 years ago—ordered by the man who is again leading Malaysia, Prime Minister Mahathir Mohamad.

Swarmed by news-camera teams at the hospital where he had been serving a sentence on what he says were trumped-up sodomy charges, Mr. Anwar was hustled into a black SUV by prison guards for a trip to the national palace to see the country's king, Sultan Muhammad V. Along the way supporters waved banners and chanted "Long live Anwar!" in Malay and English and "Reformasi!" (Malay for "reform").

After a brief ceremony with the king and a handshake with Mr. Mahathir, Mr. Anwar left a free man for the first time in three years, saying he would rest and travel before considering his political role.

"I will be informed and I will take an interest," Mr. Anwar said, looking trim and with a tidy goatee. "But I don't have to serve in the cabinet for now."

His return will likely revive a decades-old rivalry with Mr. Mahathir, political insiders say—this time, to direct the ragtag coalition they formed to defeat former Prime Minister Najib Razak and the United Malays National Organization, which had led the country since independence in 1957.

One complication is that the 92-year-old Mr. Mahathir has already pledged to hand power to Mr. Anwar in a year or two, making him something of a lame duck. The two are at odds on economic policy, Mr. Anwar more a free-market advocate and Mr. Mahathir a champion of

economic nationalism during his first stint in office, from 1981 until his 2003 retirement.

Many in Mr. Anwar's camp are wary of Mr. Mahathir's authoritarian tendencies, although he has said he would try to rein himself in.

The two have a long and complex history. Two decades ago, helicopter searchlights swept the streets outside Mr. Anwar's home as police moved in to arrest him. The prime minister had fired Mr. Anwar as his deputy after a dispute over how to steer the economy through the 1990s Asian financial crisis.

Knowing he was facing arrest on sodomy charges, Mr. Anwar took to the streets, organizing mass protests against Mr. Mahathir and the ruling coalition. Mr. Anwar spent six years in prison before his conviction was overturned.

In an interview before his release, Mr. Anwar said he accepted Mr. Mahathir's offer to hand over power and had agreed to put their conflicts behind him.

—Yantoulra Ngui in Putrajaya, Malaysia, and Jake Maxwell Watts in Kuala Lumpur, Malaysia, contributed to this article.



Anwar Ibrahim kisses his wife after his release Wednesday.

## An Open Letter

### TIME FOR STRONGER JEWISH UNITY ON THE ISSUES THAT MATTER

By Dr. Moshe Kantor, President of the European Jewish Congress



Ronald S. Lauder, World Jewish Congress President (l) and Dr. Moshe Kantor, EJC President

On the 70th anniversary of Israel's independence, the European Jewish Congress together with the World Jewish Congress, joined efforts with the European Leadership Network, B'nai B'rith International, the American Jewish Committee, the European Coalition for Israel and the European Union of Jewish Students to demonstrate their solidarity with the State of Israel and shed light on its astonishing achievements. This initiative led to an unprecedented joint celebration in Brussels.

Yesterday's celebration was an excellent illustration of the fact that Israel has plenty of friends in Europe. Dozens of MEPs across the political spectrum, ambassadors and high-level officials at the European institutions came together to express their friendship, because celebrating the anniversary of Israel is a nonpartisan issue.

In seventy years, the Jewish state has made the deserts bloom, created the most remarkable hub of technological innovation, taken the lead in addressing global environmental challenges and guaranteed liberty and prosperity for all its citizens, regardless of their background.

Nevertheless, seventy years after the establishment of an independent State of Israel, seventy-four years after the end of the Shoah, which destroyed a third of world Jewry and decades after the forced exodus of almost a million Jews from the Middle East and North Africa, antisemitism has reached an unprecedented and alarming scale.

Today, Jewish communities across the world face existential challenges. The general feeling among Jews is that antisemitism has entered a

new phase. Jewish citizens are attacked by the far-Left, the far-Right and radical Islamists, on the streets, in parliaments, online and in their own homes.

Today, much of the hatred against Jews is disguised, especially on the far-Left, as a hatred of Israel. The irrational rejection of the Jewish People did not end with its return to its national, spiritual and historic homeland. This animosity merely morphed into a new insidious form, which now treats Israel as it has treated Jewish communities for many centuries.

Almost all of the classic antisemitic motifs and manifestations are now used against Israel, including blood libels, notions of global dominance and the general singling out of the only Jewish State.

The lessons of the Holocaust have been forgotten, fading with the sands of time and a new open and mainstream antisemitism is spreading. Jewish communities worldwide require massive protection and security, which is having a grave effect on Jewish life in many parts of the world. This cannot continue.

Antisemitism has become a sign of a profound societal sickness and is a danger not only to Jews, but to countries and citizens across the globe. Hatred and intolerance are everyone's problem, and we expect all layers of civil society to be at the forefront of this battle.

We need to end hate speech and incitement to violence online, in religious institutions and on the streets. We need to strengthen the tools with which governmental and law enforcement agencies have to fight antisemitism and other forms of hate.

Above all, we need to find a new way to educate against hate, racism and antisemitism, because the lessons of the past are no longer understood. We desperately require a new way of thinking because our future depends on it.

Together, on the occasion of Israel's Independence Day and its achievements as a beacon of hope and progress in the world, we call for an end to hate and intolerance, not just for the Jewish People, but for all peoples across the globe.

Dr. Moshe Kantor  
President  
European Jewish Congress

The European Jewish Congress is the democratically-elected organization representing approximately 2.5 million Jews in 42 national communities across the European continent. Its president, Dr. Moshe Kantor, is a prominent European public figure, international philanthropist, entrepreneur and investor. He is recognized internationally for his role in combatting racism and antisemitism, promoting tolerance and contributing to revitalizing Jewish life in Europe and beyond.

[www.eurojewcong.org](http://www.eurojewcong.org)  
[info@ejcbrussels.com](mailto:info@ejcbrussels.com)

## WORLD NEWS

# Origin Rules Pose Brexit Challenge

By JASON DOUGLAS

At a Ford Motor Co. plant near London, workers manufacture cylinder blocks, crankshafts and other components for Ranger pickup trucks that are sold to buyers across the European Union.

The finished vehicles don't roll out of a factory in the U.K. or anywhere else in the EU. The components made in Britain are sent to South Africa, where the trucks are put together and shipped back thousands of miles to European dealers.

This continent-spanning assembly line highlights what executives and trade experts say will be one of Brexit's challenges: Rules of origin in trade with the EU.

The rules are used by customs authorities to establish where a product came from in order to waive or levy a tariff. For vehicles, smartphones and other products that include raw materials and manufactured components from around the world, making that determination can be fiendishly complex.

Some of the world's toughest trade disputes revolve around the issue. U.S. President Donald Trump has taken aim at the origin provisions of the North American Free Trade Agreement between the U.S., Canada and Mexico.

Goods currently move freely between member states inside the EU's customs union. But U.K. Prime Minister The-



Engines are assembled at Vauxhall factory in Luton, England.

eresa May's plan to leave the customs union will bring rules of origin into play.

Mrs. May wants to replace the customs union with a free-trade agreement with the EU. For the 80% of British exporters that sell to the EU, that will create new costs.

Complying with rules of origin is "quite a laborious process—and an expensive one," said Nimisha Raja, founder of Sittinbourne, England-based Nim's Fruit Crisps, which makes and sells dried-fruit chips world-wide. Costs include legal fees, auditing fees and occasionally translation fees.

"Selling to the EU is like selling to someone in Manchester," Ms. Raja said. But she

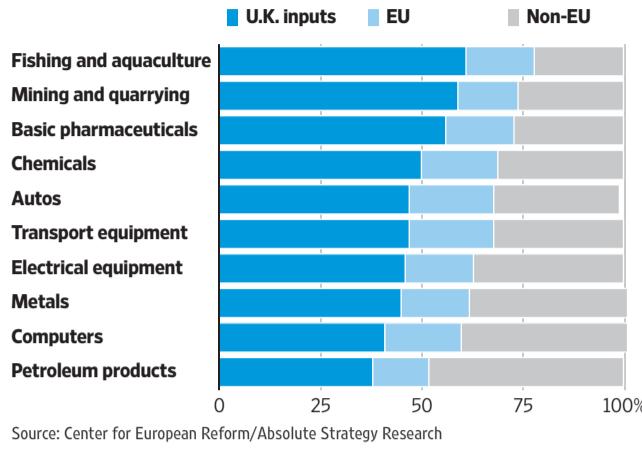
reckons that after Brexit, complying with rules of origin for the 40% of her sales that currently go to the EU would absorb around 6% of the average sale price, and up to 15 hours a month of her staff's time.

Rules of origin have been a feature of free-trade accords for decades. The goal, according to Sam Lowe, a trade policy expert at the Center for European Reform, a nonpartisan London think tank focused on EU policy, is to prevent one party to a trade agreement passing off cheap imports as homemade, in order to qualify for preferential access to another party's market.

When products include components from a variety of

## Assembly Lines

Estimated percentage of domestic and foreign inputs in U.K. exports



Source: Center for European Reform/Absolute Strategy Research

THE WALL STREET JOURNAL.

sources, the proportion of "homemade" content is carefully calculated depending on the amount of work carried out in the home country. Local-content thresholds needed to qualify for preferential access vary depending on the product. Around 50% is typical.

Trade agreements also allow for so-called cumulation, which permits components and other inputs to be designated as local content for a finished product provided they originate from the parties to that trade deal.

Consider Ford's Ranger. The U.K. is a member of the EU and the EU has a free-trade accord with South Africa. That means the crankshafts and other Ford parts made near London are

treated as European components of the South Africa-made vehicle, which is currently able to enter the EU tariff-free.

The concern for Ford is that won't necessarily be the case once the U.K. exits the EU. Those crankshafts and cylinder blocks won't qualify as local content for the EU—unless the U.K. can agree on new cumulation agreements with the EU and South Africa.

Absent such a deal, "the components would have to be sourced from South Africa or the EU in order for Ford to continue to meet the rules-of-origin requirements for the Rangers produced in South Africa for the EU market," a Ford spokeswoman said.

# A Modern Love Story, a More Modern Monarchy

Prince Harry and Meghan Markle's marriage promises to bring British aristocracy in step with Britain

By JENNY GROSS

LONDON—When Prince Harry marries American actress Meghan Markle in a pomp-filled ceremony on Saturday, it will mark a giant step in the modernization of the British monarchy, as its younger members increasingly take center stage and recast the family as a less tradition-bound clan.

The grandson of Queen Elizabeth II and Ms. Markle have planned a wedding outside Windsor Castle that seeks to include members of the public. But the glare of media attention around the nuptials underscores continued tension between the royal family and the British press.

The wedding between Prince Harry, the sixth in line to the throne, and Ms. Markle, a mixed-race, divorced star of the popular American television series "Suits," marks a seismic shift in the once-stodgy reputation of the British monarchy.

"Someone who has been divorced and doesn't come from an aristocratic family shows the monarchy is adapting to a modern age," says Vernon Mogdanor, a professor in U.K. constitutional history at King's College London. Ms. Markle's father is a white cinematographer, and her mother is an African-American social worker and yoga instructor.



Wax figures of Prince Harry and Meghan Markle are on display in Windsor, England, ahead of the couple's nuptials there on Saturday.

Prince William and his wife, Catherine, the Duchess of Cambridge, have helped reboot the image of the royal family by presenting a more polished image in the media than the previous generation of royals. But Prince Harry, 33, and Ms. Markle, 36, promise to do more to bring the British aristocracy in step with modern Britain.

Indeed, while the pomp and circumstance of the ceremony Saturday will be rooted in centuries-old customs, the wedding will break with tradition in other ways. At the reception, Ms. Markle is expected to give a speech, a first for a royal wedding, according to local media reports. And Ms. Markle's mother, Doria Ragland, may walk her down the aisle.

Broadcasters are planning blanket coverage of the festivities, while cable channels and television networks are rolling out reality shows, documentaries and series related to the event. But the media and the royal family have long had a complicated and, at times, troubled relationship.

Since their romance became public, Prince Harry

and Ms. Markle have been the subject of intense scrutiny in the press. In recent days, her family has been the focus, with TMZ.com reporting that her father won't attend the wedding, and the Times of London saying some family members were "determined to milk everything they could out of their relationship to the royal bride."

Officials from Ethiopia, Egypt and Sudan made progress after months of acrimony over how to share the waters of the Nile river, smoothing tensions in a conflict that has threatened to upset the political balance in the Horn of Africa.

The spat is pitting Egypt against a rising Ethiopia, which is building a \$4.2 billion dam on the Nile's main tributary that Egypt, which depends on the Nile for its water supply, fears will divert too much water and place pressure on its agriculture. Another tributary of the Nile flows through Sudan to where the two channels meet at Khar-

toum.

The foreign ministers of Egypt and Ethiopia and Sudan's water minister agreed at a meeting in Cairo to a joint scientific study of how quickly the dam being built by Ethiopia should be filled. They signed a document calling for the leaders of the three countries to meet every six months.

—Matina Stevis-Gridneff

## FROM PAGE ONE

# CBS

Continued from Page One  
on Thursday to vote on diluting the Redstones' control.

In a Wednesday hearing in Delaware Chancery Court, the judge ordered an effective standstill to prevent both sides from making any more moves before he issues a decision on CBS's request for the temporary restraining order. The written decision was expected by Thursday before CBS's board meeting.

Judge Andre Bouchard ordered the short-term standstill in response to National Amusements' last-minute maneuvering before the hearing. "I have never seen anything quite like what transpired here," he said.

A half-hour before the start of the hearing, National Amusements announced a change to CBS's bylaws requiring a supermajority of board members to approve actions such as dividends and amendments to bylaws. The effort to dilute National Amusements' voting power is structured as

a stock dividend, and as long as National Amusements is still the controlling shareholder, it has the power to change CBS's bylaws without a stockoff by the board.

The supermajority requires 90% of CBS's 14 board members to approve such a change, according to a person familiar with the matter. Because Ms. Redstone, who is vice chairman of CBS, would likely have the support of the two Redstone family lawyers also on the board, Rob Klieger and David Andelman, that would make CBS's proposed dilution of the Redstones' voting control unlikely to pass, the person said.

Neither Mr. Klieger nor Mr. Andelman responded to a request for comment.

"The latest step by NAI provides further evidence of why we concluded that we had no choice but to file our action in the Delaware courts, in order to protect the interests of all CBS shareholders," CBS said in a statement in response to the bylaw change. "We continue to be confident in our position

and look forward to presenting our case in court."

In court documents, National Amusements said that while it had no intention of overhauling CBS's management and board, CBS's latest actions "have forced NAI to consider exercising its rights." Ms. Redstone has been urging CBS and Viacom, the two companies National Amusements controls, to consider a merger for the better part of

two years. After dropping an effort in late 2016, she revived it at the start of the year.

According to the National Amusements' lawyers, the CBS and Viacom special committees considering the merger came to an economic agreement on the terms of the merger, and were simply held up over Ms. Redstone's desire that Viacom Chief Executive Bob Bakish get a board seat in the merged company—a non-

starter for Mr. Moonves.

A CBS spokesman said, "There could not have been a deal on price in isolation from the other aspects of this transaction."

CBS said in court documents that its special committee came to the conclusion last weekend that a merger wasn't in the best interests of CBS shareholders.

In determining to take action to dilute the Redstones' voting interest, CBS pointed to media reports, including in The Wall Street Journal, that Ms. Redstone was considering replacing board members.

While National Amusements denies it ever considered a wholesale overhaul of CBS's board, it said in its filing that it did push to replace one CBS board member: Charles Gifford. A major figure in Boston's financial community and chairman emeritus of Bank of America, Mr. Gifford is close to Mr. Moonves and sat on CBS's powerful compensation committee, according to people familiar with the matter.

He also sits on CBS's special committee, which consists of



Shari Redstone is embroiled in a fight to keep control of CBS.

five independent directors evaluating the merger. All five were named as plaintiffs along with CBS in Monday's lawsuit against Ms. Redstone and National Amusements.

Last Friday, Mr. Klieger, who is Ms. Redstone's lawyer in addition to being a CBS director, resurfaced longstanding concerns about Mr. Gifford and his behavior, and asked that he be removed from the board.

CBS said in a statement that it is "unfortunate and revealing that NAI has resorted to baseless personal attacks."

Mr. Gifford referred a call to CBS and its statement.

National Amusements argues that voting to strip it of its controlling position would be "a breach of fiduciary duty by the directors who vote in favor of it" with "simply no precedent in Delaware law."

CBS countered that it is "a basic principle of Delaware law that a controlling stockholder cannot use its control over corporate process to harm other stockholders."

—Peg Brickley contributed to this article.

# WORLD WATCH

## JAPAN

### Long Growth Streak Comes to an End

Japan's economy contracted in the first three months of 2018 on weak private consumption and business investment, putting the brakes on the nation's longest growth streak in 28 years, government data showed.

The world's third-largest economy shrank at an annualized pace of 0.6% in the January-March period, compared with revised 0.6% growth in the final quarter of 2017. The contraction was the first since the final quarter of 2015.

It comes as the Japanese economy seemed to have finally escaped decades of stagnation, helped by economic policies including the Bank of Japan's aggressive monetary easing.

The new data are a setback for Prime Minister Shinzo Abe, who has used the run of growth as evidence of the success of his economic platform.

Still, officials and analysts expect the decline to be temporary. Some analysts expect the economy to rebound as soon as this current April-June quarter.

—Megumi Fujikawa

## TURKEY

### Currency Hits Dollar Low Before Uptick

The lira tumbled to a record low against the U.S. dollar, extending a steep slide that investors attribute to President Recep Tayyip Erdogan's unorthodox economic approach and concerns over his influence over the central bank.

The lira, which hit a low of 4.5011 to the dollar in early trading Wednesday, reversed its daily losses after the central bank issued a statement saying it would take "necessary steps" to shore it up. In afternoon trading, the lira was up 0.5% at 4.4250 to the dollar.

Mr. Erdogan, who has said high interest rates are "the mother and father of all evils," is campaigning for re-election on a pledge that the central bank will continue to lend on the cheap.

—Yeliz Candemir

## NILE RIVER

### Riparian States Agree to Joint Study

Officials from Ethiopia, Egypt and Sudan made progress after months of acrimony over how to share the waters of the Nile river, smoothing tensions in a conflict that has threatened to upset the political balance in the Horn of Africa.

The spat is pitting Egypt against a rising Ethiopia, which is building a \$4.2 billion dam on the Nile's main tributary that Egypt, which depends on the Nile for its water supply, fears will divert too much water and place pressure on its agriculture. Another tributary of the Nile flows through Sudan to where the two channels meet at Khar-

toum.

The foreign ministers of Egypt and Ethiopia and Sudan's water minister agreed at a meeting in Cairo to a joint scientific study of how quickly the dam being built by Ethiopia should be filled. They signed a document calling for the leaders of the three countries to meet every six months.

—Matina Stevis-Gridneff

## WORLD NEWS

# Top Maduro Rival Riles Venezuelan Vote

As opposition parties boycott Sunday election for president, Falcón campaigns

By KEJAL VYAS  
AND JUAN FORERO

TURMERO, Venezuela—Henri Falcón, the top Venezuelan opposition candidate in Sunday's presidential election, faces two obstacles to winning: his friends and his foes.

He must not only outmaneuver a ruling administration using state machinery to dominate the vote. But Mr. Falcón must also overcome the reluctance of a coalition of like-minded opposition parties boycotting a contest they say is rigged.

Mr. Falcón's message, in contrast, is: You can't win if you don't participate.

"I decided to show my face to the country," Mr. Falcón told followers last week from a stage in this hard-bitten industrial town southwest of Caracas. "I don't care about the criticism...It's the moment of truth now, a time for common sense, for being rational."

Mr. Falcón, a 56-year-old retired soldier, ex-governor and, most notably, a former government ally, has emerged as the sole politician with a chance to end a government whose poor stewardship has sparked an exodus of as many as three million Venezuelans to other countries.

Polls are mixed, but some show Mr. Falcón ahead of the unpopular president, who is running for a second term. To win, Mr. Falcón acknowledges, he needs to deliver a substantial victory.

"We are going to be recognized by the world because who could not recognize eight million, seven million Venezuelans in the street, celebrating that they have a new government," he told The Wall Street Journal in an interview.

He appeals to the needs of the working-class voters, those most hurt by an economy that



Candidate Henri Falcón, campaigning recently in Turmero, is leading the unpopular Venezuelan President Nicolás Maduro in some polls.

has contracted 40% in the past five years, punctuated by blackouts and a broken water-delivery system, hunger, high crime rates and hyperinflation.

Mr. Falcón is campaigning in towns like this one, in Venezuela's heartland, where President Nicolas Maduro's administration's popularity has waned.

Among Mr. Falcón's pledges: He would welcome humanitarian aid from abroad that the government blocks and stop subsidizing Venezuela's Caribbean neighbors with oil shipments. Wearing a T-shirt with the slogan "better to welcome than to say goodbye," he said he wanted fleeing Venezuelans to return.

Though a leftist who is loath to criticize socialism, Mr. Falcón nevertheless has offered what would be a radical recipe for Venezuela: replace the bolívar with the dollar to help poor Venezuelans who

have lost all purchasing power, eliminate exchange controls that deter foreign investment, and seek help from the International Monetary Fund.

Not all of his supporters are enthusiastic but see him as the

*'It's the moment of truth now, a time for common sense, for being rational.'*

best chance to defeat Mr. Maduro.

"He's not Winston Churchill, but he's what we've got," said one longtime politician who publicly supports Mr. Falcón. "People say, 'I don't like Falcón.' I say, 'I don't either.' But the alternative is Maduro."

Many in the opposition ar-

gue that it is self-defeating not to support Mr. Falcón, no matter the odds. A Brookings Institution study over a 20-year period of 171 situations where politicians threatened or carried out boycotts found that the tactic is counterproductive.

Vicente Diaz, an opponent of the government who served on the electoral board, has publicly said he would vote for Mr. Falcón. And if millions of others do the same, Mr. Diaz said, then the government wouldn't be able to steal the election. "If an avalanche of votes is produced it could swamp any electoral condition," he said.

Mr. Falcón's camp is trying to defend from fraud by deploying 34,000 monitors at most of Venezuela's 14,000 voting centers to help compare the voting-machine receipts with the final count.

But even supporters like Pe-

dro Nikken, an elections expert here who has advised Mr. Falcón, said it would be challenging. "The possibility that he wins is big," he said. "The possibility that the win be recognized isn't."

Polls show most voters are ignoring the call to abstain.

Yolanda Campos, 55, who says she loved Mr. Maduro's predecessor, former President Hugo Chávez, is ready to back Mr. Falcón. Her daily wage is now about 12 cents. She has gone six months without diabetes and blood pressure pills because she can't afford them. Running water is but a memory in her home.

She welcomes Mr. Falcón's plan to dollarize the economy and said that she, her four children and many neighbors in her slum will vote for him. "Falcón is the best option to get Maduro out of there," she said, "anything but Maduro."

## Lawyers Publicize Caracas Prison Riot With Inside Video

CARACAS—U.S. and Venezuelan rights lawyers condemned what they said was a riot that broke out here Wednesday at a detention center controlled by the intelligence police where more than 50 political prisoners are held, including a Utah man who has been locked up without trial since 2016.

In a series of cellphone videos that lawyers said were distributed on social media by families of detainees, American Joshua Holt and several Venezuelan political dissidents made a desperate plea for help as inmates took control of a part of the Helicoide prison in Caracas.

Rights lawyers said the inmates were protesting against torture and their indefinite jailing without due process.

"The only people kidnapping me is the government of Venezuela," Mr. Holt, a 26-year-old former Mormon missionary who was arrested with his Venezuelan wife on espionage and weapons charges, said in one of the videos.

The reported uprising comes just ahead of President Nicolás Maduro's re-election bid on Sunday. The U.S. government and much of Latin America have deemed the vote a sham and have promised heavier sanctions against Venezuela.

In two Twitter messages, Attorney General Tarek William Saab, a Maduro loyalist, said a team of Venezuelan prosecutors was working to resolve the situation but didn't provide details. Calls to the country's Information Ministry seeking comment weren't immediately returned.

—Kejal Vyas  
and Ryan Dube

# Ex-First Lady Drops Mexico Presidential Bid

By JUAN MONTES  
AND ANTHONY HARRUP

MEXICO CITY—Former first lady Margarita Zavala said she is withdrawing her candidacy for the July 1 presidential election, likely giving a boost to Ricardo Anaya of the conservative National Action Party, who polls say is in second place, ahead of a Sunday debate.

Wednesday's announcement, which narrowed the field to four, was followed by gains in the peso against the dollar. Ms.

Zavala's withdrawal could narrow the double-digit poll lead of leftist nationalist Andrés Manuel López Obrador, who is widely seen as the least market-friendly of the candidates.

"The most likely thing is that Margarita's supporters will move to Ricardo Anaya, and [her decision] will give him momentum ahead of the debate. That could add fuel to the PAN candidacy," said Luis Carlos Ugalde, a political consultant and former head of Mexico's electoral agency.

Campaign aides said that so

far, Ms. Zavala isn't throwing her support behind any candidate, although people close to her said she could eventually join Mr. Anaya's campaign.

Ms. Zavala, a former lawmaker and the wife of former president Felipe Calderón, made the announcement in a roundtable program with the Televisa network that was to be aired late Wednesday. Televisa posted a brief excerpt from the program online.

Ms. Zavala said she was leaving the race "out of a principle of congruence and politi-

cal honesty, but also to allow the people who generously supported me the freedom to make their decision in this difficult contest."

She broke with the PAN in October to run as an independent candidate after an internal dispute with Mr. Anaya, who was party president at the time. Mr. Anaya refused to organize a party primary to choose the PAN candidate, then agreed on a coalition with two other smaller parties and himself as the candidate.

Both the PAN and the ruling

Institutional Revolutionary Party said they would invite Ms. Zavala to join their campaigns.

Ms. Zavala's campaign suffered from lack of funding, and she has been losing support in recent polls.

A survey conducted May 11-13 by Consulta Mitofsky showed Mr. López Obrador with 44.5% of voter preferences, compared with 28% for Mr. Anaya and 19.8% for José Antonio Meade of the ruling party. Independent candidate Jaime Rodríguez had 4% and Ms. Zavala 3.7%.

## Taliban Quit Attempt To Seize Afghan City

KABUL—Taliban insurgents gave up their bid to take over the capital of the western province of Farah on Wednesday, slipping out of the city in the early-morning darkness without any apparent resistance from government forces, residents said.

By Craig Nelson, Habib Khan Totakhil and Ehsanullah Amiri

After a day of intense fighting with government forces, backed by Afghan and U.S. fighter aircraft and drones, Taliban fighters were unable to seize control of the remote provincial capital—a goal Afghanistan's largest insurgency has been unable to achieve anywhere in the country since 2015.

To avert further bloodshed, roads out of the capital, which bears the same name as the province, were left open by government forces so Taliban fighters could withdraw to the sparsely populated and largely rural areas outside the city, said one local man contacted by telephone from the Afghan capital, Kabul.

By late morning, he and authorities said, shops were open in Farah and residents who had fled were returning to their homes, some on streets still littered with bodies and where government tanks and armored vehicles

were posted.

Meanwhile, offensive operations by government troops were continuing outside the capital, said Army Lt. Col. Martin O'Donnell, spokesman for U.S.-led international forces in Afghanistan.

It wasn't immediately known whether the ease with which the Taliban left the city resulted from an explicit agreement between commanders on both sides. Breaking off fighting to avoid further bloodshed is a time-honored and frequently practiced tradition in civil conflicts in Afghanistan.

Abdul Basir Salangi, the provincial governor, said the Taliban were "shamefully defeated" in their attempt to capture the city.

Mr. Salangi said more than 300 Taliban fighters were killed or wounded in the fighting. Among government soldiers and police, 10 were killed and another 10 wounded. Three civilians also died, he said. The casualty figures couldn't be independently verified. The extent of property damage in Farah wasn't clear.

Thwarted in their original aim to seize control of Farah, the Taliban, in the aftermath of the fighting, sought quickly to redefine success. They issued a statement describing their fighters' departure from the city as a strategic retreat ordered by commanders.

Rebel fighters and thousands of civilians are leaving the last opposition-held enclave in central Homs province this week under evacuation deals with Damascus, after years of government siege and a recent military assault that forced their surrender.

The Homs province and its eponymous capital played an important role in the uprising against President Bashar al-Assad as its neighborhoods and towns were some of the first in the country to break free of government control.

The Assad government in early April completely captured Eastern Ghouta, the last rebel stronghold near the capital Damascus, after nearly two months of a Russia-backed assault that included a suspected chemical-weapons attack. Since then, it has accelerated its push to seize small, isolated pockets under rebel control through the

same strategy: siege and bombardment.

Limited U.S., French and British missile strikes on Syrian-government targets in response to the chemical attack haven't slowed the regime's drive to seize territory.

Although ostensibly protected under an internationally brokered agreement brokered last year by Turkey, Russia and Iran, the Homs enclave came under air attacks by regime warplanes following the government capture of Ghouta.

