

# THE WALL STREET JOURNAL.

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

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WSJ.com

★★★★ \$4.00

DJIA 24706.41 ▼ 193.00 0.8% NASDAQ 7351.63 ▼ 0.8% STOXX 600 392.37 ▲ 0.05% 10-YR. TREAS. ▼ 24/32, yield 3.082% OIL \$71.31 ▲ \$0.35 GOLD \$1,288.90 ▼ \$27.60 EURO \$1.1837 YEN 110.35

## What's News

### Business & Finance

**Trump's plans to rewrite Nafta** this year looked unattainable Tuesday after negotiators appeared too far apart to strike a deal before a deadline this week. **A1**

◆ **The WTO handed the U.S. a victory over the EU in a fight over subsidies provided to plane maker Airbus.** **A9**

◆ **U.S. firms are ramping up capital spending,** which is estimated to have risen 24% last quarter from a year earlier, after years of tepid growth. **A1**

◆ **China's Tencent has quietly become one of the world's largest and most active technology investors.** **B1**

◆ **Uber is ending its practice of mandatory arbitration for claims of sexual harassment and assault.** **B1**

◆ **The administration doesn't intend to give any special treatment or outreach to California while it drafts new rules on vehicle emissions.** **A4**

◆ **Retail sales in the U.S. rose a seasonally adjusted 0.3% in April from March.** **A2**

◆ **The yield on the 10-year Treasury settled at 3.082%, marking its biggest one-day advance since March 2017.** **B17**

◆ **The Dow fell 193.00 to 24706.41 as investors parsed economic data, bond yields and U.S.-China talks.** **B17**

◆ **Coinbase said it would upgrade the cryptocurrency exchange's systems to cater to ultrafast traders.** **B1**

◆ **Vodafone's CEO is leaving his post after 10 years running the mobile carrier.** **B2**

◆ **Gap apologized for selling T-shirts with a map of China that omitted Taiwan and other regions.** **B3**

### World-Wide

◆ **U.S. forces are preparing to battle Islamic State over a valley that was once the Afghan hub of its campaign to create a caliphate.** **A1**

◆ **Fighting raged between Taliban militants and Afghan forces for control of a provincial capital.** **A8**

◆ **Pyongyang said it had no desire to deal away its nuclear weapons for economic benefit, casting doubt on its willingness to go ahead with a Trump-Kim summit.** **A6**

◆ **CIA nominee Haspel appears to have enough votes to be confirmed this week after three Democratic senators backed her.** **A4**

◆ **The FBI suspects that a former CIA employee had a role in the leak of a trove of agency hacking tools to WikiLeaks last year.** **A2**

◆ **Israel faced a torrent of criticism for its response to Gaza protests, as Netanyahu's government defended the right to secure borders.** **A9**

◆ **Iraq's Sadr signaled he is willing to form a coalition with the U.S.-backed premier following the populist cleric's election victory.** **A7**

◆ **The U.S. Treasury imposed sanctions on two Iranian central bank officials for allegedly funneling millions of dollars to Hezbollah.** **A7**

◆ **Pennsylvania Democrats will have at least three women favored to win House races in November after they won primary contests.** **A4**

◆ **Two retired generals have visited the White House in the past week to interview with aides for the job of VA chief.** **A3**

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JOSHUA ROBERTS/REUTERS

SUPPORT FOR CIA NOMINEE SOLIDIFIES

U.S. NEWS, A4

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## U.S. NEWS

# Retail Sales Rise, Boosted by Clothing, Food

By SHARON NUNN

**WASHINGTON**—Americans spent more at the start of spring on items aside from pricier gasoline, an indication that modest wage gains and the recent tax overhaul may have helped buoy spending.

Retail sales—a measure of spending at stores, online-shopping sites and restaurants—rose a seasonally adjusted 0.3% in April from the prior month, the Commerce Department said Tuesday.

That growth was largely broad-based and held up even when excluding gasoline and autos. Food and beverage stores, and clothing and accessories retailers both clocked the largest sales gains since last

year. A weak spot was spending at restaurants and bars, which fell 0.3% from March.

Analysts had worried that rising gasoline prices would slow consumer spending. The national average price for a gallon of regular gasoline in April was \$2.76, up nearly 17 cents from March and the highest since mid-2015, according to the U.S. Energy Information Administration. Gas-station sales rose 0.8% in April from March.

When excluding gasoline and autos, spending still rose 0.3% from March, suggesting wage gains and larger paychecks from the Trump administration's late-2017 tax reform helped induce more purchases.

"It seems that even with the move in energy prices, con-

sumers had the will to spend on nonenergy items," said Michael Feroli, chief U.S. economist at JPMorgan Chase & Co.

April's spending increase came on the heels of stronger-than-expected spending growth in March. Analysts had worried that a late-winter slowdown in consumer spending would continue to weigh on growth.

The U.S. economy lost some momentum in the first quarter, in part because of sluggish consumer spending over the winter, but economists expect a pickup for overall growth in coming quarters. Such spending is the main driver of the economy, accounting for more than two-thirds of the nation's total measured output.

Forecasters at Macroeco-

nomic Advisers projected 2.9% growth for gross domestic product in the second quarter after the retail-sales report was released, above the 2.3% growth rate the economy clocked in the first months of 2018.

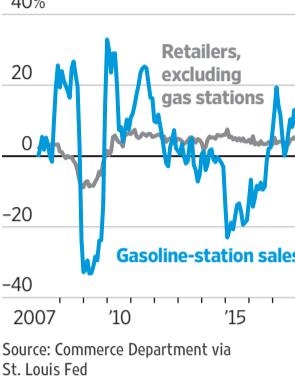
Along with other retailers, a number of grocers have reported sales increases in recent months, though many have had to keep prices low. Grocery-store sales, not adjusted for inflation, rose 0.5% in April from the prior month and were up 3.3% on the year. Compared with a year earlier, overall retail sales were up 4.7% in April.

—Heather Haddon contributed to this article.

♦ Heard: U.S. consumers need more confidence..... B18

## Still Spending

Retail sales outside of gas stations have held up despite rising prices at the pump. Change from a year earlier



Source: Commerce Department via St. Louis Fed  
THE WALL STREET JOURNAL.

# Suspect In Massive CIA Leak Identified

By ARUNA VISWANATHA AND SADIE GURMAN

The Federal Bureau of Investigation suspects that a former Central Intelligence Agency employee separately charged with possessing child pornography had a role in the unauthorized release of a trove of CIA hacking tools to the WikiLeaks website last year, according to a court transcript.

The 8,000-plus pages of documents that WikiLeaks obtained in March 2017 detailed how the CIA breaks into computers, smartphones, messaging applications and television sets. The disclosure constituted one of the largest breaches of classified information in the agency's history.

Investigators initially focused on outside contractors at the spy agency. They haven't publicly charged anyone with the disclosures.

Joshua Schulte was charged in August by federal prosecutors in Manhattan with receiving, possessing and transporting child pornography. The FBI executed a search warrant on his New York residence on March 15, 2017, and found the pornographic videos, according to initial charges filed against Mr. Schulte.

He has pleaded not guilty to the pornography charges. Mr. Schulte's lawyer, federal public defender Sabrina P. Shroff, declined to comment Tuesday. Officials at the FBI and the CIA also declined to comment.

At a Jan. 8 court hearing in Manhattan, one of his then-lawyers said in court that the FBI had initially sought the warrant because it believed Mr. Schulte was involved in the WikiLeaks breach. Mr. Schulte held various positions within the CIA over the six years he worked there, including as a technical development officer.

"While the current indictment charges Mr. Schulte with child pornography, this case comes out of a much broader perspective," the attorney, Jacob Kaplan, said at the hearing, according to a transcript.

Referring to Mr. Schulte, Assistant U.S. Attorney Matthew J. Laroche said at the hearing that the government "had enough evidence to establish that he was a target" of the investigation into the CIA leak. The investigation is ongoing, he said.

At the hearing, Mr. Kaplan also said the FBI didn't find any evidence in the search connected to the WikiLeaks investigation, an allegation the government disputed.

The hearing had gone unnoticed until the Washington Post reported on it Tuesday.

## Texas Seat Belt Campaign Offers Grim Exhibit of Lives Lost



SAFETY REMINDER: Hospital employee Melissa Hidalgo visits a display in Odessa of 929 pairs of shoes, representing the 929 unbelted traffic deaths in Texas last year.

## U.S. WATCH

### WASHINGTON

#### Senators Oppose Relief for ZTE Corp.

A trio of Senate Democrats urged President Donald Trump to reconsider providing any relief to China's ZTE Corp., saying that any potential deal could undermine American national security and that the company's fate should be handled separately from trade negotiations.

"Offering to trade American sanctions enforcement to promote jobs in China is plainly a bad deal for American workers and for the security of all Americans," Senate Minority Leader Chuck Schumer of New York, Sen. Ron Wyden of Oregon and Sen. Sherrod Brown of Ohio

wrote in a letter to Mr. Trump on Tuesday.

ZTE is a Shenzhen-based telecommunications-equipment producer that has been hamstrung by a U.S. ban on component sales to the firm.

The U.S. and China are closing in on a deal that would give ZTE a reprieve from crippling U.S. penalties in exchange for Beijing removing tariffs on billions of dollars of U.S. agricultural products, people in both countries briefed on the deal said.

On Sunday, Mr. Trump said in a tweet that he was working with Chinese President Xi Jinping to get ZTE "a way to get back into business, fast. Too many jobs in China lost."

—Kristina Peterson

### BALTIMORE

#### Police Chief Resigns Amid Tax Allegations

Darryl De Sousa resigned as Baltimore's police commissioner, the latest upheaval for a department whose last chief was fired for failing to slow down a sharp increase in homicides.

Mr. De Sousa, a 30-year veteran with the force, quit on Tuesday, days after federal prosecutors announced they had charged him with failing to file income-tax returns in three recent years.

He admitted to not filing returns in 2013, 2014 or 2015 and has been charged with three misdemeanor counts. He faces up to a year in prison and a

\$25,000 fine per count.

Mayor Catherine Pugh appointed Mr. De Sousa police commissioner on Jan. 19. On Tuesday, she said she has launched a national search for his successor.

—Scott Calvert

### FEDERAL RESERVE

#### Nominees Assert Their Independence

Two of President Donald Trump's nominees to the Federal Reserve's board of governors Tuesday signaled a strong commitment to making policy decisions independently of the executive branch.

Richard Clarida, the economist tapped to serve as the central

bank's No. 2 official, told lawmakers he had never been pressed by the president or other officials on how he would set interest rates.

"In no meeting, at no time, did I ever have any reason to question the independence of the Federal Reserve, absolutely not," Mr. Clarida told the Senate Banking Committee at his confirmation hearing.

Democratic lawmakers pressed Mr. Clarida and a second nominee, Kansas Bank Commissioner Michelle Bowman, to state they would resist political interference.

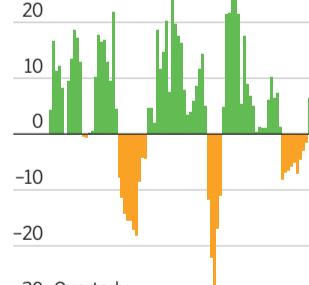
Mr. Trump criticized the Fed during his presidential campaign but hasn't publicly weighed in on the central bank's interest-rate increases since taking office.

—Nick Timiraos

## SPEND

### On the Rise

Change from previous year in capital expenditures among S&P 500 firms



Note: Data for the first quarter of 2018 is preliminary.

Source: Credit Suisse

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than 2 percentage points on average each year, according to Bank of America Merrill Lynch.

As a share of gross domestic product, private nonresidential fixed investment—a commonly used proxy for capex—has been rising for more than a year. It remains below levels hit in 2014, when soaring crude-oil prices pushed energy companies to spend heavily, according to a Credit Suisse analysis of government data.

The capex boom could be a tonic for a stock-market lull that has kept the S&P 500 and Dow Jones Industrial Average in a narrow range for months, and offer a further boost to corporate earnings. But research

shows it isn't that clear-cut.

"Greater investment and high valuations imply that we probably won't experience a stock market boom in the next couple years," said Christopher Anderson, a University of Kansas professor. His 2006 research found that companies that have the biggest increases in capital spending have subsequently had underperforming stock returns.

Capital spending has been growing rapidly in the tech industry, where companies that have seen some of the biggest share-price growth in recent years are becoming increasingly capital intensive. More than half of the growth in first-quarter capex spending can be attributed to the tech sector, Credit Suisse data show.

Investments in data centers, undersea cables and New York City real estate pushed Alphabet's capex tab in the first quarter to \$7.3 billion—the most of any S&P 500 company, and nearly triple what it spent a year earlier.

Although Alphabet's quarterly profits surged thanks to strong demand from advertisers, its shares tumbled 4.8% on the day following its earnings report as investors questioned the sustainability of the costliest spending spree in the firm's 14-year history as a public company. The stock has since rebounded. The company has said it believes these investments will create shareholder value.

Investors have been wary of other companies ramping up spending. But research

shares of the second-biggest capex spender in the S&P 500, GM, have slumped 9.9% this year in part as the costs tied to a revamp of its pickup trucks—the most extensive such redesign in two decades—have cut into profit.

In the energy sector, shares of companies that have prioritized boosting buybacks and dividends have tended to outperform those deploying cash to drill for more oil. ConocoPhillips stock has surged 28% even as Exxon Mobil, the seventh-biggest capex spender in the first quarter, has fallen 2.2%.

Not all big capex-spending companies have struggled in the stock market. Shares of Amazon.com Inc. have soared 35% in 2018, adding to double-digit percentage gains in 2017, as the company's sales growth outshone increased spending on warehouses, expanding its delivery network and amping up its digital offerings.

"You do not want to see companies spending above their normal trend. That historically has been negative for stock prices," said John Bailer, a senior portfolio manager at BNY Mellon Asset Management North America.

The cut to the corporate tax rate and a deregulatory agenda in Washington are giving businesses more certainty about how to spend their growing cash piles. But rising interest rates and the threat of more restrictive trade policies could restrain economic growth. Economists surveyed by The Wall

Street Journal expect a U.S. recession could come as soon as 2020.

To some investors, the murky outlook is another reason to gravitate toward companies that can deliver steady shareholder returns.

Mr. Bailer of BNY, who said

## CORRECTIONS & AMPLIFICATIONS

### Nippon Yusen Kabushiki Kaisha

**Nippon Yusen Kabushiki Kaisha** is the leading partner in **Ocean Network Express**, a company that merged the container operations of three Japanese carriers. A Business & Finance article Saturday about the shipping industry incorrectly said that **Mitsui O.S.K. Lines** is the leading partner in ONE.

Readers can alert The Wall Street Journal to any errors in

## U.S. NEWS

# Retirees Nix Florida for Appalachia

'Halfbacks,' transplants originally from up north, are filling up small mountain towns

BY CAMERON MCWHIRTER

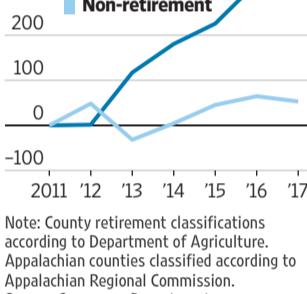
BLUE RIDGE, Ga.—When former New Yorker Marty Stefanelli and his wife contemplated retirement, they didn't know where to look until a visit to this Appalachian mountain town last year.

"We bought a house that week," Mr. Stefanelli said. "I need to find time to wind down, and Blue Ridge forces you to wind down."

For the 57-year-old Mr. Stefanelli, the area's draws included moderate weather, a lack of traffic and low costs on ev-

## Grass Is Greener

Retirement-destination Appalachian counties in Georgia, North Carolina and Tennessee are growing faster than counties designated as non-retirement areas. Change in net migration:



Note: County retirement classifications according to Department of Agriculture. Appalachian counties classified according to Appalachian Regional Commission. Source: Commerce Department

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erything from property prices to restaurant bills to taxes.

The twist is that the Stefanellis weren't moving from New York but rather from West Palm Beach, Fla., part of a movement known as "halfbacks"—Northern transplants to Florida who are retiring in mountain communities of western North Carolina, northern Georgia and eastern Tennessee. These retirees are reshaping local economies, boosting everything from tax revenues to restaurant receipts to sales of electric chair lifts for the elderly. Along the way, they are chafing locals who say the migration is pricing them out of homes and bringing in a sort of big-city busyness.

Mr. Stefanelli says he pays about \$3,000 in taxes a year for his Georgia house, compared with about \$20,000 for his home in Florida. He also maintains a home in New York that costs him about \$30,000 a year in taxes. He plans to make Georgia his main residence in a few years.

"I bought a pickup to fit in," he said.

The halfback phenomenon—so named because the retirees are said to be moving roughly halfway back up north—was well under way by the early 2000s before coming to a halt during the recession. But the trend has come back, according to federal data, as many of the nation's 74 million baby boomers move for retirement.

In Blue Ridge, about 75 miles north of Atlanta's downtown, it's common to see Florida license plates in a store parking lot, hear New York accents as a couple walks by or see older



Construction workers build a house in a development in Blue Ridge, Ga. An influx of retirees in the area has driven up home prices.

men on a bench wearing Chicago Cubs baseball caps. Realtor Brian White, who sold the Stefanellis their mountain home, said at least three-quarters of his clients come from Florida, most originally from Northern states.