More than 30,000 people already have left the opposition Homs enclave, according

to the United Nations. Others wanting to leave have been slowed by a shortage of buses.

More than 120,000 people have been displaced from various parts of Syria as a result of the recent surrender agreements, according to the U.K.-based Syrian Observatory for Human Rights. Those who have been displaced have been bused to one of the last opposition strongholds, an area in northwest Syria which includes Idlib and northern Aleppo provinces.

The U.N. estimates 2.2 million people are in Idlib, two-thirds of them having been dis-

placed from elsewhere in Syria.

Jan Egeland, head of the U.N. task force for humanitarian aid to Syria, has called it "the biggest refugee camp on earth."

And those being displaced aren't necessarily finding safety. On Wednesday, the Organization for the Prohibition of Chemical Weapons confirmed that chlorine gas was likely used as a chemical weapon in February on the town of Saraqib, in Idlib province. It didn't issue blame for the attack, which injured a number of people.

—Nour Alakraa contributed to this article.

## For Syria, Another Milestone in Conflict

BY RAJA ABDULRAHIM

The Syrian government took control of the country's largest province, state media said, as the Assad regime moved ahead with its Russia-backed campaign to capture remaining territory from rebels after more than seven years of conflict.

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LOUAI BESHARA/AGENCE FRANCE PRESSE/GETTY IMAGES

## PAID ADVERTISEMENT

## Wells Fargo Retail Bank compensation plan eliminates product sales goals

Wells Fargo has put in place a new compensation program for retail bank team members to focus on the customer experience within its branches. The new compensation program took effect on Jan. 1, 2017, and applies to all branch team members, including managers, tellers, and personal bankers.

Wells Fargo eliminated product sales goals in its branches on Oct. 1, 2016, following settlements with regulators and the city of Los Angeles related to improper sales practices. The company pledged to make things right for customers as well as identify and fix operational and cultural problems that may have contributed to these practices.

"This plan is another step in our journey to restore trust with our team members and our customers, and makes delivering a great customer experience our highest priority," said Mary Mack, who runs the Community Bank. "Our future success depends most of all on our ability to make the changes that will restore that trust, and this new plan is an important one of those changes."

The plan was designed by an integrated team of Wells Fargo leaders with input from front-line branch team members from around the country. The compensation team engaged independent expert Mercer Consulting to provide advice and perspective on the plan design. Mack gathered input on the design during a listening tour that included visits to more than 20 cities and meetings with about 3,000 Community Bank team members. Front-line retail bankers expressed their desire for a compensation plan that creates the type of positive environment they can go into every day to serve their customers.

"The charge to the design team was to create a plan that puts the focus squarely on customer experience, includes greater oversight and controls than ever before, and helps foster an engaging environment for team members where they can succeed," said Steve Bond of Corporate Compensation, who leads compensation planning and implementation for the Community Bank.

"The team was passionate about achieving those goals, and we have a very strong plan. We will spend time throughout 2017 coaching the team to ensure we successfully achieve the objectives of the plan."

## Wells Fargo raising its minimum hourly pay rate

Effective Jan. 8, Wells Fargo is increasing its minimum hourly pay rate, as part of its commitment to competitive compensation for U.S.-based employees to \$13.50 – \$17.00 an hour, depending on factors such as experience and geography.

This is a 12 percent increase from the company's current minimum hourly rate. As a reference point, the federal minimum wage is \$7.25.

"At Wells Fargo, we know that our team members are our greatest assets," said Michael Branca, head of Wells Fargo Compensation. "That's why an important part of our compensation philosophy is to combine market-competitive pay with a broad array of benefits and career development opportunities for team members. As part of this, we consistently monitor trends in compensation and make adjustments to ensure that our team members are earning a competitive wage."

Team members are Wells Fargo's core strength and most valuable resource — because of this, competitive compensation for all employees is a key focus. It enables the company to attract and retain the best talent, and it is just one of the ways Wells Fargo shows how much it values and supports its employees. Wells Fargo invests in its employees in a number of other ways in addition to market-competitive pay:

- Average annual investment in benefits programs is \$12,000 per employee.
- 99 percent of U.S.-based employees are benefits-eligible.
- For U.S. employees, on average, Wells Fargo pays 75 percent of the medical premium.
- Wells Fargo's health care benefits cover more than 515,000 lives (including team members and their dependents).
- 82 percent of the U.S. benefits-eligible population participates in the company's 401(k) plan.

Wells Fargo will continue to monitor pay rates and adjust them to maintain competitive compensation.

## Wells Fargo names new independent Board of Directors

The Wells Fargo Board of Directors has named six new directors in 2017 and a total of eight new independent directors since 2015. On Jan. 1, 2018, the average tenure of the board's directors will fall to slightly less than five years from 8.4 years at the company's 2017 annual meeting of shareholders. The three new directors, each of whom will join the board on Jan. 1, 2018, are:

- Celeste A. Clark, former chief sustainability officer and global public policy and external relations officer of Kellogg Company, where she led Kellogg's global Corporate Communications, Public Affairs, Sustainability and Philanthropy functions.
  - Theodore F. Craver, Jr., former chairman, president, and chief executive officer of Edison International, one of the nation's largest electric utilities. Prior to joining Edison, Craver spent 23 years in banking and was corporate treasurer of First Interstate Bancorp, a Wells Fargo predecessor company.
  - Maria R. Morris, who most recently was interim head of the U.S. Business and head of the Global Employee Benefits business of MetLife, Inc., where she previously was head of
- Technology and Operations.
- "The board's composition has changed significantly as it remains focused on being responsive to shareholders, enhancing oversight and creating value for shareholders," said Elizabeth A. "Betsy" Duke, vice chair, who becomes chair on Jan. 1, 2018.
- "Through a thoughtful and deliberate process that was informed by the board's annual self-evaluation conducted earlier this year and feedback from shareholders and other stakeholders, Wells Fargo's board has enhanced its overall capabilities and expertise and at the same time maintained an appropriate mix of tenure, experience and diversity," Duke said.
- The board's new directors include distinguished leaders with relevant experience in financial services, risk management, technology, consumer, retail, finance, accounting, human capital management, public policy and marketing as well as environmental, social and governance matters. Among the six new directors named in 2017, three are women and two are ethnically diverse.

## Female Chair at Wells Fargo, a first for a top U.S. bank

Wells Fargo Chair Betsy Duke has forged a career of firsts, culminating with being named the first female chair of a major U.S. bank. The 65-year-old native of the Virginia Beach, Virginia, area said she has drawn from that and other experiences in taking on the job of Wells Fargo's independent board chair. On Jan. 1, roughly three years after joining the board, Duke succeeded the retiring Stephen Sanger — and became the first woman to chair one of the largest banks in the country.

Duke is stepping into her new role at a key juncture for Wells Fargo, as it navigates one of the most challenging eras in its history and enters the second full year of rebuilding trust amid sales practices issues.

The new role also marks the latest in a career of firsts for Duke: She was the first woman to head the Virginia Bankers Association (1999) and the American Bankers Association (2004). In 2008, she was appointed to the Federal Reserve Board of Governors, joining the Fed as the financial crisis exploded and the stock market crashed. She was the seventh of nine women to have ever been appointed to the Fed in its history.

Duke's expertise and decision-making influence at the Fed during that extraordinary and controversial period helped establish her credentials on a

national scale, drawing praise from some top leaders in the financial services industry.

Duke said being a veteran of crises has equipped her well for leading Wells Fargo's board during this period. She promised heightened oversight of the company, but also gave a vote of confidence in its commitment to address its problems, implement solutions, work to compensate customers, and rally team members.

After only a month on the job, however, Duke faced some new challenges for Wells Fargo as it agreed to a cap on asset growth as part of an enforcement action by the Federal Reserve Board.

Amid the latest developments, Duke said the company must redouble its efforts to fix the problems, while not allowing them to overshadow the real progress Wells Fargo is making in dealing with mistakes of the past and building a better bank for now and the future.

"There should be no doubt about the commitment of our board and company leaders to meet the highest expectations of regulators, shareholders, customers, team members, and the community," she said. "Every change we've made to date is geared to reflect that commitment."

## New Wells Fargo structure focuses on customer experience "Change for the Better"

After a successful pilot in select locations across the U.S., Wells Fargo branches have rolled out the first phase of changes designed to transform the customer and team member experiences.

One of those changes is to put in place a new compensation program for retail bank team members to focus on the customer experience and the strengthening of risk management and oversight within its branches. The changes have also simplified complicated processes, replaced required questions with tips and suggestions relevant to customers, eliminated sales pressure, and allowed bankers and tellers to simply talk to their customers, ask questions, listen, and meet their financial needs by offering the right products and services or referring them to the right partners.

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## 2000 new risk managers hired in the last 2 years at Wells Fargo

Applying key learnings from our investigation into sales practices, Wells Fargo has made significant changes to the way management escalates risk issues and reports them to the board. The company has focused on examining business practices across the company by using third-party experts to conduct independent reviews of business and risk practices. In addition, where we identify an issue, management is conducting a root cause analysis, holding individuals accountable when appropriate, changing processes (and in some cases, changing business models), and most important, assessing and remediating customer harm. The board has set clear expectations that, as issues are identified, they will be reported promptly to the board and our regulators. With greater oversight of risk, we have created more consistency and have a better enterprise view of how we are managing risk. As we refine and build upon this work,

we are expanding our efforts in 2018 with a focus on compliance and operational risk management, consistent with the Federal Reserve consent order. We want to ensure we have a fully integrated, cohesive, and companywide approach to risk management.

The bank is building a strong, industry-leading compliance program within the Corporate Risk organization and have welcomed Mike Roemer, who has 27 years of financial services industry experience, as our new chief compliance officer. The enhancement of our compliance program will positively affect many other areas. We also welcomed Mark D'Arcy as chief operational risk officer and Sarah Dahlgren to the newly created role of head of regulatory relations. More than 2,000 external team members have been hired to risk roles to strengthen our capabilities during the past two years.

## Year of transformation at Wells Fargo

In a letter published in the 2017 Wells Fargo Annual Report, CEO Tim Sloan had this to say about the past year:

"This was a year of transformation at Wells Fargo. We achieved a great deal in 2017 and look forward to building on our momentum in the months ahead. Our top priority remains rebuilding the trust of our customers, team members, communities, regulators, and shareholders. We have made foundational changes to identify and fix problems so they do not happen again and achieved significant progress in our commitment to make things right for our customers and build a better bank. Our transformation is grounded in our vision of satisfying our customers' financial needs and helping them succeed financially. While we have more work to do, I assure you that the Operating Committee and I are fully committed to building on our accomplishments. In addition, we take very seriously the consent order we entered into with the Board of Governors of the Federal Reserve System in February 2018, and

we will work diligently, yet swiftly, to meet the requirements. In response to feedback from our team, we introduced a streamlined Vision, Values & Goals of Wells Fargo in late 2017 — replacing what previously was a 37-page expression of our culture. Today the wallet-sized booklet focuses exclusively on our guiding principles and goals, clearly expressing the beliefs that guide every team member as we work together to build the best Wells Fargo possible:

- Our consistent vision of helping customers succeed financially.
- Our five values, which articulate what's most important to us: what's right for customers, people as a competitive advantage, ethics, diversity and inclusion, and leadership.
- Our six goals: becoming the financial services leader in customer service and advice, team member engagement, innovation, risk management, corporate citizenship, and shareholder value. Our Operating Committee is committed to

ensuring that our Vision, Values & Goals are embedded in everything we do and in every decision we make, and more than 260,000 team members bring it all to life.

During the past year, I have been asked many times, "Tim, why are you so optimistic?" My answer is, "How can I not be?" Wells Fargo is a strong company with a rich, 166-year history. We have overcome challenges many times during our history. We have a solid foundation, exceptional businesses, and an outstanding team. Our more than 260,000 team members are dedicated, talented, and committed — and, without a doubt, they are our most important resource. We are working every day to rebuild trust with our stakeholders, and I am confident that we will achieve our six goals. Thank you for placing your trust in Wells Fargo and for your support. Our commitment to you is unwavering as we continue our transformation into a better, stronger company.

## IN DEPTH

## PLANES

*Continued from Page One*  
majority-owned by two of the crown prince's younger brothers was awarded a coveted broadband license from the government, Saudi records showed.

Additionally, in 2015, Prince Mohammed helped engineer a multibillion-dollar deal between European plane giant Airbus SE and Saudi Arabia's state-owned Saudia Airlines, according to documents reviewed by The Wall Street Journal and interviews with more than a dozen people involved in the transaction. The deal is worth tens of millions of dollars to his family, the documents show.

A spokeswoman for the Saudi embassy in Washington declined to comment about Prince Mohammed's business dealings.

## Crackdown

The story of the Airbus deal suggests this mixing of business and government remains a staple of the Saudi economy, despite the crown prince's highly publicized crackdown on many other royals who the prince said abused their power to get rich. Indeed, Airbus decided to go into business with the king's family despite its reservations over the blurry distinction between private and public financial interests, according to people familiar with the matter.

An Airbus spokesman declined to comment, saying the company had a policy of not discussing any of its business dealings that could potentially be under investigation by law enforcement agencies.

The modern Saudi state was created in 1932 when Abdulaziz ibn Saud united two regions of the Arabian peninsula and became the first king. American geologists would soon discover oil in the desert, providing a gusher of cash to fund a lavish lifestyle for the royal family.

Many of Abdulaziz's sons—he had dozens—and grandsons started companies to take on no-bid government contracts or otherwise profit from their political power.

Those practices continued after King Abdulaziz died in 1953 and the crown passed to a succession of his sons. One prince held the country's only express-mail license, via a joint venture with DHL, the shipping company now owned by Deutsche Post AG, which became an oft-repeated example of how the royal family steered business toward itself. A DHL spokeswoman declined to comment.

Prince Salman didn't focus so much on gathering wealth, say people close to the family. While his brothers built fortunes, Salman gathered power. He spent 48 years as Riyadh's governor, overseeing the city's expansion from a dusty desert enclave to a petrodollar-fueled metropolis of modern skyscrapers and wide boulevards.

It was around 2000 when the teenage prince had what he would later call a shocking realization: His father wasn't rich.

Salman subsisted on money from his brother, then-King Fahd, Prince Mohammed has told people. He lived a hand-to-mouth existence—if a lavish one—spending the cash on family expenses, rather than saving or investing.

The concerned prince, seeking more financial independence, scraped together about



Prince Mohammed bin Salman and then-French President François Hollande stand in the background at a 2015 signing ceremony.

REMY DE LA MAUVINIÈRE/REA/SHUTTERSTOCK

\$100,000 to invest in Saudi stocks, he has said.

Prince Mohammed kept trading through college and law school. Through the early 2010s, as his father moved up the royal ranks, he was appointed to a series of government positions. During that time Prince Mohammed made billions of Saudi riyals—hundreds of millions of dollars—on the Saudi stock market, he has told several people interviewed by the Journal.

Prince Mohammed also branched into business. Saudi corporate records as of 2017 show he owns stakes in at least five real-estate development companies, as well as a recycling firm. He is also 20% owner of Watan Industrial Investment Co. Ltd., a chemical producer that supplies state-controlled firms including Aramco, the government's oil company, the documents show.

A company called Tharawat has emerged as a key player in the business activities of Prince Mohammed's family. According to corporate filings, one of his younger brothers, Turki bin Salman, owned 99% of the investment firm as of May 2017, while another brother, Naif, owned the remaining 1%. Prince Turki has since bought his brother's stake, according to Ammer al Selham, Tharawat's CEO.

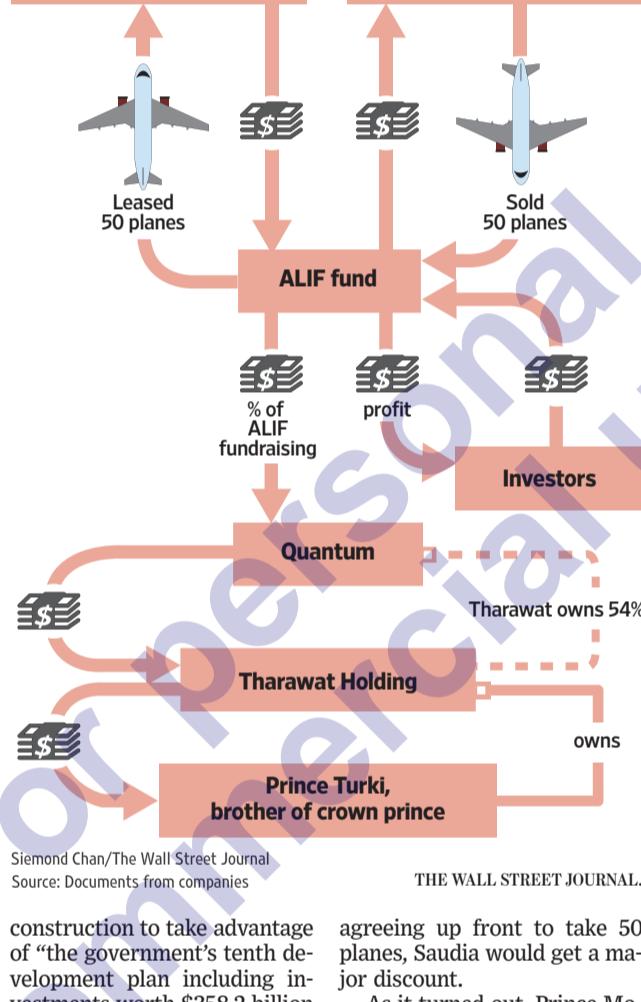
In practice, Prince Mohammed controls and benefits from Tharawat's business, say several people familiar with their dealings, including two who have discussed the firm with him. Mr. Selham disputed that, saying: "At no time was HRH Prince Mohammed bin Salman a shareholder or a beneficiary of the company."

Tharawat and a subsidiary own the majority of a tech firm called Jawraa that was awarded a coveted broadband license from the Saudi government in 2014, Saudi records show. The license allowed it to become one of three companies operating new mobile-phone networks in the country.

Tharawat has had interests in fish farms, real estate, tech services, agricultural-commodity trading and restaurants. It owns an office park in Riyadh. An investment vehicle Tharawat owns, Nasaq Holding, says on its website that it is investing in

## The Airbus Deal

A 2015 plane deal by Saudi Arabia's state-controlled airline, Saudia, sent profits to a company owned by Turki bin Salman—son of the Saudi king and brother of crown prince, Mohammed bin Salman.



Siemon Chan/The Wall Street Journal

Source: Documents from companies

to invest \$100 million in ALIF if the fund bought only Airbus planes. On June 23, 2014, Airbus and IAFC held a "signing ceremony" in London, hosted by Prince Turki bin Salman, International Airfinance said in a press release.

Then, in January of 2015, King Abdullah died and the original Saudia-Airbus plane deal stalled.

## New plan

Soon after Salman took the throne, Saudi officials told Airbus they had a new plan, say people familiar with the deal: Rather than selling the jets to the Saudi government, Airbus would sell them to ALIF—the fund connected to the bin Salman family—which would in turn rent the planes to Saudia.

People involved in the process say Saudia didn't solicit competitive bids from leasing companies, and rebuffed the advances of companies seeking to offer competitive rates before choosing ALIF to do the deal.

Saudia Vice President Abdurrahman Altayeb said in an email that "the aircraft acquisition transaction was in accordance with Saudia's internal procedures, which included a review of the lease price to ensure its competitiveness against the market benchmark, as well as aircraft delivery schedule being in line with Saudia's requirements related to its fleet plan."

At the time of the deal, some Airbus executives had reservations. Airbus faced investigations into potential corruption overseas by Western law enforcement, including a probe by the U.K.'s Serious Fraud Office into possible bribery by an Airbus subsidiary in Saudi Arabia, and didn't want further problems.

"When I saw Turki was taking over, it kind of brought cold water on all our excitement about the fund," says a person involved.

Ultimately, this person said, Airbus relented. It was one of the biggest plane deals of the year. Plus, a person involved with the discussions said, Airbus officials decided "we don't want to prevent the son of the king doing business."

Others with a stake in the deal were thrilled by the involvement of a Saudi prince.

Some Saudi officials were left scratching their heads. Within the government and airline, says one official, "everyone thought it makes more sense for the PIF to finance that deal," since buying 50 planes at once would net Saudia a huge discount. Under the lease deal, Saudia wouldn't get the benefit of that discount.

Deal documents the Journal reviewed and interviews with people involved in the deal detail a convoluted chain of transactions that ends up benefiting Tharawat, the bin Salman company. As one government official put it, "at the end it went to Tharawat, who got others to finance it, and made huge profits without risking any of their money."

The chain begins with Quantum, the bank Tharawat co-owns, and where Turki bin Salman was appointed chairman. Quantum arranged funding from investors and banks for buying planes, receiving a payment for each equity investment and tranche of debt raised, people familiar with the arrangement say. The ALIF fund raised about \$4 billion as of 2017, according to IAFC's website.

ALIF used the money to buy Airbus planes at a big discount—more than 60% off the list price, say people familiar with the deal. By leasing the planes to Saudia at about market-rate, rather than passing on the discount, ALIF targeted 15% returns. That's higher than the normal 7% to 9% returns for a fund handling such leases to an airline like Saudia, says Paul Lyons of U.K. aviation-business consultancy IBA Group Ltd.

IAFC, which manages ALIF, has a potentially big upside itself. It stands to get a big chunk of the deal's profit, even though it doesn't have any equity in the fund. Deal documents show IAFC gets 35% of profits above 7% return on investment, and 50% of profits above 10%.

Mr. Selham, the Tharawat CEO, said neither Quantum nor Turki bin Salman is a shareholder of IAFC, which is registered in the Cayman Islands and doesn't disclose its ownership.

However, IAFC's operations are intermingled with the bank's. Quantum's chief executive is also managing partner of IAFC, and IAFC and Quantum

*At the time of the deal, some Airbus executives had reservations.*

share staff, according to statements by Quantum and IAFC and people familiar with the companies.

A person involved in structuring the deal defended the fund's high projected returns, and said the lease rate shouldn't be compared with other airplane-leasing deals. There are few comparable arrangements, this person said, since it involved many planes and an Islamic-finance component.

Prince Mohammed finalized the deal during a 2015 visit to France, says a Saudi official. Not long after, the crown prince took credit for the transaction, according to a person who was present.

"I am the mastermind behind this deal," the prince said, explaining how it showed his success in balancing state financial interests with his family's.

## JOBS

*Continued from Page One*

League school. Nearly 500 doctors, veterinarians, nurses and researchers applied for the 66 spots in this year's incoming class—the smallest in more than 20 years, due to tight funding.

CDC veterans were out to generate as much excitement for their diseases as possible at a four-day conference in April. "Ask me about brain-eating amebas," a supervisor in the waterborne disease prevention branch beckoned on a sign. She was referring to Naegleria fowleri, an organism found in warm lakes and rivers that can travel up the nose to the brain and destroy tissue.

Aside from promises of cutting-edge epidemiologic investigations and travel to exotic locales, agency scientists use costumes, signs, balloons and tables groaning with chocolate-chip cookies and Nerds candies—which staff pay for out of pocket—to entice candidates to steer their careers toward one

awful disease over another.

It's an attempt at viral marketing for jobs that are also described in a dense 180-page government-issue booklet. EIS officers are dispatched to the front lines of outbreaks of all kinds, from deadly Ebola in West Africa and Zika in Brazil to bedbugs in Tennessee and toxoplasmosis from venison kebabs on a men's church retreat in Wisconsin. They also help combat smoking, obesity and HIV.

Founded in 1951, it's a critical program, said Anne Schuchat, the agency's principal deputy director, a former EIS officer herself. Her first outbreak involved a fungal infection traced to sphagnum moss that had been used to pack tree saplings. For the investigation, Dr. Schuchat interviewed members of a small-town garden club. It was "lovely," she recalls. "They had ice tea and lemonade, and I was drawing blood."

At this year's job fair, staff from the division of health-care quality promotion wore T-shirts with the slogan "Superbugs Beware! Resistance is Futile."

"It shows we're fun," said



Different divisions of the Centers for Disease Control and Prevention competed to attract new members of the Epidemic Intelligence Service during a recent job fair.

Kim Skrobarcek, a physician who tapped her skills as a former college sorority social chair to design them.

To not be outdone, the malaria branch hung a blue net over its table, studded with hand-drawn paper cutouts of mosquitoes. Printouts of popular Instagram and Snapchat memes—Kermit the Frog, Willy Wonka, and movie heroes from



"Black Panther" and "The Matrix"—lay scattered on the table and taped along a nearby hallway. "We're attracting millennials," explained Anjoli Anand of the malaria branch.

The division of foodborne, waterborne and environmental diseases, which investigates salmonella and E.coli outbreaks, decorated tables with balloons in the shape of a poop emoji and invited recruits to a spread including cupcakes with neon frosting. "We try to keep it pretty safe," Matthew Wise, deputy chief of the outbreak response and prevention branch, said.

The charm offensive feels unusual to the new recruits, who are accustomed to stiff competition for coveted medical residencies and Ph.D. programs.



"We're sort of hiring them

rather than them hiring us, and that's a very new experience," said Alexandra Medley, a veterinarian and incoming EIS officer.

Making the rounds, Dr. Medley, 32, peppered EIS officers with questions. Would she be able to work with many different bugs? What about overseas projects? Jared Rispens, a 30-year-old physician, quizzed supervisors of the vessel sanitation program, which responds to gastrointestinal outbreaks on cruise ships. He wanted to make sure he'd be able to spend lots of time out in the field—meaning at sea. The program's table was topped with an armada of stress balls shaped like ships.

"So people will remember us," explained Amy Freeland, a program epidemiologist.

An algorithm fine-tuned by CDC statisticians helped match lancers with jobs. Dr. Rispens landed in vessel sanitation, Dr. Medley in global migration and quarantine, their top choices.

The job fair is "like a crazy form of speed dating in a lot of ways," said Eric Pevzner, chief of the EIS program. "But there's a lot of science behind it."

# GREATER NEW YORK

## Clash Looming Over Port Authority

At issue in standoff between Govs. Cuomo and Murphy is balance of power at the agency

BY PAUL BERGER

Just four months after taking office, New Jersey Gov. Phil Murphy looks set to square off with his New York counterpart over control of a sprawling bi-state agency that oversees many of the region's most important transportation infrastructure.

The two Democratic governors share control of the Port Authority of New York and New Jersey, an agency with an annual budget of \$8.1 billion which runs the region's major airports, six bridges and tunnels as well

as the 16-acre World Trade Center site.

A Murphy administration official confirmed that the governor wants to fill the Port Authority's deputy executive director post, a dormant position that came to symbolize the agency's politicization amid the scandal over lane closures at the George Washington Bridge. But Mr. Murphy needs the agreement of New York Gov. Andrew Cuomo, who appoints half the agency's board and wields veto power over the panel's actions.

"We cannot take steps backward," Dani Lever, a spokeswoman for Mr. Cuomo, said in a statement Wednesday.

If Mr. Cuomo blocks the appointment, Mr. Murphy could use his own veto power over the board's agenda, holding up key

projects, in particular at LaGuardia and John F. Kennedy airports where Mr. Cuomo is pursuing an ambitious infrastructure agenda.

The Port Authority appears to be the first area in which the two governors are headed for public disagreement. The pair have collaborated on a range of issues, including gun control and opposition to the federal-tax overhaul.

News of Mr. Murphy's intention to fill the Port Authority post first surfaced on New Jersey Globe, a news site founded by David Wildstein, a former Port Authority appointee who was at the center of the Bridgegate scandal.

Mr. Wildstein in 2015 pleaded guilty to two counts of conspiracy for his role in mastermind-

ing Bridgegate.

The lane closures, over five days in 2013, caused gridlock in Fort Lee, N.J. Mr. Wildstein testified in federal court that they were intended to punish the town's mayor for refusing to endorse Gov. Chris Christie's reelection bid that year.

Mr. Christie, a Republican, was never charged. But his top appointed at the Port Authority, Deputy Executive Director Bill Baroni, was convicted in 2016 in the conspiracy. He has appealed his conviction.

A special panel convened by Govs. Christie and Cuomo recommended that Mr. Baroni's former position be merged with that of the executive director—an appointment traditionally filled by New York's governor—to create an impartial chief ex-

ecutive officer's position. The authority has spent two years looking for a chief executive, but the search failed in large part because legislators in New Jersey refused to pass a bill enshrinining the position.

The current executive director, Rick Cotton, was appointed by Mr. Cuomo. His principal New Jersey counterpart is the agency's chairman, Kevin O'Toole, who was appointed by Mr. Christie.

John Degnan, a former Port Authority chairman, said that as long as the chief executive post is unfilled, it makes sense for Mr. Murphy to pursue filling the deputy executive director role. "Because at the moment," Mr. Degnan said, "the management of the Port Authority is dominated by New York people."

## Plan to Privatize Airport Is Reassessed

BY JOSEPH DE AVILA

Westchester County officials are putting the brakes on a plan to privatize the county airport.