Nathan Pitts, a local real-estate agent and newly elected city councilman, said the influx has helped raise tax revenue and revive the economy.

Bret Benson, owner of Scooters & More Factory Outlet in Blue Ridge, said business for scooters and installing lifts for elderly clients was up more than 20% last year from five years ago. James Nichols, co-owner of Love Those Mountains Realty in Ellijay, Ga., said, "The halfback process is very much in motion again," with about 75% of sales to retirees coming from Florida.

The median home sales price in Fannin County last year jumped 75% from 2012 to

\$250,000, according to Attom Data Solutions, a property-data provider.

Long Island-raised Mike Galinski, owner of a semiconductor company who is also a real-estate developer in Florida, bought property in Fannin County after the recession. He is building restaurants and plans to add homes in and around McCaysville, a town on the Tennessee border.

"The upside is there," said Mr. Galinski, who also built a home for himself in the area.

But increased development has created its own problems, including extra traffic and strained water infrastructure, as well as a higher demand for medical services. Terry Stonecipher, a 43-year-old mechanic who has lived in the area most of his life, said area residents have bristled at some of the newcomers. "People that have no manners," he said. "Go back where you came from."

## Census Data Show Surge in Retirees

Census data show that from 2010 to 2017, net migration to retirement-destination counties in the Appalachian regions of Georgia, North Carolina and Tennessee increased 169%.

That was the same percentage of growth for retirement destinations in Florida, said Hamilton Lombard, a University of Virginia demographer who has tracked the halfback phenomenon.

During the same period, net migration to all U.S. retirement-destination counties increased 67%.

In Georgia, many of the mountain counties experienced an increase in the 65-and-older population, including Blue

Ridge's Fannin County, up to 27% in 2016 from 22% in 2010, according to the U.S. Census Bureau.

Net migration to retirement-destination Appalachian counties in Georgia, North Carolina and Tennessee has risen steadily from about 10,000 in 2011 to more than 46,000 in 2017, census data show. The U.S. Agriculture Department designates counties as "retirement destinations" if their population 60 and older grew by 15% or more within a decade due to net migration.

Rebecca Tippett, a chief demographer at the University of North Carolina-Chapel Hill's Carolina Population Center, said that, postrecession, retirees are once again playing a large role in western North Carolina's growth. "We've seen a major return to previous migration levels," she said.

## Housing Weighed For Young Migrants

BY ALICIA A. CALDWELL

The Trump administration is reviewing options to house immigrant children at military bases as it prepares to separate far more kids from their parents caught crossing the Mexican border illegally.

Officials from the Department of Health and Human Services have made informal visits to four facilities in Texas and Arkansas, according to a U.S. defense official.

Last week, Attorney General Jeff Sessions and Tom Homan, deputy director of U.S. Immigration and Customs Enforcement, announced plans to step up criminal prosecutions of immigrant parents caught illegally crossing the border with their children, separating families.

The administration has been trying to stem a rising flow of illegal immigration a year after recording record-low arrests at the border in the first few months after President Donald Trump took office. Officials have long considered separating parents and children caught at the border as part of deterrence for other would-be border crossers.

Children separated from their parents will now be treated as unaccompanied immigrant children and cared for by the Office of Refugee Resettlement within the HHS. The new policy is expected to add thousands of children to an already crowded child-welfare system, where immigrant children can spend as long as 45 days in government care before a sponsor, typically a relative, can be located.

The Administration for Children and Families at the HHS said the agency routinely evaluates "the needs and capacity" of its network of 100 shelters in 14 states.

The Washington Post earlier reported the review of military installations.

Last month, the U.S. Border Patrol made just over 38,000 arrests along the Mexican border. About 9,600 of those arrested were traveling as families. The agency didn't say how many children were with parents.

## Leagues, States Make Sports-Betting Play

BY CHRIS KIRKHAM  
AND RACHEL BACHMAN

Now that the U.S. Supreme Court has paved the way for states to allow sports betting, professional sports leagues, gambling operators and state governments are vying for their share of potentially billions of dollars of new revenue.

Monday's ruling is expected to set the stage for a frenzy of negotiations in statehouses across the U.S. on tax rates and possible charges by leagues, all of which could determine how quickly sports betting takes off in newly regulated markets.

Even before the Supreme Court decision, betting operators had been warning that some states and sports leagues have proposed tax structures that would make it difficult for legal sports betting to compete with offshore, black-market operators that don't pay any taxes.

Pennsylvania passed legislation last year to allow sports betting, but proposed a 36% tax on revenue from sports betting in the state, far higher than a state rate of 6.75% in Nevada, one of the few legal sports-betting markets until Monday's decision.

In addition, the National Basketball Association and Major League Baseball have discussed fees with some state

legislatures that could be as high as 20% of revenue.

The NBA, for example, has discussed what it calls an "integrity fee" with Connecticut legislators and others for 1% of all money wagered, which would amount to about 20% of what sports-betting operations typically get back in revenue. The league also said it would support bills with a fee of 0.25% of wagers.

"It seems like everybody wants to take a piece of the

thin-margin business we're already in," said Vic Salerno, a veteran Nevada sportsbook operator.

State lawmakers are trying to get the best deals for taxpayers. Sports leagues are calling their proposals integrity fees because they said they are designed to help ensure gambling doesn't lead to improprieties in the games.

Speaking at The Wall Street Journal's "Future of Everything" festival last week, NBA

Commissioner Adam Silver said the proposal is a fair exchange for allowing casinos or other betting outfits to profit from the league's games.

"We are the producers of this intellectual property. The NBA will spend \$7.5 billion this year creating this product," he said. "We should be compensated in some way for the use of our property."

Bryan Seeley, MLB's senior vice president and deputy general counsel, said the league

has spoken with a dozen state legislatures to request that a fee be included in any potential legislation. MLB has lowered its request to 0.25% of the money wagered from 1%, Mr. Seeley said.

He likens the fee to a royalty payment but said it also reflects increased costs for tracking betting activity and accounts for the possibility of reputational risk to the league.

"The bookmaker who's on a losing side of a bet on an event that has been fixed could lose thousands, tens of thousands, hundreds of thousands," Mr. Seeley said. "The hit to our brand and our product is millions or tens of millions."

Ted Leonsis, owner of the NBA's Washington Wizards and the National Hockey League's Washington Capitals, said he believes there should be a "more equitable" way for leagues and teams to benefit from money made off sports betting.

"It's our content that we've sold to ESPN and Turner, who's now delivering it into the casino, and someone's betting \$1 billion based on watching all these games on television," he said. "The players aren't sharing in that, the cable providers aren't."

♦ NFL sees opportunity in legalized gambling..... A14



Major League Baseball and other sports leagues will vie for a share of the revenue from betting.

## Search for VA Chief Narrows, Includes 2 Generals

BY PETER NICHOLAS

Two retired generals have visited the White House in the past week to interview with aides for the Veterans Affairs secretary position, a White House official said Tuesday.

Under consideration for the cabinet post are retired Air Force Lt. Gen. Ronnie Hawkins, and retired Army Lt. Gen. Michael Ferriter. Also in the mix is Ron Nicol, a senior adviser at the Boston Consulting Group, though the White House official said his chances of getting nominated are less likely.

President Donald Trump is looking for a permanent head of the 360,000-person VA, the second-largest government agency after the Pentagon. In

March, the president ousted VA Secretary David Shulkin amid a controversy surrounding an official trip he took to Europe in 2017.

An inspector general report showed Dr. Shulkin misused taxpayer money during the trip while treating a department employee as a "personal travel concierge."

Dr. Shulkin later repaid the U.S. government for the costs flagged by the inspector general report, and has denied wrongdoing.

Mr. Trump nominated his White House physician, Ronny Jackson, to succeed Dr. Shulkin. But Dr. Jackson withdrew his name from consideration following allegations about his conduct.

A two-page summary of al-

legations compiled by Democratic staff on the Senate Veterans' Affairs Committee said he had dispensed prescription drugs without paperwork and had wrecked a car while intoxicated. Both Dr. Jackson and the White House denied the allegations.

After Dr. Jackson stepped aside, the White House publicized records that officials said disputed both allegations.

The White House, having promised to overhaul the long-troubled VA, which serves nine million veterans, is now taking more time to vet candidates before putting forward a nominee, officials said.

One person close to the White House said Mr. Trump has also considered his chief of staff, John Kelly, for the VA

job. But White House officials insist Mr. Kelly, a retired four-star Marine general, isn't a candidate.

Mr. Ferriter runs a consulting company, the Ferriter Group, whose website describes its mission as improving "organizations, leaders and teams through a customized one-of-a-kind approach."

In an interview on Tuesday, Mr. Ferriter said: "I grew up in a military family and my father served in the military in the Second World War. Since I retired, I've been totally immersed in taking care of veterans and their families and their soldiers, and if I were asked to serve, I would find that very appealing."

Mr. Hawkins declined to comment. A colleague said he

is president and chief executive of the Hawkins Group, which provides federal and commercial advisory and consulting services involving cybersecurity and information technology.

Mr. Nicol, reached Tuesday night, said he spoke to White House staff about the VA job last week. The 64-year-old Dallas resident said he didn't have a sense of his prospects for the nomination, though he remains interested in becoming VA secretary.

"I care deeply about our veterans," said Mr. Nicol, who was part of Mr. Trump's presidential transition team. "We should be thinking about the resources of the VA. We have a lot of resources in both budget and people."

## U.S. NEWS

# CIA Pick Wins Key Democratic Backing

Three senators say they support Haspel after she sends letter about interrogations

BY BYRON TAU

**WASHINGTON**—The nominee to run the Central Intelligence Agency appears to have the votes needed to be confirmed later this week, after winning over a senior Democratic senator who pressed her on the agency's controversial interrogation program and picking up additional support from his side of the aisle.

Sen. Mark Warner of Virginia, the top Democrat on the Senate Intelligence Committee and an influential voice on national security, announced Tuesday he would back Gina Haspel. He cited a new letter in which she said that the agency shouldn't have undertaken a post-9/11 antiterrorism program that many critics say amounted to torture.

Shortly after Mr. Warner's statement, two more Demo-

crats, Sen. Heidi Heitkamp of North Dakota and Sen. Bill Nelson of Florida, announced they would support Ms. Haspel.

Their support brings the number of Democrats backing Ms. Haspel to five, giving her additional breathing room in the Senate, where she had only a narrow margin until Tuesday. Most Republicans were expected to support her, while most Democrats were expected to oppose her. She needs a majority to be confirmed.

On the GOP side, Sen. John McCain, who was tortured while held prisoner during the Vietnam War, opposed her nomination over the interrogation program. Mr. McCain is in Arizona undergoing treatment for cancer and is unlikely to return to Washington to vote. Sen. Rand Paul (R., Ky.) has said he would oppose Ms. Haspel. Among Republicans who had been noncommittal, Sen. Mike Lee of Utah said Tuesday he would back Ms. Haspel.

Ms. Haspel wrote in the letter to Mr. Warner released Tuesday that the post-9/11 program aimed at ex-



Gina Haspel was more critical of CIA interrogations in a letter than in a public hearing last week.

ANDREW HARRER/BLOOMBERG NEWS

tracting intelligence from terrorism suspects "ultimately did damage to our officers and our standing in the world."

"With the benefit of hindsight and my experience as a senior agency leader, the enhanced interrogation program

is not one the CIA should have undertaken," she wrote. "The United States must be an example to the rest of the world, and I support that," she added.

Ms. Haspel's comments on the interrogation program, earlier reported by CNN,

went a step further than her remarks last week in a public hearing in front of the Senate Intelligence Committee.

In the hearing, she said she believed the CIA had been unprepared to run an interrogation program and said she

wouldn't restart such a program. But she declined to apologize for her role as a senior officer in counterterrorism at the time, nor did she criticize the decisions of the agency's leadership at the time.

The intelligence panel will vote on her nomination Wednesday, after which she will be considered by the full Senate, a committee aide said. She is expected to clear the panel with the support of at least two Democrats.

Senate Majority Leader Mitch McConnell said he expected the Senate to take up the nomination this week.

Her involvement in the interrogation program was the biggest sticking point in her confirmation. The program was the subject of a critical 2014 report from the intelligence panel. It detailed the treatment of detainees in CIA custody, describing them as imprisoned in boxes, chained to walls and waterboarded to the point of unconsciousness.

—Siobhan Hughes  
and Nancy A. Youssef contributed to this article.

## Volcano Keeps Spewing on the Big Island



UNFAZED: An ash plume from Kilauea formed a dramatic backdrop at a golf course in Hawaii Volcanoes National Park on Tuesday.

## Women Win 3 Pennsylvania Primaries

BY REID J. EPSTEIN

Pennsylvania Democrats will have at least three women favored to win House races in November after they won primary contests Tuesday, which could diversify the nation's largest all-male congressional delegation.

State Rep. Madeleine Dean beat two opponents to win the Democratic primary in her Montgomery County-based district, according to the Associated Press. Ms. Dean will face Republican Dan David in November, but she will be heavily favored to win, given that Hillary Clinton carried the district by 20 percentage points in the 2016 presidential election.

If Ms. Dean prevails it would end the state's all-male congressional delegation, though she may be joined by others. Democrat Chrissy Houlahan,

an Air Force veteran, will face Republican Greg McCauley, a tax attorney, in a district based in Chester County, southwest of Philadelphia. Both Ms. Houlahan and Mr. McCauley ran unopposed. Mrs. Clinton won that district by 10 percentage points.

All 18 of Pennsylvania's members of Congress and both its senators are men. So are all five statewide elected government officials.

Pennsylvania Democrats had 23 women running for House seats in primary contests Tuesday. Republicans had just one—Pearl Kim, a former state prosecutor who was unopposed for the GOP nomination in a strongly Democratic district based in Delaware County, south of Philadelphia.

The congressional races are being contested under new maps instituted by the state's Supreme Court in February.

Due to retirements, resignations and congressmen running against each other for the same seat, seven of the state's 18 districts have no incumbents. Democrats, who need to flip 23 Republican seats to win control of the House, could net as many as six from Pennsylvania alone if everything breaks their way, according to ratings from the Cook Political Report.

In a district covering the Lehigh Valley north of Philadelphia, attorney Susan Wild defeated District Attorney John Morganelli and pastor Greg Edwards in a tight three-way contest for the Democratic nomination.

Mr. Morganelli drew the ire of progressive groups because he has in the past taken a stance against abortion rights. After President Donald Trump's election, Mr. Morganelli wrote to Mr. Trump on Twitter volun-

teering himself to serve in the administration.

EMILY's List, which backs Democratic women who support abortion rights, endorsed Ms. Wild. Mr. Edwards had backing from Vermont Sen. Bernie Sanders, who held a rally for him in the district in the final weeks of the campaign.

In a statement, EMILY's List said "her record of fighting for progressive values and supporting working families speaks for itself—and it's what will further propel her to victory in November." The Cook Political Report rates the district as "lean" Democratic.

Ms. Wild will face the winner of the GOP primary between Marty Nothstein, a gold medal-winning Olympic cyclist, and Dean Browning, a former Lehigh County commissioner.

—Janet Hook contributed to this article.

## U.S. Won't Consult California on Autos

BY TIMOTHY PUKO  
AND MIKE SPECTOR

**WASHINGTON**—The Trump administration doesn't intend to give any special treatment or outreach to California while it drafts new federal rules on vehicle emissions, according to people familiar with the matter.

President Donald Trump had suggested last week that his team would work on a deal with the state, and past federal overhauls have included advanced collaboration with California, which has unique power to police vehicle pollution.

But Mr. Trump's Environmental Protection Agency is sticking with a plan to complete its proposal before taking input from the state, the people said.

The strategy is likely to disappoint auto makers hoping to head off a brewing conflict they fear could result in two sets of environmental rules for cars and trucks in the U.S. Just days ago executives from the world's biggest auto makers emerged from a White House meeting touting Mr. Trump's "openness" to expedited talks with California.

The administration's strategy hasn't changed in response to the meeting, the people said.

Washington and Sacramento have been heading toward a face-off because of opposing views on vehicle emissions standards. The administration wants to drastically ease tightened Obama-era emissions targets. But California has a special waiver to set higher standards than the federal government, and a dozen states follow its lead. California is also encouraging the production of more zero-emission vehicles such as electric cars.

Mr. Trump's team has made only a tentative outreach so far, and EPA leaders don't plan

to make any more or share any technical details with California before advancing their proposal, the people said.

The administration is sticking with a plan to propose several new options—which include ways to eliminate California's special authority—and then use that to create negotiating room with the state. U.S. officials intend to take input from California only once the plan opens to comments from everyone, the people said.

California is suing to stop the federal overhaul. California and the states following its rules make up more than one-third of the car market. If they break from Washington to pursue conflicting regulations, it could wreak havoc on design

Washington and Sacramento have been heading toward a face-off.

and business plans that auto makers map out years in advance.

That fear in part led auto makers to meet with Mr. Trump and several of his senior advisers at the White House on Friday. Mr. Trump began the meeting by threatening litigation against California, but in an about-face, later in the meeting said EPA Administrator Scott Pruitt and Transportation Secretary Elaine Chao would be tasked with striking a deal with California.

The issue could come up for Mr. Pruitt Wednesday morning during a budget hearing on Capitol Hill. Sen. Dianne Feinstein (D., Calif.) is on the appropriations subcommittee that hosts Mr. Pruitt starting at 9:30 a.m.