George Latimer, the Democratic county executive who took office in January and has been critical of the airport deal, said the county would re-evaluate the previous administration's proposal that would hand over operations to a private company.

"What is the standard by which we give up public authority?" Mr. Latimer said at a news conference Wednesday. "We ought to have a public debate about what is the trade-off."

A few days after Republican County Executive Rob Astorino lost his bid for a third term in office this past November, his administration tapped **Macquarie Infrastructure Corp.** to take over the operations of the airport. Under that deal, Macquarie would have received a 40-year lease, during which it would have paid the county \$595 million and invested \$550 million in airport upgrades. The county legislature never voted on the accord and it never took effect.

Mr. Astorino had argued that

## \$550M

Cost of upgrades once planned for Westchester County Airport.

the deal would make money for the county and produce a better-run airport. But some residents worried that would lead to more flights at the airport and more noise.

Mr. Latimer said the county legislature and the public will be allowed to weigh in on whether the county should hand over operations of the airport to a private firm.

Westchester County Board of Legislators Chairman Ben Boykin, a Democrat, said he looked forward to reviewing the privatization plan.

"Whatever choices are made about the best way to govern the airport, the decision-making process needs to be thorough and transparent," Mr. Boykin said. "Any decisions must be sensitive to the concerns of everyone involved—taxpayers, airport customers and surrounding residents—while protecting our environment."

If the county decides to privatize the airport, it could also review proposals from other companies, not just Macquarie, Mr. Latimer said.

"Since we didn't adopt what happened last year, we are not bound to dealing with just that proposal," Mr. Latimer said in reference to Macquarie's offer.

A Macquarie spokeswoman said the company respects Mr. Latimer's decision to review the privatization plan with the public. "We stand ready to participate in the discussion as he and his team deem appropriate," she said.

While Mr. Latimer said the county could still move forward with privatization, he expressed skepticism about using the airport to make money. He said the airport's impact on the environment, its role as a transportation hub and how it interacts with its neighbors were higher priorities for him.

## Powerful Storms Leave a Trail of Destruction



THE BIG CLEANUP: A man in Newburgh, N.Y., on Wednesday walked past damage caused by thunderstorms that pummeled the Northeast. At least three people were killed and more than 200,000 homes and businesses were without power. New York Gov. Andrew Cuomo deployed the National Guard to assist with recovery.

## SOS to Rescue Ship From Scrap Heap of History

BY KATE KING

CAMDEN, N.J.—Preservationists are sounding the alarm about the future of the Barnegat, a historic but dilapidated light ship docked at a private marina here.

Preservation New Jersey, a private nonprofit, is including the Barnegat on its 2018 list of 10 most-endangered historic places in the state with hopes of sparking a grass-roots fundraising effort. The ship is in dire need of maintenance and repair, said the group's director, Courtenay Mercer.

"Eventually, if nobody does anything to restore it, it's just going to fall apart," she said. "There seem to be no plans or funding to restore it."

Built in New Jersey in 1904 and listed on the National Register of Historic Places, the Barnegat is believed to be one of fewer than two dozen light ships remaining in the U.S. A total of 179 light ships were built for the U.S. government from 1820 to 1952 for use as "floating lifehouses," with



KATE KING/THE WALL STREET JOURNAL  
Built in 1904 and docked in New Jersey, the Barnegat is believed to be one of fewer than two dozen light ships remaining in the U.S.



U.S. COAST GUARD

crews that deployed flashing lights and foghorn signals to warn commercial ships away from shallow water, rocks, sandbars and other dangers. In their heyday in 1909, there were 51 stationed in the U.S.

"This was before GPS and the satellite-navigation systems that we have today," said Michael Lang, director emeritus for the Camden Shipyard & Maritime Museum.

Rod Sadler, who owns Pyne Poynt Marina and chairs the nonprofit that owns the Barnegat, bought the ship in 1993. He was interested in the Bar-

negat is easily recognizable from afar by its name, which is painted in large white letters on its red hull. But for years the historic ship, which is now covered in rust and peeling paint, has sat unused and largely hidden from the public at Pyne Poynt Marina in Camden.

During the final years of World War II, Barnegate was used as an examination vessel, intercepting and inspecting

gat partly because his father worked on it in 1944, maintaining and repairing its body.

Mr. Sadler said he would like to fix up the Barnegat and make it accessible to the public as a museum, but the ship is now in need of a total overhaul, which he estimated could cost several million dollars.

During the final years of

World War II, Barnegate was

used as an examination vessel,

intercepting and inspecting

ships entering the Delaware River. The ship was decommissioned in March 1967 and then spent several decades docked in Maryland and Philadelphia.

Mr. Lang said the Barnegat is an important historical touchstone for New Jersey that's worth preserving. "If and when this ship no longer exists because there's nobody maintaining it," he said, "there will be quite a few people who say, 'that was an opportunity missed.'"

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## GREATER NEW YORK

# A Firehouse Is Converted Into Fortune

Queens building once described as a 'white elephant' is on the market for a record \$5.5 million

BY JOSH BARBANEL

Back in 1981, Megan Dees Friedman happened upon a sturdy red brick building with marble trim that had been the local firehouse in the age of horse-drawn engines. She had to have it.

The building was across the East River from her home on Manhattan's Upper East Side, in a drab working-class section of Long Island

City known as Dutch Kills. The listing broker described it as a "white elephant." They settled on a price of \$115,000.

Nearly four decades later, that part of Queens has become a destination brimming with restaurants, bars, hotels and apartment towers. And Ms. Friedman is putting the firehouse, with a glass-walled addition on top, on the market for \$5.5 million—an ambitious price that would set a record for Long Island City.

The listing shows how some people, through luck, vision or inertia, stand to become winners in New York City's real-estate marketplace as the fortunes of the city—beyond Manhattan—have soared in recent years.

The 25-foot-wide, three-story, two-family house at 38-06 28th St. stands out in the neighborhood, a few blocks north of the approach ramps to the Ed Koch Queensboro Bridge, where there is a mix of small wood-frame houses, mostly clapboard buildings re-clad in white aluminum or vinyl siding, along with low-rise industrial buildings, and newer hotels and apartments.

The firehouse was built in the mid-19th century in the federal style, long before the street was populated with small houses. It was home to Engine 161, a horse-drawn steam-powered pumper in the 1890s, after the volunteer



A former Long Island City firehouse has been transformed into a top-dollar residential property.

fire department in Long Island City was replaced by professional crews. The city rented the building for many years at \$600 annually, rising to \$660 a year in the 1920s.

In 1932 a new bigger city-owned firehouse opened on 29th Street.

Ms. Friedman, then known as Megan Dees, grew up in Manhattan and had a brief career as a model in Paris and New York City, working alongside her identical triplet sisters. When she bought the house, with her then husband, they owned several Manhattan boutiques and imported clothing and handmade crafts from Latin America and India.

They turned the basement and ground floor into warehouse and office space, and moved into an upstairs apartment. The couple quickly discovered one of the key selling points for Long Island City: Its proximity to Manhattan,



especially the Upper East Side, by car and by subway.

Later, after Ms. Friedman divorced, she was quickly able to rent out the ground floor as an apartment by placing a classified ad with the key-phrase "two stops from Bloomingdales."

When they moved in, the

nearby homes were occupied by mainly older working-class families, often city employees whose children didn't want to stay in the neighborhood, she recalled.

When neighbors learned she had paid \$115,000 for the building, they said it was three times what the house was worth.

A wide wall of windows above the original brick front created a double-height space, flooding the large kitchen with light. At the rear of the third floor, a

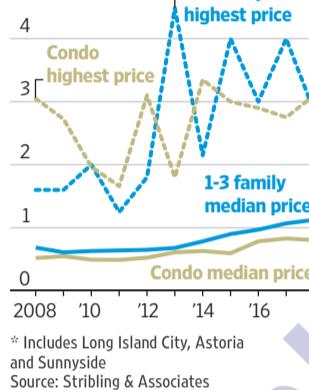


THE CORCORAN GROUP; GARY URBANOWICZ (BELOW)

## Soaring Prices

Sales price for homes in northwest Queens\*

\$5 million



\* Includes Long Island City, Astoria and Sunnyside

Source: Stribling & Associates

THE WALL STREET JOURNAL.

large living room features a stone fireplace and a wall of glass opening onto a 25-foot wide limestone terrace facing Manhattan, with views of midtown skyscrapers. An elevator was added, too.

Prices have been rising sharply in Long Island City and nearby neighborhoods for years, with the median one-to-three-family house price jumping 67% to \$1.07 million between 2011 and 2017, according to data from Stribling & Associates. The median condo price is up 69% during the same period, to \$830,000.

The priciest home sale in Long Island City was for \$4 million in December 2015.

That 20-foot wide, three-story townhouse is at 21-16 45th Ave. in a small historic district in Hunters Point.

Cary Tamura of Corcoran, who is listing Ms. Friedman's house, said the Dutch Kills firehouse has several advantages, including a cobblestone driveway, a parking garage for rare off-street parking, and a 25-foot-wide footprint. He is listing the house with two other Corcoran brokers, Frans Preidel and Rajan Khanna.

"The price would set a record," said Patrick Smith, a broker at Stribling & Associates. "It is aspirational."

## GREATER NEW YORK WATCH

### CONNECTICUT

#### Police: Alligator Used In Extortion Attempt

Police in Connecticut have arrested a man they say placed a 3-foot alligator on top of a man in an extortion attempt.

Isaias Garcia, 30 years old, of Garland, Texas, was held on \$250,000 bail after pleading not guilty Tuesday to several charges including kidnapping and threatening.

Authorities said a 21-year-old man called his aunt April 6 to say he had been kidnapped and his abductor was demanding \$800. The aunt contacted police who told her to demand proof her nephew was OK. Police said she received a photograph of her nephew face down in a bathtub, the open-mouthed alligator on top of him.

Police traced the suspect's phone to a Shelton, Conn., hotel where he was arrested. Online judicial court records didn't list an attorney for Mr. Garcia.

—Associated Press

### NEW JERSEY

#### School Settles Over Sexual Misconduct

A New Jersey prep school that acknowledged sexual misconduct against students and other children committed by three faculty members in the 1970s has reached a settlement with nearly two dozen victims.

The Pingry School in Basking Ridge will pay an undisclosed amount to the 21 victims and improve programs to protect students on campus as part of the settlement reached last week. The school has said it's "deeply sorry" for the sexual misconduct. It issued a 44-page report in March 2017 by a private firm that investigated abuse allegations made by former students. The report said the allegations by former students against the three faculty members were corroborated.

Pingry officials didn't know about the alleged abuse, except for a board member who heard about a faculty member's behavior but never officially reported it.

—Associated Press

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—Associated Press

# LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

## Top Frequent-Flier Programs for 2018

Southwest leads a survey of award availability on 25 airlines, along with Air Canada, Turkish and JetBlue; American makes a big move to open up seats



FROM TOP: PATRICK T. FALLON/BLOOMBERG NEWS; BRYAN STANLEY/ZUMA PRESS

**A FEW OF THE BIGGEST** airlines are making big changes to their frequent-flier programs, actually opening up availability and cutting the number of miles needed for tickets to places people really want to go.

The annual IdeaWorks survey of award availability shows that while overall ability to find flights at basic "saver" levels was about the same as last year at 25 airlines, American Airlines significantly relaxed its grip on award seats, especially to Hawaii and Europe. American had availability on 80% of the possible trips IdeaWorks checked, up from about 50% last year.

That moved American from the lowest award-seat availability among U.S. airlines to No. 3 behind Southwest and JetBlue. United made changes, too, and its availability was up more than 10 percentage points to 76% overall.

Most of United's improvement came on domestic routes rather than long international trips, according to Jay Sorensen, president of IdeaWorks, an aviation consultancy based in Shorewood, Wisc.

"These are not accidental things," he says. "They have upped their game."

The annual survey, sponsored by travel-technology firm CarTrawler, looks at how difficult it is for travelers to redeem frequent-flier miles and points for trips. During March, IdeaWorks made more than 7,000 trip searches among 25 airlines, looking for two seats at the basic "saver" award

level—25,000 miles for a domestic U.S. round-trip, for example—on 14 specific travel dates June through October. Each airline's 10 busiest long routes and 10 busiest medium-length routes are queried to get the fullest picture of award availability.

Travelers have complained for years about skimpy availability of award seats.

Travelers have complained for years about skimpy or nonexistent availability of award seats and big increases in the number of miles needed for awards. Savvy travelers know they can get more bang for their miles if they use them for first-class upgrades and international business-class seats, or redeem them on partner airlines. But the basic-economy ticket is still

the most widely used, and an important comparison of each program's stinginess or generosity with award seats.

While a few airlines showed big improvement, overall availability was about the same as last year, according to IdeaWorks. A few airlines showed declines of around 12 percentage points in their success rates in using awards for a specific trip, including the carrier Alaska.

Alaska says it hasn't changed its award allocations and that whatever reduced availability for the flights IdeaWorks found in its March searches was temporary.

For years American has been near the bottom of the IdeaWorks survey in availability. In 2012, for example, American had award seats available on only 17% of trips longer than 2,500 miles—a key measure as travelers often want to use miles for long trips. This year, the long-trip success rate was 71%.

After American's dismal showing last year, Bridget Blaise-Shamai, American's vice president of customer loyalty, promised change.

It turned out to be dramatic.

American says it made more seats available so it would be comparable in award availability to competitors like United and Delta. American jumped ahead of both, though United also showed improved availability.

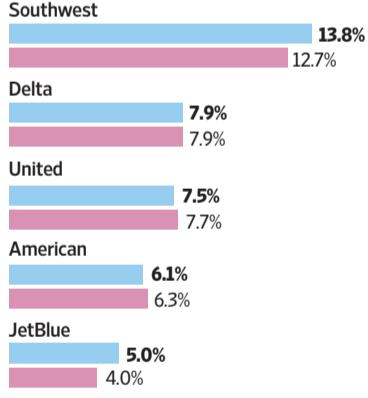
"Not only have we increased availability but it's to markets that our customers value," Ms. Blaise-Shamai says. "It's got to be where they want to go."

American says it compares its availability with that of competitors by looking at the percentage of passenger traffic on frequent-flier awards reported to the Securities and Exchange Commission annually. For 2017, United and Delta were both over 7.5%; American just 6.1%. Ms. Blaise-Shamai

### Award Traffic

Some airlines disclose what percentage of passenger traffic involves frequent-flier awards used for tickets or upgrades.

#### Percentage of traffic on frequent-flier awards



Notes: Passenger traffic measured in revenue passenger miles; one RPM is one passenger flown one mile

Source: The airlines

THE WALL STREET JOURNAL.

American boosted availability of frequent-flier award seats at its lowest 'saver' level, especially on flights to Hawaii and Europe.



### INFLUENCERS

## HOW TO TURN FAILURE INTO 'BILLIONS'

BY CHRIS KORNELIS

**BRIAN KOPPELMAN** is miserable when he doesn't write. And he didn't write until he was 30.

"My desire to be better than I was, my desire to be perfect on the page, my knowledge that I would fail to be as good as I wished as I was," he says, "stopped me from doing the work."

Doing the work helped him overcome his fear of it. For two hours every morning, whether he wanted to or not, Mr. Koppelman and his writing partner, David Levien, worked on a movie script about two poker-playing friends. Mr. Koppelman, who spent his 20s working in the record industry, says it was transformative.

"Those two hours changed me," he says. "I was finally facing this thing that scared the shit out of me, and I was trying every day to do it."

His career changed, too. After many rejections, the script eventually sold and became the 1998 movie "Rounders," starring Matt

Damon and Edward Norton. In the two decades since, there have been successes, such as writing "Ocean's 13," and disappointments, from flopped movies ("Runner Runner") to being fired by Martin Scorsese from the showrunner job on HBO's "Vinyl." (Mr. Scorsese's representative didn't respond to a request for comment.) Showtime is now airing the third season of "Billions," for which he and Mr. Levien are executive producers, co-creators and showrunners.

Along the way, Mr. Koppelman launched "The Moment," a podcast in which he invites people who create things—actors, musicians, writers, chefs—to talk about their career paths. Guests range from well-known names like the novelist John Grisham, who recounted the initial commercial failure of "A Time to Kill," to behind-the-scenes types like screenwriter Eric Heisserer, who detailed the years of rejections he waded through en route to an Oscar nomination for "Arrival."

Mr. Koppelman, 52 years old,

Please see KOPPELMAN page A15



SASHA MASLOV FOR THE WALL STREET JOURNAL  
Brian Koppelman, host of 'The Moment,' in the mixing studio at Goldcrest Post Productions in New York.

## LIFE &amp; ARTS

WORK &amp; FAMILY | By Sue Shellenbarger

# Don't Get Too Used to Your Own Desk

**MANY WORKERS** still miss the private offices that their employers started tearing down years ago.

Now companies are planning a new surprise: They're taking away your desk, too.

Employers are replacing traditional one-desk-per-employee set-ups with a smaller number of first-come, first-served desks, plus additional workspaces with names like huddle rooms and touchdown spaces. Some 25% of employers are placing at least some employees in unassigned seating, and 52% of the rest plan to in three years, according to a survey of 138 employers by the real estate services firm CBRE and CoreNet Global, a real estate professional group.

While some employees embrace the flexibility and ambience of unassigned seating, losing a desk is a wrenching change for others. Getting used to it requires time, some give-and-take by employers and even a little etiquette training.

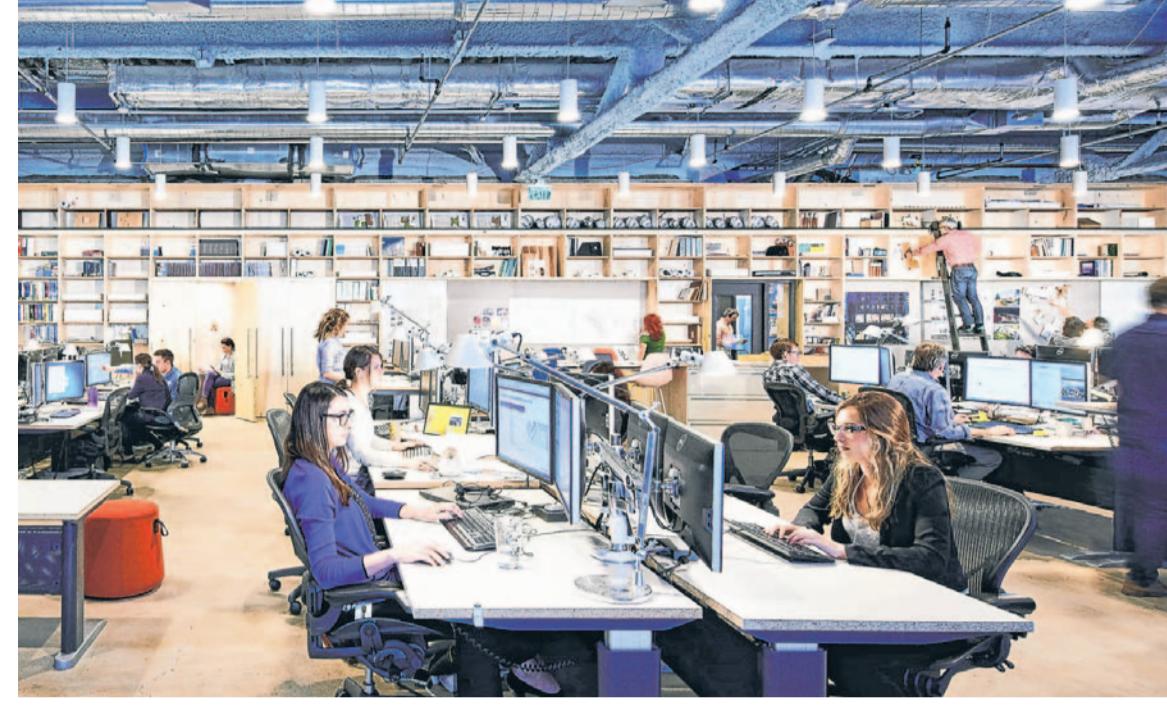
The Minneapolis offices of the architecture firm Perkins + Will shifted to unassigned seating two years ago, offering 52 adjustable sit-stand desks for the 70 employees there. The firm offered more seats in conference rooms, smaller huddle rooms, workbenches and a cafe. The setup makes it easy for teams to work closely together and gather around shared project files in different areas, workplace director Lisa Pool says.

Each employee has a personal locker. One of Ms. Pool's colleagues takes a family photo from his locker and sets it up on his desk every day, but most keep digital photos on computers and phones. Anyone who leaves a desk for more than two hours is expected to pack up and wipe it down with sanitary wipes from one of several office-supply carts. Ms. Pool totes a backpack with her work gear. Others carry oversized purses or briefcases.

At first, Perkins + Will marketing manager Brooke Doepke couldn't imagine giving up her assigned desk. "I had Post-its everywhere," she says, plus a drawer filled with proposals and a standing file on her desk. She learned to use OneNote, a note-taking and file-sharing app, and found she was able to move from one team to another using only digital files. "I became a total convert, skeptic to believer, once I got the burden of paper out of the way," she says.

Employers reap savings on real estate by reducing average space per employee. Some 20% to 40% of traditional desks are already unoccupied on average because employees are working elsewhere, CBRE executives estimate.

Companies also are taking a cue from the co-working spaces popular among young workers by adding a variety of seating and décor, says



**Perkins + Will**, above, converted its Minneapolis offices to unassigned seating. Genentech, right, moved to unassigned seating for some groups at its California headquarters.

Kate Lister, research chair of an International Facility Management Association committee on the evolving workplace. The new designs "give people all these places and spaces to work—some quiet, some for group work or socializing," she says.

Unilever recently consolidated several offices into one redesigned space at its U.S. headquarters in Englewood Cliffs, N.J. About 1,500 employees share 1,200 desks and other workspaces. Eliminating offices along the windows leaves plenty of daylight for everyone, says Mike Clementi, Unilever's vice president of human resources.

Molly Kennedy, a senior global brand manager for Unilever, was a little anxious at first that "you might sit down in one place in the morning and come back and later find somebody had taken your seat," she says.

That hasn't happened. Plus, she has gained more freedom to work from home or elsewhere, Ms. Kennedy says. Unilever has long had a policy allowing employees to work from anywhere, but the shift to unassigned seating has led to more use of the policy.

Another plus for employees is often improved technology. When Fifth Third Bancorp recently shifted to unassigned seating for about half of the 3,000 employees at its Cincinnati headquarters, it added more computer monitors so employees could review and compare documents without printing them. The redesign offers a variety of seating, including treadmill and



cycling desks, says Donna Burnell, managing director of enterprise workplace services.

The shift is a challenge for some. "We have five generations coexisting in the workplace, from the traditionalist who has aspired to a corner office for their entire career, to the millennial who couldn't care less where they sit," Ms. Burnell says. She encourages resistors to see the redesign as

bringing the comforts of home into the office, with multiple choices of seating and décor.

Some 11% of employers meet resistance from employees, according to a 2015 survey of 538 employers by the International Facility Management Association. "Some people don't really want a locker. They want a desk for pictures of their family and their dog, and a sense that it's 'mine.' And

## Before You Take Away Their Desks...

To help employees adapt to unassigned seating:

- Set and enforce rules for using shared meeting spaces.
- Require online reservations for conference rooms.
- Build soundproofing into shared workspace areas.
- Allow more working from home and elsewhere.
- Require senior executives to set an example by using various spaces wisely.
- Encourage work groups to set team rules on social behavior.
- Provide apps to help teammates find each other and communicate.
- Provide technology to replace paper notes and files.
- Offer etiquette training to curb slobbery and squatters.
- Provide shared office and cleaning supplies.

they want to sit with the same people every day," Ms. Lister says.

Like many employees who work in such setups, Cristina Harnden, a regional vice president with Teknion, a Toronto furniture-design firm, still tends to work at the same desk every day. Unassigned seating fosters more conversation and sharing of information among employees, and she likes walking among different work areas, she says. Still, "I find it a little harder to connect with my team," she says. "Sometimes I don't know who's here and who isn't."

Untidy colleagues can be more annoying if they make messes in shared spaces. Some 10% of employers offering unassigned seating also added more cleaning services, the facility-management association survey says. And 9% provided etiquette training to curb behaviors like squatting, or usurping shared space for oneself.

Genentech for several years has given employee groups the option of moving into "neighborhoods" with customized technology, a variety of seating and private breakaway rooms, says Carla Boragno, vice president of site services for the South San Francisco, Calif., biotech firm. All must first reach agreement on social rules, such as not interrupting a colleague working in a breakaway room.

Many of the groups are increasing productivity by collaborating more and reducing email and formal meetings, she says, but only after a few months of adjustment. "It does take time to get used to this," Ms. Boragno says.

## TRENDING

## SURPRISE SUCCESS FOR 'SUPER TROOPERS 2'

BY KEVIN LINCOLN

**SINCE THE 2001** release of "Super Troopers," the five men who co-wrote and starred in the low-budget police comedy have watched it develop a cult following. So when Fox, which released the first one, said it wasn't sure an audience existed for a sequel, the filmmakers decided to prove there was.

The five of them—Jay Chandrasekhar, Kevin Heffernan, Steve Lemme, Paul Soter, and Erik Stolhanske—started an Indiegogo campaign to raise money for "Super Troopers 2," with the understanding that if they brought in \$2 million or more, Fox would distribute the film. They passed that benchmark in a little over a day, according to Mr. Chandrasekhar, and by 30 days had raised \$4.4 million.

"Super Troopers 2" opened on April 20, grossing about \$15 million and landing No. 4 in its first weekend, exceeding studio and analyst expectations. Like the original, it focuses on the antics of the Vermont Highway Patrol, this time in a French Canadian town as it becomes a part of the U.S. For the filmmakers, who collectively call themselves Broken Lizard, bringing the movie to theaters with the help of individual donors, then seeing it open strongly, validated their belief that a sequel would be successful.

"This business is all about expectations, and there was a real common expectation that the

movie was going to make \$5 million or \$6 million the opening weekend, enough that people on Wednesday were already like, 'Sorry guys! We tried!'" says Mr. Chandrasekhar, who directed both movies. "It was going to either be the end of Broken Lizard, or this, which is more to come."

According to Larry Baldauf, co-executive vice president of marketing at Fox Searchlight, the studio was particularly pleased with the work the Broken Lizard members put into selling the movie. He credits their efforts with helping get fans to see it in theaters, rather than wait for it on home video.

"I have never experienced a group of people that understood their brand and rolled up their sleeves like they did to support their property," Mr. Baldauf said. "These guys effectively said, if you don't see this in a theater, you can forget about seeing Super Troopers 3, 4 and 5. They just kept hammering that theater experience."

Other filmmakers have used crowdfunding services to get projects off the ground, including Zach Braff, who raised \$3.1 million for his movie "Wish I Was Here," and the makers of a "Veronica Mars" movie who raised \$5.7 million. But neither took off at the box office, with the former man-



Above from left, Jay Chandrasekhar, Steve Lemme, Erik Stolhanske, Paul Soter and Kevin Heffernan in 'Super Troopers 2.' Left, Rob Lowe.

nia were huge. All these places that don't ever scratch a top 10 in typical comedy grosses, we were getting massive numbers in. I'm not saying we're the Trump of movies, but it behaved in a similar sense that the experts couldn't predict it."

Producer Rich Perello believes that the film's success has as much to do with the promotional efforts of its creators as it does the robust home-entertainment success of the original over time. Broken Lizard self-released its first film, "Puddle Cruisers," by taking it on a tour of college campuses, and has applied that approach to subsequent projects. For "Super Troopers 2," the filmmakers com-

bined that DIY strategy with Fox's advertising and promotion.

"The crowdfunding campaign was really just the beginning," Mr. Perello says. Earlier this year, Broken Lizard members met with fans and performed live during the "Super Troopers 2" tour, partly to thank donors and to assure them that they wouldn't take the money and disappear.

Does the latest film's box-office success mean there will be a third? Neither Fox Searchlight nor Broken Lizard can say quite yet, though both are enthusiastic about their experience on the second one—and they expect that if there is a third movie, fans won't have to wait 17 years for it.



## LIFE &amp; ARTS



HIROYUKI ITO/GETTY IMAGES

SIGHTINGS | By Terry Teachout

## Portrait of the Artist as an Unperson

**IN THE WAKE** of Bill Cosby's conviction on three counts of sexual assault, the board of trustees of the Kennedy Center has voted to rescind his 1998 Kennedy Center Honor for lifetime achievement in the performing arts, as well as his 2009 Mark Twain Prize for American Humor. A written statement explained the decision as follows: "The Board concluded that [Cosby's] actions have overshadowed the very career accomplishments these distinctions...intend to recognize."

I can't say I'm surprised, any more than I am by the fast-growing list of colleges and universities that have shredded the honorary degrees they previously conferred upon Mr.

Cosby. He was already well on the way to becoming a cultural unperson when the Kennedy Center joined Johns Hopkins, Notre Dame and Yale—among many others—in the #MeToo-triggered pile-on. In addition, none of his old TV shows is being telecast anymore, and even the Academy of Motion Picture Arts and Sciences has given him the bum's rush, simultaneously expelling Roman Polanski for good measure. (Yes, it took them long enough to do something about Mr. Polanski, but that's another column.)

It's worth pointing out, however, that the Kennedy Center, the Motion Picture Academy and Yale were deliriously happy to ride on the capacious coattails of Mr. Cosby's celeb-

larity once upon a time. Yale went so far as to confer an honorary doctorate of "humane letters" upon him in 2003 for his "contributions to society." We are now invited to suppose that those contributions have lost all meaning in light of the revelations about the viciousness of his sex life.

Meanwhile, Met Opera Radio, the Metropolitan Opera's Sirius XM satellite radio channel, has admitted that it is no longer broadcasting live recordings conducted by James Levine, who performed at the Met from 1971 until last December, when he was suspended and subsequently fired after an investigation in which the Met claimed to have found "credible evidence" that he "en-

gaged in sexually abusive and harassing conduct toward vulnerable artists...over whom [he] had authority." (Mr. Levine continues to deny the accusations, and unlike Mr. Cosby he has not been charged with any crimes.) The Met says that recordings of his performances "will be reintroduced to the programming at an appropriate time." It would be hard to come up with a statement less transparent, or more evasive, than that.

I won't lose any sleep over the twin descents of Messrs. Cosby and Levine into the dark pit of disgrace. But there's a difference—a huge one—between shunning such men and rewriting the history of which they are a prominent part. Not only

James Levine leading the Met Orchestra in 2015.

was Mr. Cosby the first black man to star in a weekly dramatic TV series, "I Spy," but "The Cosby Show," for which he is now best remembered, was universally praised for portraying a middle-class black family in a way that appealed to viewers of all races. As for Mr. Levine, he was one of the half-dozen greatest opera conductors of the postwar era. Yet the Kennedy Center and Met Opera Radio seem to be trying to pretend that neither man ever existed.

Few of us like to admit it, but most human beings are impossibly complicated, none more so than artists. You can simultaneously be a great comedian and a sexual predator, a great musician and a pedophile. To argue otherwise is to falsify history, and to falsify history is to dynamite the foundations of reality.

I used the word "unperson" earlier in this piece. It was coined by George Orwell in "Nineteen Eighty-Four," his 1948 dystopian fantasy about a totalitarian society similar to the Soviet Union whose ruler, Big Brother, rewrites history every day to expunge his enemies from the record books. To this end, his Ministry of Truth prints new editions of books and newspapers from which the names of politically incorrect "unpersons" have been scissored out, even as the offenders themselves have been jailed and brainwashed. As a character explains, "If the Party could thrust its hand into the past and say of this or that event, it never happened—that, surely, was more terrifying than mere torture and death?"

Perhaps it doesn't matter all that much that the Kennedy Center has hosed Mr. Cosby's name off its increasingly trivial roll of pop-culture sycophancy. But Met Opera Radio did something far more consequential when it chucked Mr. Levine's historic recordings into the memory hole, an act of suppression that bears a distant but nonetheless definite resemblance to book-burning. By doing so, it effectively declared that great musicians must also be good men—a position that can be defended only by the tone-deaf.

*Mr. Teachout, the Journal's drama critic, writes "Sightings," a column about the arts, twice monthly. Write to him at [tteachout@wsj.com](mailto:tteachout@wsj.com).*

REBECCA BROOKS  
Mr. Koppelman, right, interviews Food Network host Guy Fieri for 'The Moment.'

## KOPPELMAN

*Continued from page A13* spoke with the Journal about rejection, failure and what comes next. Here are edited excerpts:

**You seem genuinely curious about how people have made it in creative fields. Is that because there are so few replicable paths to success?**

I only will put people on the show if I'm fascinated by their story or their work, ideally both.

**Why is failure such intriguing territory for you?** It feels like a death. But what these stories of the people on the podcast show me over and over is that almost all failures are only temporary and can be used as fuel to get you to the next success.

That's not just a platitude. We have hundreds of examples of people figuring it out, like Dave Chang almost not being able to keep his payroll at Ssäm Bar, then they redo the whole thing and boom, it succeeds.

**How have you used failure as fuel in your career?**

When I was younger I certainly used business rejections as a way to stoke a kind of anger and determination, but I don't do that anymore. I feel like anger works really well when you're young, but when you're old, if you keep using it, I don't think it burns clean.

**Was there any correlation between losing the "Vinyl" job and "Billions" happening?**

Only in that it made us determined to write our own thing next. Because "Vinyl" was never our project.

**How do you differentiate between rejection and failure?**

Well, "Runner Runner" there was no rejection, it was just a failure. Rejection doesn't equal failure at all. I think those are entirely different things. I'm only now interested in

### Who Is He?

**Name:** Brian Koppelman

**What He Does:** Screenwriter, showrunner, producer, host of "The Moment"

**How He Got There:** Worked as an A&R man for record labels while he wrote his first screenplay, "Rounders," with his childhood friend and collaborator, David Levien.

**His Big Break:** "Rounders" opened up the door to a writing and producing career that has led to three—going on four—seasons as the co-creator and showrunner of "Billions." In "The Moment," he mines the stories of success and failure from creatives like Jon Bon Jovi, Amy Schumer and Salman Rushdie.

**His Obsession:** Morning pages, a daily exercise in Julia Cameron's book "The Artist's Way." "When David Levien gave me that book, and then I started doing the exercises in it, it freed me from [my] perfectionism."

failure for its impermanence. It's not romantic to me. What I've come to view it as is just a stop along the way, unless you let it be a final stop.

**How do you talk people down after and during failure in a way that's not Pollyanna-ish?**

Just do the thing. If you're a singer or you're a songwriter, find a way to do that thing for an hour a day in a way where no one else is judging you, where you're not asking anyone else for permission, where you're not trying to get an agent to say yes or a music publisher to say yes or someone to book you into their club.

**Now that you've reached a level of success that won't quickly be taken away, what kind of failures do you continue to experience and that you're on the lookout for?**

You're a writer, so you know: the failure of not being as you hope you can be on the page.

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## OPINION

## America's So-Called Allies

WONDER LAND  
By Daniel Henninger

No one has suggested yet that the Trump withdrawal from Barack Obama's nuclear-weapons deal will cause the sea level to rise, but we're almost there. The chain reaction of post-withdrawal disasters cataloged by the global media includes the possibilities that Iran will race now toward building a nuclear weapon, that a war between Iran and Israel could engulf the Middle East, and that America has become "divided" from its allies.

Then it got worse. One week later, the U.S. moved its embassy in Israel to Jerusalem, creating more "friction" with our allies.

America's unhappy allies are the U.K., France and Germany, cosigners of Mr. Obama's deal, along with anti-slavery Russia and China.

"America's three closest friends in Europe," the Washington Post reported, "are near-bursting with anger and exasperation at the United States." A rule of thumb suggests itself: Might European anger correlate directly with the correctness of U.S. policy, such as this decision to withdraw from the Iran deal and restart the sanctions regime? And when does an ally become something less than that?

Once the media takes ownership of any fixed thought—here that the U.S. withdrawal from the Obama agreement

will drive Iran to build a nuclear weapon—no other fact or consideration is permitted to intrude.

The nuclear intentions of Iran's government are a serious subject at all times. That is why the Trump administration is fixated on the agreement's so-called sunset provisions.

At the Iranians' insistence, Mr. Obama and John Kerry agreed that the restriction on Iran's first-generation centrifuges would end in 2025. After that, and another sunset in 2030 on low-enriched uranium, Iran's centrifuges could produce material for a bomb in weeks.

France's president, Emmanuel Macron, seemed to be aware of the problem in his April address to Congress. "As for Iran, our objective is clear: Iran shall never possess any nuclear weapons," he said. "Not now, not in five years, not in 10 years. Never."

By the time he returned to France, Mr. Macron had rejoined the chorus that the Obama deal can't be breached. Ever.

One would like to take seriously Europe's concerns about Iran's bomb, but history makes that difficult. In fact, the Iranian nuclear threat is a European red herring, a distraction whose purpose is to take our eyes off other realities.

For the Europeans, the likelihood of Iran going nuclear is a secondary concern. What's it to them? Iran's targets are Israel, the Gulf Arabs and the Great Satan. European nations' active strategic interest in the Middle East ended decades ago

with their decision after World War II to elevate domestic welfare and demote the continent's military significance.

Europe became an economic power whose interests are solely commercial. Despite the Middle East's continued strategic importance, Europe's view of it is entirely bloodless—a region that is merely a dependable trading partner for Europe's biggest companies.

**For the Europeans, Obama's nuclear deal with Iran was always about the money.**

When in 2013 Mr. Obama raised the possibility of a deal that would lift the Iranian sanctions regime, the Europeans were all in. Whatever Mr. Obama's nuclear dreams, the deal's primary attraction for Europe—and Iran—was always overwhelmingly about money.

Recall that in 2012, the European Union's growth rate had fallen below zero. Europe was also dealing with an existential threat in the Greek debt crisis, which required several multibillion-euro bailouts.

Once the Obama nuclear deal became final in 2015, Europe's deal makers were inside Iran like a shot. European Union members, led by Germany, quickly became the mullahs' main trading partners.

Bear in mind that the agreement's flaws were recognized at the time, such as ignoring Iran's messianic and imperial

projects. Just days after the agreement was reached in July 2015, the head of Iran's Quds Force, Qasem Soleimani, was in Moscow, no doubt discussing the Russo-Iranian alliance in Syria, which quickly drove torrents of refugees into Europe. In other words, the Obama-Kerry deal with Iran helped to destabilize Europe's politics. The European publics should demand a new deal.

The U.S. Treasury recently identified how Iran's central bank has been laundering money through Iranian companies to acquire dollars in other Middle Eastern countries and then finance its Quds Force in Syria and other regional proxies.

Which is to say, Iran's European trading partners are underwriting, in part, the Iran-driven Middle Eastern mess—from Syria and Lebanon, through Iraq to Yemen. The U.S., as always, is supposed to clean it up. Americans don't have the luxury, literally, of being AWOL from the world's most difficult problems.

As someone might say, this is a bad deal.

On Wednesday, The Wall Street Journal reported that French, German and Danish companies—such as Total, Wintershall and Maersk Tankers—are winding down their business ties with Iran in response to the U.S. sanctions. That should start closing the spigot on Iran's revenue sources. The world will be a better place.

We are going back to the status quo before the Obama Iran deal—back to reality.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

## North Korea, and Iran, and Iraq! Oh, My!

By Karl Rove

The world doesn't postpone challenges so that policy makers will have time to prepare. Mike Pompeo was sworn in as secretary of state three weeks ago, and John Bolton walked into the West Wing as national security adviser 2½ weeks earlier. Along with President Trump, the two newcomers are facing three huge foreign-policy challenges coming like a runaway freight train.

First is the scheduled June 12 meeting in Singapore between Mr. Trump and the "Little Rocket Man." Kim Jong Un is not some moronic playboy. Although only in his 20s when he became North Korea's "supreme leader" in 2011, Mr. Kim quickly consolidated power. He is ruthless in eliminating potential rivals, having ordered the killings of his half-brother, an uncle, the uncle's family and some of the uncle's associates.

Mr. Kim is also crafty. Angered by military exercises between South Korea and the U.S., he decided Tuesday to cancel a coming meeting with South Korean President Moon Jae-in. He also threatened to call off the Singapore summit if the U.S. demands unilateral North Korean nuclear disarmament. Of course, he knew about the drills and the U.S. insistence on denuclearization before he accepted Mr. Trump's and Mr. Moon's invitations.

The North Korean leader is

throwing a preplanned hissy fit, testing American and South Korean leaders to see how they respond. Both governments should ignore his antics. Mr. Trump cannot appear to want this summit more than Mr. Kim does. The North Korean dictator agreed to attend only because his economy had tanked after years of international sanctions, and his saber-rattling had caused Japan and South Korea to strengthen

**Pompeo and Bolton have hardly settled in, but history already has come knocking.**

their militaries and draw closer to the U.S. The Chinese government, whose wishes Mr. Kim has too often ignored, also pressured him to the table.

Mr. Kim may view the Singapore summit as a publicity stunt, signaling goodwill so as to coax the U.S. and South Korea into a bad bargain. In light of this possibility, Mr. Trump's message needs to be clear: If Mr. Kim doesn't go to Singapore with intent to begin denuclearizing, it's his loss.

All this messiness shows that the talk of a Nobel Peace Prize for Mr. Trump is wildly premature. The negotiations will be complicated and difficult, and there is no certain outcome. What Mr. Kim means by "denuclearization" might be

entirely different from what Mr. Trump means. And Mr. Kim can't be trusted. He, his father and his grandfather have made at least five pledges to end or disable North Korea's nuclear-weapons program—in 1985, 1994, 2005, 2007 and 2012. Each time, they broke the commitment. Experts like David Kay, former United Nations chief weapons inspector, have pointed out that it would be extremely difficult to verify if North Korea has ended its program, turned over its fissile material, and destroyed its warheads in compliance with any agreement.

So when Messrs. Trump, Pompeo and Bolton arrive in Singapore, they'd better have a plan. No winging it, no daylight between the U.S. and South Korea, and no sanctions relief for Pyongyang until the results are locked in. The three Americans must present a unified front, insisting on concrete goals and clearly defined paths to implement them.

The second big foreign-policy challenge is Iran. On May 8 the president announced the U.S. would withdraw from the Obama nuclear deal and reimpose sanctions in 90 days. Mr. Pompeo signaled that Europe was welcome to try getting a better deal from Iran. That's smart, as long as the Trump administration spells out what kind of agreement it wants. If the "3Ms"—French President Emmanuel Macron, British Prime Minister Theresa May

and German Chancellor Angela Merkel—get Iran to agree to anytime-anywhere inspections, an end to enrichment (instead of caps), and a dead stop to its missile programs, the U.S. should happily oblige.

But even if the 3Ms can't get such a treaty, letting them try might make it easier later to gain international support for reinstituting sanctions. In any event, Mr. Trump's new foreign-policy team has to pull it off before the 90-day clock runs out in August. That won't be easy.

Finally there's Iraq. Its elections Saturday presented the U.S. with the prospect of a new government controlled by Moqtada al-Sadr, the Shiite cleric whose militias attacked American soldiers during the Iraq war. Keeping Baghdad from drifting toward radicalism, or further into Iran's orbit, will require adroit maneuvering by the U.S. and regional allies.

If Messrs. Pompeo and Bolton can help President Trump to succeed in these three challenges, the world will owe them thanks. If they fail, instability and violence could follow. In case they had any doubt, these stakes should remind the new Trump foreign-policy team how unforgiving being on the world stage can be.

*Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).*

## At the CIA, Immorality Is Part of the Job

By Fay Vincent

The confirmation hearings for Gina Haspel to head the Central Intelligence Agency became a theater of the absurd, as senators pressed her for an assurance that she would apply "moral" standards to intelligence-gathering, including interrogation of terrorists.

As I watched, I kept thinking of Sen. Frank Church and the disaster his Senate select committee inflicted upon the CIA in 1975. The committee was troubled by the disclosures of various misguided, even bizarre CIA endeavors during the Cold War, including an attempt to kill Fidel Castro. It ultimately adopted a series of proposals to rein in the agency that led the Carter administration to impose broad changes.

The effort to reform intelligence operations to make them moral was a noble one—and the damage it wrought to national security took decades

to undo. The new generation of CIA veterans like Ms. Haspel must wonder if anyone in the current Senate has even heard of the Church Committee.

Senators today seem to assume there is agreement on what constitutes moral conduct in spycraft. But recruiting spies

**Spying is a dirty yet necessary business, not best examined in open hearings.**

is not the work of moralists. The CIA's mission involves persuading others to disregard their deepest moral and legal obligations. It is a dirty yet necessary business, not best examined in open hearings.

In 1977 my friend Dick Helms was prosecuted by the Carter Justice Department for perjury after he denied in an open Senate hearing that the

CIA had been involved in the 1973 overthrow of the Allende government in Chile. Helms was bound by his oath as a CIA officer never to reveal classified secrets. Yet before the Senate he was under the perjury threat if he fulfilled his obligation to preserve intelligence secrets. What was the moral thing to do in that situation?

Helms lied because he was operating under longstanding directions he and others at the agency had received from senior senators, including Democrat Richard Russell of Georgia, who worried candid answers in open hearings might risk "the lives of our boys." They instructed Helms to protect intelligence operations in such hearings.

Helms's defense lawyer, Edward Bennett Williams, warned the Justice Department he would have Helms testify in open court to numerous examples of CIA officials lying to Congress to preserve secret agency activities, with the

likely exposure of important top-secret operations. The government relented, and Williams arranged for Helms to plead guilty to a misdemeanor with no penalty. In 1983 President Reagan recognized Helms's long service with a National Security Medal as an implicit apology. No CIA director has since been charged with a crime.

Intelligence work can involve complex judgments about morality and even legality. The law must remain our bulwark, morality a sweet frosting. To serve as head of the CIA is to be in charge of vital operations that must be subject to the rule of law, not the moral sensitivities of any one person.

Dick Helms died in 2002. His portrait hangs in honor at CIA headquarters. There is no portrait of Frank Church.

*Mr. Vincent, a retired lawyer, was commissioner of Major League Baseball, 1989-92.*

BOOKSHELF | By Jonathan Marks

## Teaching Tolerance

## Speak Freely

By Keith E. Whittington  
(Princeton, 208 pages, \$24.95)

## Hate

By Nadine Strossen  
(Oxford, 199 pages, \$24.95)

When it comes to tolerating offensive speech, American colleges and universities often hold themselves to a lower standard than the rest of society. Kentucky State University, for instance, includes "embarrassment" on its list of sanctionable "offenses against persons." Dickinson College promises to sic its Bias Education & Response Team on those whose speech is deemed "offensive or inflammatory to some"—even if no rule has been violated.

In "Speak Freely: Why Universities Must Defend Free Speech," Keith Whittington argues that even free societies are shaky on the proposition that "free speech is essential to the advancement of knowledge," but for the university, "free inquiry and debate" are "the only possible means" of advancing its "core mission"

of "producing and disseminating knowledge." As such, it should demand even more freedom for speech than the society it inhabits. It must welcome the unorthodox and reject "those who prefer to be sheltered" from challenge.

Mr. Whittington, a professor of politics at Princeton, knows that all is not well in academia. Bad enough, for example, that students shouted "We are in pain!" in front of Emory University's administration building in protest of Trump-friendly slogans written on campus. Worse, the school's president responded by suggesting that Emory would be a better institution if students were spared exposure to disfavored electioneering speech. When "those who prefer to be sheltered" are thus encouraged, Mr. Whittington writes, "the university has lost sight of its core mission."

Consider the "safe spaces" controversy, over student demands for places of refuge from speech they consider threatening. Universities serve their function best when they offer arenas in which students can debate each other rigorously, but also places where those who share a common view or interest can reason from a common starting point. The university benefits, too, when there are places where students can feel comfortable and recharge themselves to face challenges anew. But the call for "safe spaces" often suggests that the debate itself is an affront, that the invitation to "let us reason together" is a ruse to slow down social justice. Students can espouse that position, but a university must cede no ground to it.

Don't look to "Speak Freely" for an indictment of snowflakes and radicals, though. Mr. Whittington, who claims his "inner Texas populist" puts him well outside the faculty political mainstream, nevertheless defends his "welcoming colleagues" and thoughtful students. Universities can be "subverted by insiders" who "do not appreciate" the

Colleges are becoming increasingly soft on free speech when they should be adhering to an even higher standard than the societies they inhabit.

institution's "value and fragility," but the vast majority of faculty pray not for a revolution but for students to "read their assignments and pay attention" in class. The universities are not yet lost—but if they ever are, it will be because these same faculty members who guard their individual classrooms so well neglected the overall climate of the university.

Some arguments for campus free speech have little to do with the university's special characteristics. Nadine Strossen makes these arguments better than anyone. In "Hate: Why We Should Resist It With Free Speech, Not Censorship," the former president of the American Civil Liberties Union and a professor at New York Law School aims to refute the argument that the United States, like many other nations, "should adopt a broad concept of illegal 'hate speech.'" She puts the term in quotes because it has "no single legal definition" and "has been used loosely to demonize a wide array of disfavored views."

The argument Ms. Strossen addresses has intuitive appeal. Hateful speech directed against vulnerable groups, the argument goes, is uniquely dangerous. It is not enough to restrict such "hate speech" when it constitutes a "true threat" or "harassment" or otherwise sits outside the First Amendment's protection zone. Hate speech is so potent a source of violence, discrimination and psychic harm that it compels us to bend the rule that restricts government from suppressing "disfavored, disturbing, or feared" speech.

But, Ms. Strossen argues, despite the power of speech to motivate and wound, there is "insufficient evidence" that constitutionally protected hate speech contributes significantly to violence, discrimination or psychic harm. There is little evidence, too, that hate-speech laws are effective. We do know, however, that such laws are often enforced "to the disadvantage of disempowered and marginalized groups" and used by authorities to suppress dissent. "Non-censorial" methods can also be very effective. Although government action is Ms. Strossen's main subject, she does consider campus speech, and her arguments are readily transferred even to private universities, which, though outside the First Amendment's purview, "should not suppress constitutionally protected 'hate speech.'" Hate-speech policies are no more effective, or less subject to abuse, at universities than they are elsewhere.

Mr. Whittington is right that the university, in principle, "has no place for those who prefer to be sheltered" from "searching interrogations." In practice, however, universities welcome many such people, who come mainly to advance their prospects. Like people outside of universities, their first impulse on encountering speech they find appalling is to want the speaker to shut up. Neither of these books explains how such students might be moved to cherish free speech. Yet both of these authors involve their readers in the pleasures of confronting a difficult problem, treating the dangerous views of determined adversaries with an open mind and proceeding with greater confidence as a result. This summer, "Speak Freely" will be distributed to every Princeton freshman for consideration and discussion. That's a start.

*Mr. Marks is a professor of politics at Ursinus College.*

## OPINION

## REVIEW &amp; OUTLOOK

## Funny Business at the Labor Board

We wrote a couple of months ago about how Democrats in cahoots with the National Labor Relations Board Inspector General were weaponizing ethics rules to protect the Obama joint-employer standard. New evidence shows they may also have overstepped their legal authority.

The Obama NLRB in 2015 jettisoned 30 years of labor law with its *Browning-Ferris* ruling that held businesses responsible for workers of subcontractors if the businesses exercised indirect control over employment terms. This made it easier for unions to organize workers. In December the Trump NLRB overturned *Browning-Ferris* in its *Hy-Brand* decision.

\* \* \*

Prodded by Democrats in Congress, IG David Berry then launched an investigation into whether board member Bill Emanuel had violated White House ethics rules by participating in *Hy-Brand*. An executive order requires appointees to recuse themselves from a "particular matter involving specific parties" that are "directly or substantially" related to a former employer or client.

Mr. Emanuel's former employer Littler Mendelson didn't represent any party in *Hy-Brand*, so there was no reason to recuse himself. Yet Mr. Berry concluded that Mr. Emanuel should have stepped aside because Littler had represented subcontractor Leadpoint Business Services in *Browning-Ferris*. According to the IG, the two cases were the same because the majority opinion in *Hy-Brand* drew on similar arguments as the dissent in *Browning-Ferris*.

After Chairman Philip Miscimarra stepped down, the board's two Democrats and one Republican sidelined Mr. Emanuel and on Feb. 26 vacated *Hy-Brand*. The panel cited a Designated Agency Ethics Official's (DAEO) determination that Mr. Emanuel should have been disqualified from the case. The panel didn't disclose the DAEO's recommendation or analysis. This is odd.

Mr. Emanuel's counsel wrote to the IG on March 22 that nobody had advised him to recuse himself. After Democratic Senators complained, he consulted the DAEO, Lori Ketcham, who told him he was under no obligation to do so. Mr. Emanuel asked for the opinion in writing. But "a day or two later, the DAEO told Member Emanuel that she had been told by the OIG" not to provide it, according to Mr. Emanuel's counsel.

The IG wrote in a March 20 report that "the DAEO is required to seek the services of the OIG when appropriate" and should not "interfere in our investigative efforts." But the purpose of agency ethics officials is to provide legal opin-

ions. Did Mr. Berry ask Ms. Ketcham to stand down and change her opinion about Mr. Emanuel? (We sought comment from Mr. Berry and Ms. Ketcham but received no reply.)

NLRB General Counsel Peter Robb and Hy-Brand have filed motions supporting Mr. Emanuel that ask the board to reconsider its vacatur. Hy-Brand notes that the IG's determination is unprecedented, and the three-member panel "abrogated its responsibility to consider whether the IG Report was erroneous, valid, or should be returned for further investigation."

An analogy to judges is relevant here. Judges don't have to recuse themselves from cases on issues on which they have previously expressed opinions or represented clients. Federal judge Allison Burroughs, who was appointed by Barack Obama, is now hearing a case regarding off-label drug promotions though she previously represented a pharmaceutical company in a similar case. Why should Mr. Emanuel be held to a higher standard than Judge Burroughs?

The National Labor Relations Act also doesn't allow three board members to delegate to themselves authority to make decisions as the panel did when they vacated *Hy-Brand*. What's to stop a plurality of the board—or of any independent bipartisan commission—from doing so whenever it's politically expedient?

Hy-Brand also asserts that the IG's disclosure of confidential pre-decision-making board communications in his reports violates its due process rights and agency policy. In 2012 Mr. Berry reprimanded a board member for disclosing similar deliberative information.

Investigative information somehow leaked to Democratic Senators, who then attacked Mr. Emanuel and pressured board members to vacate *Hy-Brand*. Hy-Brand claims that the leaks violate its "right to a fair hearing on the facts on law, rather than political considerations and Congressional pressures." The National Right to Work Foundation and Competitive Enterprise Institute recently filed Freedom of Information Act requests seeking the IG's communications with Members of Congress, and the board should respond promptly.

\* \* \*

The NLRB is less constrained by administrative law than most executive agencies, which allowed Obama appointees to freelance. But now Democrats want to use White House ethics rules to handcuff President Trump's appointees. NLRB Chairman John Ring shouldn't indulge phony ethics charges and should promptly hold a vote to reinstate its *Hy-Brand* decision.

## Korean Summit Maneuvers

**N**orth Korea is threatening to cancel the June 12 summit between Kim Jong Un and Donald Trump if it means giving up its nuclear weapons unilaterally, and credit the North for candor. The North is restating its long-time position, and better for the world to know the truth going into the summit than bank on false hopes.

The Trump Administration is treating the statement as a fit of pique, and in one sense that's right. Kim isn't likely to walk away from the summit, a diplomatic prize Pyongyang has sought for decades. But the North's threat should bust some pre-summit illusions, not least in the Oval Office.

The Trump Administration has talked up the chances of a breakthrough based on Kim's suspension of his nuclear and missile tests and his willingness to discuss denuclearization of the Korean Peninsula. But the two sides have very different ideas about what that means, as well as how and when it would happen.

Mr. Trump credits his "maximum pressure" of sanctions and diplomatic isolation for bringing Kim to the table. Certainly his Administration has done more than its predecessors to pressure the North. But the sanctions weren't in place long enough to bring the regime to its knees.

## Magical Thinking in Italy

**I**taly has had more than 60 governments in 73 years, so the new mooted coalition government of the 5-Star Movement and the League probably won't last much longer than the others. Then again, Italian financial markets dipped Wednesday with good reason after the plans of this populist left-right coalition were leaked to the press.

The two parties share populist impulses, despite 5-Star's roots in impoverished regions of southern Italy and the League's wealthier, northern base. Five-Star's Luigi Di Maio and the League's Matteo Salvini ran against the failures of the established political parties and took staunchly anti-immigration stances, albeit with different solutions.

Five-Star wants expansive welfare payments for poor Italians, revenues to pay for it not included. Italy's public debt to GDP, at 132%, is already second-highest in the eurozone behind Greece. Poor Italians need more economic growth to generate job opportunities, not public handouts that discourage work. The League's promise of a pro-growth 15% flat tax is a far better idea, especially in a country where tax avoidance is rife.

The two parties would also reverse the 2011 Monti government pension reforms, which raised the retirement age and moved Italy to

Kim is talking because he wants the U.S. to pay him for promises of denuclearization and a few concessions such as the closure of his nuclear testing facility. In other words, he is repeating the strategy of his grandfather and father in negotiating with the U.S.

And why not? Kim believes he is in the driver's seat. In the last year he has tested a more powerful warhead and launched missiles able to hit Chicago. Now a U.S. President has agreed to parley directly with him, and China is backing him. Kim met with Chinese President Xi Jinping last week and the two agreed that the North and U.S. should undertake "phased and synchronous measures" toward denuclearization. That is far from the complete, verifiable and irreversible denuclearization that White House national security adviser John Bolton says the U.S. wants. Note that the Korean statement attacked Mr. Bolton personally.

Mr. Trump says he will walk away from talks if Kim isn't serious about denuclearization. But his bluster and the silly chatter about a Nobel Prize are making it more difficult to leave the table. Kim's maneuvering ahead of the summit suggests he is confident he can resist immediate denuclearization. Mr. Trump needs to make clear that won't happen.

ward a contribution-based benefit system. Those measures averted an imminent financial crisis and put Rome on a sounder financial footing. Recent labor-market reforms may also be on the block.