## NAFTA

Continued from Page One

verage those threats to get a deal done quickly. Mr. Trump briefed lawmakers Tuesday, underscoring the need for the deal, but conceded such a rewrite would be difficult, according to lawmakers who attended the meeting.

During the Nafta talks, Canadian and Mexican officials agreed to stick together, even amid disagreements, because that was the best way to counter U.S. demands for concessions, according to people familiar with the strategy.

Canadian officials also held numerous meetings with U.S. Republicans, at times driving a wedge between the White House and the trade-friendly side of the party. Canadian Foreign Minister Chrystia Freeland met Mr. Ryan last week.

Meanwhile, GOP senators from agricultural states also began meeting with Mr. Trump. They discouraged him from pulling out of the agree-

ment, warning him that such a step would set up a confrontation with Republicans in Congress and potentially hurt the party in the midterm congressional elections, especially in farm states.

Mr. Guajardo and Ms. Freeland spent much of the last two weeks in Washington holding ministerial-level meetings trying to reach an accord with U.S. Trade Representative Robert Lighthizer, but returned home Friday without making any major announcements.

The U.S. sought to build momentum by focusing in recent weeks on automotive trade, an area of thorny disagreement over how much regional content a car needs to qualify for zero tariffs when crossing the Mexican and Canadian borders into the U.S.

Last week, a Republican congressional aide said there was a possibility the U.S. would be able to conclude a "skinny deal" that focused on progress on autos and a few other less contentious areas. The Americans floated plans to tie a percentage of vehicle content to high-wage labor, a move that



Trucks waited for approval to cross into the U.S. in Nuevo Laredo, Mexico, last month. The U.S. is seeking to rewrite Nafta.

date new rules of parts origin, Mr. Guajardo said. "How can you then say, look, after five years, the leaders could decide not to continue with the agreement?"

Some observers say the stalemate reflects deeper philosophical divides between the Trump administration and Mexico on trade. "Normally in a negotiation, each side has to have flexibility," said Carla Hills, who led the U.S. negotiating team for the original Nafta deal under President George H.W. Bush. "If the U.S. side has no flexibility on important issues, it's certainly not going to move forward."

Some of Mr. Trump's allies say officials could still secure a quick deal that wins support this year. Canadian Prime Minister Justin Trudeau said Tuesday the countries "are very close" to a deal.

And yet, people following the talks said Mr. Ryan's deadline is also a reflection of GOP lawmakers' reluctance—especially in an election year—to take up a Trump-led deal that disappoints big busi-

nesses and limits international trade. "He's signaling that if it comes to that they have the power to block it," said Bill Reinsch, senior trade expert at the Center for Strategic and International Studies in Washington.

Under a 2015 U.S. trade law known as fast track, a president who negotiates a free-trade agreement and follows certain rules is guaranteed an up-or-down vote on the deal in Congress—with no opportunity for amendments—in a given time frame.

The rules of fast track, also known as trade-promotion authority, have some wiggle room, but there are concrete requirements, including a 90-day notice to Congress before a pact is signed, with a text published at least 60 days before the signing.

The upshot, say trade experts: After this week, any deal announced to Congress won't be guaranteed a vote before the next Congress takes office in January.

—William Mauldin  
and Siobhan Hughes contributed to this article.

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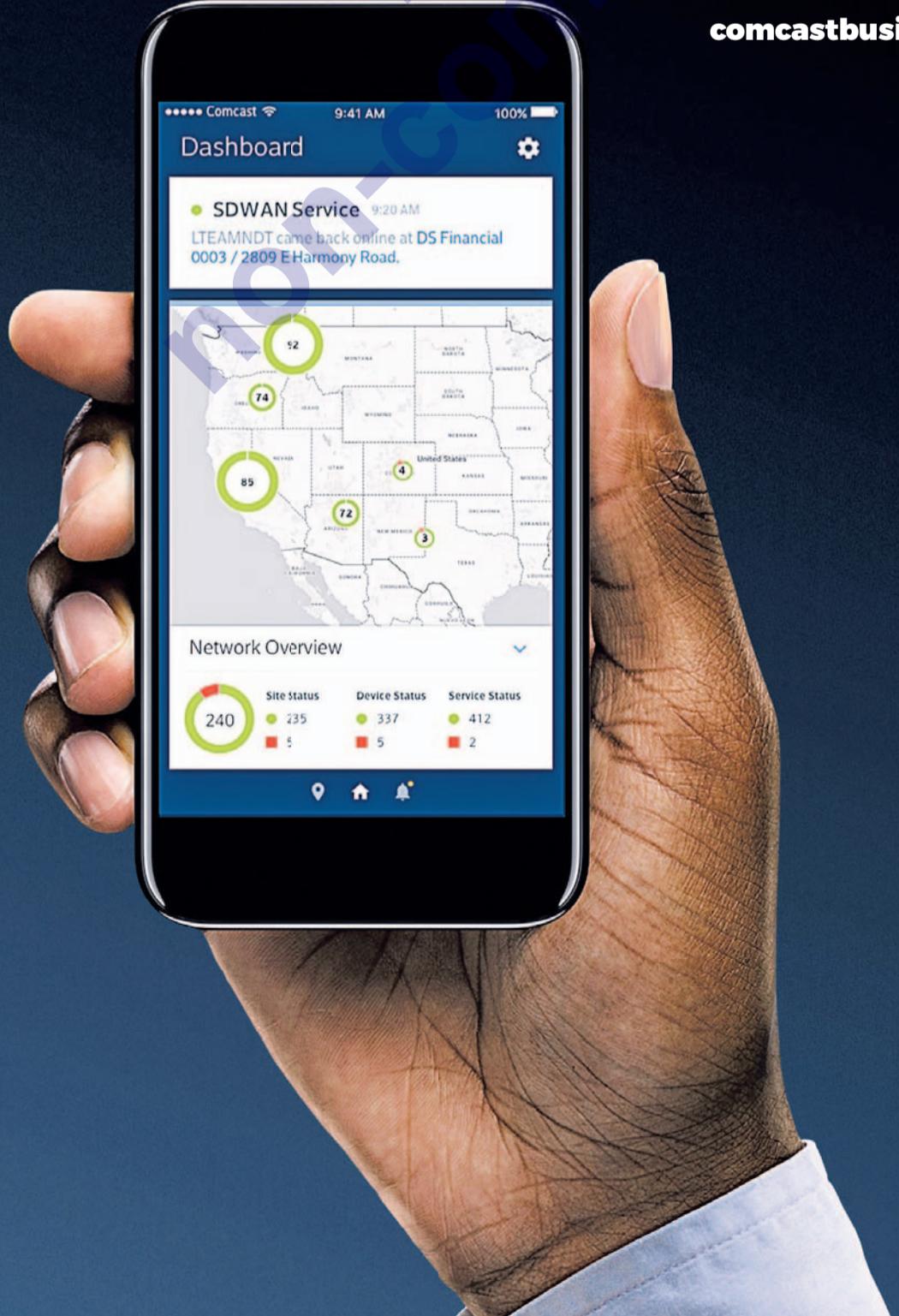
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## WORLD NEWS

# Pyongyang Casts Doubt on U.S. Summit

North Korea says it has no interest in talks aimed at eliminating its nuclear weapons

A senior North Korean official said Wednesday that Pyongyang wasn't interested in a summit meeting with the U.S. that would focus only on denuclearization, accusing

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

Washington of trying to "impose on our dignified state the destiny of Libya or Iraq."

In a sharply worded statement attributed to Kim Kye Gwan, a senior North Korean Foreign Ministry official, Pyongyang said that it had no desire to deal away its nuclear weapons for economic compensation or benefits, casting doubt on its willingness to go ahead with a planned June 12 summit meeting with President Donald Trump in Singapore.

"If the U.S. is trying to drive us into a corner to force our unilateral nuclear abandonment, we will no longer be interested in such dialogue and cannot but reconsider our proceeding to the DPRK-U.S. summit," Mr. Kim was quoted as saying, using the acronym for North Korea's formal name, the Democratic People's Republic of Korea.

White House officials didn't immediately respond to a request for comment.

Mr. Kim's statement came after North Korea suspended high-level talks with South Korea and threatened to call off the planned U.S.-North Korean summit, citing its objections to military exercises being conducted by the U.S. and South Korea.

Mr. Kim, a longtime North Korean diplomat who has met frequently with U.S. negotiators and high-level officials over the



North Korean leader Kim Jong Un, left, talking with South Korean President Moon Jae-in at the Peace House of Panmunjom in April.

KOREA SUMMIT PRESS POOL

years, singled out national security adviser John Bolton and his demands ahead of the planned summit, which include a Libya-style denuclearization process and the complete disposal of biological and chemical weapons.

"Unbridled remarks provoking the other side of dialogue are recklessly made in the U.S. and I am totally disappointed," Mr. Kim, who is the first vice minister of the Ministry of Foreign Affairs, was quoted as saying, adding: "We do not hide our feeling of repugnance toward" Mr. Bolton.

"I cannot suppress indignation at such moves of the U.S., and harbor doubt about the U.S. sincerity for improved DPRK-U.S. relations through sound dialogue and negotiations," Mr. Kim said, in a statement published Wednesday by the North's official Korean Central News Agency.

Earlier Wednesday, the Korean Central News Agency pointed to the drills involving

the South Korean and U.S. air forces as a major concern, calling the maneuvers a rehearsal for invasion.

The air exercise is "a deliberate military provocation to the trend of the favorably developing situation on the Korean Peninsula," North Korea said. "The U.S. will have to think twice about the fate of the DPRK-U.S. summit now on high agenda before a provocative military racket against the DPRK in league with the south Korean authorities."

State Department spokeswoman Heather Nauert said Tuesday that North Korea hasn't complained to the U.S. about the current exercise or told American officials, formally or informally, that it might cancel next month's planned summit between President Donald Trump and North Korean leader Kim Jong Un.

"We are operating under the idea and notion that the president's meeting is going

forward with Chairman Kim next month," she said. She noted that Mr. Kim had previously told South Korea that Pyongyang understood the need for the exercises.

A spokesman for South Korea's Ministry of Unification said the North's decision to unilaterally postpone Wednesday's inter-Korean talks was "inconsistent with the fundamental spirit and purpose" of an agreement signed last month between the leaders of the two Koreas during a summit meeting at the demilitarized zone.

The South Korean government, the statement said, "urges the North to immediately respond to the inter-Korean talks for peace and prosperity on the Korean Peninsula."

The exercise, named Max Thunder, began Monday and will run until May 25, and there were no plans Tuesday to cancel it, U.S. defense officials said. A spokesman for Seoul's Defense Ministry said

Wednesday that Max Thunder would proceed as planned.

Comprised of roughly 1,000 U.S. military personnel and 500 South Korean forces, the exercise is designed to test the interoperability of air assets between the two countries. It involves some of the most modern U.S. aircraft like the F-22 and in past years has included about 100 planes from the U.S. and South Korea.

"These defensive exercises are part of the ROK-U.S. alliance's routine, annual training program to maintain a foundation of military readiness," a Pentagon spokesman, Army Col. Rob Manning, said, using an abbreviation for South Korea's formal name, the Republic of Korea. "While we will not discuss specifics, the defensive nature of these combined exercises has been clear for many decades and has not changed."

—Yun-hwan Chae  
and Andrew Jeong  
contributed to this article.

## Dismantling At Nuclear Site Is Under Way

SEOUL—North Korea has begun to remove buildings from around its nuclear-test site in a step toward dismantling the facility, new satellite imagery shows, as the regime seeks to build trust with the U.S. after declaring its nuclear arsenal complete.

Roughly a week before the Punggye-ri site is to host international journalists, images from San Francisco-based Planet Labs Inc., captured on Monday, showed buildings gone and trucks working in the vicinity.

Pyongyang appears to be "sanitizing" the site, at the foot of Mount Mantap in the country's northeast, to protect secrets before journalists arrive, said Jeffrey Lewis, director of the East Asia Nonproliferation Program at the Middlebury Institute of International Studies in Monterey, Calif.

Monday's images show structures gone from the entrances to the main test tunnel and a new tunnel to the west, and another structure to the south being taken down, said David Schrader, a research associate at the Middlebury Institute and colleague of Mr. Lewis.

Over the weekend, North Korea said that it would close the facility between May 23 and 25—collapsing tunnels, blocking entrances and removing observation facilities.

In recent weeks, there has been a debate over whether the test site is still usable following the sixth test there, in September. A team of international scientists published a study in Science magazine last week saying a large part of the site had caved in after that explosion.

—Jonathan Cheng

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## WORLD NEWS

# Sanctions Target Iranian Officials

BY MICHAEL R. GORDON



Valiollah Seif, governor of Iran's central bank, in 2016

WASHINGTON—The Treasury Department imposed sanctions on the governor of Iran's central bank and another senior bank official, accusing them of funneling millions of dollars to Hezbollah, the Lebanese militia designated as a terror group by the U.S.

The Treasury Department on Tuesday said Valiollah Seif, the governor of the Central Bank of the Islamic Republic of Iran, sent the funds to Hezbollah through an Iraqi bank, the al-Bilad Islamic Bank. The funds were sent on behalf of Iran's Quds Force, an Iranian paramilitary organization fighting in Syria along with Hezbollah to support President Bashar al-Assad.

The sanctions are part of a broader effort by the Trump administration to preclude the Quds Force from using the international banking system.

Iran has long been involved in the Syria conflict and has supplied missiles and other weapons to Hezbollah, which is widely regarded as its proxy in the region. The Trump administration is trying to pressure Iran to curtail that support. But it has stopped short of taking military action against Iranian forces and Iranian-backed militias in Syria while defending Israel's military strikes there.

## Hezbollah Accused Of Laundering Cash In South America

WASHINGTON—Hezbollah, the Iran-backed Lebanese militia designated as a terror group by the U.S., is tapping a money-laundering minstrel in Latin America that poses an escalating risk to U.S. national security, according to a report published on Tuesday.

The illicit activities in the re-

gion linking Brazil, Argentina and Paraguay have long been a source of concern for U.S. security officials. Venezuela's political crisis and Argentina's inflation, together with corruption and lax law enforcement, are helping fuel an illicit economy estimated at \$43 billion a year, according to the report. The report was prepared by political risk consultancy Asymmetrica, funded and jointly published by the Washington-based nonprofit Counter Extremism Project.

—Ian Tally

# Iraq Cleric Open to Alliance

BY ISABEL COLES  
AND ALI NABHAN

ERBIL, Iraq—Populist cleric Moqtada al-Sadr signaled he is willing to form a coalition with Iraq's U.S.-backed prime minister that could soothe American concerns following the country's surprising national parliamentary elections.

Mr. Sadr's alliance of Shiite Islamists and communists unexpectedly captured the most parliamentary seats over the weekend, voting counts in the provinces of Kirkuk and Dohuk confirmed Tuesday evening. The cleric's victory upended both American and Iranian calculations, as U.S.-aligned Prime Minister Haider al-Abadi and Iran-friendly candidates lagged behind Mr. Sadr's coalition.

Mr. Sadr, a Shiite cleric whose militias fought the U.S. after its 2003 invasion of Iraq and participated in atrocities against Sunni Muslims, is a sharp critic of both U.S. and Iranian influence in Iraq. He has opposed the presence of U.S. troops in the country, which Washington sees as a vital part of its security alliance with Baghdad, while he has opposed Iraqis going to Syria to fight in support of Iran's ally, President Bashar al-Assad.

His strong showing set off a furious scramble among Iraq's unwieldy set of political parties to create a governing coalition.

Mr. Sadr, who isn't believed to be seeking the premiership, said on Twitter that he was open to an alliance with Mr. Abadi's coalition, among others, a move that could give the prime minister a second term.

Mr. Abadi's coalition was widely expected to win a plurality but placed third. He bet his candidacy on his victory over Islamic State following a brutal three-year war, during which he built a trusted relationship with Washington based on countering terrorism.

Mr. Sadr mobilized his base with vows to do away with corruption and appoint technocrats to the cabinet, ending a system whereby Iraq's influen-



Employees of Iraq's electoral commission inspected a ballot box printout in Najaf on Tuesday.

tial sectarian and ethnic political parties divvy up ministries and government offices among themselves. Mr. Sadr's spokesman, Salah al-Obaidi, said that the program aligned Mr. Sadr with Mr. Abadi's Victory coalition.

Mr. Abadi welcomed those comments in his weekly press conference on Tuesday.

For the U.S., which was counting on Mr. Abadi to lead Iraq, the rise of Mr. Sadr is a rude awakening. Even if Mr. Abadi survives as prime minister, his mandate will be severely weakened.

"To the extent that the Trump administration was paying any attention to Iraq, it was betting big on Abadi," said Kenneth Pollack, a resident scholar at the American Enterprise Institute, where he works on Middle Eastern political-military affairs. "There is a lot of trepidation and hand-wringing here in D.C."

Meanwhile, Iran was maneu-

vering to retain its influence among Iraqi decision makers, as it confronted the prospect of Mr. Sadr wielding power.

Iranian envoys worked to bring together all Shiite parties excluding Mr. Sadr's the day after the election, in a bid to choose the next prime minister, but that effort failed on

**Moqtada al-Sadr's victory upended both American and Iranian calculations.**

Monday, according to people with knowledge of the talks.