More problematic for the rest of Europe are the two parties' demand for an exemption from the European Union's 3% GDP cap on annual budget deficits. Mr. Salvini, who has dubbed the euro a failed currency, posted on Facebook Wednesday he'd like to return to a "pre-Maastricht setting," implying when Italy had the lira and no guardrails from Brussels.

Running against the EU is popular in Italy, but it isn't clear how much risk the new coalition is willing to take. Messrs. Di Maio and Salvini are holding out the threat of a referendum on leaving the EU if negotiations with Brussels fail. The Huffington Post Italia reported Tuesday that the two parties want the European Central Bank to cancel some €250 billion in Italian debt. That won't happen but it could be used as a threat to win other concessions. Both parties also oppose sanctions on Russia, which could create more problems for EU-U.S. relations.

The Italians have a genius for surviving bad governments, so perhaps the best to be said is they'll find a way to survive this one too.

Cry-ins and crying rooms now appear on leading colleges. But what about the males who don't even attend college? What does this portend for the future in this highly competitive global economy? Feelings only go so far in decision-making. Reality, reason and the rule of law aren't to be denied.

## LETTERS TO THE EDITOR

## Fix, Don't Avoid, Hard Immigration Issues

Your editorial "One More Immigration Try" (May 11) mischaracterizes my bill, the Securing America's Future Act (SAFA). This legislation not only provides certainty via an indefinite renewable legal status for those who are currently in limbo due to the Deferred Action for Childhood Arrivals program, it also provides reforms to discourage illegal immigration in the future. The bill contains tools to thwart surges at our nation's borders. It closes loopholes in asylum law to reduce fraud and tightens standards to prevent people from gaming the system. It ensures unaccompanied minors who make the dangerous trek to the border are returned home safely and quickly.

Further, the SAFA includes reforms to ensure the enforcement of our immigration laws in the interior of our country. It requires employers to use E-Verify to ensure they hire legal workers. E-Verify is simple, easy to use and much less cumbersome than the current paper-based I-9 system. Those who view E-Verify as a poison pill don't want to provide meaningful enforcement of our laws.

The bill both decreases "chain migration" and modernizes our legal immigration system by increasing the number of green cards for foreign nationals who bring the skills needed to boost our economy and create jobs for American workers. It also creates a new, workable agricultural guest-worker program for America's farmers and ranchers, which is supported by over 200 agricultural groups. Unlawful immigrants currently working in the agriculture sector will be able to adjust so they can legally participate in the program. This isn't self-deportation.

While the recently filed discharge petition would allow for a vote on my bill and others, the petition is the wrong approach to fix our immigration system. It would lead to an unbalanced approach and is likely to ignore the tough issues that need to be addressed to prevent parents from bringing their children here illegally in the future.

REP. BOB GOODLATTE (R., VA.)

Roanoke, Va.

Mr. Goodlatte is chairman of the House Judiciary Committee.

## Time for a Market-Based Monetary System?

Stanley F. Druckenmiller is correct in noting that we move further away from capitalism with each new administration ("Where's the Invisible Hand When You Need It?", op-ed, May 3). But his defense of capitalism is weaker than it should be. Most notably, it is odd that he starts his essay with a criticism of Japan's ill-fated commitment to industrial policy and ends it with praise for Alexander Hamilton, the godfather of American industrial policy. Odd, too, is his monetarist deference to the Fed, attributing to it the power "of controlling long-term interest rates." Money and credit are a world-wide dynamic and long rates are driven by endless market forces. Thousands of well-paying jobs depend on the myth of an omnipotent Fed, but it is a myth. Finally, why this obsessive fear of deflation?

EDWARD H. CRANE

President emeritus, Cato Institute  
Falls Church, Va.

Before 1913, annual U.S. GDP fluctuated between +/- 15%. Since 1913, annual U.S. GDP has only fluctuated between +/- 6%, a major improvement. It would seem that having a central bank is a good thing.

SINCERELY, P. GARTSIDE

Cedar Hills, Utah

## Another Look at Foreign Investments in U.S.

After reading my May 8 letter on why U.S. trade deficits don't necessarily imply greater American indebtedness, Steven Crow describes the examples that I use to make my point as all involving "transferring U.S. assets to foreign creditors" (Letters, May 14). Mr. Crow is mistaken.

Consider my example of BMW building a factory in South Carolina. This factory was created by BMW. Because it didn't exist before BMW created it, this factory cannot possibly have been a U.S. asset that was transferred to foreigners, be they creditors or otherwise. BMW's factory in Greer, S.C., exists only because BMW conceived of it, financed it, built it and operated it profitably for the past quarter-century. It is neither an asset that ever belonged to an American nor one whose creation resulted in any further American indebtedness.

What the U.S. supplies in this case (as in countless others) is chiefly the promising economic opportunity—including the relatively free-market economy—that makes investment in South Carolina attractive. We Americans can take pride in this fact. But we play directly and stupidly into the hands of protectionists if we persist in mislabeling all foreign investments

in the U.S. as being either increases in American indebtedness or transfers of American assets to foreigners.

PROF. DONALD J. BOUDREAU

George Mason University  
Fairfax, Va.

Prof. Steven Crow comments on the sale of Manhattan in terms of balance of trade. He raises the question in an illustration of whether the American Indians or the Dutch got the better deal in this transaction. Consider the power of compound interest via the 1626 purchase of Manhattan Island by Peter Minuit, director-general of New Netherland from the Man-a-hat tribe for an apparently ridiculously low sum of \$24 in trinkets. Suppose that sum had been deposited in an investment earning 6% plus over the next 364 years (1626-1990), it would have grown to a tidy sum of over \$39 billion, which was the value of all land in the borough of Manhattan as of April 1990 according to the city assessor's office (excluding streets and rights of way). It may not have been such a bad deal for the tribe. The deal was even sweeter for the Man-a-hats since American Indians customarily didn't view themselves as landowners.

JAMES H. BOYKIN, PH.D.

Richmond, Va.

## We Fixed One Gender Issue But Have Created Another

Dean Paula Marantz Cohen ("It's the Era of Feelings, and Not Necessarily Good Ones," May 5) mentions that feelings are a bigger part of college life than when she was in college in the 1970s. She gives several examples of then and now.

In 1975 male college graduates outnumbered female graduates in society 17.6% to 10.6%. By 2016 33.7% of American females were college graduates as opposed to 33.2% of males. Since these figures are cumulative, it masks the dramatic change in current enrollees. Now females outnumber males 60% to 40% in college.

Cry-ins and crying rooms now appear on leading colleges. But what about the males who don't even attend college? What does this portend for the future in this highly competitive global economy? Feelings only go so far in decision-making. Reality, reason and the rule of law aren't to be denied.

MICHAEL Y. WARDER SR.

Upland, Calif.

Mr. Warder was vice chancellor of Pepperdine University 2005-2014.

Regarding your editorial "Have We Got a Muni Bond for You" (May 11): The Illinois Supreme Court in 2015 concluded that "pensions are constitutionally protected." How many of the judges who were enrolled in the state pension plan recused themselves from the case because of their blatant conflict of interest?

GEORGE C. CHRISTY

Pasadena, Calif.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Instead of a movie, let's just stay home and read a comic book."

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

## OPINION

# The GOP's Ambitious College Reform Plan

By Allen C. Guelzo

**C**ollege administrators have barely had time to digest the full impact of tax reform, but they are already facing a new challenge as Washington weighs a major piece of legislation that could shake up the way higher education does business.

The 1965 Higher Education Act, one of the brightest stars in Lyndon B. Johnson's Great Society constellation, is due for reauthorization this year. The legislation was intended, in Johnson's words, "to strengthen the educational resources of our colleges and

**Simplify student loans, expand vocational options, protect free speech, end 'public service' subsidies.**

universities and to provide financial assistance for students in postsecondary and higher education." Half a century later, the Education Department manages more than \$1 trillion in federal money flowing through six student-loan programs, as well as nine repayment plans, eight forgiveness programs and 32 deferment options. The HEA has also given the department extraordinary power to dictate policy at every level of college and university life, from sexual-assault

hearings to the definition of a "credit hour" and how many such hours should be required per course.

The unwieldy federal funding system has led to unintended consequences. North Carolina Rep. Virginia Foxx, chairman of the House Committee on Education and the Workforce, told the Carolina Journal that "having allowed students to basically have unlimited borrowing with unlimited forgiveness has driven the cost of college upward... The more money the federal government was putting into higher education, the higher the cost of going."

Since the HEA's last reauthorization in 2008, undergraduate tuition and fees have increased by 25% in real terms. The HEA might have expanded access to college, but the soaring costs—and the borrowing required to meet them—has turned the process into a kind of debt peonage for many students. "I live in fear," Michael Arceau, a graduate of Howard University, wrote in a New York Times op-ed, "that one day I may fall behind on payments, and fear of what that would mean for my mother, who co-signed my loans with great trepidation."

Instead of a clean reauthorization of the HEA, Rep. Foxx wants a complete overhaul. On Dec. 12, her committee passed a bill called Prosper, or "Promoting Real Opportunity, Success, and Prosperity through Education Reform." At 590 pages, Prosper is not a quick study. But it reaches for four important goals.



ISTOCK/GETTY IMAGES

The first is rationalization of student loans. Prosper consolidates the six existing student-aid programs into a single Federal ONE Loan Program, and likewise streamlines grants into a single program. It replaces the existing repayment plans with a single 10-year plan of 120 equal payments and a single income-based plan (in which borrowers would pay back 15% of their discretionary income, down to a minimum of \$25 a month). And it simplifies the dreaded Free Application for Federal Student Aid so that families can complete it more easily.

Second, Prosper opens up new incentives for students, especially at community colleges, to make the transition to gainful employment by

increasing funding for private-sector apprenticeships. "The legislation is going to expand student access to—and the ability to participate in—industry-led 'earn and learn' programs," Rep. Foxx explained. And to ensure that students can target, in advance, the college programs that will benefit them most, Prosper directs the secretary of education to create a "data dashboard" for comparison shopping.

These changes are unlikely to please higher-ed lobbyists. But it's Prosper's other goals that are setting off eruptions, since they grind directly on several campus sore spots. Under Prosper's terms, the Public Service Loan Forgiveness Program (PSLFP), which offered a rare avenue

for loan absolution if a student entered government service, disappears—undercutting a major tool for the recruitment of bureaucrats.

Also under the bill, no institution benefiting from federal funding will be allowed to restrict student speech through "speech codes" or "free-speech zones." Nor will they be permitted to deny student religious organizations the same "right, benefit, or privilege that is generally afforded to other student organizations at the institution." And it limits the ability of the Education Department to issue new mandates or regulations without congressional hearings.

What's the case against Prosper? The Center for American Progress charges that it won't "put a dent in unacceptable gaps in access and completion by race and income"—even though low-income students and minorities have suffered disproportionately under the current debt-laden system. The American Federation of Teachers is, unsurprisingly, appalled at the drying up of the PSLFP, since that might dampen the appeal of teaching to recent graduates.

And David Stacy of the Human Rights Campaign, a gay-rights organization, was incensed that Prosper would allow religious colleges of all sizes to be, well, religious. "You're not just talking about a little Bible college," Mr. Stacy told the New York Times. "When you think about Catholic universities, there are a lot of those, and quite a few of these universities would discriminate against same-sex student relationships."

The bill may have little difficulty in the House, but it still has to undergo review by the Senate's Health, Education, Labor and Pensions Committee, where chairman Lamar Alexander will likely have to make concessions to Democrats, especially about PSLFP, to bring it to the floor.

More significantly, Prosper dodges the nagging question of what, exactly, a college education should be—presumably neither a political indoctrination camp nor a mere hatchery for worker bees. But if passed, it will help the HEA promote, if not a great society, at least a freer and more prosperous one.

*Mr. Guelzo is a visiting professor in the James Madison Program in American Ideals and Institutions at Princeton University.*

## Kasich Could Be Trump's Best Hope

By Bobby Jindal

**D**onald Trump once joked that he could shoot someone on Fifth Avenue and not lose votes. That may be true—his approval ratings have inched up recently, tweetstorms and Stormy Daniels notwithstanding.

But can he be re-elected? He's unlikely to face an opponent as unpopular and uninspiring as Hillary Clinton in 2020. His best hope may be John Kasich. The departing Ohio governor has made noises about challenging Mr. Trump in the primaries, but an independent bid would be better for the president.

**An independent candidacy could split voters who dislike the Democrats but can't abide the president.**

A Kasich candidacy would not threaten Mr. Trump's hold over base voters. While some in the Republican establishment pine for someone to represent the "real" party, GOP voters are generally happy with Mr. Trump. Donors wonder why their millions are spent on winning elections only to pursue social policies they consider distractions at best, whereas millions of primary voters feel their votes are no longer wasted electing politicians who support unfair trade deals and open borders.

Mr. Trump has been assailed for waffling on social issues like abortion and gun control, for an economic policy that embraces runaway spending and rejects free trade, for being too conciliatory toward Russia, and for an entitlement policy that is unsustainable. His defenders cite his successes in appointing conservative judges and cutting corporate taxes.

He benefits, ironically, from the qualities that earn him scorn from the media. As was evidenced during the Republican primary, it is ineffective to attack Mr. Trump from the right while he is vowing to build a border wall and ban Muslim immigration. He is willing to go rhetorically further than even the most antiestablishment politician, leaving no room in 2016 for Ted Cruz or in 2020 for another conservative challenger.

But the base isn't enough to win, and Mr. Trump so far shows little sign of picking up new supporters. Thus a challenger is not sufficient—

Mr. Trump needs a candidate who siphons off not only Republican Never Trumpers, but moderates who might otherwise vote for the Democrat. Fortunately for him, the Democrats are making themselves increasingly unattractive to those moderates.

While the media obsesses over all things Trump, they ignore the Democrats' infighting. Rep. Dan Lipinski barely survived a well-funded primary challenger despite strong union support in a safe blue district due to progressives' outrage over his pro-life views. The Democratic Congressional Campaign Committee has angered grass-roots liberals with its heavy-handed attacks on Laura Moser in a Texas primary. Sen. Elizabeth Warren is attacking Democrats for working with Republicans to lighten the regulatory burden imposed by Dodd-Frank.

Democrats are fleeing to increasingly radical policy positions to immunize themselves against attacks from the likes of Ms. Warren and Sen. Bernie Sanders. Whereas President Obama refused to include a public option in his signature health bill, potential presidential contenders like Sens. Warren, Cory Booker, Kirsten Gillibrand and Kamala Harris have rushed to cosponsor Mr. Sanders's single-payer bill, which would take away private health insurance—along with Medicare—from everyone who has it.

Many moderate Democrats who used to support school choice, or at least charter schools, are now silent or reversing their positions. House Minority Leader Nancy Pelosi attacked the Republican-passed tax cut and mocked the resulting bonuses and salary increases. Billionaire Tom Steyer is spending millions insisting impeachment need not wait for the results of Robert Mueller's investigation.

Democratic extremism may not be enough for Republicans to hold Congress this November. Republican control of government has accomplished what Mr. Obama failed to do—make ObamaCare popular and increase funding for Democrats' priorities. The GOP failure to repeal ObamaCare and approval of a bloated omnibus spending bill will dampen conservative voters' enthusiasm. While the administration bears much blame, House Republicans are likely to pay a price this November.

Yet Democrats' improving midterm prospects do not necessarily herald success in 2020. In 2006 Mrs. Pelosi became speaker by focusing on

George Bush's low approval ratings and corruption scandals engulfing House Republicans, and by empowering DCCC chairman Rahm Emanuel to recruit viable candidates in swing districts. She contradicted the Washington maxim that you can't beat something with nothing; there was no Democratic version of the 1994 Contract with America. Mrs. Pelosi did not build a mandate for a national progressive platform, preferring to abide another maxim that you shouldn't interfere when your opponent is destroying himself.

In 2018 she is trying to repeat history, and it may work—but Democrats in 2020 will have to offer more. Just as seemingly every Republican

sought the party's nomination in 2016, sensing it was a valuable prize given Hillary's weaknesses, Democrats are lining up to challenge Mr. Trump. It is hard to imagine the next revelation will shake Mr. Trump's core supporters, but it is also hard to imagine a strong economy winning over his most hardened detractors. Meanwhile, the Democrats' radical leftward turn leaves those moderates who will not vote for Mr. Trump ripe to support an independent bid. Mr. Kasich, are you listening?

*Mr. Jindal served as governor of Louisiana, 2008-16, and was a candidate for the 2016 Republican presidential nomination.*

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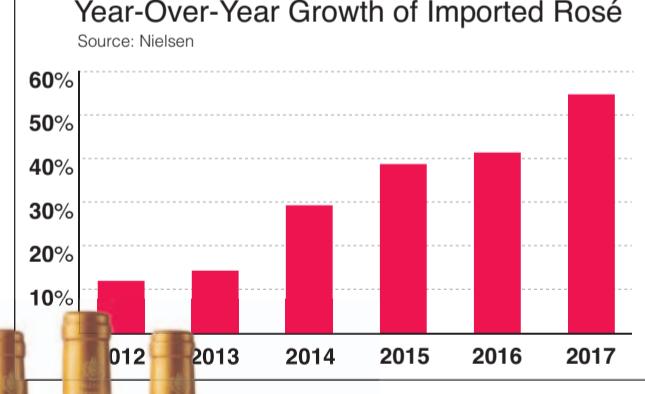
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**"Smallest harvest since 1945" — The Drinks Business**

The annual race to secure Provence's world-class pinks has taken on a new urgency this year, thanks to France's historically low-yielding (high-quality) 2017 vintage. You'll be glad to have three 2017 vintage Provence classics in today's collection, all sharing that exquisite pale color and summer berry character fans look for. Italian winemakers experienced a similarly tiny harvest, with superstar Alberto Antonini crafting even less than usual of his vibrant, cherry-rich Aglianico. It's never tasted better. And, over in Spain's premier wine region, Ruth Chavarri produced a supremely pretty Rioja rosado that's delightful with grilled lamb.

### A summer invitation to tickle you pink

This is a special welcome to the WSJwine Discovery Club. Every three months, we'll reserve for you an exciting new dozen. We'll put you down for more rosé, but we make it really easy to switch cases (you might prefer all reds, or a mix of reds and whites). You take only the cases you want and each one is a great value at just \$149.99, saving you at least 20%. Plus, every wine comes with expert notes and our money-back guarantee. Beat the rosé rush — limited cases available.



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# BUSINESS & FINANCE

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Thursday, May 17, 2018 | B1

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## Disney Weighs Top Executive's Fate

Company discusses role for a creative star who went on leave after accusations

BY ERICH SCHWARTZEL  
AND BEN FRITZ

LOS ANGELES—Executives at **Walt Disney** Co. have discussed bringing animation guru John Lasseter back to the company in a new role that would

reduce his managerial power but allow him to retain creative influence, according to a person familiar with the matter.

Those discussions come as a six-month leave taken by Mr. Lasseter following accusations of unwelcome hugging and other touching winds down. So far, Disney has given no indication whether or not Mr. Lasseter will return. It is also possible that Monday, which marks the end of the leave, will pass with no decision.

Pixar Animation Studios and Walt Disney Animation, which Mr. Lasseter helped develop into family-entertainment powerhouses, have adapted to operating in his absence, even as staff members remain in the dark about who will lead them, employees said. The entertainment giant faces a tricky situation in deciding what to do about Mr. Lasseter, a predicament facing many companies in the #MeToo era as they address infra-

tions they don't consider severe enough to warrant a manager's termination.

In Mr. Lasseter's case, Disney executives led by Chief Executive Robert Iger are deciding the fate of a man long considered one of Hollywood's most bankable and well-known creative geniuses.

In his position as chief creative officer of Disney's studios, a title he has retained while on leave, Mr. Lasseter steered a number of the com-

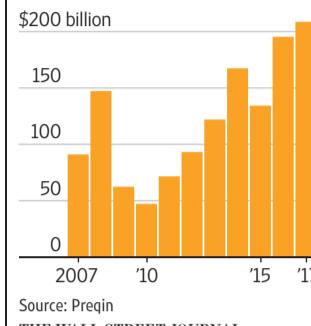
pany's most valuable franchises, including "Toy Story" and "Finding Nemo." After Disney acquired Pixar in 2005, he helped lead a revival of Disney Animation Studios, which made "Frozen" and "Zootopia," and consulted on everything from toy design to theme park attractions.

Along the way, Mr. Lasseter became something of a celebrity himself, showing up at Disney fan conventions to present

Please see **DISNEY** page B2

### Stacking Up

Money raised by private-equity funds focused on information technology



Source: Prequin

THE WALL STREET JOURNAL.

## Tech Buyout Rivals Face Off

BY LAURA COOPER  
AND DAWN LIM

Two of the largest technology-focused private-equity firms are competing to raise money for what would be their biggest funds, ratcheting up an already heated race for buyouts in the industry.

**Vista Equity Partners Management** is attempting to raise \$12 billion for its latest buyout fund, while **Thoma Bravo LLC** is looking for around \$10 billion, according to people familiar with the matter. Vista's effort hasn't previously been reported.

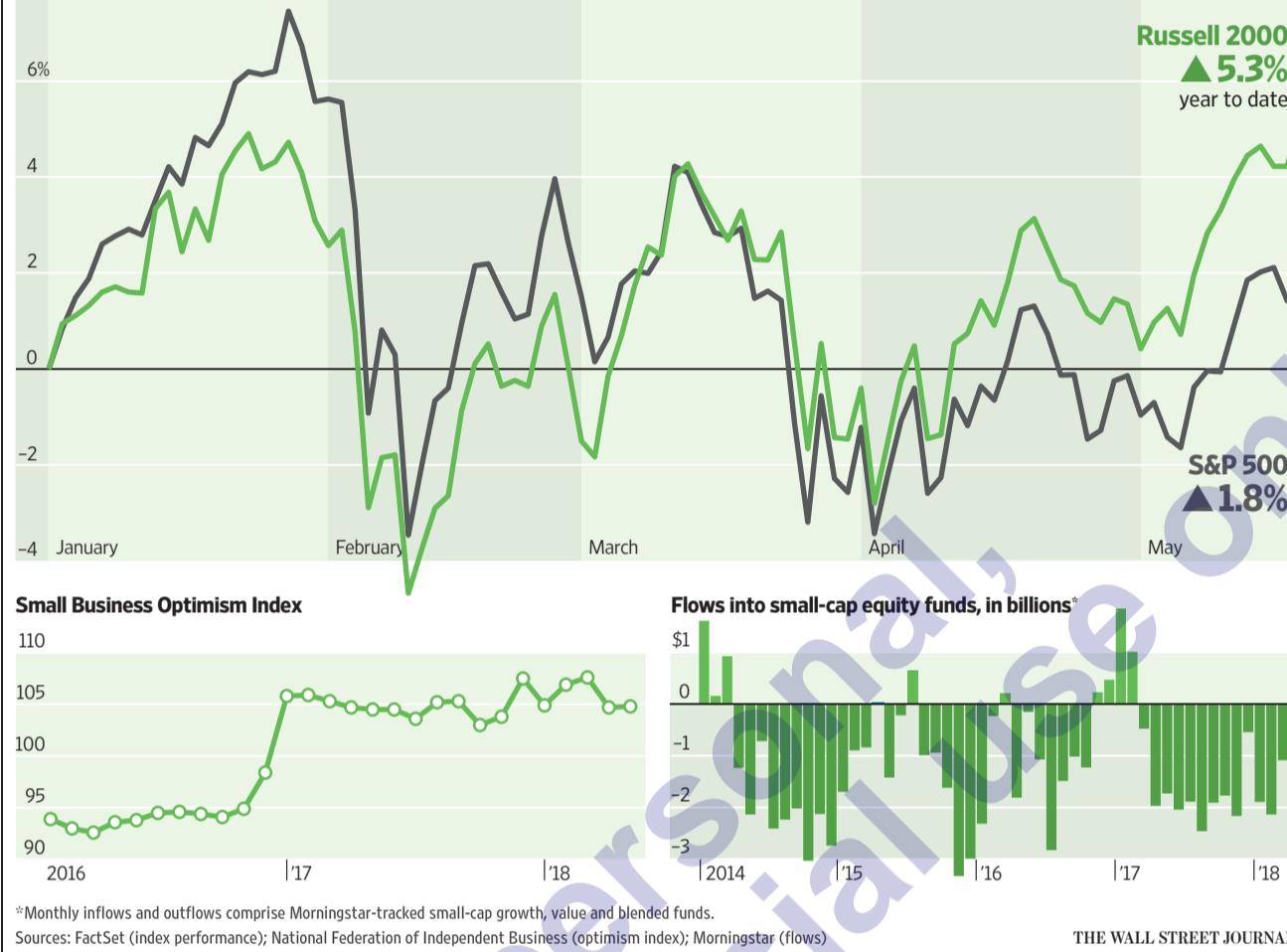
The moves represent quick returns to the fundraising market for the firms and underscore their voracious appetites for deals.

Vista and Thoma Bravo, until recently not widely known on Wall Street, have become some of the most active and aggressive players in technology investing, in some cases competing with each other for deals.

There is no guarantee the firms will reach those targets, and it is possible they will exceed them. Investors believe the funds would still likely be smaller than the \$15 billion tech-focused pool that investor **Silver Lake** raised in 2017.

Assuming Vista and Thoma Bravo succeed in their fundraising efforts, their next chal-

Please see **FUNDS** page B4



THE WALL STREET JOURNAL.

## Small Stocks Speed Past Large Caps

BY AKANE OTANI  
AND MICHAEL WURSTHORN

Shares of small U.S. companies climbed to a fresh record, reflecting their gains in the recent tax overhaul and signs that U.S. growth once again looks more robust than that from overseas.

The rally marks a remarkable rebound for small caps, which fell behind large stocks last year as investors poured

money into multinational companies they felt were best positioned to benefit from a synchronized pickup in the global economy.

Yet in recent weeks, data have suggested that momentum around the world could be faltering. Growth in the eurozone appears to have slowed in the first quarter of the year, while data Tuesday showed Japan's economy contracted over the same period, ending

the country's longest growth streak in 28 years.

The comparatively rosier outlook for the U.S. has drummed up fresh optimism among investors in small caps—especially with many expecting small companies, which tend to pay higher effective tax rates than multinationals, to get a boost from corporate tax cuts.

The Russell 2000 index of smaller U.S. companies rose

1% Wednesday to 1616.37, topping its Jan. 23 closing high.

For the year, the index is now up 5.3%, outperforming both the S&P 500, which has risen 1.8%, and the Dow Jones Industrial Average, which is up 0.2%. Those indexes are still more than 5% below their January highs.

"When you have an environment where we're deregulating as opposed to increasing

Please see **SMALL** page B10

**ZUCKERBERG PUTS ON BEST FACE FOR EUROPE**

**OIL SUPPLY RECEDES TO THREE-YEAR LOW**

**COMMODITIES, B11**

## Plot Thickens for MoviePass

BY BEN FRITZ



The service has loyal subscribers but loses money on ticket sales.

RICHARD B. LEVINE/NEWSCOM/ZUMA PRESS

Michael D'Ariano has saved a lot of money thanks to MoviePass. But he has lost even more.

As one of the more than 2.7 million subscribers to the service that lets people see a new film every day for just \$9.95 a month, he has watched more than 40 movies this year.

The Bronxville, N.Y., salesman believes in MoviePass so much that he bought 1,000 shares of stock in its parent company, **Helios & Matheson Analytics Inc.**, over the past four months. He thought it could be the next Netflix Inc.

His investment is turning out more like a grisly drama than a feel-good comedy. Shares in Helios have dropped 93% since the end of January. Since May 7, they are down 68%, closing Wednesday at 68 cents.

"I'm saving \$70 a month going to the movies and losing thousands investing in the company that's letting me do that," lamented Mr. D'Ariano.

Since slashing its monthly subscription price last August from as much as \$99, Movie

Pass has built the kind of brand loyalty that most companies dream about. Users evangelize on what may be the best consumer value in America. On average, a movie ticket in the U.S. costs \$9.16, accord-

Please see **PASS** page B2

## Card Issuers Grapple With Harder Times

BY ANNAMARIA ANDRIOTIS

Rising loan losses and increased rewards expenses are pressuring credit-card lenders' returns, raising concerns that one of the most profitable consumer-lending categories in recent years may have hit a peak.

Cards remain highly lucrative for banks, but the benefits of a rising interest-rate environment have been muted lately. The added revenue of cardholders paying more in interest payments each month has been offset by competition from lenders trying to poach card customers by offering lower rates.

"The easy money has been made in card lending," said Don Fandetti, consumer finance analyst at Wells Fargo &

Please see **CARD** page B6

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WELL'S FARGO

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## DISNEY

Continued from the prior page  
new footage or sell versions of his signature Hawaiian shirts. Rosé from his family's Sonoma Valley vineyard is still available at Disneyland and Walt Disney World.

A representative for Mr. Lasseter didn't respond to a request for comment.

If Mr. Lasseter returns in his prior role, Disney risks alienating employees and opening itself to blame for any future inappropriate behavior on his part. Some current and former Pixar employees have told media outlets, including The Wall Street Journal, that Mr. Lasseter regularly hugged or otherwise touched them without consent.

The company appears to be trying to keep the benefit of Lasseter's creative input.

Some employees said that Mr. Lasseter's behavior didn't bother them. However, others, particularly younger women, said they were uncomfortable and came forward in the light of the #MeToo movement.

In announcing his leave in November, Mr. Lasseter, 61 years old, said: "I especially want to apologize to anyone who has ever been on the receiving end of an unwanted hug or any other gesture they felt crossed the line in any way, shape, or form."

Since then, Mr. Lasseter has disappeared from public view. Disney employees said they hadn't heard from him and didn't know his whereabouts.

He left immediately before the debut of Pixar's Oscar-winning "Coco" and has remained absent even as the studios ready two high-profile releases:



John Lasseter's influence was pervasive at the animation studios.

## BUSINESS & FINANCE

# Macy's Sales Take a Positive Turn

BY SUZANNE KAPNER AND ALLISON PRANG

After closing dozens of stores, **Macy's Inc.** reported higher sales at locations still open amid signs that the department-store giant is pulling out of a prolonged slump.

The results were buoyed by a strong economy, with low unemployment and recent tax cuts that should give consumers more money to spend. They bode well for other retailers scheduled to report earnings this week, including **Walmart Inc.**, **J.C. Penney Co.** and **Nordstrom Inc.**

"The customer is feeling confident, and is out there ready to spend," said Macy's Chief Executive Jeff Gennette.

Macy's said same-store sales in its fiscal first quarter rose 3.9% from a year earlier, and by 4.2%, including licensed departments.

A big driver of the sales increase was a promotional event that shifted into the first quarter; last year it occurred during the second quarter. Stripping out this event, same-store sales on an owned-plus-licensed basis would have risen 1.7% for the period ended May 5, according to the company.

But Macy's is also taking internal steps that are boosting performance, including a streamlined merchandising structure and a new incentive

### On the Rise

Shares in Macy's surged after the retailer reported sales growth that surpassed analysts' estimates.

### Comparable store sales

Change from previous year



Sources: the company (sales); FactSet (shares)

plan that lets all full- and part-time staff share in the gains, based on local store and corporate performance. "We're moving better and faster than ever before," Mr. Gennette said.

Shares in Macy's shot up nearly 11% Wednesday after the retailer reported same-store sales growth that widely surpassed analysts' estimates and raised its projections for the year.

Macy's said it now expects to earn between \$3.75 and \$3.95 a share on an adjusted basis, a range 20 cents higher

### Macy's daily share price



THE WALL STREET JOURNAL.

than its prior guidance. The company also raised the prospects of seeing annual sales growth. The department-store chain now expects annual sales to be in a range of down 1% to up 0.5%, compared to its prior forecast of sales falling between 0.5% and 2%.

Macy's revenue rose 3.6% to \$5.54 billion.

Profit climbed 78% to \$139 million, or 45 cents a share.

On an adjusted basis, the company earned 48 cents a share.

Macy's had less excess inventory to clear in the period,

and customers also spent more on full-priced goods. That helped the average ticket price rise 5%, according to the company.

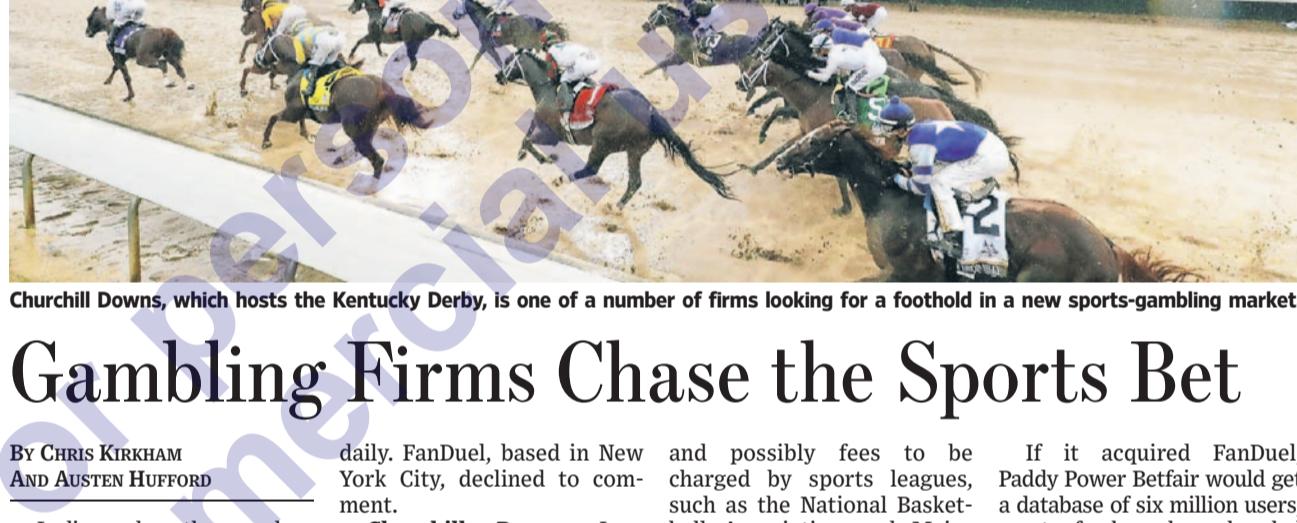
The retailer also benefited from a rebound in spending by international tourists after they pulled back in recent years due to the strong dollar.

Mr. Gennette said Macy's was getting traction from revamped shoe and fine jewelry departments as well as a new loyalty program that offers tiered rewards based on spending. It is also adding new categories to its website through its vendor direct program, such as drones and decorative home goods.

Mr. Gennette also pointed to the rollout of Macy's Backstage, the company's discount concept, as helping to buoy sales. In the first quarter, Macy's opened about 20 of these stores. It plans to open 100 this fiscal year.

The company also said earlier this month it bought a New York City concept store called STORY that changes what it is selling and its design every four to eight weeks. Macy's also said that STORY's CEO and founder, Rachel Shechtman, will become a brand experience officer at Macy's.

◆ Heard: Macy's results are a miracle on 34th Street.....B12



Churchill Downs, which hosts the Kentucky Derby, is one of a number of firms looking for a foothold in a new sports-gambling market.

## Gambling Firms Chase the Sports Bet

BY CHRIS KIRKHAM AND AUSTEN HUFFORD

Ladies and gentlemen, place your bets. Gambling firms are wagering that the U.S. sports-betting market is the next frontier after the Supreme Court lifted limits on the business, and several are vying to be first out of the gate with offerings.

Businesses on both sides of the Atlantic are working to launch or expand U.S. operations, hoping to get a piece of what could be a multibillion-dollar industry.

**Paddy Power Betfair PLC**, a Dublin gambling company, said Wednesday it is in talks to merge its U.S. business with **FanDuel Inc.**, a fantasy-sports company that offers games

daily. FanDuel, based in New York City, declined to comment.

**Churchill Downs Inc.**, which hosts the Kentucky Derby, said Wednesday it is planning to expand its sports-betting business. That came on the heels of similar announcements from casino operators, including **Caesars Entertainment Corp.**

The Supreme Court on Monday opened the door to legal sports betting across the country by invalidating federal prohibitions from 1992 that had essentially restricted the legal market to Nevada. Gambling operators, sports leagues and state governments are now vying for their share of the potential revenue, as state lawmakers discuss tax rates

and possibly fees to be charged by sports leagues, such as the National Basketball Association and Major League Baseball.

Paddy Power Betfair has already been in the U.S. market for years, operating a horse-racing TV channel and related online betting. The company also runs an online casino in New Jersey, where lawmakers have said they would move quickly to pass legislation to regulate and tax legalized sports betting.

Kip Levin, chief executive of the Paddy Power Betfair's U.S. operation, said his company plans to move quickly into the New Jersey market, and expects to be offering wagers on National Football League games this fall.

If it acquired FanDuel, Paddy Power Betfair would get a database of six million users, most of whom have handed over their credit-card information. Paddy Power last year acquired a smaller daily fantasy-sports company called Draft. DraftKings Inc., another fantasy-sports operator, also said Monday it would enter the sports-betting market.

Even before Monday's decision, FanDuel Chief Executive Matt King said he had a team of people working on making sports-betting products, an expansion from the company's paid fantasy offerings.

Churchill Downs said Wednesday it would enter online-gambling and sports-betting markets in New Jersey and Pennsylvania.

## PASS

Continued from the prior page  
ing to an industry trade group, and much more in major cities.

For barely more than that, a dedicated MoviePass user can see every Hollywood release and several obscure independents or Bollywood imports to boot.

Some said the offer was too good to be true, an opinion that may now merit a "spoiler alert" warning. In its annual report, filed last month, the independent auditor for Helios expressed "substantial doubt" about its ability to continue operating.

MoviePass pays theaters full price for every movie ticket its members order, meaning that its core business is designed to operate at a loss. The company's plan, executives have said, is to take advantage of a user base that has grown nearly 150-fold in nine months to sell advertisements and to persuade theaters to give them a cut of revenue.

Despite some successes, including email ads for the comedy remake "Overboard" and deals with small cinema chains, MoviePass lost \$98.3 million on \$48.6 million of revenue in the quarter ended March 31. Helios reported Tuesday. In a

### Boom and Bust

Shares in MoviePass's parent company have surged and plunged since the company made its movie-a-day offering.

### Helios & Matheson share price



regulatory filing last week, Helios, which generates more than 98% of its revenue from MoviePass, said it had only \$15.5 million cash and \$27.9 million of accounts receivable. The revelation sent its already struggling stock into a tailspin.

Helios Chief Executive Ted Farnsworth, however, wasn't in crisis mode when reached by phone Friday at the Cannes

Film Festival in the south of France, which he described as "a riot, one big party."

He was seeking new films his company could invest in through its MoviePass Ventures, which buys stakes in motion pictures that it can market to its users. MoviePass Ventures already owns part of "Gotti," a biopic of the crime boss starring John Travolta that premiered at Cannes.

Mr. Farnsworth argued that the company has access to hundreds of millions of dollars through other means, including a deal to sell up to \$150 million of new stock that, when announced last month, also sent shares plummeting. Recent changes, such as banning seeing the same movie twice, have brought MoviePass's monthly burn rate down by 40%, he said.

## BUSINESS NEWS

# Southwest Completes Inspection Of Engines

By DOUG CAMERON

ANNAPOLIS, Md.—Southwest Airlines Co. said it has completed engine inspections across its fleet of more than 700 jets after a fatal accident on one of its flights last month.

Chief Executive Gary Kelly on Wednesday said Southwest has sent a small number of engine fan blades back to their maker for further tests and is working with manufacturers and regulators on the potential redesign of parts and inspection protocols.

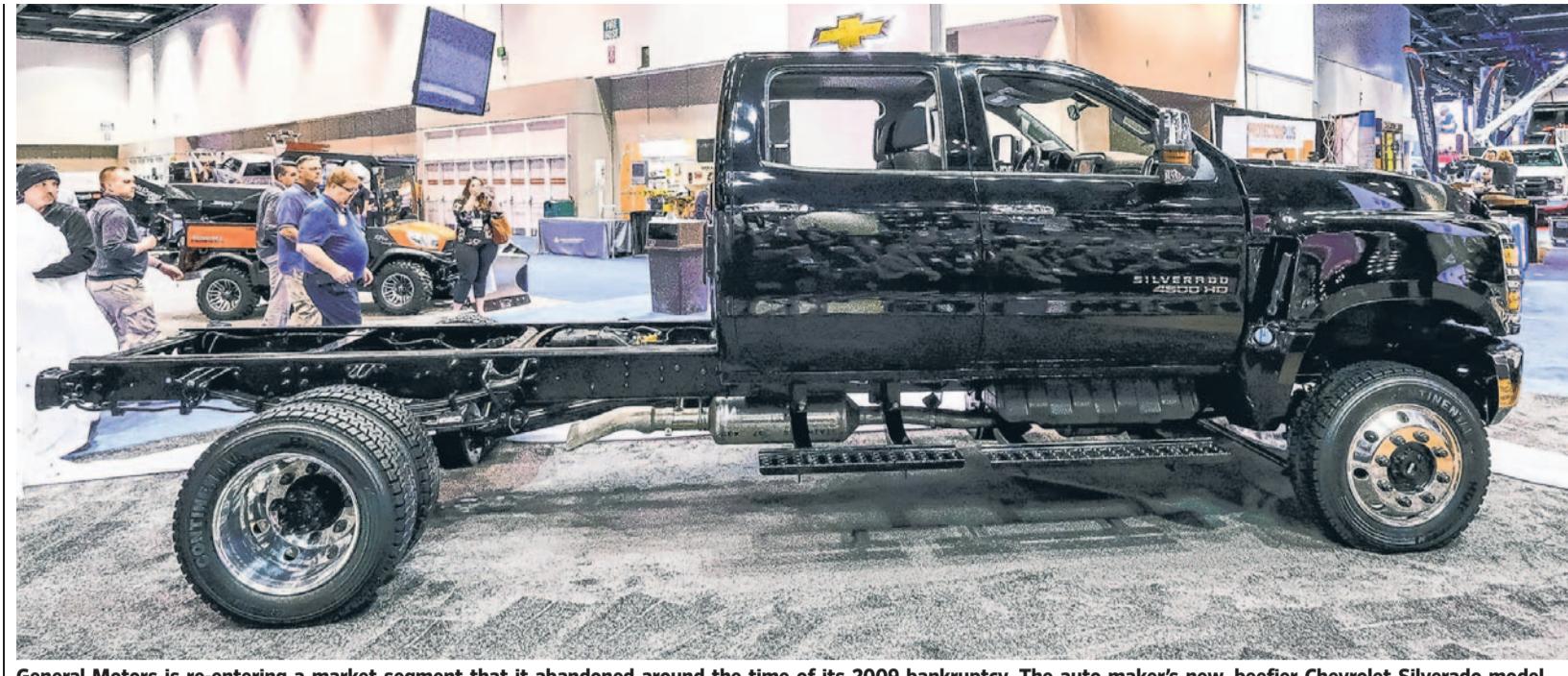
The April 17 engine blowout on a flight from New York to Dallas sent debris from the engine cowling into parts of the jet's wing and fuselage, breaking a window and killing passenger Jennifer Riordan. Afterward, Southwest canceled around 500 flights to perform the engine inspections across its fleet.

Mr. Kelly said at Southwest's annual meeting that the airline remained in contact with Ms. Riordan's family.

Mr. Kelly said that bookings were still down as the airline has pulled back on marketing in the wake of the accident. The carrier of the most U.S. domestic passengers still expects revenue per available seat mile to decline between 1% and 3% in the second quarter. Southwest said 1 to 2 percentage points of that decline was attributable to the recent softness in bookings.

Before the accident, analysts had expected that unit-revenue measure to be flat to down 2% from a year earlier.

The airline's stock has been the industry's worst performer this year, falling around 20% as investors fret over plans to add capacity that could spark competition with other carriers to cut fares.



General Motors is re-entering a market segment that it abandoned around the time of its 2009 bankruptcy. The auto maker's new, beefier Chevrolet Silverado model.

AJ MAST FOR CHEVROLET

# Heavy-Pickup Contest Heats Up

**With a new entry, GM hopes to cut into Ford's traditional lead in a growing market**

By MIKE COLIAS

The business of big trucks is bigger than ever, opening up a new front in the market-share battle between **General Motors** Co. and **Ford Motor** Co., which dominate the production of pickups that significantly outweigh conventional models.

A strong U.S. economy and the December tax overhaul are helping lift sales of commercial vehicles, mainly pickup trucks and delivery vans used by farmers, general contractors and other skilled trades, auto dealers say. While Ford, with its F-Series pickup, has long held a sizable lead in the battle for business customers, GM this year plans to reintroduce a so-called medium-duty commercial truck, a category the auto giant abandoned around the time of its 2009 bankruptcy.

The beefy new Chevrolet Silverados will be built under an agreement with truck maker **Navistar International** Corp. at a plant in Springfield, Ohio. The trucks are as much as three times as heavy as a regular Silverado, and users convert them into everything from dump trucks to ambulances.

GM's return to the segment reflects Detroit's sharper focus on trucks and sport-utility vehicles as demand for passenger cars recedes. GM, Ford and **Fiat Chrysler Automobiles** NV are adding new truck models in a bid to boost profits. Big pickup trucks and the SUVs that share the same frames offer fatter profit margins than cars and generate the majority of global profit at the companies.

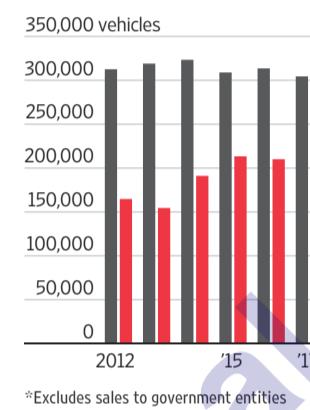
Ed Peper, head of GM's fleet business, believes the return of the medium-duty Silverado truck to GM's lineup will bring back business customers who defected to Ford. "We've been losing customers because we don't have this," Mr. Peper said.

John Ruppert, general man-

## Truck Trailer

GM hopes to close the gap with Ford in the lucrative market for commercial vehicles.

### U.S. commercial vehicle sales



\*Excludes sales to government entities

Source: Bobit Business Media

customers like Fred Hollmann, owner of a landscaping company near Cincinnati. Mr. Hollmann said he plans to buy several pickup trucks through next year to update his fleet of about 50 vehicles. Business is strong, and his lower taxes have improved cash flow, he said. Provisions in the tax law allow business owners to fully write down the depreciation of a heavy truck the same year it was purchased, an incentive Mr. Hollmann said he plans to utilize.

"We've got several trucks that have just gone by the wayside and need to be replaced," Mr. Hollmann said.

The medium-duty truck segment is relatively small—there were about 150,000 sold last year, according to Columbus, Ind.-based ACT Research Co. But buyers tend to be big spenders and typically purchase many types of vehicles from the same auto maker, said Steve Tam, an ACT vice president.

Medium-duty trucks, which are more customizable than other types of trucks, can go for more than \$60,000, plus hefty conversion costs.

Ford is the segment's major player, with about 45% market share, according to ACT. But GM will face other competitors, too, including Fiat Chrysler's Ram division, **Daimler AG**'s Freightliner brand and **Isuzu Motors** Ltd.

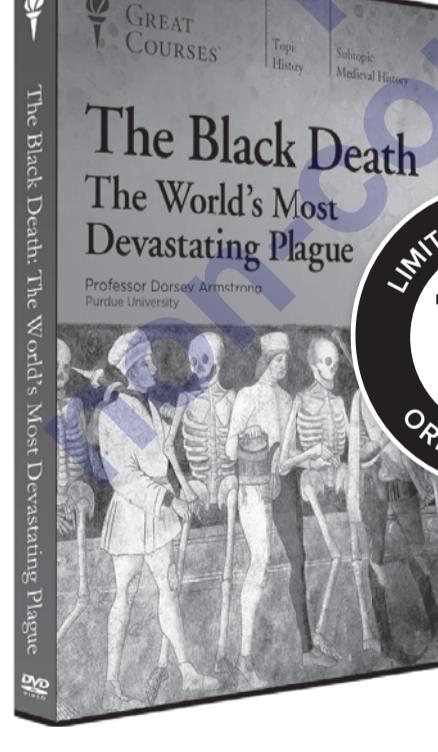
GM's overall commercial business suffered after bankruptcy, which scared away some customers. The company's sales to business customers totaled about 165,000 vehicles in 2012, down by nearly half from 2006.

The medium-duty Silverados will be the biggest vehicles GM sells, though it will leverage other parts of its truck business. For example, the cabin—typically no-frills—will be similar to the interior of a regular Silverado, with creature comforts like Wi-Fi and Apple Car Play.

Keith McCluskey, a Cincinnati Chevrolet dealer, was a major seller of medium-duty trucks before GM killed the line. He has already fielded calls from customers eager to check out the new one, but he believes winning back business from Ford will be tough.

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## TECHNOLOGY

## FUNDS

*Continued from page B1*

leng will be to invest all that money without further inflating the prices of tech businesses and driving down the buyout firms' returns. Skyrocketing demand from private-equity and sovereign-wealth funds already has pushed up purchase prices sharply.

Technology has been the most popular sector for private-equity investors in recent years, accounting for 20.5%, or \$79.5 billion, of all acquisitions globally in 2017, according to Dealogic. Buyers acquired controlling stakes in technology companies larger than \$10 million at an average price of 23 times earnings before interest, taxes, depreciation and amortization last year, matching the 2015 peak, according to Dealogic.

Buyout firms have been drawn to technology, particularly so-called software-as-a-service companies, for their promise of recurring revenues, which can help support the hefty debt loads the investors tend to use to finance takeovers.

Vista, which was founded in 2000 and manages over \$31 billion, has invested in companies including educational-software provider **PowerSchool Group** LLC and data-analytics provider **TIBCO Software** Inc. The Austin, Texas, firm just closed an \$11 billion-plus fund last year. A 2014 Vista fund delivered roughly 1.25 times invested capital as of December 2017, according to pension data and research firms. The result doesn't include a recent deal to sell part of its stake in PowerSchool, which is expected to generate nearly four times invested capital.

Vista, which focuses exclusively on software, employs over 200 people. About half of them are part of a consulting arm that works to improve operations at businesses the firm owns. In recent years, Vista has expanded beyond its core buyout funds into other strategies, including small-cap deals and credit. The firm has also set its sights on a fund with a longer life span than traditional private-equity deals.

Thoma Bravo, with more than \$21 billion in assets, has invested in cloud-security business **Barracuda Networks** Inc. and cybersecurity firm **SailPoint Technologies Holdings** Inc.

Thoma Bravo, which has offices in Chicago and San Francisco, raised \$7.6 billion for its prior flagfund in late 2016. Its 2014 fund delivered 1.58 times invested capital as of December 2017, according to pension-fund data.

Thoma Bravo invests more broadly, and besides software focuses on technology-enabled services. The firm, which has 85 employees and operating executives, has expanded into funds that invest in smaller deals too.

—Laura Kreutzer contributed to this article.



DANIEL LEAL-OLIVAS/AGENCE FRANCE PRESSE/GTY IMAGES

## Zuckerberg Seeks to Ease Strains on European Visit

BY NATALIA DROZDIAK AND SAM SCHECHNER

**BRUSSELS**—Facebook Inc. CEO Mark Zuckerberg will meet with French President Emmanuel Macron and other European officials next week, as the Silicon Valley giant tries to calm tension with regulators and policy makers on both sides of the Atlantic.

Mr. Zuckerberg will meet with top European lawmakers in Brussels to discuss the social network's handling of its users' personal information, and its potential impact on European elections, said European Parliament President Antonio Tajani. The hearing won't be open to the public, an EU official said.

In Paris, Mr. Zuckerberg will participate in a lunchtime meeting Wednesday at France's Élysée Palace called "Tech for Good" that will include such tech executives as Uber Technologies Inc. CEO Dara Khosrowshahi, a French official said. Mr. Zuckerberg will also have a private meeting with Mr. Macron, the official added.

"We are looking forward to meeting next week with the president of the French Republic Emmanuel Macron," the company said, adding of its meetings with EU lawmakers: "We...appreciate the opportunity for dialogue, to listen to their views and show the steps we are taking to better protect

people's privacy."

A Facebook spokesman declined to comment when asked if Mr. Zuckerberg would travel to other European capitals or meet with other officials.

Facebook has come under fire in recent months over revelations that the social network allowed personal information of as many as 87 million users to be obtained by data-analytics company Cambridge Analytica. Face-

The Facebook CEO will meet with French President Macron and EU officials.

book also has faced heat over interference in the 2016 U.S. presidential election by Russian operatives using the social network.

Ahead of European Parliament elections in 2019, the EU has been pushing platforms to do more to halt the spread of misinformation or "fake news" on their sites, or face possible regulation. Mr. Macron has also directed his government to work on proposing a law to rein in fake news during election periods.

Some EU lawmakers criticized the decision to hold the meeting in Brussels behind

closed doors. "Given the deep mistrust caused by the Cambridge Analytica scandal, this meeting must be public. There should not be double standards for the U.S. Congress and the European Parliament," said Green group leaders Philippe Lamberts and Ska Keller.

A trip by Mr. Zuckerberg next week would coincide with the bloc's sweeping new privacy laws, which enter into force on Friday, May 25. Facebook has said it would implement some privacy controls inspired by the law worldwide.

European lawmakers have stepped up calls for Mr. Zuckerberg to testify in Brussels about the Cambridge revelations after he spoke before U.S. lawmakers in mid-April.

In the U.K., a British parliamentary committee requested that Mr. Zuckerberg testify about Facebook's handling of user data or face a formal summons.

Facebook has said Mr. Zuckerberg had no plans to go to the U.K., and a spokesman Wednesday said he had "nothing else to add right now." The company sent a top executive to testify before the committee last month. In January, Facebook Chief Operating Officer Sheryl Sandberg also met with Mr. Macron in Paris, and with EU officials in Brussels.

—Valentina Pop, Jenny Gross and William Horobin contributed to this article.

## Tencent's Net Jumps On Games, Services

By WAYNE MA

**BELIJING**—Tencent Holdings Ltd. blew past expectations, reporting a 61% increase in net profit for the first three months of the year on the strength of mobile games and other digital content, and its fast-growing mobile payments business.

The company's earnings in the quarter offer a window into the forces shaping China's consumers, who are increasingly relying on their smartphones for entertainment content and making purchases.

Tencent's core business remains online games, with consumers continuing a rapid migration from PC to mobile. Revenue from PC games was flat from a year earlier, while mobile-game revenue was up 68%.

The company—known for its WeChat social-messaging app that recently topped one billion users—said its mobile games continue to dominate download charts, particularly QQ Speed Mobile, a racing game similar to Nintendo's Mario Kart released for smartphones in December.

Tencent's fastest-growing businesses are payments,

cloud services and digital-content subscriptions. Video subscriptions were up 85%, while cloud-services revenue doubled from a year earlier.

Revenue in the segment containing those ancillary businesses more than doubled in the first quarter, making up 22% of overall revenue, up from a 15% share in the year-earlier period.

Tencent's costs, however, are rising as it spends heavily to buy content to keep users glued to its products.

The company, based in Shenzhen, China, said cost of revenue, which includes content costs, rose by 51% in the quarter when compared with the same period last year.

Tencent reported net profit Wednesday of 23.29 billion yuan (\$3.66 billion) for the first quarter, beating the 17.1 billion yuan estimate of analysts polled by S&P Global Market Intelligence. Revenue rose 48% to 73.53 billion yuan.

Shares of Tencent, which has a market capitalization of 3.75 trillion Hong Kong dollars (US\$478 billion), ended 0.4% lower at HK\$397.60 in Hong Kong on Wednesday before the earnings release.



## FDA Clears Nonopiod Drug For Withdrawal Symptoms

By AISHA AL-MUSLIM

The U.S. Food and Drug Administration has approved the first nonopiod treatment to help adults manage opioid withdrawal symptoms as the agency looks to continue to encourage the development of therapies to help patients suffering from addiction.

The FDA granted the approval of Lucemyra to Louisville, Ky.-based pharmaceutical company **US WorldMeds** LLC, the agency said Wednesday.

The company also develops products for patients with Parkinson's disease, malignant hyperthermia and other medi-

cal conditions.

"We're developing new guidance to help accelerate the development of better treatments, including those that help manage opioid withdrawal symptoms," FDA Commissioner Scott Gottlieb said in prepared remarks. "We know that the physical symptoms of opioid withdrawal can be one of the biggest barriers for patients seeking help and ultimately overcoming addiction."

The treatment, which isn't designed to be a treatment for opioid addiction, is expected to be commercially available in the U.S. in August.

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## MANAGEMENT

# Eye on the Ball, Not on the Phone

To keep staff focused, managers try to keep devices at a distance; is the effort Prohibition-like?

BY JOHN SIMONS

Two thousand six hundred seventeen times a day. That is how often the average person taps, pokes, pinches or swipes their personal phone.