Since Iraq began holding elections in 2003, Iran, a Shiite theocracy, has exerted its influence by bringing together Shiite parties. Iran wants Iraq to be a weak ally so that it can

preserve its economic and political sway there and in the wider region, lawmakers and analysts say.

The core of the Iran-backed bloc is the Fateh alliance representing Shiite militias with close ties to Iran, which came second after Mr. Sadr's, and the State of Law Coalition, headed by former Prime Minister Nouri al-Maliki. Saad al-Motallabi, a member of the State of Law coalition, denied Iran was playing a role.

Mr. Sadr indicated this week he isn't interested in forming a coalition with the factions closest to Iran. "We will not be part of a sectarian alliance," Mr. Obaidi said.

Iraq's electoral commission

on Tuesday said a final vote count including parliamentary seat allocations would be released "in the coming few days."

—Ghassan Adnan in Baghdad contributed to this article.



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## WORLD NEWS

# Afghan Forces Fight Taliban for Key City

Battle for Farah, near Iran border, is seen as a test of U.S. efforts to build up local troops

KABUL—Fighting raged between Taliban militants and Afghan government forces for control of a provincial capital near the Iranian border, local

*By Craig Nelson,  
Habib Khan Totakhil  
and Ehsanullah Amiri*

officials said, in a confrontation shaping up as a stern test of U.S. efforts to build an effective, local force.

The Taliban launched a co-ordinated assault on Farah early Tuesday, and quickly overran checkpoints at the city's edge. The Islamist militant group is present in most

areas of Afghanistan, but the attack was a high-stakes attempt to do something it has vowed but failed to do since 2015: seize a provincial capital.

The attack focused on the provincial command posts of the national intelligence service and the police, as well as the governor's compound and the prison, where Taliban fighters are jailed, local officials said. They said the attack included more than a thousand Taliban fighters, some mustered from the nearby provinces of Kandahar, Uruzgan and Helmand.

In the Afghan capital, Kabul, Mohammad Radmanish, spokesman for the Afghan Defense Ministry, said the government had the situation under control and the Taliban "were on the run."

His counterpart for the U.S.-led international forces in



A security officer guards the Farah government compound.

Afghanistan, Lt. Col. Martin L. O'Donnell, said Afghan ground forces, backed by Afghan and U.S. fighter aircraft, were "on the offensive."

"Dozens of Taliban have been killed," he said.

But late Tuesday afternoon,

residents were still fleeing Farah as the bombing of neighborhoods continued in an effort to dislodge Taliban fighters.

The Taliban said they had

advised residents of the city to remain indoors. "They shouldn't be scared," the group said.

Abdul Basir Salangi, the governor of the province, which is also named Farah, said the continuing intense fighting included a suicide bombing against a convoy of government forces that had inflicted an unknown number of casualties. "The number isn't clear," Mr. Salangi said.

Overall, six soldiers and police have been killed in the fighting and an additional 10 wounded, Interior Ministry spokesman Najib Danish said.

In signs of the ferocity of the fighting and the political stakes involved, Afghan President Ashraf Ghani went to Defense Ministry headquarters in Kabul and met with senior officials to discuss the situation some 500 miles away in Farah.

Also, army and police com-

mandos from the nearby provincial capitals of Herat and Kandahar joined the battle to help the estimated 6,000 locally based forces repel the militants' assault.

Gul Ahmad Aazami, who represents Farah in the Afghan parliament, said the deployment of security forces from other provinces was crucial for the government's chances of successful defense of the city.

"Nearly all the security forces in Farah are from the province," Mr. Aazami explained. "They're hesitant to fight the Taliban because they fear for the safety of their families that live under them."

The Taliban have been active in the province of Farah for several years. Four months ago, however, the group stepped up military activities in the remote, sparsely populated region.

## BATTLE

*Continued from Page One*  
trolled half-a-dozen districts in eastern Afghanistan.

Retaking the valley would expand Islamic State's Afghan foothold and constitute a symbolic victory for a would-be caliphate that has lost most of the territory it held in the Middle East.

The valley is also rich in farmland, gemstones and talc deposits, and guards access to Highway 7—a vital commerce route between Kabul and Peshawar, Pakistan—and the eastern city of Jalalabad. For nine days this month, the military granted The Wall Street Journal exclusive access to U.S. commandos operating in the valley. The military doesn't allow the reporting of allied troop numbers or battle plans.

The Taliban remain the largest insurgent group in Afghanistan, but Islamic State—known locally as Islamic State-Khorasan—has been especially brutal. Many U.S. commando operations and airstrikes are aimed at Islamic State leaders.

When they controlled Mohmand and adjacent valleys, Islamic State fighters imposed their harsh brand of Islam on the population and, according to local residents, hunted down those suspected of ties to the Kabul government or military. In one incident, militants forced villagers to watch them decapitate seven people in a bazaar, locals reported.

In the past 18 months, Afghan troops backed by U.S. Special Forces and air power have fought compound to compound, cleared hundreds of explosive booby traps and set up checkpoints in areas they wouldn't have dared enter previously.

Hundreds of Islamic State fighters died in the fighting, according to the U.S. military. Others took shelter in the Spingar mountains that straddle the Pakistan border, or fled east or west into other valleys, including Deli Bala district.

With warm weather returning and snow melting in mountain passes, Islamic State is replenishing its ranks and supplies. U.S. commanders estimate they have cut the group's strength in Afghanistan in half, to 1,500 to 2,000 fighters. Most are on the Pakistan border.

The group has also carried out—or claimed responsibility

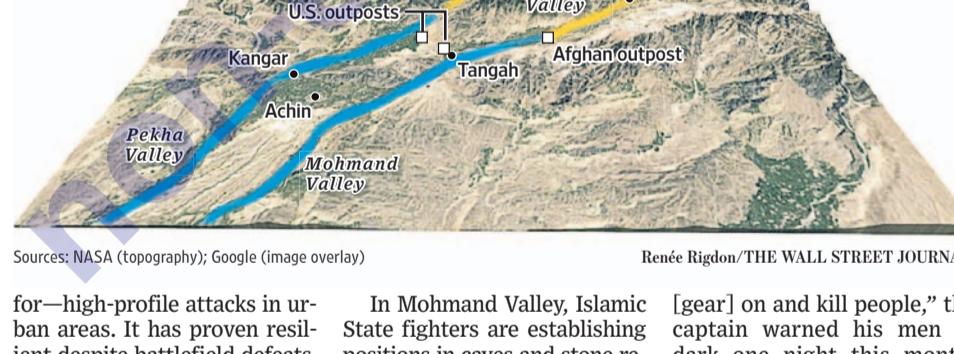


Special-operations troops watch the ridgelines during a patrol in the Spingar mountains above Mohmand Valley, Afghanistan, which was once an Islamic State hub.

### The Fight Against Islamic State

U.S. troops are preparing for an Islamic State offensive in Afghanistan's Mohmand Valley, where American Special Forces have an outpost. A second U.S. outpost looks into hostile Takhto Valley on one side and friendly Pekha Valley on the other.

■ Afghan/U.S. control  
■ Islamic State control



Sources: NASA (topography); Google (image overlay)



Renee Rigdon/THE WALL STREET JOURNAL

for—high-profile attacks in urban areas. It has proven resilient despite battlefield defeats, replacing losses with new fighters from the Pakistani Taliban, according to U.S. officers. The Pakistani Taliban, or TTP, operates independently of the Afghan Taliban.

In Mohmand Valley, Islamic State fighters are establishing positions in caves and stone redoubts along the ridges that provide a view into U.S. and Afghan posts. "They're looking for vulnerabilities," said a Special Forces team captain.

"Be ready to throw your

[gear] on and kill people," the captain warned his men at dark one night this month, when an Islamic State assault seemed imminent.

The militants know the Americans are listening, and some messages are bluffs apparently intended to lull the

Americans and their Afghan allies into boy-who-cried-wolf complacency.

Islamic State militants hide weapons in caves and houses and conceal them in blankets on the backs of donkeys, knowing they are safer from American strikes if they appear to be unarmed in the open. They often move during cloudy weather and rainstorms, when U.S. aircraft are less likely to be overhead. The Green Berets sometimes hear them talking on open radio frequencies about planned attacks. The fighters often use code words to talk about explosives or heavy weapons.

Last month, an Islamic State sniper, holed up behind sandbags in a cave high on a cliff face, opened fire on Special Forces returning from a patrol. The Americans responded with artillery and the firefight.

Militants take shots at checkpoints to see how troops react and how fast they do so. The captain described it as akin to watching film of an opposing football team before the big game.

Early this month, American Special Forces soldiers spotted several men near a cave entrance on the high ground. U.S. jets dropped five bombs on the position. The initial explosions set off 10 more blasts from inside the cave, indicating that the bombs had struck a substantial weapons stash.

Word has spread through the valley that Islamic State militants appeared in one of the villages in recent weeks and beheaded a civilian. The incident appears to have sparked an exodus of residents, who could be seen leaving the valley in cars loaded with furniture, clothes and children. A few stopped at the Special Forces outpost, asking for rifles to protect themselves when Islamic State returns; the Americans declined.

"They're leaving because they're scared," said Ismael Shinwari, the senior Afghan government representative in Achin District. "Islamic State just chopped a man's head off."

—Saeed Shah in Islamabad, Pakistan, and Craig Nelson in Kabul contributed to this article.

## Mahathir Plans Short Stay in Power

BY ALASTAIR GALE  
AND JAMES HOOKWAY



Mahathir Mohamad, 92, led Malaysia from 1981 to 2003.

Malaysian Prime Minister Mahathir Mohamad plans to remain in power for one or two years after his historic election win last week, and he said he expects criminal charges will be filed against former leader Najib Razak following an investigation into allegations that he siphoned off hundreds of millions of dollars from a state investment fund.

In his first formal interview since the May 9 election, Mr. Mahathir said he wouldn't offer Mr. Najib freedom in an effort to reclaim the missing funds.

"No deal," Mr. Mahathir said via a live video feed from Malaysia to The Wall Street Journal CEO Council in Tokyo.

Mr. Najib has denied wrongdoing.

Now 92 years old, Mr. Mahathir served as Malaysia's leader from 1981 to 2003. He

oversaw an economic boom that transformed the nation from a tin-mining backwater into a significant manufacturing hub but earned a reputation as a ruthless and sometimes autocratic leader. He quit the ruling United

National Organization in 2016 to join some former adversaries in the opposition, including pro-democracy leader Anwar Ibrahim, who was freed from prison and received a royal pardon on Wednesday.

The two men have a tense relationship. Mr. Anwar served as Mr. Mahathir's understudy during his first stint in office until Mr. Mahathir fired him during a power struggle and accused him of sodomy. Mr. Anwar subsequently spent six years in prison before his conviction was overturned and later emerged as a core leader of the country's growing opposition movement.

During Mr. Najib's term, Mr.

Anwar was again arrested and sentenced to five years in prison on what he said were more trumped-up sodomy charges. During the campaign, Mr. Mahathir had vowed to free Mr. Anwar and pass the premiership to him.

During Mr. Najib's term, Mr. Anwar was again arrested and sentenced to five years in prison on what he said were more trumped-up sodomy charges. During the campaign, Mr. Mahathir had vowed to free Mr. Anwar and pass the premiership to him.

—Peter Loftus

### CONGO

#### First Doses of Ebola Vaccine Set to Arrive

The first doses of an experimental Ebola vaccine from Merck & Co. are expected to arrive before the end of this week in the Democratic Republic of Congo to help contain a new outbreak of the virus that is suspected of killing at least 19 people.

At least 39 people have been confirmed or are believed to have been infected, according to the health ministry.

The shipment of about 4,000 vaccine doses will come from a stockpile that Merck previously supplied to the World Health Organization for storage in Geneva, Switzerland, to be used for a "rapid response to any outbreak," a Merck spokeswoman said.

Merck plans to send an additional 4,300 doses to WHO to support the response, she said.

—Peter Loftus

### HUNGARY

#### Soros Foundation to Relocate Operations

A network of aid groups founded by George Soros is set to close its offices in Budapest, citing an increasingly hostile political environment toward the Hungarian-born billionaire.

The Open Society Foundations will move local staff to Berlin and base its operations for Hungary out of the German capital, the group said in a statement Tuesday, signaling a fresh escalation in the conflict between Prime Minister Viktor Orbán and civil society groups.

For three years, Mr. Orbán has been tightening screws on local nongovernmental organizations that he believes threaten the Hungarian social fabric by funding oppositional groups or advocating for refugees.

—Drew Hinshaw

### INDIA

#### Ruling Party Gains In State Elections

Prime Minister Narendra Modi's party made significant gains in elections in the state of Karnataka, giving it a boost ahead of national elections early next year.

Near the end of the vote count Tuesday night, the Bharatiya Janata Party had won 103 seats and was leading in one more. That boosted its tally by more than 60 seats, compared with the 40 it won in 2013 when the state's elections were last held, according to the Election Commission of India. To form a majority government in Karnataka, 113 seats are needed.

The Congress party won 78 seats. That compares with the 122 it won in the last elections. The Janata Dal (Secular) party, the largest regional party active in the state, won 37 seats.

—Krishna Pokharel

## WORLD NEWS

# U.S. Wins Jet Trade Victory Over EU

BY ROBERT WALL  
AND EMRE PEKER

A World Trade Organization ruling handing the U.S. a victory over the European Union in their multibillion-dollar jet-liner fight may test Europe's efforts to defend global trade rules from Trump administration criticism.

The WTO on Tuesday brought the U.S. a step closer to imposing potentially billions of dollars of trade retaliation against the EU over subsidies provided to plane maker **Airbus SE** that Washington says have harmed **Boeing Co.**

The EU and members France, Germany, Spain and the U.K. "failed to comply with an earlier WTO panel ruling by maintaining illegal subsidies for the European aircraft manufacturer Airbus," the WTO said.

Those violations are linked to favorable loans European governments have granted Airbus for its A380 super-jumbo and the A350 long-range jet that compete with Boeing's 747 jumbo jet and 787 Dreamliner, respectively. The U.S. can now take steps to establish the level of sanctions it can impose on European exports under WTO rules.

The ruling comes at a tense time for trans-Atlantic trade relations. President Donald Trump has threatened to levy tariffs on EU exports of steel and aluminum. He pulled the U.S. out of the 2015 Iran nuclear deal last week despite European allies who are parties to the accord.

The U.S. was quick to embrace the WTO ruling. "President Trump has been clear that we will use every available tool to ensure free and fair trade benefits American workers," said Robert Lighthizer, the U.S. trade representative. The U.S. would move forward with "countermeasures," he said, unless the EU comes into compliance with trade rules. Mr. Lighthizer previously criticized the WTO for "losing its essential focus" and becoming a "litigation-centered organization."

The EU said the WTO had rejected many U.S. claims and that it would "now take swift action to ensure it is fully in line with the WTO's final decision in this case."

# Israel Faces Outcry Over Gaza

Foreign governments summon envoys as U.K. calls for probe into violence at border

BY FELICIA SCHWARTZ

Israel faced a torrent of international criticism for its response to protests in Gaza this week, as the Netanyahu government defended the country's right to secure borders.

Palestinians in Gaza buried their dead Tuesday after clashes with Israel's military at the border fence a day earlier left some 60 people dead and injured thousands more. The Israel Defense Forces said Tuesday that Hamas operatives were among those killed.

The events provoked an uproar among foreign governments, leading to statements and diplomatic moves that have renewed international scrutiny of Israel's fraught relationship with the Palestinians.

Turkey temporarily expelled Israel's ambassador and recalled its own envoy. Belgium and Ireland summoned the Israeli ambassadors there to express extreme displeasure with Israel's response in Gaza. South Africa recalled its ambassador.

U.K. Prime Minister Theresa May called Israel's use of live fire "deeply troubling," and urged "an independent and transparent investigation" into it and what role was played by Hamas, the political and militant group that controls Gaza.

The United Nations Security Council convened an emergency meeting on Tuesday, and Kuwait said it planned to circulate a resolution on Wednesday condemning the violence and calling for international protection of Palestinians.

Israel's Prime Minister Benjamin Netanyahu and other senior officials have fiercely defended their right to protect Israel and have blamed the violence on Hamas. The U.S. and Israel consider Hamas to be a terrorist organization.

Palestinians attempted to breach the fence on the Gaza border, Israel said. Some protesters burned tires or improvised other incendiary devices.

The prime minister's office said Mr. Netanyahu had spoken by phone with French President Emmanuel Macron and German Chancellor Angela Merkel on Tuesday. It said he thanked Ms. Merkel for sup-



Palestinians carried away a protester injured during clashes with Israeli forces on the border east of Khan Yunis in Gaza on Tuesday.

porting Israel's right to defend its sovereignty and told Mr. Macron that Israel would preserve its security interests.

Officials in Israel acknowledged that the country's ambassadors have been summoned by foreign governments. A diplomat in Jerusalem said Israel was waiting to see the tenor of the messages delivered before responding to them.

The area near the Gaza-Israel fence was quieter Tuesday, though Gaza health officials reported that two people had been killed. There were more than 400 injuries reported, including at least 17 by gunfire.

Israel's military said about 400 protesters gathered on the border fence between Gaza and Israel in seven locations. There were also violent demonstrations in 18 places throughout the West Bank.

Former Israeli officials and analysts said they expected Israel would press ahead with its defense of its approach.

"The most critical issue for Israel has been and still is the U.S. position and given the kind of intimacy and harmony between the current two administrations, obviously there

## U.S. Stands Alone In Defense Against U.N. Condemnation

**UNITED NATIONS**—The U.S. mounted a lone defense of Israel at the United Nations Security Council, as other countries condemned the Jewish state for failing to restrain its security forces, which shot and killed some 60 people and injured more than 1,000 during protests on Monday.

Fourteen members of the Security Council on Tuesday criticized what they called an "excessive use of force against

unarmed civilians" and called on Israel to defend its border with a more proportionate response. No Israeli soldier was killed during the violence.

"Israel has a responsibility to calibrate its use of force," said Nickolay Mladenov, U.N. special coordinator for Middle East peace. "It must protect its borders, but must do so proportionately."

Kuwait said it planned to circulate a resolution calling for international protection of Palestinians because Israel as "the occupying power failed its responsibilities" to protect Palestinian civilians. Kuwait had also drafted a proposed council

presidential statement condemning the violence and calling for Israel to restrain its forces.

The draft resolution also calls for U.N. Secretary-General António Guterres to set up a committee to determine what led to the increased level of violence and who was to blame, diplomats said. The U.N. Human Rights Council will meet Friday in Geneva on the topic.

The U.S., which has defended Israel's right to protect its borders by using live ammunition, blocked the presidential statement and is expected to veto the resolution.

—Farnaz Fassihi

thority President Mahmoud Abbas recalled its ambassador to Washington, Husam Zomlot, the authority's Wafa news agency reported.

Hamas has used a host of anniversaries to rally support for mass protests in the past month and a half. The Monday protests drew 40,000 Gaza residents at 12 points along the border fence.

—Abu Bakr Bashir

and Dov Lieber contributed to this article.

# New Migrant Surge Tests Canada's Welcoming Stance

Roughly 2,600 people used unofficial border crossings to enter the country in April, according to police data

BY KIM MACKRAE

PERRY MILLS, N.Y.—A small group of people from Nigeria and Mali stepped off a shuttle bus here on a recent evening and lugged suitcases and backpacks along a country road toward the border with Canada. A Canadian police officer was waiting there to arrest them.

The group is part of a new wave of asylum seekers flooding into Canada in recent weeks, undeterred by the threat of arrest and posing the latest test for Canada's immigration-friendly stance.

Roughly 2,600 people used unofficial border crossings like this one to enter the country in April, according to Canadian police data. That marked the latest surge following the crossing last summer of some 8,500 asylum seekers.

People breaching the border is a new challenge for Canada. The country's geographic isolation has traditionally allowed it to maintain a highly selective immigration and refugee system, as migrants from Africa and the Middle East have poured into Europe in recent years and the U.S. has grappled with illegal immigration from Mexico and Central America.

"It forces Canadians, who have always patted themselves on the back for being very open to immigration, very welcoming, to deal with the kinds of challenges Italy, Greece and others have been facing and to realize it's not so easy," said Irene Bloemraad, the chair of Canadian studies at University of California, Berkeley.



Asylum seekers being arrested earlier this month after crossing the border into Canada illegally at Roxham Rd. in Champlain, N.Y.

Canada's Liberal government has faced heated criticism over its handling of the influx. The opposition Conservatives want the government to shut down unofficial border crossings. The Immigration and Refugee Board, which decides on asylum claims, has a backlog of 53,000 cases, and the labor union representing Canada's border officers has said staffing is insufficient to deal with the added pressure.

"They risk turning Canadian support away from our once compassionate and orderly immigration system," Conservative lawmaker Michelle Rempel said in a press conference last week.

Last week, Canada Immigration Minister Ahmed Hussen said the U.S. and Canada

are studying a 14-year-old treaty called the Safe Third Country Agreement that requires asylum seekers to make their claims in whichever country they reach first. There is an exception if

## More asylum seekers are flooding in of late, undeterred by the threat of arrest.

they enter Canada illegally, making routes like the one used from upstate New York into Quebec popular because it allows asylum seekers to get around the deal.

Unless police believe they

represent a threat to Canada, asylum seekers are released after their arrest and don't face criminal charges.

The response in Canada to the wave of asylum seekers has been mixed. A Quebec-based group called Bridges Not Borders has sent delegations to the border to greet incoming migrants and lobbies Canadian officials to let asylum seekers use official points of entry. But last year's arrival of thousands of Haitians triggered several anti-immigration rallies.

Mr. Hussen and other officials are trying head off a big wave of claimants ahead of summer. His department has sent officers to Nigeria to communicate with U.S. embassy officials about abuse of travel visas, and Mr. Hussen

is in Nigeria this week.

Over seven hours on a recent Wednesday, 25 people made the trek at an unofficial crossing between New York state and Quebec. Groups arrived by taxi or shuttle bus to Roxham Road, a quiet route that dead-ends at a ditch marking the local Canada-U.S. border.

They included people from Nigeria, Lebanon, Haiti, Sri Lanka, Mali and Ivory Coast who headed directly toward the Canadian police officers on the other side of the stream, walking past signs warning that crossing is illegal and claiming asylum "is not a free ticket into Canada."

One woman said she and her family had taken a plane from Nigeria to New York City, then a bus to Plattsburgh, N.Y., and a shuttle to the border. "We came here for protection, for a better life," she said.

## Heading North

Crossings of asylum seekers at unofficial Canadian entry points are on the rise again.



Source: Canadian government

THE WALL STREET JOURNAL.

# HOMES

*Continued from Page One*  
or undo a transaction. For agents, it can mean playing a combination of sleuth and therapist.

Sometimes the culprit is easily identified. A couple of years ago, a disgruntled teenager who was upset that his home was about to be sold decided to throw a blow-out party at the large Brentwood estate while his parents were away, recalls real-estate agent Joseph Montemarano. The boy and his friends painted graffiti all over the tennis court and guest house the day before the final walk through—smiley faces, tags and different versions of “Bob woz ‘ere” were sprayed all over the property.

The parents had to pay to have the court repainted and resurfaced and repair the

guest house,” Mr. Montemarano says. “Luckily, my buyers were pretty OK with it. They just told the seller to make it right.”

More common is the angry-tenant problem. A renter in a townhouse in the Upper East Side of Manhattan, who was paying just \$1,500 for a parlor-floor apartment in the top location and didn’t want to move, took to chilling it to freezing before every showing and leaving rat traps lying around. There were no rats.

“When I brought buyers, she would say to them, ‘I can’t stand living here, but you can go ahead and see it,’ ” says real-estate agent Jean Marie Echemendia, who brought by several prospective buyers with no luck. Seeing through the tenant’s scheme, Ms. Echemendia purchased the apartment herself, at a deep discount.

A different strategy suited

the second-floor occupant in a four-unit building in Culver City, Calif. “My name is Mr. Bravo. State your business,” he announced in a booming voice when real-estate agent John Hathorn brought a prospective buyer of the building around for a final inspection.

Mr. Bravo tried to convince the pair that the building’s garage had a “demonic force” in it, describing objects randomly falling from shelves and telling of a time he was attacked by a ghostly presence.

“I turned to my client and asked him if it concerned him,” recalls Mr. Hathorn. “He said, ‘Are you kidding me? Of course not.’ ” The deal closed as planned, and contrary to the tenant’s fears, he hasn’t been evicted.

Sometimes the people who make trouble aren’t even aware of what they are doing. Leslie Turner, an agent in Charleston, S.C., says her nem-

esis comes in the form of a local building inspector who’s given to discussing a home’s condition in such alarming language he regularly deep-sizes deals.

In January, the inspector checked out a charming 1882 downtown house that was un-

from the deal.

“You always want to protect your clients and have them have a really thorough home inspection, but it’s just the way this guy delivers the news—he doesn’t have a good bedside manner,” Ms. Turner says. “I’ve seen people miss out on perfectly good properties because of this deal killer.”

For the Charleston house, she had other eager shoppers, and the house sold just a day later to different buyers. Although they used the same inspector, they had owned historic homes before and knew what sort of quirks to expect.

Cheryle Healion, a woman shopping for a home in the Los Angeles area, has been supplying her own inspector, of sorts—and her own deal killer.

Ms. Healion, a paralegal who is a subscriber to ideas of spirituality and alternative

healing, asks for help on her prospective purchases from an adviser who studied feng shui under a Chinese master.

Ms. Healion was in late-stage negotiations on several properties over the past three months, but when she sent the floor plans to her feng shui expert, the guru disapproved.

In one instance, the expert noted electrical towers near the north side of the property, which she said would bring bad health.

In another case, a property’s position on a sloped piece of land indicated that Ms. Healion might lose money, the expert said.

“I am very frustrated,” Ms. Healion says of the rulings from her guru. “But her heart is in the right place.”

Ms. Healion’s real-estate agent, Melea Johnston-Avrach, is even more frustrated. “I now cringe when I hear the term feng shui,” she says.

indie-film fans. To pay the bills, he made direct-to-video shoot-em-up films with Steve Austin, the wrestling champion.

One day, he dropped off Ms. Gerwig at an audition for Noah Baumbach’s art-house film “Greenberg,” he says, and met Mr. Austin for lunch on Sunset Boulevard. A fan approached the wrestler, had him autograph her arm and returned to show she’d had it tattooed. “Talk about walking in two universes,” he says.

The Austin features, with titles such as “Hunt to Kill,” taught Mr. Sonnier a simple formula: budgets under \$1 million and foreign-rights deals that put the project in the black before cameras roll. He deployed what he calls a “Mad Libs” plot:

“A guy named Jim/John/Jack gets out of prison/wakes up from the dead/survives and comes back to his hometown/scene of the crime/where the bad guys are and kills everyone to save his family/save himself/save someone who can’t save themselves.”

He says: “As long as we stuck to the Mad Lib, the movie sold 300,000 to 500,000 units.”

Mr. Sonnier was making money in his dream job. He met his wife, Shannon McLean, an entertainment publicist, at a Malibu party. “Twilight” actress Ashley Greene caught their wedding bouquet.

Tragedy struck in 2010, when his mother was murdered. Less than two years later, his father was murdered. Mr. Sonnier began questioning how he was spending his time in Hollywood. “You have no time for bullshit after your parents are murdered,” he says.

He believed he was watching a “growing hysteria” in Los Angeles, a culture of fame, politics and immorality that didn’t jell with his Texas upbringing. He worried his children would grow up self-absorbed. He wasn’t getting along with colleagues and had earned a reputation as a “cowboy” who could be difficult to work with, he and associates say. He sold his house to Kylie Jenner and moved back to Dallas.

Cinestate will confront its biggest-budget bet yet in the coming months with “Dragged Across Concrete,” which cost \$15 million. The movie has Lions Gate Entertainment Corp. behind it, but Cinestate hasn’t heard if it will secure a wide theatrical release. Hollywood agents and executives have privately wondered how Mr. Gibson’s previous remarks against women and Jews, paired with a movie featuring police brutality, could be anything but divisive. Lions Gate declined to comment.

Another challenge may be casting his next movie, “Run Hide Fight,” about a young woman who fights back during a school shooting. It interested executives at studios such as Paramount Pictures who ultimately passed, says Kyle Rankin, its writer and director.

The furor over school gun violence, renewed after the Parkland, Fla., shooting, has Mr. Rankin worried about finding an actor for the movie’s heroine. “I assume it’s going to be a replay of when it was on the market: I love this, but I don’t want to be seen holding a weapon at this time,” says Mr. Rankin. “There seems to be a bell curve, where something frightening now is relevant a year from now.”

Mr. Sonnier is ready for the blowback question: Doesn’t this movie argue that the only thing to stop a bad guy with a gun is a good girl with a gun? “Let them think that,” he says. “I think it has more to do with a genuinely strong female character.”



JONATHAN ZILZI FOR THE WALL STREET JOURNAL (2)

Scenes from the set of ‘The Incident at Sparrow Creek Lumber,’ produced by Dallas Sonnier, above left.



was reviving “Last Man Standing,” a comedy starring Tim Allen as a conservative sporting-goods store employee.

The writer and director behind “Brawl in Cell Block 99” and “Dragged Across Concrete,” S. Craig Zahler, says he sold nearly 20 unproduced scripts to major studios—including five sitting on a shelf at Time Warner Inc.’s Warner Bros.—before Mr. Sonnier came along. “He was willing to take the gamble,” says Mr. Zahler. “Someone who’s going to take the shotgun and blast it in all directions.”

## ‘Littlest Reich’

Cinestate recently bought the horror-fan magazine Fangoria and is producing movies under its name, including “Puppet Master: The Littlest Reich,” a tongue-in-cheek gorefest due out in August about Nazi puppets who murder minorities. Mr. Sonnier says “95% of audiences get it; 5% say ‘How dare you.’ Both reactions are so fun to me.”

After a Dallas screening of “The Littlest Reich,” he was in line at the afterparty bar. A woman saw him and turned away, he says, telling him she didn’t want to meet the man behind the movie. “That’s so great,” he says.

Mr. Sonnier is learning there’s fallout from such scripts. His current production, originally titled “Militia,” had two prominent actors on board, he says. The movie follows militiamen who suspect one of their own is responsible for a shooting at a police funeral.

Then the massacre at a Las Vegas music festival in October reigned a debate over gun control. The actors dropped out. Nearly a dozen more said they wouldn’t touch it, Mr. Sonnier says. “We couldn’t cast it to save our lives.”

He changed the title to “The Incident at Sparrow Creek Lumber.” Character actors rounded out the cast. “The title change helped get people in the room,” he says. “That’s not to say we’re not going to call it ‘Militia’ when we release it.”

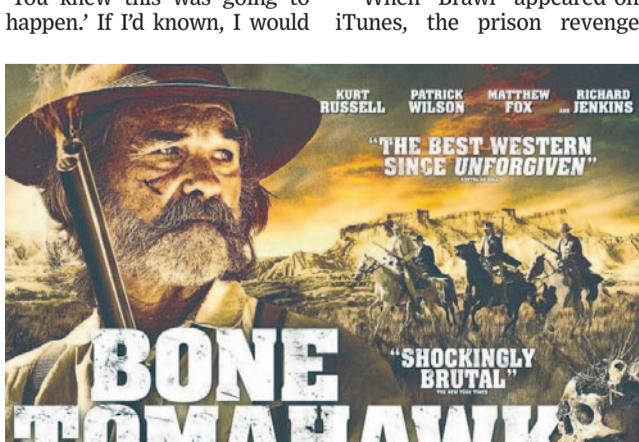
The movie’s writer and director, Henry Dunham, says he thought it would be axed after Mr. Trump won the presidential election and real-life militias made the news, notably at rallies in Charlottesville, Va. His project was met with skepticism by studio executives. “People would look at me and say, ‘You knew this was going to happen.’ If I’d known, I would

have warned someone, not written a script,” Mr. Dunham says.

Producers dropped out after the election. Mr. Sonnier came aboard. On the “Sparrow Creek” set, surrounded by prop AR-15 rifles, Mr. Sonnier wears his unofficial uniform of an unbuttoned Brooks Brothers button-down shirt, bluejeans and shoes alternating between work boots and Sperry boat shoes. He is over 6 feet tall with close-cut blond hair, a round face and horn-rim glasses that make him look like a cross between Glenn Beck and Ralphie from the 1983 film “A Christmas Story.”

“Sparrow Creek,” filmed in under three weeks for less than \$1 million, Mr. Sonnier says, is part of a microbudget strategy he has used to profitable effect on previous movies “Brawl” and his 2015 Western, “Bone Tomahawk.”

When “Brawl” appeared on iTunes, the prison revenge



Mr. Sonnier’s 2015 Western starring Kurt Russell. The producer is betting on a strategy of finding consumers ‘outside the coasts.’

# GREATER NEW YORK

## Storm Strands Commuters at Grand Central Terminal



**WAITING GAME:** Thousands of commuters endured delays during the Tuesday night rush hour, as Metro-North Railroad suspended service and police barred entry to Grand Central after a severe thunderstorm downed trees across New York City's northern suburbs.

## City Launches Women's Resources Site

BY MELANIE GRAYCE WEST

New York City is expected on Wednesday to announce plans for a campaign and website that aim to help women navigate—in one place—the myriad services available to them that are currently hard to find or access.

The initiative, called Women.NYC, is being led by Chirlane McCray, the wife of Mayor Bill de Blasio, and Alicia Glen, the deputy mayor of economic development and housing. It will cover a variety of topics and services, ranging from applying for a job with the city and signing up for the prekindergarten program to reporting sexual harassment or wage discrimination.

The city already offers hundreds of different services backed by millions of taxpayer dollars to support women and their businesses. But those resources often are poorly marketed across the city's dozens of websites or are a headache to access.

In the future, the effort will

include training programs for women and partnerships with outside groups and nonprofits that also primarily support women.

Ms. McCray said women have much to juggle and need simplicity in accessing city programs.

"We have many excellent services, but we don't make it easy for women to connect to them," she said. "It's like a maze you have to navigate."

The initiative comes at a time when women's pay, workplace discrimination and harassment have taken center stage. Meanwhile, Mr. de Blasio has been criticized in recent weeks for saying there is a "hyper-complaint dynamic" that has led to hundreds of sexual-harassment complaints at the city's Department of Education.