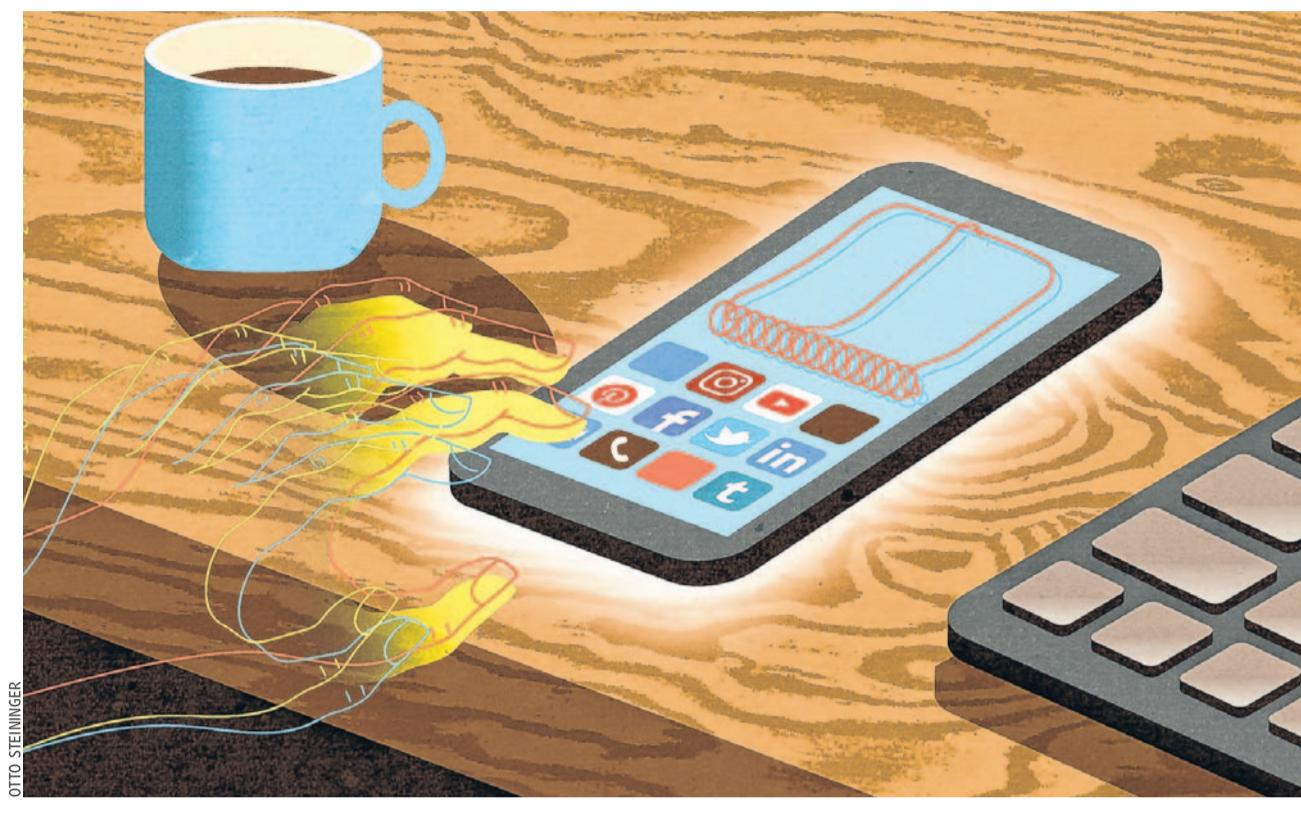
It all adds up to about 2 hours and 25 minutes, according to a study by mobile app research firm Dscout Inc. And a good chunk of that time comes during work hours.

Jason Brown had had enough of it. Two years ago, the chief executive of Brown, Parker & DeMarinis Advertising paused for a moment to look across the meeting room as he delivered a presentation. The majority of those gathered were fiddling with their phones.

"I lost it," says Mr. Brown. In his anger, he issued a companywide edict: "Don't show up at a meeting with me with your phone. If someone shows up with their phone, it'll be their last meeting."

Many managers are conflicted about how—or even whether—to limit smartphone use in the workplace. Smartphones enable people to get work done remotely, stay on top of rapid business developments and keep up with clients and colleagues. But the devices are also the leading productivity killers in the workplace, according to a 2016 survey of more than 2,000 executives and human-resource managers conducted by CareerBuilder, an HR software and services company.

There is also some evidence that the mere presence of smartphones hurts productivity. When workers in a recent study by the University of Texas and University of California had their personal phones placed on their desks—untouched—their cognitive performance was lower than when their devices were in another location, such as in a handbag or the pocket of



a coat hanging near their workspace.

"I firmly believe that multitasking is a myth," says Bill Hoopes, an IT project manager at L3 Technologies Inc.

Mr. Hoopes put his convictions into practice at group gatherings when he took over a team of about 25 people at the aerospace defense company three years ago. "Every time someone's phone went off, they had to stand for the rest of the meeting," he says. Before long, he asked the group to leave their phones at their desks when two or more people got together.

Over time, he says, he has noticed not only an improvement in the quality of conversation and ideas in meetings, but also that his people seem to show more respect and appreciation for one another's work.

Mat Ishbia, CEO of United Wholesale Mortgage, banned

technology from meetings about two years ago and recently asked that his executive team and other managers not check their phones as they walk to and from meetings.

"Don't act like we're too important to say hello," he says he told them. "Make eye contact with people."

Mr. Ishbia is now piloting another solution to phone addiction. A group of about 250 workers are part of an experiment in which they refrain from all personal phone use at their desks. If they want to use their devices they must go to a common area designated for phone use and socializing. Forty-five days into the trial run, workers are checking their phones a lot less, he said.

Bryan Lee, a product manager at enterprise software company Docker Inc., suspected that his daily phone

use was a problem, so last month he installed an app called Moment on his iPhone that tracks the total amount of daily time he spent on his phone. His first measurement revealed four hours in a day. Since early April, he has reduced that to roughly an hour.

At work, Mr. Lee persuaded his team of eight to download the app and post their daily phone hours on a whiteboard. The team member with the lowest time gets bragging rights.

"We're thinking of having a trophy we can pass around—or maybe just shaming the loser," he says.

Shane Wooten, CEO of enterprise video platform company Vidplat LLC, has limited personal devices at meetings with his employees since January—and he faced some resistance. Workers argue their phones are vital for staying

in touch with a sick child or researching information relevant to the meeting.

"I told them we're not in middle school," he says. "I'm not collecting phones in a bucket. Just don't have it out face up on the table."

The no-phones-at-meetings rule at Mr. Brown's ad agency lasted about two months as it wasn't all that effective. Instead of phones, staffers wore smartwatches to meetings or brought their laptops, which were just as distracting, he says. Now, he tells his 40 employees not to attend meetings unless they really have to be there and are ready to fully engage.

Mr. Brown missed his phone, too, and likened the experience to outlawing alcohol during the Prohibition era: "A theoretical state that almost no one wants to live in, including those making the rules," he says.

## European Executives Are Upbeat Despite Headwinds

BY NINA TRENTMANN

European companies are reporting slower profit growth as currency headwinds and higher costs squeeze earnings. Their outlook is shadowed by the specter of potential tariffs, despite a robust economic forecast for the region.

Still, more European executives are optimistic about their company's outlook, said Merrill Lynch strategist Manish Kabra, who reviewed 411 transcripts from first-quarter European company events. "The mind-set is positive but slowing down," Mr. Kabra said.

As of Monday, 58% of the 363 companies in the Stoxx Europe 600 that had reported quarterly results beat analysts' earnings expectations, according to JPMorgan Chase & Co.

A year ago, 66% of all companies listed on the index beat forecasts. Per-share earnings were up 10% from a year earlier, compared with a 25% advance for 2017's first quarter, according to JPMorgan.

"Raw material costs and currency effects are the two main factors European companies are battling with," said Philippe Houchois, an analyst at Jefferies LLC. The euro has appreciated more than 15% against the dollar from a year ago. Oil and other commodity prices crept up during the quarter.

**Bayer** AG, the German chemicals company, said currency effects held back earnings by around €160 million (\$191.5 million).

Higher prices for steel and plastics were a drag on profitability for car manufacturer **BMW** AG, which also suffered from fluctuations in the value of the Chinese yuan and the Russian ruble.

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##### David A. Ricks

Chairman and CEO,  
Eli Lilly and Company

##### Regina M. Benjamin, M.D.

Founder and CEO,  
BayouClinic, Inc.

Surgeon General of the United States  
(2009-2013)

##### Alexis Borysiuk

Director,  
Third Rock Ventures

##### Peter B. Bach, M.D.

Director, Center for Health Policy and  
Outcomes and Faculty Member, Department  
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Harvard Medical School

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PersonalGenomes.org

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(1992-2015), Treatment Research Institute

Deputy Director and Senior Scientist  
(2009-2011), White House Office of  
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## BUSINESS NEWS

# Oil Firms Tap Refining, Retailing

## Downstream Flow

Profits from refining divisions, long a laggard, have outpaced drilling...

### BP profit before interest and taxes



...though margins have fallen as crude prices recovered

### Industrywide refining margins, U.S. Gulf Coast



Sources: the company (profit); International Energy Agency (refining margins)

THE WALL STREET JOURNAL.

## Petrochemicals, gas stations offer growth, as swings in crude prices roil drilling

By SARAH KENT

Major oil companies are doubling down on gas stations, refineries and processing plants, betting on a once-unloved part of the energy business to shore up profits and expand their customer bases.

**BP** PLC plans to open thousands of gas stations in new markets such as Mexico and India over the next three years. **Exxon Mobil** Corp. is investing heavily to expand its petrochemical operations, which make products like plastics and the basic ingredients for all sorts of household goods. In November, **Royal Dutch Shell** PLC started work on a massive petrochemical complex in Pennsylvania—it's first big new plant in the U.S.

since the 1960s.

Companies are expected to add 7.7 million barrels a day of new refining capacity by 2023, according to the International Energy Agency. In petrochemicals, the agency estimates that over the next five years investment in the U.S. alone will add 13 million tons a year of new capacity to produce ethylene, the main component of plastic.

American refining, in particular, is booming. Surging shale production has provided cheap and plentiful oil close to the country's petrochemical heartland around the Gulf Coast. Fuel demand is expected to rise. All those dynamics helped drive Marathon Petroleum Corp.'s agreement to buy rival Andeavor last month for \$23 billion, a deal that would create the country's largest refiner.

As smaller refiners consolidate, the world's major oil companies are promising that investment in their so-called

downstream businesses—and restructuring efforts they are simultaneously pursuing to improve efficiency—will add billions of dollars to earnings. The downstream focus sharpened amid a period of lower oil prices and concerns over long-term oil demand. Cheaper crude—the primary feedstock for refining—boosted margins

gave his unit a fresh imperative to "really significantly contribute to group performance, because we have to."

Today, higher crude prices pose a risk that margins from refining won't be as strong as they have in recent years. And all the new investment in capacity could end up swamping the market, analysts warned.

"It remains to be seen the way demand is going to shape up," said Jonathan Leitch, research director at Edinburgh-based consultancy Wood Mackenzie.

Investor pressure also has mounted on the major oil companies to start positioning for an age when fossil fuels may no longer power the world's fleet of passenger cars. Executives are betting their big petrochemical plants can offer diversification. According to the IEA, petrochemical production is expected to be the biggest driver of oil demand growth in the coming decades.

Gas stations, too, are prom-

ising new growth. They offer access to emerging markets, where demand for fuel is expected to be especially robust.

BP says it is on track to open 500 retail sites in Mexico by the end of the year, up from zero at the start of 2017.

A geographically wide network of branded retail outlets also could create new opportunities where the industry now sees threats—such as electric charging stations.

Last year, Shell bought one of Europe's biggest electric-vehicle charging companies, New Motion. It has teamed up with a group of car manufacturers to install more than 500 fast-charging points at existing Shell stations, across 10 countries in Europe over the next two years.

The rise of electric vehicles is "a reality, and an opportunity," Shell's downstream director, John Abbott, told analysts in March. "We are adjusting our offer to meet this new demand."

# CARD

Continued from page B1

Co. Credit cards became an appealing loan category for banks in the wake of the last recession. Card balances increased at an accelerating pace in recent years, reaching a 7% year-over-year growth rate early last year. Total balances exceeded \$1.03 trillion in January, the highest on record, according to the Federal Reserve.

But that coincided with an increase in loan losses from historically low levels, as banks set aside more money for future write-offs. They also tightened their underwriting standards, resulting in slowing growth.

Card-balance growth in March was up 4.8% from a year earlier, compared with a 6.1% increase in March 2017 from the year-ago period.

Five of the largest credit-

card issuers—American Express Co., Capital One Financial Corp., Citigroup Inc., Discover Financial Services and Synchrony Financial—generated a median return of 2.1% on their assets for common shareholders in the first quarter, up from 2% a year earlier but down from 2.6% two years ago, according to analysis by Autonomous Research. The recent peak was 3.7% in the second quarter of 2011, according to an industry analysis by Autonomous at the time.

"The industry was at an unsustainable high...so coming down is expected," David Nelms, Discover's chief executive, said in an interview.

The pickup in returns for most banks in the first quarter was primarily the result of tighter underwriting, which helped slow the rate of loan-loss increases and the amount of money banks are setting aside for future losses. U.S. tax-law changes that lowered

corporate tax rates also helped.

Still, returns remain largely unchanged—and in some cases down—from about 2½ years ago when the Fed began raising rates. "Rising rates [are] a mixed blessing for the card issuers at this point," said Brian Foran, analyst at Autonomous Research. Companies aren't getting the full benefit of the higher rates because while interest charges on cards are rising, so are the interest rates card issuers are having to pay bank customers for their online deposit accounts.

Some analysts predict that profitability will keep falling, though it remains significantly higher than many other banking products. Credit cards delivered a projected 3.8% return on assets to 14 large banks highly concentrated in the card business last year, compared with an overall 1.35% projected return for all commercial banks, according to payments consulting firm

## Mercator Advisory Group

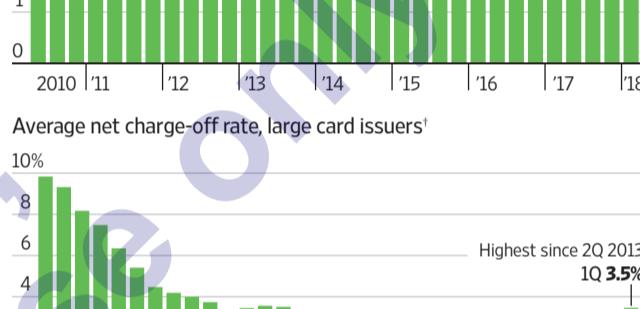
Inc. Mercator projects that card returns will fall in 2018 to 3.5% due to losses and challenges cutting further costs.

Stocks of card companies have reflected the concern, with Discover shares up 0.7% this year, and Synchrony Financial, the largest U.S. store credit-card issuer by purchase volume, down 10%, compared with a 4% gain in the KBW Nasdaq Bank Index.

Credit-card losses have been mostly rising over the past two years after hovering around near-record lows. The average net charge-off rate—the share of outstanding debt that issuers wrote off as a loss—for eight of the largest credit-card issuers reached a nearly five-year high of 3.46% in the first quarter, according to Fitch Ratings. The increases have become worrisome indicators for some shareholders of consumers' inability to pay debts at a time when unemployment is low.

## Profit Push

Return on assets at large card issuers\*



Average net charge-off rate, large card issuers†



Highest since 2Q 2013

\*Based on median returns for common shareholders

†Includes American Express, Bank of America, Capital One, Citigroup, Discover, JPMorgan Chase, U.S. Bancorp and Wells Fargo

Sources: Autonomous Research (return); Fitch Ratings (charge off)

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#### Asset Type: Zero Factor - RMBMs

#### Lot #

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#### Issue

#### Original Face (USD)

#### 32

#### 39538WDV7

#### GPMF 2005-HE4 B2

#### 3,110,000.00

#### 33

#### 362341P52

#### GSR 2005-HE1 B2

#### 4,401,000.00

#### 34

#### 40430FAP7

#### HASC 2007-HE1 M9

#### 5,009,000.00

#### 35

#### 437084SH0

#### HEAT 2006-6 B3

#### 6,400,000.00

#### 36

#### 437097AS7

#### HEAT 2006-6 B3

#### 2,250,000.00

#### 37

#### 22541S3H9

#### HEMT 2004-6 B2

#### 4,725,000.00

#### 38

#### 22545SDC9

#### HEMT 2005-1 B2

#### 4,250,000.00

#### 39

#### 2254WUOL7

#### HEMT 2005-HF1 B1

#### 5,100,000.00

#### 40

#### 437101E63

#### HEMT 2005-HF1 B2

#### 2,375,000.00

#### 41

#### 42514UJ5

#### LBMLT 2004-4 B12

#### 3,000,000.00

#### 42

#### 42514UJ5

#### LBMLT 2006-S M10

#### 1,786,000.00

#### 43

#### 65535UVY2

#### NAA 2005-S B23

#### 6,496,141.00

#### 44

#### 65535VREO

#### NAA 2005-S4 B4

#### 2,889,000.0

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24768.93** ▲ 62.52, or 0.25%  
 High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.32	20.06
P/E estimate *	16.41	17.72
Dividend yield	2.17	2.39
All-time high	26616.71, 01/26/18	

Current divisor 0.1452339677348



Bars measure the point change from session's open

Feb.	Mar.	Apr.	May
22000	22000	22000	22000

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2722.46** ▲ 11.01, or 0.41%  
 High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.28	23.83
P/E estimate *	17.05	18.45
Dividend yield	1.91	1.97
All-time high	2872.87, 01/26/18	



Feb.	Mar.	Apr.	May
2500	2500	2500	2500

## Nasdaq Composite Index

**7398.30** ▲ 46.67, or 0.63%  
 High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.99	26.09
P/E estimate *	20.25	21.02
Dividend yield	1.01	1.10
All-time high	7588.32, 03/12/18	



Feb.	Mar.	Apr.	May
6300	6300	6300	6300

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg	3-yr. ann.
	Dow Jones	Industrial Average	24801.19	24672.79	<b>24768.93</b>	62.52	26616.71	20606.93	<b>20.2</b>	0.2	<b>35.6</b>
Transportation Avg	10760.70	10610.64	<b>10702.54</b>	86.87	<span style="color: green;">▲ 0.82</span>	11373.38	8783.74	<b>21.8</b>	0.9	<b>23.3</b>	
Utility Average	680.65	671.65	<b>674.05</b>	-6.12	<span style="color: red;">-0.90</span>	774.47	647.90	<b>-3.5</b>	-6.8	<b>15.1</b>	
Total Stock Market	28339.54	28161.18	<b>28280.10</b>	129.84	<span style="color: green;">▲ 0.46</span>	29630.47	24391.29	<b>15.9</b>	2.2	<b>8.4</b>	
Barron's 400	740.53	732.31	<b>738.50</b>	7.38	<span style="color: green;">▲ 1.01</span>	757.37	624.99	<b>18.2</b>	3.9	<b>8.7</b>	

## Nasdaq Stock Market

Nasdaq Composite	7413.32	7356.16	<b>7398.30</b>	46.67	<span style="color: green;">▲ 0.63</span>	7588.32	6011.24	<b>23.1</b>	7.2	<b>13.6</b>
Nasdaq 100	6944.54	6891.65	<b>6929.97</b>	41.43	<span style="color: green;">▲ 0.60</span>	7131.12	5580.55	<b>24.2</b>	8.3	<b>15.5</b>

## S&amp;P

S&P 500 Index	2727.76	2712.17	<b>2722.46</b>	11.01	<span style="color: green;">▲ 0.41</span>	2872.87	2357.03	<b>15.5</b>	1.8	<b>8.6</b>
MidCap 400	1949.96	1932.00	<b>1943.81</b>	13.14	<span style="color: green;">▲ 0.68</span>	1995.23	1691.67	<b>14.8</b>	2.3	<b>8.3</b>
SmallCap 600	997.80	984.43	<b>994.09</b>	11.66	<span style="color: green;">▲ 1.19</span>	994.09	817.25	<b>20.9</b>	6.2	<b>11.6</b>

## Other Indexes

Russell 2000	1620.64	1601.03	<b>1616.37</b>	16.03	<span style="color: green;">▲ 1.00</span>	1616.37	1355.89	<b>19.2</b>	5.3	<b>9.1</b>
NYSE Composite	12764.55	12706.74	<b>12743.80</b>	39.17	<span style="color: green;">▲ 0.31</span>	13637.02	11423.53	<b>11.6</b>	-0.5	<b>4.3</b>
Value Line	567.00	561.16	<b>565.64</b>	4.48	<span style="color: green;">▲ 0.80</span>	589.69	503.24	<b>11.0</b>	0.6	<b>3.2</b>
NYSE Arca Biotech	4707.10	4661.11	<b>4695.68</b>	28.35	<span style="color: green;">▲ 0.61</span>	4939.86	3507.64	<b>30.8</b>	11.2	<b>5.1</b>
NYSE Arca Pharma	533.62	530.68	<b>532.02</b>	2.38	<span style="color: green;">▲ 0.45</span>	593.12	514.66	<b>3.0</b>	-2.4	<b>-3.3</b>
KBW Bank	111.40	110.44	<b>110.92</b>	-0.08	<span style="color: red;">-0.07</span>	116.52	88.87	<b>24.8</b>	3.9	<b>13.9</b>
PHLX® Gold/Silver	82.33	81.64	<b>81.93</b>	0.16	<span style="color: green;">▲ 0.20</span>	93.26	76.42	<b>-5.3</b>	-3.9	<b>2.9</b>
PHLX® Oil Service	167.23	164.49	<b>166.72</b>	2.20	<span style="color: green;">▲ 1.34</span>	166.72	117.79	<b>13.5</b>	11.5	<b>-8.8</b>
PHLX® Semiconductor	1372.03	1355.65	<b>1370.10</b>	19.00	<span style="color: green;">▲ 1.41</span>	1449.90	1020.51	<b>33.0</b>	9.3	<b>24.5</b>
Cboe Volatility	14.91	13.21	<b>13.42</b>	-1.21	<span style="color: red;">-8.27</span>	37.32	9.14	<b>-13.9</b>	21.6	<b>2.7</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	9,171.5	272.19	-0.05	<b>-0.02</b>	272.40	271.50
Cisco Systems	CSCO	4,289.3	43.50	-1.66	<b>-3.68</b>	45.41	43.04
Principal Inv Grd Corp	IG	4,000.0	24.62	-0.18	<b>-0.73</b>	24.62	24.62
iShares Russell 2000 ETF	IWM	2,286.4	161.03	0.11	<b>0.07</b>	161.05	160.65

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Loxo Oncology	LOXO	153.					

## COMMODITIES

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## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	3,0350	3,0605	3,0350	3,0585	0.0160	1,309	
May	3,0350	3,0605	3,0350	3,0440	3,0705	0.0145	137,817	
July	3,0605	3,0800	3,0440	3,0705	3,0705	0.0145	137,817	
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1290.90	1294.00	1285.40	1290.20	1.30	106	
June	1290.10	1296.40	1285.70	1291.50	1.20	246,322		
Aug	1295.50	1302.30	1291.80	1297.40	1.20	182,929		
Oct	1304.20	1308.20	1297.90	1303.70	1.20	9,667		
Dec	1308.10	1314.80	1304.50	1310.20	1.30	64,432		
Feb'19	1311.80	1315.70	1311.80	1316.70	1.50	4,035		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	976.80	984.30	972.60	982.50	-0.70	14,092	
June	976.80	984.30	972.60	982.50	-0.70	14,092		
Sept	973.50	981.00	970.50	979.40	-0.70	9,488		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	890.80	890.80	890.70	888.60	-7.30	21	
July	897.50	900.90	888.10	889.80	-7.40	73,503		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	16,240	16,390	16,155	16,331	0.106	795	
July	16,285	16,435	16,190	16,371	0.102	137,494		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	71.00	71.59	70.66	71.49	0.18	193,717	
July	71.06	71.67	70.75	71.56	0.19	466,617		
Aug	70.80	71.45	70.56	71.35	0.20	215,295		
Sept	70.34	71.02	70.15	70.93	0.21	235,800		
Dec	69.05	69.65	68.88	69.56	0.22	321,527		
Dec'19	67.71	63.19	62.66	63.13	0.15	162,661		
NY Harbor LPG (NYM)	-42,000 gal.; \$ per gal.	2,2405	2,2712	2,2312	2,2692	0.0202	84,053	
July	2,2347	2,2652	2,2258	2,2630	0.0199	129,207		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.	2,2005	2,2352	2,1939	2,2499	0.0451	98,371	
July	2,2000	2,2474	2,1933	2,2455	0.0410	135,628		
Natural Gas (NYM)	-10,000 MMbtu; \$ per MMbtu.	2,829	2,844	2,809	2,815	-0.021	137,462	
July	2,845	2,862	2,830	2,837	-0.017	272,231		
Sept	2,836	2,848	2,821	2,832	-0.012	147,629		
Oct	2,841	2,855	2,828	2,837	-0.013	141,836		
Jan'19	3,058	3,073	3,048	3,059	-0.009	104,499		
March	2,905	2,922	2,902	2,914	-0.004	93,662		

## Agriculture Futures

Corn (CBT)	-5,000 bu.; cents per bu.
July	401.75
Dec	418.75
Oats (CBT)	-5,000 bu.; cents per bu.
July	240.50
Dec	258.00
Soybeans (CBT)	-5,000 bu.; cents per bu.
July	1017.75
Nov	1024.00
Soybean Meal (CBT)	-100 tons; \$ per ton.
July	383.00
Dec	374.40
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.
July	31.05
Dec	31.79
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.
July	1250.00
Sept	1199.50
Wheat (CBT)	-5,000 bu.; cents per bu.
July	493.75
Dec	531.75
Wheat (KC)	-5,000 bu.; cents per bu.
July	510.00
Dec	555.00
Wheat (MPLS)	-5,000 bu.; cents per bu.
July	606.25
Sept	613.25
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
May	133,500
Aug	138,100
Cattle-Live (CME)	-40,000 lbs.; cents per lb.
June	102,500
Aug	100,000
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
June	75,075
July	78,000
Lumber (CME)	-110,000 bd. ft.; \$ per 1,000 bd. ft.
July	629.00
Sept	614.60
Milk (CME)	-200,000 lbs.; cents per lb.
May	15.30
June	16.12
Cocoa (ICE-CM)	-10 metric tons; \$ per ton.
July	2,650
Sept	2,680
Coffee (ICE-US)	-37,500 lbs.; cents per lb.
May	114.50
July	117.05

## Interest Rate Futures

Treasury Bonds (CBT)	\$100,000; pts 32nds of 100%
June	141-090
Sept	140-160
Treasury Notes (CBT)	\$100,000; pts 32nds of 100%
June	118-215
Sept	118-095
5 Yr. Treasury Notes (CBT)	\$100,000; pts 32nds of 100%
June	112-205
Sept	112-205
2 Yr. Treasury Notes (CBT)	\$200,000; pts 32nds of 100%
June	105-282
Sept	105-212
30 Day Federal Funds (CBT)	\$5,000,000; 100- daily avg.
May	98.298
July	98.055
10 Yr. Del. Int. Rate Swaps (CBT)	\$100,000; pts 32nds of 100%
June	92.297
1 Month Libor (CME)	\$3,000,000; pts 100%
June	97,8800
Eurodollar (CME)	\$1,000,000; pts 100%
June	97,7125
Sept	97,5350
10 Yr. Del. Int. Rate Swaps (CBT)	\$100,000; pts 32nds of 100%
June	92.031
1 Month Libor (CME)	\$3,000,000; pts 100%
June	97,8800
Eurodollar (CME)	\$1,000,000; pts 100%
June	97,6725
Sept	97,4300
30 Day Federal Funds (CBT)	\$5,000,000; 100- daily avg.
May	98.298
July	98.055
10 Yr. Del. Int. Rate Swaps (CBT)	\$100,000; pts 32nds of 100%
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May	98.298
July	98.055
10 Yr. Del. Int. Rate Swaps (CBT)	\$100,000; pts 32nds of 100%
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## BANKING &amp; FINANCE

# SEC Says Court Ruling Hurts Investors

Regulator hasn't been able to collect more than \$800 million in penalties from firms

BY DAVE MICHAELS

**WASHINGTON**—U.S. securities regulators haven't been able to get more than \$800 million in disgorgement of ill-gotten gains since a 2017 Supreme Court case limited the time they have to recover funds for harmed investors.

The amount is a meaningful percentage of the total fines that the Securities and Exchange Commission imposes on wrongdoers, a top SEC official told House lawmakers

Wednesday. Now, under the court's decision, the SEC has only five years to sue bad actors after a fraud occurs.

"We can't reach back beyond five years and pull money out of the pocket of wrongdoers and return it to investors," SEC enforcement co-director Steven Peikin told a panel of the House Financial Services Committee. "This is going to have a significant impact on the recovery we achieve for investors."

The Supreme Court case, Kokesh v. SEC, focused on an SEC investigation of Charles Kokesh, an executive accused of stealing money from thousands of small investors who put cash into funds that he managed during the 1990s and

the early part of the past decade. A lower court ruled in 2005 that Mr. Kokesh should pay \$34.9 million in disgorgement, an amount his attorneys argued was excessive because the SEC could reach back only five years to calculate fines.

The SEC argued that disgorgement, or forfeiting ill-gotten gains, wasn't a penalty because the money goes to pay back harmed investors. The Supreme Court, in a unanimous opinion, decided that disgorgement is a penalty and thus subject to a five-year statute of limitations that covers such fines.

Republicans and Democrats on the House panel appeared taken back by the magnitude of disgorgement that the SEC

has given up since the Kokesh decision. Mr. Peikin said the \$800 million tally stems from enforcement cases that are in litigation or have been settled since the court's ruling.

Congress could change the law to give the SEC more time to file charges against people and firms suspected of defrauding investors. The SEC has been aided by an abundance of whistleblower tips in recent years, but says it sometimes still discovers well-concealed frauds too late.

Two of the committee's top Republican and Democratic members appeared open to writing legislation to extend the statute of limitations for seeking disgorgement.

"What I want to know...is

what we as Congress can do to insure that bad actors aren't able to profit from their misbehavior and their fraudulent actions?" said Rep. Bill Huizinga (R., Mich.), who is chairman of the subcommittee that met on Wednesday. Rep. Carolyn Maloney (D., N.Y.) also raised the prospect of giving the SEC more time.

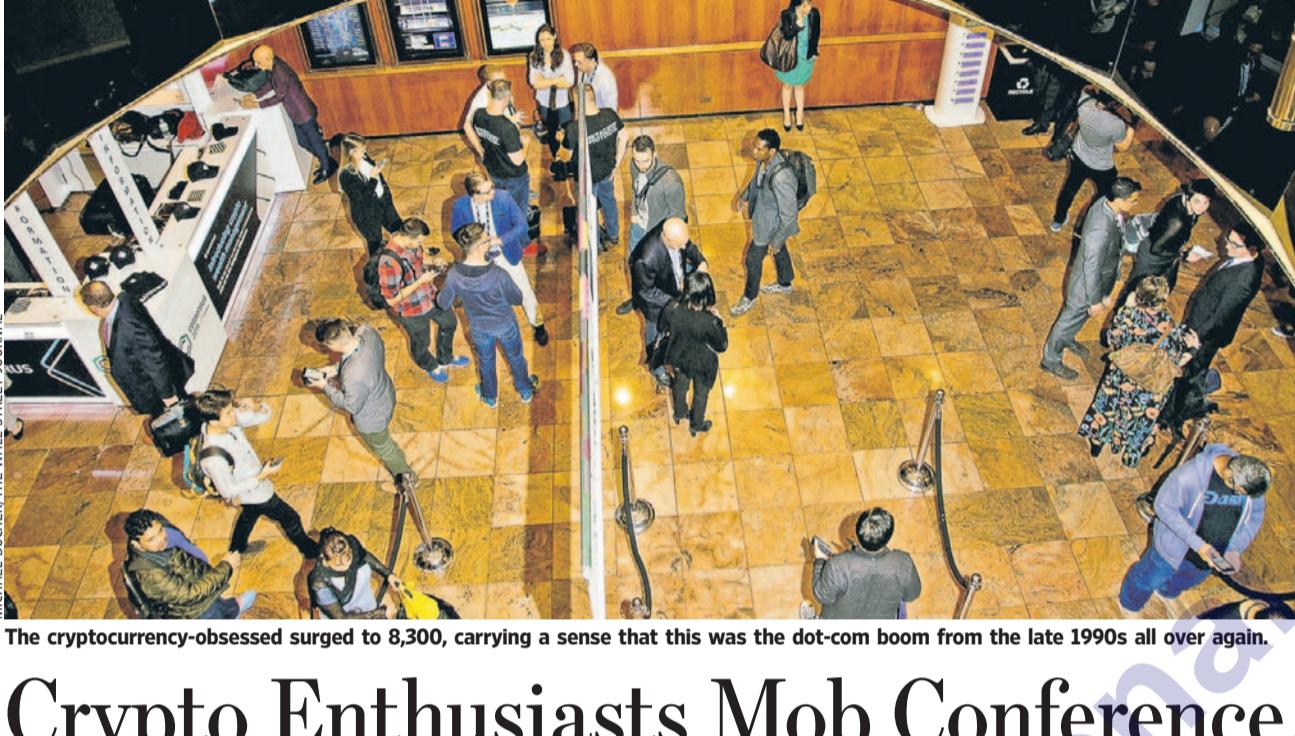
"Absent an extension of the statute of limitations, we're going to live with this," Mr. Peikin said. "But there will be cases where there is ongoing fraud for years and we don't discover it until some of that money is out of our reach."

The SEC obtained fines against public companies totaling \$65 million during the first half of 2018, the lowest

amount since at least 2009, according to Cornerstone Research, an economic consulting firm.

Cornerstone reported this week that the SEC's highest settlement with a public company in 2018 was \$14 million, by far the lowest amount in any half-year of its data set, which covers the past eight years.

The SEC officials told House lawmakers that penalty totals aren't the best measure of their caseload. Stephanie Avakian, the co-director of SEC enforcement, said a better gauge is whether the regulator recoups money for victimized investors and succeeds in expelling bad actors from the financial industry.



**The cryptocurrency-obsessed surged to 8,300, carrying a sense that this was the dot-com boom from the late 1990s all over again.**

## Crypto Enthusiasts Mob Conference

BY ALISON SIDER AND BEN EISEN

Seth Kaye, a pink-haired designer, arrived in New York for the Consensus crypto conference this week, hoping that someone would talk to him about his idea to fund solar projects with a digital currency.

What he found was a mix of "cool techie people" and "greedy assholes"—though he did eventually run into someone who might help along his project.

The price of a bitcoin has dropped more than 50% since December, but enthusiasm for cryptocurrencies and related projects has hardly been dented, judging by the throngs that descended on the New York Hilton, where the fourth annual conference took place.

Bankers and accountants found their way into the mix. And of course, there were droves of people pitching initial coin offerings, a means of raising money by issuing digital tokens that has attracted heavy scrutiny from regulators.

As the conference opened Monday, lines snaked through the Hilton; some participants said they waited as long as two hours to get in. Tickets started at \$1,000, but some paid as much \$3,000 at the door. That

### SEC Launches Site To Combat Scams

Washington wants you to know what a cryptocurrency scam looks like, so regulators made one up.

The Securities and Exchange Commission, an 84-year-old agency not known for its digital communications savvy, on Wednesday launched a website that touts a fake initial coin offering, an unregulated way of raising funds that has raised more than \$12 billion. The SEC says many ICOs are probably fraudulent, with bad guys evading investor protections and selling digital tokens that turn out to be worthless for the buyers.

The SEC's fake token, "HoweyCoin," plays up many of the features of ICOs that regu-

lators say are red flags, including celebrity endorsements and guaranteed returns on investment. The mock token sale includes a "white paper" to explain the fake project, which is styled as a partnership with the travel industry. HoweyCoin will be the "coin of the realm" for travel, the paper says.

Regulators say investors should be suspicious of token sales that offer discounts to early buyers. The HoweyCoin site advertises tiers of discounts, including a "double 25% discount" for buyers who invest by June 1.

People who click on the "Buy Coins Now!" link are taken to an SEC webpage that says: "If you responded to an investment offer like this, you could have been scammed—HoweyCoins are completely fake!"

—Dave Michaels

didn't seem to deter the crypto-obsessed—8,300 people attended, up from 2,700 last year.

All three floors were wall-to-wall people, with sessions such as "Boosting Blockchain Together" and "Brands, Seals and Crypto Collectibles."

Throughout, there was a

healthy dose of glitz and sense that this was the dot-com boom from the late 1990s all over again. One booth hocked "crypto jewelry," including an \$8,700 gold Super Bowl-size ring with the bitcoin logo. Outside, three Lamborghinis hugged the curb, a symbol for those who made

big money in bitcoin.

"We thought it would be a cheeky way of getting our name out there," said Greg Dwyer, a spokesman for the virtual exchange BitMEX, which rented the cars and said the move was a spoof on the obsession with Lambos.

"Some of my friends are millionaires now, but they're down to earth," said Codey Vargas of his compatriots who were early crypto investors. Mr. Vargas was talking to people about a TV show he was working on called Sharkchain, a play on Blockchain, the technology that underpins bitcoin.

At the end of the days, the crypto crowd lined up behind velvet-rope lines around Manhattan to get into after-parties. Some invites were hard to get: Greg Rempe, who provides tech services for blockchain companies, said he didn't make the cut for one event because he didn't meet the minimum investment threshold.

Bankers and other traditional business people got the cold shoulder, with many in the crypto world viewing them as graybeards.

"They don't want to talk to me," said Ville Sointu, a banker from Finland who had flown in for the conference.

## Fintech Firm Circle's Equity Valuation Soars

BY TELIS DEMOS

A digital-currency startup backed by **Goldman Sachs Group Inc.** is now worth about \$3 billion after a new funding round.

**Circle Internet Financial Ltd.** disclosed the new valuation Tuesday, which made it one of the most highly valued financial-technology startups in the U.S.

The increase in the Boston-based trading firm's value, more than seven times the level achieved at a prior fundraising in 2016, stems from the recent explosion of interest in bitcoin and other so-called digital assets.

Indeed, despite a 40% decline this year, bitcoin is still making fortunes for companies that deal in the volatile currency. In particular, it shows how some of the biggest winners from last year's 1,375% surge in bitcoin, which was bested by other tokens including ether, may be the service firms that have formed to facilitate cryptocurrency trading and investment.

Those firms include **Coinbase Inc.**, the most popular consumer bitcoin wallet, and **Bitmain Technologies Ltd.**, a Chinese builder of computer chips for digital-currency transactions that is leading the \$110 million investment round in Circle announced Tuesday.

The fundraising, one of the largest ever among crypto-startups, also includes new investments by venture-capital

firm **Blockchain Capital** and **Tusk Ventures**, as well as more money from existing investors **IDG Capital**, **Breyer Capital**, **General Catalyst**, **Accel** and **Digital Currency Group**. Goldman wasn't among the new round's investors.

Five-year-old Circle's first product was designed for buying bitcoin and moving traditional money between individuals by using bitcoin as a medium of exchange. But in the past year, its other business, facilitating big trades of digital currencies, has surged in volume and revenue.

That desk, called Circle Trade, says it has traded about \$4 billion in the past month, handling trades from institutions, companies and wealthy individuals, Circle said. The company has said it generated \$250 million in revenue from November to January.

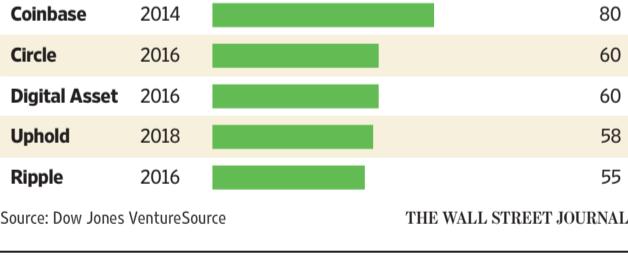
By one measure, Circle is the most valuable U.S. cryptocurrency startup. Its \$3 billion equity valuation surpasses that of Coinbase, which raised money at a \$1.6 billion valuation late last year, according to Dow Jones VentureSource.

Circle is one of a handful of so-called over-the-counter market makers who augment the smaller-value trades on exchanges, alongside such firms as Cumberland Mining.

As part of the funding, Bitmain also will join Circle's new project to launch new digital coins that can be exchanged for a fixed amount of traditional, or fiat, currency.

### New Crypto King

Large U.S. crypto/blockchain private fundraisings



Source: Dow Jones VentureSource

THE WALL STREET JOURNAL.



Consumers at boat shows 'were not lookers, they were buyers,' says Malibu Boats CEO Jack Springer.

search note last month.

"When you think about what's going on with trade and tariffs, small caps tend to be much more domestically oriented, so they would be less affected," said Sameer Samana, global equity and technical strategist at Wells Fargo Investment Institute.

The recent divergence in growth outlooks between the

U.S. and the rest of the world has also contributed to the rally in small caps, whose fortunes are more closely tied than multinationals to fluctuations in the U.S. economy.

Broad measures of the U.S. economy continue to show signs of expansion, with Commerce Department data on Tuesday showing Americans ramped up spending at the

start of the spring despite a run-up in gasoline prices. Signs of strength among consumers have boosted the fortunes of smaller businesses, especially given household spending accounts for more than two-thirds of U.S. economic output.

Middle-income consumers are finally starting to spend at rates we would expect in an economic recovery," Gregory

Trojan, chief executive of **B.J.'s Restaurants Inc.** said on the firm's April earnings call. "This is helping improve restaurant traffic everywhere, and we are a key beneficiary." BJ's shares are 44% higher for the year.

A measure of confidence among small-business owners edged up in April to remain near records, buoyed by optimism around consumer spending, lower taxes and strong earnings, according to a survey from the conservative-leaning National Federation of Independent Business.

"Consumers are confident in the U.S. economy, and tax reform has added a layer of optimism this year: Consumers were more prevalent at boat shows and they were not lookers, they were buyers," Jack Springer, chief executive of **Malibu Boats Inc.**, said on the company's May earnings call. Shares of Malibu Boats are up 47% for the year.

Not all analysts are convinced that small caps can sustain their rally. With investors becoming increasingly bullish, small caps could run in danger of becoming a crowded trade, something that outperforms the broader market until it suffers a sudden reversal.

The Russell 2000 had rallied after the Nov. 8, 2016, election and in the period leading to the passage of the tax cuts late last year, only to give up its gains as investors moved back into the stocks of fast-growing multinational companies, especially those in the technology sector.

Small-cap-focused funds saw some of their biggest monthly inflows in years in late 2016 and early 2017, only to then suffer 14 straight months of outflows through April, according to Morningstar Inc. data.

Any signs of a slowdown in the U.S. economy, which has appeared to gather momentum following a slow start to the year, could once again lift multinationals past their smaller peers, analysts say.

But for now, many are feeling optimistic, citing the tailwinds from tax cuts and stronger consumer spending.

Outflows among small-cap funds appear to be easing, too, with redemptions totaling just \$128.4 million in April, the weakest in more than a year, after investors put nearly \$770 million into growth-focused small-cap funds, according to Morningstar.

"Small caps will basically go as the economy goes," said Wells Fargo's Mr. Samana.

## MARKETS

# Oil Supply Hits Three-Year Low

Glut of the past few years has evaporated as production cuts took hold, IEA says

By CHRISTOPHER ALESSI

Commercial oil stocks in industrialized economies have fallen to their lowest level in three years, the International Energy Agency said Wednesday, in the latest sign that the global supply glut has been mopped up and the market rebalanced.

In its monthly oil market report, the IEA said commercial oil inventories for the Organization for Economic Cooperation and Development countries declined in March by 26.8 million barrels month on month to 2.819 billion barrels. That is 1 million barrels below the latest five-year average metric widely used by oil-market participants to assess the rebalancing process.

The IEA suggested the drawdown in stocks was evidence that efforts led by the Organization of the Petroleum Exporting Countries to cut crude output had succeeded in clearing up excess global supply that has weighed on the oil market since late 2014.

OPEC and 10 producers outside the oil cartel, including Russia, have been holding back crude production by roughly 1.8 million barrels a day since the start of last year. The agreement, which was extended in November, is set to expire at the end of this year.

"For the first time since 2014, OECD stocks were below the five-year average metric widely cited to measure the success of the OPEC/non-OPEC" agreement, the reported noted. Since the OPEC accord was implemented, OECD stocks have declined by 233 million barrels, the agency added.

OPEC crude output fell month on month in April by 130,000 barrels a day to 31.65 million barrels a day, mainly a



The International Energy Agency lowered its global oil-demand forecast for 2018 to 1.4 million barrels a day from 1.5 million barrels.

## Crude Prices Keep Marching Higher

U.S. crude prices settled up 18 cents, or 0.3%, at \$71.49 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose 85 cents, or 1.1%, to \$79.28 barrel on ICE Futures Europe.

Oil prices have climbed more than 18% this year, boosted by production cuts by major producers tightening supplies and increased geopolitical tensions amid rising unease in the Middle East.

The nearly \$8-a-barrel difference between global and

U.S. oil prices is spurring a wave of exports of U.S. crude. Oil was shipped abroad at a rate of 2.56 million barrels a day last week, according to EIA data. But pipeline bottlenecks are keeping some oil from reaching the Gulf Coast.

"The local market flooded but not the balance of the world," said John Kilduff, founding partner at Again Capital.

Members of OPEC have pledged to ramp up production if needed. However, for now, it is "business as usual" as the cartel continues to adhere to its agreement to cut supplies, said Stephen Brennock, an analyst at brokerage PVM.

—Sarah McFarlane

result of production outages in Venezuela, according to the IEA.

However, the Paris-based organization lowered its global oil-demand forecast for this year to 1.4 million barrels a day from a previous estimate of 1.5 million barrels a day,

meaning world oil demand should average 99.2 million barrels a day in 2018. The IEA attributed the downward revision mainly to higher oil prices.

Crude prices climbed by more than 50% in the second half of last year, largely on the

## Below the Mark

The Organization for Economic Cooperation and Development countries' crude inventories have fallen below their five-year average.

### OECD stocks, amount above or below five-year average

■ Crude and other natural-gas liquids ■ Refined petroleum



Source: International Energy Agency

back of strong compliance with the OPEC-led plan.

The market also has been bolstered by geopolitical risk to supply. President Donald Trump's decision earlier this month to pull the U.S. out of the Iran nuclear deal sent oil prices above 3½-year highs.

Iran exports around 2.4 million barrels a day of crude, according to the IEA. The U.S. is set to reimpose economic sanctions on OPEC member Iran, which will frustrate the OPEC members' oil output and further reduce global oil supplies.

# Treasury Yields Maintain Elevation

By AKANE OTANI

Treasury prices inched lower following a mixed batch of economic data, driving the yield on the 10-year note to a fresh multiyear high.

The yield on the 10-year Treasury settled at 3.093% on Wednesday, compared with 3.082% Tuesday, remaining at its highest closing level since July 2011.

Bond yields, which rise as prices fall, struggled for direction overnight as North Korea threatened to pull out of a June summit and amid concerns that a new antiestablishment government in Italy could raise the chances of the country leaving the euro.

Signs of geopolitical uncertainty helped drum up some demand for Treasurys, although analysts warned bonds would likely remain under pressure in the absence of significantly weaker U.S. economic data.

Economic reports were mixed Wednesday, showing U.S. housing starts falling more than expected in April, but industrial output—reflecting everything produced by factories, mines and utilities—rising for a third straight month.

"The recovery in residential housing construction remains an incomplete story with danger signs on the horizon from higher interest rates," wrote Chris Rupkey, chief financial economist at MUFG. And the data on industrial output came with a caveat, too, with increases in mining production, driven by rising oil prices, behind much of the move, Mr. Rupkey said.

Together, the data provided investors few reasons to make big moves following Tuesday's selloff, which had marked the biggest one-day advance in the 10-year yield since March 2017.

## Dollar Is at Highest vs. Euro in 2018

By DANIEL KRUGER

The dollar rose versus the euro amid concerns about a new coalition government in Italy, while edging broadly lower as the pace of rising bond yields moderated and cooled demand for the currency.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, declined less than 0.1% to 86.87, ending a two-session streak of gains. Still, the index is at its second-highest closing level this year.

The dollar rose 0.3% against the euro to \$1.1807, its highest late New York level against the unified currency since Dec. 18.

The dollar's rise relative to the euro was fueled by concerns about the formation of a new governing coalition in Italy. Two Italian antiestablishment parties are seeking to set up a coalition government that investors worry could increase the chances of the country exiting from the euro.

"The dollar rally is running a little out of steam," said Erik Nelson, a currency strategist at Wells Fargo Securities.

## Stocks Get a Boost From Retailer Rebound

By AMRITH RAMKUMAR AND DAVID HODARI

U.S. stocks climbed, lifted by gains in shares of retailers despite worries about tighter financial conditions and geopolitical tensions.

Investors have been concerned recently about rising inflation and interest rates pushing up borrowing costs, but some analysts expect strong earnings and economic data to buoy stocks.

**WEDNESDAY'S MARKETS** Corporate earnings are increasing at their fastest pace in years, and some expect a wave of share buybacks to also fuel indexes.

Although the yield on the 10-year Treasury note has hit its highest level since 2011, some analysts don't think that mark is high enough to hurt stocks in the long run.

"We don't believe that those specific levels dictate the end of this expansion; it's just the markets have to get comfortable and adjust to a higher rates regime," said Michael Hans, chief investment officer of Clarfeld Financial Advisors.

On Wednesday, the Dow

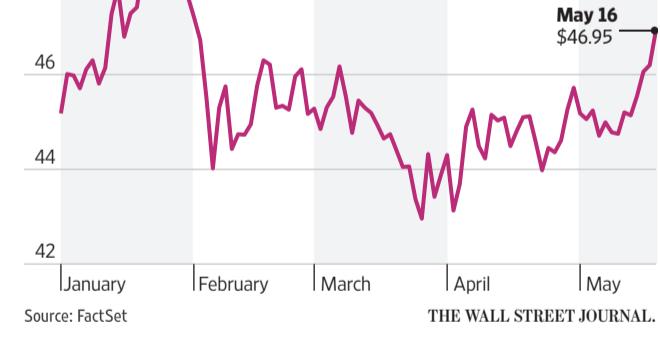


Target was among the S&P 500's best performers, gaining 2.9%.

## Higher Ground

The SPDR S&P Retail ETF has risen in four straight sessions to its highest level since January.

\$50



Source: FactSet

More investors now are anticipating three additional Federal Reserve interest-rate increases this year compared with the central bank's previous projection of two. Higher rates tend to push up borrowing costs and Treasury yields, making stocks less attractive to some investors.

Still, some investors think markets can withstand higher rates as long as the Fed sticks with its gradual pace of tightening. "I don't think it's been

at a speed that's too difficult to deal with," said Jeff Garden, senior research analyst and portfolio manager at Lido Advisors. "This has been coming for a long time."

Elsewhere, the Stoxx Europe 600 edged up 0.2%, with the index's basic resources and technology sectors among the best performers.

Early Thursday, Japan's Nikkei Stock Average rose 0.47%, and the Shanghai Composite Index was down 0.02%.

## Italian Bonds, Bank Shares Drop on Worries of a Euro Exit

### Concerns Climb

Italy's government-bond yields moved more sharply upward against their German peers, with the biggest daily increase in spreads since the U.K.'s EU referendum.

### Spread between 10-year Italian and German government-bond yields



By MIKE BIRD

Political uncertainty returned to Italy as investors dumped Italian bonds and bank stocks, worried that a new antiestablishment government has increased chances of the country's exit from the euro.

On Sunday, the populist 5 Star Movement and anti-immigration League party reached a broad agreement for a new government. Tuesday, Huffington Post Italia posted a draft government program that proposed the introduction of procedures within the eurozone to allow countries to quit the euro and said they would ask the European

Central Bank to write off €250 billion (\$296 billion) of government debt.

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## MARKETS

# Argentina's Woes Trip Up Big Investors

BY JULIE WERNAU  
AND IRA IOSEBASHVILI

Argentina's ailing currency and stock market are pounding funds managed by some of the world's biggest investors, including **Fidelity Investments**, **T. Rowe Price Group Inc.** and **Morgan Stanley**, reversing some of the outsize gains they enjoyed last year.

These investment firms often own Argentine stocks through specialized funds that invest in some of the world's least developed countries, known as frontier markets, or through Latin American funds. Because Argentina's stocks represent about 19% of the MSCI Frontier Markets Index, even money managers that have positions at less than the index weighting still have significant exposure to the country's stocks and have taken a beating.

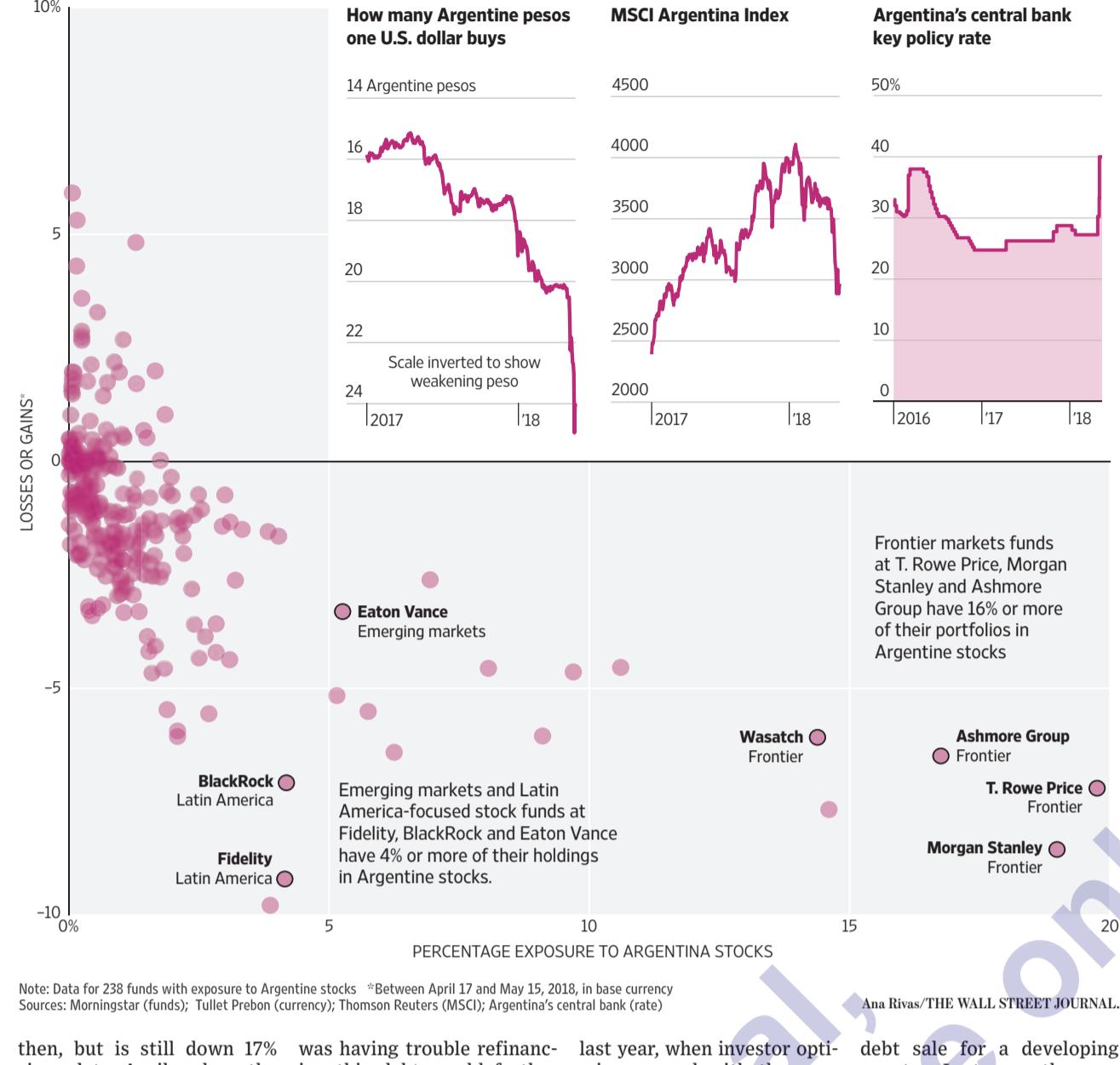
Frontier markets funds at T. Rowe Price, Morgan Stanley and **Ashmore Group PLC** have 16% or more of their portfolios in Argentine stocks, according to Morningstar data. Their funds have suffered declines between 5% and 8% over the past month, Morningstar said. Emerging markets and Latin America-focused stock funds at Fidelity, **BlackRock Inc.** and **Eaton Vance Corp.** are also down between 2.5% and 5%, in large part because of their holdings in Argentina stocks.

The Argentine peso's sudden collapse this year seemed to catch even longtime investors off guard.

"We went into a meeting, the peso was down 1%, we come out and the peso is down 5%," said William Pruett, portfolio manager for the Fidelity Latin America Fund.

The dollar rose nearly 9% against the Argentine currency on Monday. The peso has rebounded a bit since

Returns for stock funds that invested heavily in Argentina have plunged in the past month.



Note: Data for 238 funds with exposure to Argentine stocks \*Between April 17 and May 15, 2018, in base currency

Sources: Morningstar (funds); Tullet Prebon (currency); Thomson Reuters (MSCI); Argentina's central bank (rate)

then, but is still down 17% since late April, when the country began intervening in currency markets.

Many investors decided to sell before the central bank tried to roll over about \$30 billion in short-term, peso-denominated securities known as Lebac on Tuesday, as any signs that the government

was having trouble refinancing this debt would further rattle investor sentiment and punish Argentina's financial markets. The government said late Tuesday that 100% of the expiring debt was successfully covered.

Many of the big investment firms increased their bets on Argentina's stocks and bonds

last year, when investor optimism surged with the new, business-friendly government led by President Mauricio Macri.

Argentina resolved a 15-year-long dispute with creditors in 2016 and returned to markets with a \$16.5 billion bond offering, which at the time was the largest-ever

Frontier markets funds at T. Rowe Price, Morgan Stanley and Ashmore Group have 16% or more of their portfolios in Argentine stocks

Ashmore Group  
T. Rowe Price  
Morgan Stanley

Frontier

Wasatch Frontier

Eaton Vance Emerging markets

BlackRock Latin America

Fidelity Latin America

Frontier

Frontier