Ms. McCray dismissed the recent criticism, saying the mayor's "passion and intent are in the right place" in terms of making sure policies and programs for women are accessible. "He's walking the walk," she said.

Women in the state have the narrowest wage gap in the nation, earning the equivalent of 89 cents to each dollar by male counterparts, according to a report released last month by the New York State Department of Labor. In New York City, the ratio is 88.6 cents.

Women are more likely to live in poverty than men. A report last month from the city found that in 2016, the poverty rate for females was 20.7% compared with 18.1% for males.

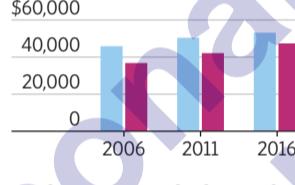
As part of the Women.NYC initiative, the city will be calling for private-sector employers to close the gender wage gap by 2028. Ms. Glen said the city is exploring legislative options to force employers to make public gender pay gap figures, which are seen by some as an important tool for achieving equal pay.

Ms. Glen pointed to a law enacted last year that prohibits employers in New York City from inquiring about salary history during the hiring process as a way to help reduce the wage gap.

### Unequal Pay

Women make less than men

**Full-time, year round workers' earnings in New York state**



**Median earnings by borough, in thousands\***



\*In the past 12 months for full-time, year-round civilian employed, 16 years and over, in 2016 inflation-adjusted dollars

Source: New York State Department of Labor

THE WALL STREET JOURNAL.

## Marijuana Offenders To Get a Break in NYC

BY ZOLAN KANNO-YOUNGS  
AND CORINNE RAMEY

New York City plans to relax the enforcement of marijuana offenses in the wake of claims that current policies disproportionately harm minorities.

New York Police Department Commissioner James O'Neill said Tuesday the department would form a working group to review policies and procedures for arrests and summonses for marijuana offenses.

Some prosecutors' offices also announced changes, including the Manhattan District Attorney's Office, which won't prosecute marijuana possession and smoking cases as of Aug. 1.

"We must and we will end unnecessary arrests and end disparity in enforcement," New York City Mayor Bill de Blasio, a Democrat, said Tuesday. "It's time for those to be a thing of the past in New York City and all over this country."

Brooklyn District Attorney Eric Gonzalez said his office had already decreased its prosecution of marijuana cases and would work toward prosecuting only those few cases that included public-safety concerns.

Bronx District Attorney Darcel Clark on Tuesday asked the NYPD to issue summonses instead of arresting people for public use and possession.

Queens District Attorney Richard Brown said his office would wait for the results of the police department review.

Manhattan District Attorney Cyrus Vance Jr. said his office would continue prosecuting cases involving public-safety risks.

While the NYPD didn't oppose the announcements on Tuesday, top police officials have previously said responding to marijuana complaints can sometimes lead to the arrests of violent criminals.

Not everyone is opposed to strict marijuana enforcement. City Councilman Fernando Cabrera, a Democrat, said Monday he wants police to respond to each complaint they receive for marijuana in his Bronx district because it is a common concern among his constituents.



Mayor de Blasio said the city will end unnecessary arrests.

LUIZ RAMPELOTTO/DPA/ZUMA PRESS

"Please do not stop it," Mr. Cabrera said. "Please do not slow down."

Marijuana enforcement has been a subject of police department criticism and sparked debate during NYPD hearings before the City Council this year. While recreational use and open possession of marijuana are against the law, Mr. de Blasio directed the police to issue summonses, which result in a \$100 fine and require the person to attend summons court, to most caught possessing marijuana.

Arrests for marijuana offenses are down 32% over the last four years while the issuance of summonses is up 57%, according to the NYPD.

But the City Council has pressured the NYPD on the fact that 87% of those arrested for smoking marijuana in public in 2017, according to NYPD data, were black or Hispanic. Just 8% were white.

"Today we're saying loud and clear that it's unfair, it is not right and it needs to end right now," City Council Speaker Corey Johnson, a Democrat, said Tuesday morning.

"When people's lives are being upended for carrying a small amount of pot, something is wrong in our criminal justice system."

NYPD leaders have repeatedly said the police are responding to the areas where they receive 911 and 311 complaints. But according to NYPD data, of the top five precincts where people were arrested for a marijuana possession in 2017, only one ranked in the top five for 911 calls about the drug. Two of the precincts ranked in the top five for 311 calls.

## DeVos Sparks Ire for Skipping Public Schools During Visit

BY LESLIE BRODY

U.S. Education Secretary Betsy DeVos made her first visit to a New York City school while in office on Tuesday, touring an Orthodox Jewish school for girls on Manhattan's Upper East Side. She plans to see a boys' yeshiva on Wednesday.

Mrs. DeVos's decision to skip public schools in the nation's largest district, with 1.1 million students, upset some public-school advocates.

Her visit came as New York City officials say they are investigating complaints that dozens of ultra-Orthodox yeshivas aren't providing enough secular studies. The schools she is touring aren't part of the probe.

During several hours inside the Manhattan High School for Girls, Mrs. DeVos sought "to learn a little bit more about Jewish education in the city," said Nate Bailey, her spokesman.

Jewish social-service agencies and Agudath Israel of America, an advocacy group for Orthodox organizations, invited her a year ago and recom-

mended the sites, he said. Most of her official school visits nationwide have been to public schools, he noted.

Toya Holness, spokeswoman for the city Department of Education, said in an emailed state-

**Education secretary toured an Orthodox Jewish girls' school on first official city trip.**

ment, that "Secretary DeVos is welcome to visit New York City public schools and see the phenomenal work we're doing."

Mrs. DeVos has long promoted taxpayer-funded vouchers and tax-credit scholarships that students could use to attend private schools. New York state doesn't have voucher programs, which critics say drain resources from regular public schools.

David Zwiebel, executive vice president of Agudath Israel of

America, said Tuesday marked the secretary's first visit to an Orthodox school. Annual tuition is about \$20,000 at the high-performing Manhattan High School for Girls, where 40% of students earn scholarships, and most graduates spend a year in Israel in seminary before heading to college, he said.

Mrs. DeVos visited classes on science and Jewish law, and looked in on a project where students trace their genealogy back to the Holocaust era, Mr. Zwiebel said.

Jessamyn Lee, co-chair of the city Chancellor's Parent Advisory Council, said Mrs. DeVos should have toured a public school. "To not visit our schools seems like a missed opportunity to get a window into excellence in urban education," she said.

Outside the school protesting stood Naftuli Moster, executive director of Young Advocates for Fair Education, which argues that many ultra-Orthodox schools don't provide enough secular instruction.

The site of Mrs. DeVos's visit "is a complete distortion of

what's really happening," he said. His group filed a complaint with the city Department of Education almost three years ago, saying 39 yeshivas fell short of state mandates to teach sufficient English, math and science. The group said the problem is most severe for boys, who are often taught only Judaic studies after age 13.

Mrs. DeVos's spokesman said she was aware of that issue, but it is for local and state authorities to address.

City education officials said they have visited 16 yeshivas so far in their probe, under a state rule that required local superintendents to make sure private schools delivered instruction "substantially equivalent" to that in public schools.

During budget negotiations in April, state Sen. Simcha Felder, a Brooklyn Democrat, sought less state interference. The budget passed with new language that some yeshiva advocates say eases regulations on how the State Education Department must judge compliance.



Betsy DeVos visited a New York City private school on Tuesday.

BYRON SMITH FOR THE WALL STREET JOURNAL

Elegance is an attitude

Kate Winslet

## GREATER NEW YORK

METRO MONEY | By Anne Kadet

# City Swaps Are Rich in 'Treasures'



On a recent Saturday morning, Sabina Darby set out early and took two

buses to ensure she would be among the first in line at the Stop 'N' Swap in Flatbush, Brooklyn.

"I've been coming for years," the widow declared of the city-sponsored swap meets, which are held several times a month in schools, parks and community centers across all five boroughs. "You feel like you're stealing. You're taking all this stuff for free."

As she waited for the event to start in the P.S. 119 cafeteria, volunteers with the program's nonprofit organizer, GrowNYC, laid out items donated by attendees on the lunch tables. Categories included clothing, toys and books. The "Wild Card" table offered a plastic Uncle Sam hat, a bowling ball and a money pouch from the Lawrence H. Woodward Funeral Home.

**M**s. Darby was armed with a wheelie bag and an action plan. "I'm an expert," she declared. "The first thing you have to check is electronics. Then housewares."

When the doors opened at noon, she headed straight for the gadget table, where she considered a portable fan. Next, the accessories table, where she often finds shampoos and lotions. "I haven't paid for this stuff in years because I get it all here for free," she said.

She was quick to snag a packet of wall hooks and a book about Chinese medicine, but didn't hurry.

"Sometimes people get crazy," she said. "They grab and they take everything. Come on, don't fight over it."

Barbara Vendrell and Gina



Bargain hunters browsed a Stop 'N' Swap event in Brooklyn last month. Toys were displayed.

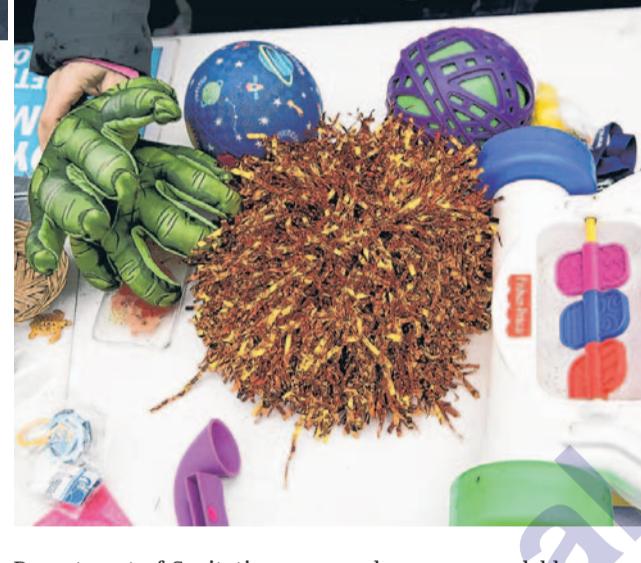
Modelfino, best friends for 20 years, were at their first Stop 'N' Swap, but said they are old hands at bargain hunting.

They sorted through children's clothing and toys before turning to housewares. Ms. Vendrell considered a cruet shaped like an Italian waiter. "It's icky and sticky," she noted.

"Soak it in Dawn!" advised Ms. Modelfino, brandishing a Jesus figurine. "I'm going to take it and spray-paint it gold. It's beautiful."

Each Stop 'N' Swap event typically attracts 200 to 600 participants, and collects between 2,000 and 5,000 pounds of material that otherwise would end up in a landfill, said Victoria Dearborn, a coordinator.

In 2017, the program, which is funded by the city's



CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL (2)

Department of Sanitation, cost about \$190,000 to operate, and collected more than 100,000 pounds of used goods, officials said.

At roughly \$1.90 a pound, this might make Stop 'N' Swap one of the world's most expensive recycling programs.

Municipalities typically pay 7 to 18 cents a pound to collect

and process recyclables.

But New York City says Stop 'N' Swap offers additional benefits: It serves as a participation gateway to people who might not otherwise attend a "green" event, and provides an opportunity to educate participants about other recycling programs.

As the day wore on, attendees came by with more donations. Crowds swarmed the tables like fish at a feeding to snag fresh merchandise.

All told, 2,395 pounds of goods were donated and 73% of the loot went home with participants, according to Stop 'N' Swap organizers.

The rest was donated to Goodwill or saved to seed future swaps.

**A**ngella Fonte and her pal Catherine Fulton scored big time. They took a break halfway through the day to haul merchandise from their overflowing cart to their car before returning for more. Their take included several vases, framed African prints, baby formula, costume jewelry, an infant car seat, and a replica of the U.S. Constitution.

"It might be worth something," Ms. Fulton said.

In an effort to keep regulars from hogging the loot, Stop 'N' Swap recently began limiting participants to six events a year, keeping track by entering attendees' names into a laptop file. This is an edict that some find frustrating.

"It gave me something to do on the weekends," said Renae Barnes, a Queens Village homemaker.

She now focuses on swaps that attract the best assortment. Swaps in the Williamsburg neighborhood of Brooklyn and Manhattan's Lower East Side offer a lot of designer finds, she noted.

Ms. Darby, the widow who arrived early, left clutching an electric steamer and a wireless keyboard. She looked positively jubilant.

"I don't drink, I don't smoke, I don't do drugs. I get my high like this," she said. "Why not? What have I got to lose?"

[anne.kadet@wsj.com](mailto:anne.kadet@wsj.com)

## GREATER NEW YORK WATCH

NEW YORK STATE

### James to Announce Attorney General Bid

New York City Public Advocate Letitia James is expected to announce her run for state attorney general on Wednesday, said people familiar with her plans, amid a scramble to fill Eric Schneiderman's former role.

On Tuesday, Ms. James, a Democrat who was re-elected last year, registered a campaign fundraising account and scheduled an announcement for Wednesday afternoon.

Ms. James's planning for a permanent run for the position came as the state Legislature began interviewing candidates to hold the job until the November election. State Solicitor General Barbara Underwood, who took over earlier this month for Mr. Schneiderman on an interim basis, met with state lawmakers in Albany on Tuesday.

The Legislature is tasked with filling the rest of Mr. Schneiderman's term on a permanent basis. Lawmakers are facing calls to leave Ms. Underwood in place until the general election.

Mr. Schneiderman abruptly resigned earlier this month after the New Yorker magazine published an article in which four women accused him of assault. He has said he contests the allegations.

—Mike Vilensky

CONNECTICUT

### Lamont Teams Up With Former Rival

Democrat Ned Lamont has picked former Secretary of the State Susan Bysiewicz as his running mate in the race for Connecticut governor, after she agreed to drop her own gubernatorial bid.

The Greenwich businessman announced the move Tuesday, saying Democrats need to be unified and Ms. Bysiewicz running for lieutenant governor will make the ticket stronger. State Democrats meet this weekend in Hartford to endorse candidates for governor and other offices in this year's election.

Democratic Gov. Dannel Malloy isn't seeking a third term. More than two dozen Democrats, Republicans and independents have expressed interest in running for governor.

State Republicans endorsed Danbury Mayor Mark Boughton for governor and state Sen. Joe Markley for lieutenant governor last weekend. Two GOP challengers intend to run against Mr. Boughton in a primary.

—Associated Press

LONG ISLAND

### Mangano Trial Closings Under Way

A prosecutor accused former Nassau County Executive Edward Mangano of trading his office for money during closing arguments Tuesday in the Republican politician's federal bribery trial.



Edward Mangano

"This case is about corruption and greed at the highest levels," Assistant U.S. Attorney Raymond Tierney told jurors.

Mr. Mangano, his wife, Linda, and John Venditto, a former Oyster Bay town supervisor, all have pleaded not guilty. The indictment charges that Messrs. Mangano and Venditto received bribes and kickbacks to help a businessman, Harendra Singh, obtain guaranteed loans. Linda Mangano, prosecutors said, was given a \$100,000-a-year, no-show job at one of Mr. Singh's restaurants.

The Manganos said they had a personal friendship with Mr. Singh and that any gifts or favors had nothing to do with Mr. Mangano's office. Mr. Venditto's lawyer has said his client "got nothing of any consequence" from Mr. Singh.

The jury is expected to get the case by the end of the week.

—Associated Press

THE WALL STREET JOURNAL.

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# LIFE & ARTS

OBITUARY: 1930-2018

## Tom Wolfe: A Life in Full

The best-selling author and New Journalism creator helped shape modern American prose with his electric verse and verve

BY BRENDA CRONIN  
AND JAMES R. HAGERTY

**TOM WOLFE**, the best-selling alchemist of fiction and nonfiction who wrote "The Bonfire of the Vanities," "The Right Stuff" and countless other novels and works of journalism, died of pneumonia in a New York hospital Monday, said his longtime agent Lynn Nesbit. He was 88 years old.

Mr. Wolfe was a nattily clad Southern gentleman, whose trademark white suits and polite demeanor shrouded a rapier wit, a relentless work ethic and an unquenchable curiosity about human nature. For nonfiction and novels alike, he threw himself into research, gravitating toward provocative subjects such as race relations, money and faith.

An observer and literary disrupter without peer, Mr. Wolfe helped create New Journalism in the 1960s. This vivid vein of journalism, with its immersive reporting and visceral writing, removed authorial distance and plunged readers into events and subcultures. In "The Electric Kool-Aid Acid Test," published in 1968, he chronicled the drug-addled hippie lifestyle, without taking the drugs. Two years later, his "Radical Chic & Mau-Mauing the Flak Catchers" lampooned limousine liberals trying to be chummy with Black Panthers.

"He was a very courageous guy," said Gay Talese, another pioneer of New Journalism, citing Mr. Wolfe's daring tightrope leap from the heights of journalism to the top of the fiction world. Mr. Wolfe already was celebrated for his journalism and nonfiction, Mr. Talese said, when, "what does he do? He goes out and writes a best-selling novel."

His fiction debut, "The Bonfire of the Vanities," cast a scorching lens on the mores of Manhattan's elite during the flush years of the 1980s, while also diving into the city's racial divide, the seamy world of tabloid scandals and the abuses of the criminal-justice system.

"He proved the point that it's not a virtue to ignore the world around you as you're writing fiction," said author Michael Lewis.



CLOCKWISE FROM TOP LEFT: AXEL DUFPEIX FOR THE WALL STREET JOURNAL; GETTY IMAGES (2)

In his fiction, Mr. Wolfe employed a liberal use of onomatopoeia, concocting mashups of vowels and consonants to capture sounds. One line in "Bonfire" reads: "They go, "Hehhehheh . . . unnnnnhhh-hunhhh."

Ed Hayes, to whom Mr. Wolfe dedicated "Bonfire," said the two

met as Mr. Wolfe was delving into the culture of New York police and the tensions of the divided city. Mr. Hayes was the inspiration for the novel's streetwise Irish lawyer, Tommy Killian, a name that is now so closely associated with him, he expects it will be on his tombstone.

"That guy was a great reporter," said Mr. Hayes. "He reported on emotions as well as facts."

A writer whose own literary heroes included Mark Twain played a similar role, taking down pomposity wherever he saw it. "He really was a crusader against what he considered to be reputations that were built on a lot of flimflam," said linguist Daniel Everett.

Thomas Kennerly Wolfe Jr. was born March 2, 1930, in Richmond, Va. His mother, who had been a social worker, instilled a love of literature. His father taught agriculture at Virginia Tech and edited the *Southern Planter*.

At Washington and Lee University, he pitched for the baseball team and earned a bachelor's degree in English. He earned a doctorate in American studies from Yale University in 1957.

As he was finishing his studies, he sent job applications to more than 100 newspapers. He accepted



**Tom Wolfe**, left in his New York apartment in 2016, was a literary disrupter. As a reporter, above in 1965, he helped invent New Journalism.

### Wolfe's Words

#### A selection of his works:

- 'I Am Charlotte Simmons' 2004
- 'Hooking Up' 2000
- 'A Man in Full' 1998
- 'The Bonfire of the Vanities' 1987
- 'The Purple Decades' 1982
- 'From Bauhaus to Our House' 1981
- 'In Our Time' 1980
- 'The Right Stuff' 1979
- 'Mauve Gloves & Madmen, Clutter & Vine' 1976
- 'The Painted Word' 1975
- 'The New Journalism' (anthology) 1973
- 'Radical Chic & Mau-Mauing the Flak Catchers' 1970
- 'The Electric Kool-Aid Acid Test' 1968
- 'The Kandy-Kolored Tangerine-Flake Streamline Baby' 1965

the follies of his time.

In fact, his penchant for pricking sacred cows was matched only by his fondness for distinctive clothing. He couldn't resist eye-catching flourishes—or a practical joke, according to an essay by his daughter, Alexandra Wolfe, 37, a writer for the *Journal*.

In that 2016 interview with her father, Ms. Wolfe recalled her father flying home from Boston University, where he had received an honorary degree. Instead of removing his ceremonial gown, the author opted to wear it during the flight, prompting another passenger to inquire, "Who are you, a priest?" Mr. Wolfe replied: "No, I'm the pope."

As a working writer, Mr. Wolfe was the master of the "devastating detail," said Terry McDonell who, as editor of "Men's Journal," published an excerpt from Mr. Wolfe's 1998 novel, "A Man in Full," which examined race relations and swashbuckling property developers in the South.

Mr. Wolfe used his idiosyncratic public persona to his advantage. "Everybody he went to report on was at least as interested in him as he was in them," said Mr. McDonell. "And as a reporter, that's magical. They just want to talk to you. They want to tell you everything because they want you to understand."

At the time of his death, Mr. Wolfe was collecting notes on his next book. "He never takes vacations, he never stops working," Ms. Wolfe said on Tuesday. At the same time, she remembered him as a dedicated father, recalling an event at the New York Public Library where Mr. Wolfe and other speakers were asked to describe themselves in seven words. "Two of the words he chose were 'ace' and 'dad,' and I couldn't agree with him more," said Ms. Wolfe.

He is survived by Alexandra, her brother, Thomas, 32, a sculptor, and their mother, Sheila, a graphic designer.

—Ellen Gamerman contributed to this article.



The author, above in New York City in January 1989, had impeccable tailoring and manners that masked a rapier wit and an unquenchable curiosity.

## WOLFE AND THE LEGACY OF NEW JOURNALISM

**TOM WOLFE'S** manic writing style—and the no-holds-barred approach that took the label New Journalism—originated almost by accident.

Assigned in 1962 to do a story for Esquire about teenagers who built customized hot-rod cars, Mr. Wolfe stayed up all night banging out a 49-page memo, full of sound effects and exclamation marks, instead of a conventional article. The editor wound up publishing the memo, under the headline "There Goes (Varoom! Varoom!) That Kandy Colored (Thphhhhhh) Tangerine-Flake Streamline Baby."

As the culture wars were dawning in the 1960s, Mr. Wolfe was ready to skewer sensibilities, setting his sights on everything from psychedelic adventurers to limousine liberals. Along with Hunter S. Thompson and Gay Talese, he became a master of New Journalism, blending extravagantly detailed reporting with

the storytelling techniques of fiction.

For writers, New Journalism meant moving off the sidelines and into the scrum. For readers, it meant riding shotgun on those journeys, taking in prose enriched by vivid dialogue and language by turns lyrical and earthy.

"That created not only a heyday for magazines in the late '60s to the mid-'80s, but a tremendous amount of literary nonfiction that characterizes the best books from then until now," said Samuel G. Freedman, an author and journalism professor at Columbia University.

Early on, the genre yielded Joan Didion's essay collection "Slouching Towards Bethlehem," David Halberstam's Vietnam War account "The Best and the Brightest" and J. Anthony Lukas's examination of race relations "Common Ground."

In Mr. Wolfe's "The Right Stuff," he depicted astronauts as flawed strivers rather than idealized heroes. He wrote: "The idea here (in the all-enclosing fraternity) seemed to be that a man



Hunter S. Thompson and Tom Wolfe helped invent a vivid vein of storytelling.

should have the ability to go up in a hurtling piece of machinery and put his hide on the line and then have the moxie, the reflexes, the experience, the coolness, to pull it back in the last yawning moment — and then to go up again the next day ... and, ultimately, in its best expression, do so in a cause that means something to thousands, to a people, a nation, to humanity, to God."

Mr. Wolfe was "the embodiment of

the practice of this very distinct American genre of New Journalism," said Glenn Horowitz, the book dealer who placed Mr. Wolfe's archive with the New York Public Library several years ago. He was "both the founder and the quintessence at the same time."

Many journalists coming up in Mr. Wolfe's shadow knew they were never going to be him, but they could attempt to absorb his energy, said author

Carl Hiaasen.

"It unshackled a lot of young writers," said Mr. Hiaasen, a best-selling novelist and writer for the Miami Herald. "It had a profound effect on the magazine-writing industry from Vanity Fair to Esquire to Rolling Stone—all of those could not have flourished without the liberating influence that Tom had."

New Journalism showed its flaws early on, as some writers took ethical leaps—changing location and time sequences, creating composite characters and using direct quotations based on memory.

Attempts to execute a kind of writing that Mr. Wolfe made look easy and free-flowing could backfire when others tried it. "It's a curse and a blessing," said author Michael Lewis. "You can get trapped by your voice."

Mr. Lewis said New Journalism practiced by authors like Mr. Wolfe inspired him to follow their example.

"It's not so much why I write nonfiction but why I write at all," he said. "There were several writers who created these sensations in me that were just pure pleasure. I wanted to be in that place. That's what I had in mind when I started my writing life."

—Ellen Gamerman

## LIFE &amp; ARTS



MAX WHITTAKER FOR THE WALL STREET JOURNAL

MY RIDE | By A.J. Baime

# A 1951 Ford Sedan Filled With Memories

Dan Lambertson, 65, a retired attorney from Stockton, Calif., on his 1951 Ford Custom sedan, as told to A.J. Baime.

In 1951, my grandpa Rezeau Lambertson, a traveling salesman, bought the Ford pictured here new from

the Jesse E. Smith dealership in Glendale, Calif. When I was born, my father was in the military stationed overseas, so my grandfather drove my mother and I home from the hospital, in this car. We were living at the time with my two sets

of grandparents, in Glendale and Burbank.

My grandfather drove the Ford until 1968, when he sold it to me. I remember he asked me for \$200. I was 15½ (I had my learner's permit), and I had saved some money working at a department

store called Mac Disco Mart. I gave my grandpa the \$200, and he said, "OK, get in the car, we're going for a drive."

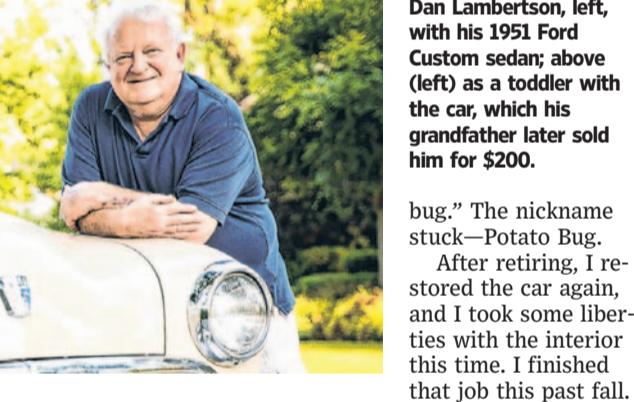
He took me to a tire store and bought new tires, for \$100, because he thought I would not do that for myself. So I really bought the car for \$100. That year, at Christmastime, my grandpa and I spent the whole two-week break rebuilding the engine. When we fired it up, it ran like a top.

I have now owned this car for longer than anything else I have ever owned, with the exception of the book "Triple Threat Trouble," by Clair Bee. The car has been in my family from the day it was purchased.

The 1951 Ford was an important car for a number of reasons. During World War II, car companies switched to building military equipment, so after the war, they had to switch back to building cars. This Ford model was popular among soldiers who had returned home from the war.

The 1951 Ford was popular among liquor bootleggers too, because the 239 flathead V-8 engine could be souped up to make it better than any other engine.

I drove the car through high school and college. In 1974, the engine block

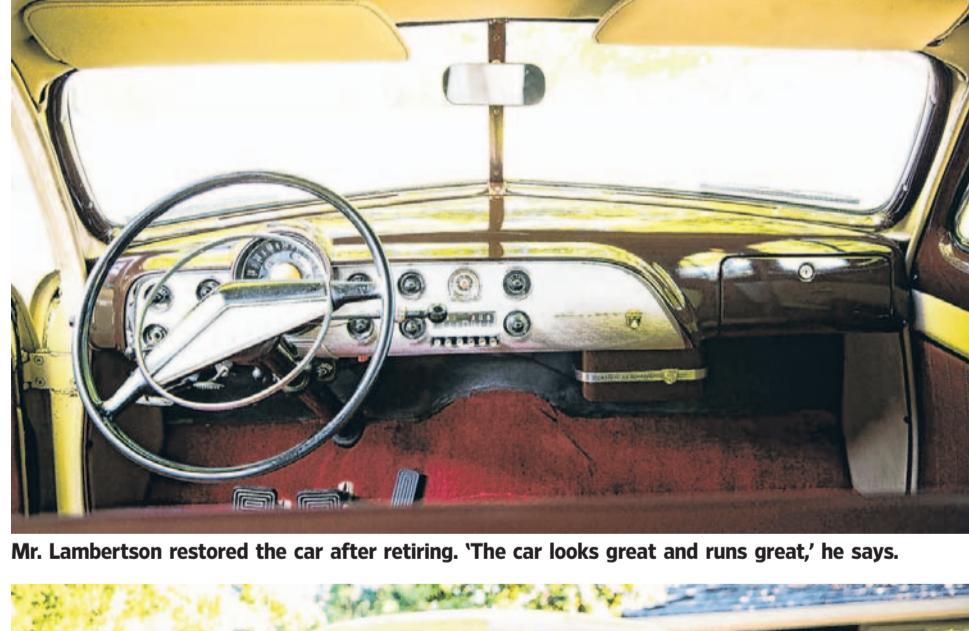


Dan Lambertson, left, with his 1951 Ford Custom sedan; above (left) as a toddler with the car, which his grandfather later sold him for \$200.

bug." The nickname stuck—Potato Bug.

After retiring, I restored the car again, and I took some liberties with the interior this time. I finished that job this past fall. The car looks great and runs great. Every time I drive it, my mind fills with memories, and when I cannot drive anymore, it will go to my son so it stays in the family.

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



Mr. Lambertson restored the car after retiring. 'The car looks great and runs great,' he says.



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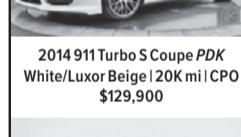
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## LIFE &amp; ARTS

## ART REVIEW

# A Snapshot of the Canon

BY WILLIAM MEYERS

*Kansas City, Mo.*

**THE CANON** is up for grabs: "The Big Picture" at the Nelson-Atkins Museum of Art is a précis of its coming to grips with photography. As with most museums, photography was not an initial priority at the Nelson-Atkins, and it still was not even in the second half of the 20th century, when many other institutions built collections. Until 2005 it had only 1,000 or so prints, rather randomly acquired; no department; and no dedicated exhibition space. That changed radically in December 2005 with the donation of the Hallmark Photographic Collection of 6,500 pieces.

The Hallmark collection was begun in 1968, and since 1979 had been under the supervision of Keith F. Davis. The book Mr. Davis wrote to accompany "The Big Picture" is not a catalog but a history of photography in Kansas City, the development of the Hallmark collection, and the relations of successive generations of the Hall family with the museum. The tale he tells is a model of canonicity.

The understanding of how photography progressed from its invention in 1839 keeps changing: New data come to light, the importance of central figures and different genres is re-evaluated, present-day concerns intrude on the past, and no compendium is vast enough to include everything. The collection first concentrated on 20th-century American photography, with an emphasis on Midwestern photographers like Harry Callahan. As it grew, exhibitions were made available to local colleges and museums. In 1995 it began acquiring



19th-century American works, especially daguerreotypes. And then, in 2005, the museum's construction of a wing with 3,000 square feet dedicated to photography prompted the Halls to donate the collection to it. Mr. Davis became the museum's senior curator of photography, and brought his assistants Jane Aspinwall and April Watson along.

In 2015, the Hall Family Foundation donated \$10 million to flesh out the holdings, including work from Europe and elsewhere. Mr. Davis went shopping. "The Big Picture" is a cram course in collecting. Mr. Davis, Ms. Aspinwall and

Ms. Watson bought over 800 prints with the money provided, and nearly 100 of the choicest are on display. The show begins with daguerreotypes: "Portrait of Young Girl" (c. 1850) by the distinguished Boston firm of Southworth and Hawes is a beautiful example of their portraiture. The curators are particularly fond of Camille Dolard's "Self-Portrait as a Hookah Smoker" (1845) in part because they consider it a "tour de force," but also because, as Ms. Aspinwall writes in the accompanying text, "We purchased this daguerreotype from a small Paris auction house—the Musée d'Orsay was the other interested bidder, but somehow, we prevailed!"

Wall texts explain the significance of different sections: Da-

guerreotypes, Avant-Garde Photography, Unique Opportunities, Conceptual Photography, and International Contemporary Photography. "The Big Picture" is littered with well-known images by famous photographers: Diane Arbus, "Child With a Toy Hand Grenade in Central Park, NYC" (1962); Bill Brandt, "Parlourmaid and Underparlourmaid Ready to Serve Dinner" (1936); Robert Frank, "Hoboken (Parade)" (1955). But several famous photographers are represented by lesser-known works, for instance Edward Steichen by "Portrait of William Merritt Chase" (1906) and Dorothea Lange by "Greenville, Mississippi" (1938).

"The canon is always a very flexible structure," Mr. Davis said in an interview, "and our goal has

**Robert Frank's 'Hoboken (Parade)' (1955)**

been to recognize it, but to add our perspective to it." So there is "Crab Claw" (1929) by Eli Lotar, whose work is little-remembered, and "Barns, Long Island" (1968) by Ellsworth Kelly, who is famous for his painting. Mr. Davis and his team were shown "tens of thousands" of prints and purchased many by people I'd never heard of: Lauren Simonetti's "Untitled" (2011), Clara Sippell's "Untitled (Barns in Snow)" (c. 1925) and Tosh Matsumoto's "Untitled (Woman holding child on bench with camera beside her)" (c. 1950). Many pictures serve as coming attractions; e.g., a wall text advertises "Look for an exhibition of California gold rush daguerreotypes in the fall of 2019."

What hadn't he bought, I asked Mr. Davis: "The April 3-4, 2017, Phillips sale...was a very high-level sale.... We ended up acquiring 11 prints that we had initially targeted as of interest, examined carefully at the sale preview, and then ranked by overall priority. In this process, two other pieces we liked got away due to higher prices than we had hoped for on that day. These were lots 79 (Coburn) and 97 (Marville). However, 11 of 13 isn't a bad batting average, all things considered."

The Nelson-Atkins now lends works to the Getty, the National Gallery of Art and others. It is a resource for scholars. Because of its stature, it attracts donations of prints and acquisition funds. Its holdings number over 15,000. They help define a coherent canon.

**The Big Picture**

The Nelson-Atkins Museum of Art, through Oct. 7

*Mr. Meyers writes on photography for the Journal.*



'Portrait of Young Girl' (c. 1850), by Southworth and Hawes, above; Camille Dolard's 'Self-Portrait as a Hookah Smoker' (1845), right



THE NELSON-ATKINS MUSEUM OF ART, KANSAS CITY, MISSOURI (3)

## HEALTH

## Youth Suicide Attempts Rising

Study points to decline in mental health of children, especially girls

BY JEANNE WHALEN

**A NEW STUDY** finding a rise in suicidal thoughts and attempts among young people adds to the research pointing to a decline in mental health among U.S. children and adolescents.

The study showed the proportion of young people treated at 31 U.S. children's hospitals for suicidal thoughts or attempts more than doubled between 2008 and 2015, from 0.66% of visits to 1.82% of visits. Rates were higher during the school year than in the summer, and nearly two-thirds of the visits involved girls, according to results published in the medical journal *Pediatrics*.

The research had limitations: It didn't include data from all U.S. hospitals or suicidal behaviors that

didn't involve a hospital visit. Still, physicians said it fits a pattern of findings that show rates of depression and suicide-related behaviors and deaths are rising among young people.

Suicide was the second-leading cause of death among 10- to 24-year-olds in 2016, up from third place in earlier years, according to the Centers for Disease Control and Prevention.

"It's such a critical public-health crisis right now," said Lisa Horowitz, a staff scientist and pediatric psychologist at the National Institute of Mental Health, which is attempting to boost suicide prevention in part by improving screening at emergency departments and pediatrician offices.

Researchers say they aren't certain what is driving the growth in depression and suicidal behavior but theorize that decreasing stigma might be causing more children and their parents to seek help, leading to wider reporting of the problems.

Some early research has sug-



**Suicide was the second-largest cause of death in 10- to 24-year-olds in 2016.**

gested children's use of social media and smartphones may also be factors, fueling cyberbullying and feelings of inadequacy. "We need more data to say that's a contributing cause," said Ramin Mojtabai, a psychiatrist and professor at Johns Hopkins Bloomberg School of Public Health.

Suicidal behavior is on the rise among U.S. adults, too.

Suicide deaths in the total U.S. population rose from 10.4 per 100,000 people in 2000 to 13.4 per 100,000 people in 2016, according to the CDC. Suicide deaths in 10- to 19-year-olds over the same period rose from 4.7 to 6.1 per

100,000 people.

In the new *Pediatrics* study, researchers analyzed billing data for patients ages 5 to 17 to identify emergency-room visits and hospitalizations for suicide attempts and suicidal ideation, the clinical term for persistent suicidal thoughts. They drew the details from a database managed by the Children's Hospital Association, which includes billing and clinical data from children's hospitals in most major metropolitan areas.

More than half of the suicide-related visits resulted in inpatient hospitalization. Of these, 13% were treated in intensive-care units. The

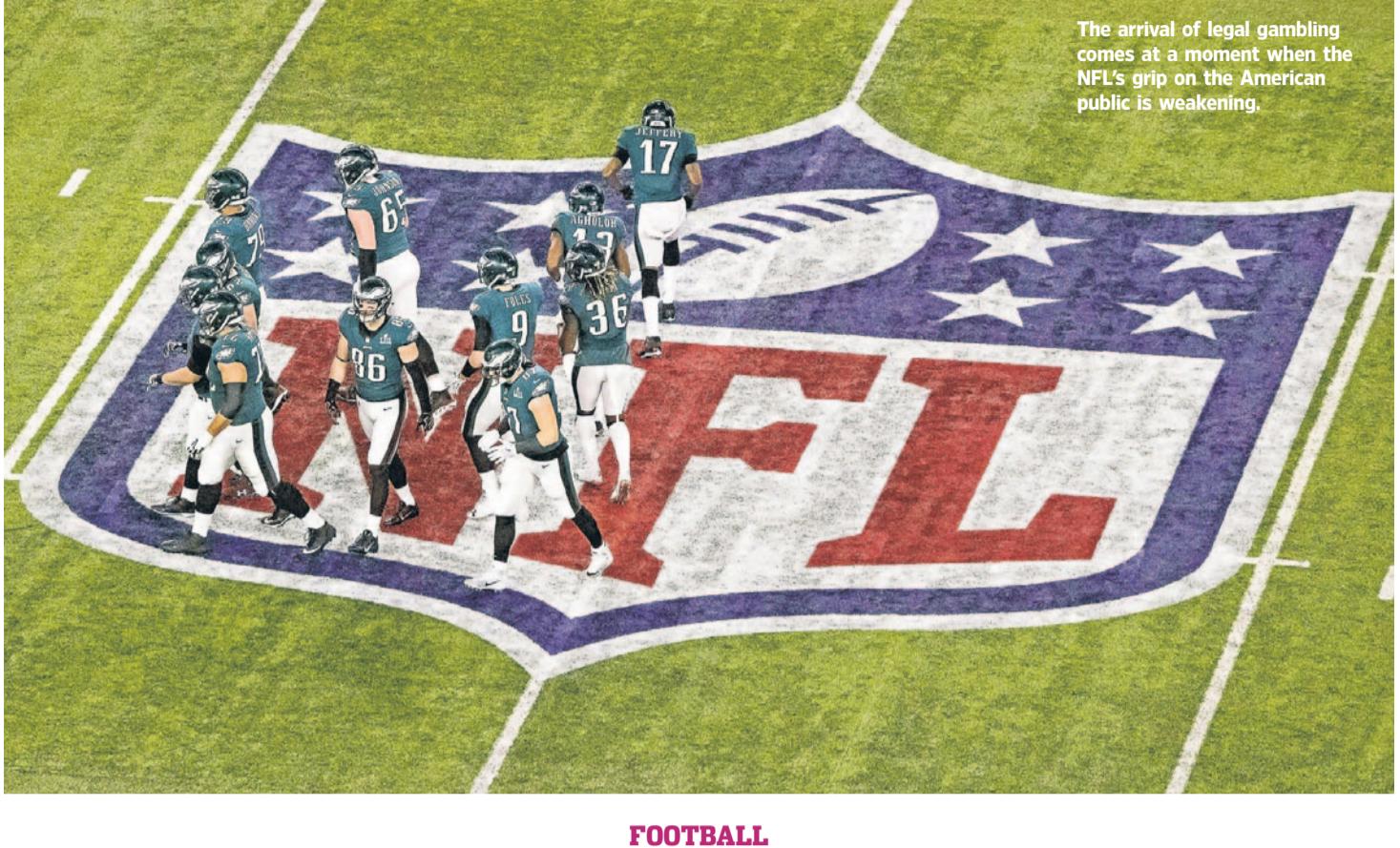
researchers found the visits occurred at a higher rate during the school year, with October accounting for nearly twice as many visits as July.

"What our study made clear was school was a huge influence," said one of the lead researchers, Gregory Plemmons, a physician and associate professor of clinical pediatrics at Vanderbilt University School of Medicine in Nashville. He said academic pressure and bullying could play a role, though the study didn't delve into the causes.

The study found the rise in suicide-related hospital visits was higher for girls, who made up nearly two-thirds of such visits overall. The researchers called for further research on possible gender differences in youth mental health, noting that a previous study found larger increases in depression in teenage girls compared with boys over the decade up to 2014.

Dr. Plemmons said he became interested in conducting the study after noticing an increasing number of beds at his hospital being used for young people in need of psychiatric treatment, often after exhibiting suicidal behavior. "What I'm noticing is kids seem to be less resilient and to have more pressure," he said. "I think social media also fuels this Instagram life of everything is perfect and cool and you don't see the other side of life."

## SPORTS



## FOOTBALL

## NFL Sees a Gambling Windfall

The league has shifted its focus to how sports betting could help grow football

BY ANDREW BEATON

**FOR DECADES**, the NFL's high-level conversations about legalizing sports betting centered only on how problematic it would be. Now that the reality of legal wagering is here, the league is suddenly shifting its focus to how gambling can help stanch the erosion of its audience—and grow its sport to even greater heights.

The NFL was long resolute in its belief that legal sports gambling would be a threat to its integrity, even as the NBA and others warmed to the idea. Just last year, when NFL owners approved the Raiders' move to Las Vegas, commissioner Roger Goodell made the league's stance clear: "We still strongly oppose, in that room and otherwise, legalized sports gambling," he said.

But when the owners met this March, the conversation had completely shifted. A future with legalized sports betting was on the horizon, whether they liked it or not. That future shifted into the present Monday when the Supreme Court struck down the law that prohibits the practice in most parts of the country.

The arrival of legal gambling comes at a moment when the NFL's grip on the American public is weakening. Ratings dropped for the second straight season in 2017. The national anthem protests undercut the league's apolitical appeal. Continued health and safety questions have created an unease at all levels of the sport. Before the Super Bowl, a Wall Street Journal/NBC poll found a sharp drop-off in interest among men between ages 18-49 who follow the game closely.

When league officials in March made their first presentation to owners about how

to deal with the gambling reality they long opposed, they focused on the idea that the NFL had more to gain from it than anyone else. "Ten years ago this might have been a tougher conversation," said one league executive. "We don't fully appreciate, if we do a good job with the interface, how big the opportunity is."

The shift began in earnest after the league's owners voted to allow the Raiders to move to Las Vegas just over a year ago. Although Las Vegas and sports betting are inseparable, one person familiar with the league's thinking said, they wanted the move to be considered on the city's merits as a viable market.

After the move was approved, league executives then set out to fully understand what legal gambling would mean. They met with sports betting industry executives, both in the U.S. and abroad to get a comprehensive look at all aspects of bookmaking, regulation and protecting the league's integrity.

From all of that, the league's March presentation to owners focused on the potential to grow the game in key demographics, and in particular, two potential growth targets: younger fans and foreign audiences.

Polls have consistently shown that younger people support the expansion of sports gambling more than the previous generations. A 2017 Seton Hall University poll found 67% of those between the ages of 18 and 29 support its legalization, versus just 30% of those age 60 and older. Such research has led the NFL's power brokers thinking that legal gambling is an opportunity to make headway with this vital age group, which has been elusive as younger audiences turn off their TVs.

NFL officials believe the gambling proposition will be more appealing for younger fans—and more lucrative to the league, when they sort through the legalese and license video to gambling platforms, said a person familiar with the league's plans. They imagine it along these lines: If you place a bet on your phone during the game, then you might be

able to watch it on the same device and application. That means even more media deals for the NFL to cash in on down the road.

At the same time, the league sees the new gambling platform as a way to court fans overseas. Gambling is popular in Europe, where fans can legally place bets on soccer games—even in booths inside the stadium during games. The NFL played five games overseas last year, including four in London, though no on-site wagering was allowed during those games. The league's conversation in March included not just an overview of what the practice looks like there, but also how the proliferation of gambling could help usher in a new wave of foreign fans.

It's clear that when it comes to legal gambling in the U.S., football is king. There were \$1.8 billion in bets on football in Nevada in 2017, according to the Nevada Gaming Control Board, versus \$1.5 billion on basketball and \$1.1 billion on baseball. The numbers don't distinguish between professional and college sports.

The NFL is approaching the topic differently than some of its peers. While MLB and the NBA have been lobbying various states for a 1% fee on bets, the NFL has been more focused on licensing data to legal bookmakers. Its hope is that books will be legally required to use official, league-provided information.

But the data flows two ways: While there are numbers needed by the betting industry to provide bets—especially fast-moving in-game data—there is other information that would flow back to the league about the audience and how it is watching games and making bets.

The NFL considers this second set more valuable, believing it can help the league better understand, and engage, with its fans. They hope to find out about the bettors, their patterns, and how they are watching. That information could allow the league to tailor its programming to the audiences it is courting—and, it hopes, turn the activity it once feared into the start of its next boom.

The arrival of legal gambling comes at a moment when the NFL's grip on the American public is weakening.

## Carolina Panthers Sold For Record \$2.2 Billion

**DAVID TEPPER**, the billionaire hedge fund founder, has agreed to buy the Carolina Panthers for an NFL-record of approximately \$2.2 billion, according to people familiar with the sale.

In December, Panthers owner Jerry Richardson announced he would sell the team he founded, shortly after allegations of workplace misconduct were reported by Sports Illustrated. An NFL investigation of Richardson's conduct remains ongoing.

The sale comes just before the league's owners meet next week in Atlanta. At that meeting, they can officially approve Tepper's purchase of the team, which people familiar with the matter said is not expected to be a problem.

One person familiar with the sale cautioned that the terms and agreement were not yet final.

The bidding process for the Panthers dragged on longer than many expected, with other bidders including Ben Navarro, the chief executive of Sherman Financial Group, and Alan Kestenbaum, the chief executive of a mining and metals companies.

Tepper, though, was long the preferred buyer from inside the NFL. While other candidates would have needed to go through a more rigorous vetting process of their financials and their backgrounds, Tepper is a known quantity as a current minority owner of the Pittsburgh Steelers. He will have to give up that stake to become the Panthers' majority owner.

The \$2.2 billion price, first reported by the Charlotte Observer, breaks the previous high for an NFL team, \$1.4 billion by the Buffalo Bills in 2014.

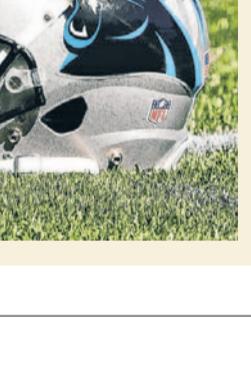
Although at least one bid during the process reached higher than Tepper's, according to a person familiar with the matter, that was contingent on getting minority partners on board. Other factors, including Tepper's ability to pay more in cash and the fact that his approval appears to be a formality, were other potential factors, the person said.

Tepper, age 60, has risen to be one of the world's richest hedge-fund managers since he founded Appaloosa Management in 1993. The fund, based in Miami Beach, Fla., catapulted Tepper to wealth and prominence, which has included his minority stake in the Steelers and having the Carnegie Mellon University's Tepper School of Business named after him.

The Panthers and Tepper did not immediately respond to requests for comment.

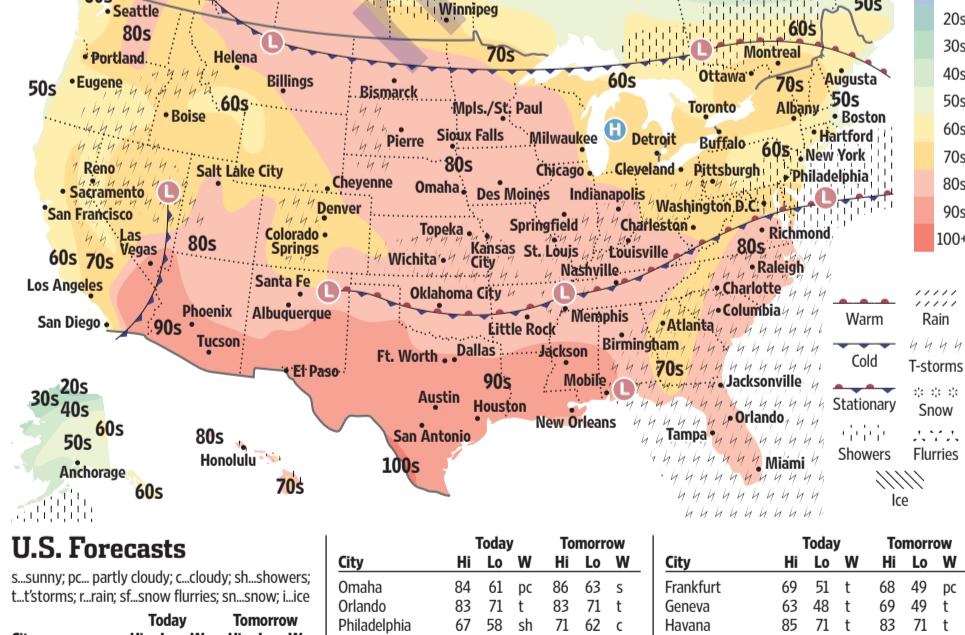
The sale will also bring an end to Richardson's ownership of the team he brought to North Carolina. The Panthers played their first season in 1995 and have reached two Super Bowls, though they lost both of them.

Richardson, 81 years old, quickly moved to sell the team shortly after the allegations against him came to light, though he had previously indicated that the team would be sold, and not passed on through his family, when he died.



L-R: PAUL KURODA/ZUMA PRESS; WINSTON TOWNSON/ASSOCIATED PRESS

## Weather



## U.S. Forecasts

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

50s 60s 70s 80s 90s 100s

30s 40s 50s 60s 70s 80s

20s 30s 40s 50s 60s 70s

10s 20s 30s 40s 50s 60s

0s 10s 20s 30s 40s 50s

-10s -20s -30s -40s -50s -60s

50s 60s 70s 80s 90s 100s

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## OPINION

## New York's Green Energy Roulette

BUSINESS WORLD  
By Holman W. Jenkins, Jr.

Eric Schneideman resigned last week after allegations he struck several women he dated.

"It hurts the most when it's one of the 'good' ones," began a commentary in the New York Times.

Of course the problem here is assuming that sharing one's politics is tantamount to being a "good" person. So anyone who differs is "bad"? This only shuts out unwelcome truths and aids the state's residency in fantasyland.

Take the explosion of political correctness out of Gov. Andrew Cuomo's mouth at an event last Thursday when questioned by green activists. "I don't build any fossil-fuel plants anymore, and I banned fracking, and I have the most aggressive renewable goals in the country," he insisted, according to Politico.com. He also credited himself with blocking new pipelines.

Some of these claims are untrue; all are perverse.

Mr. Cuomo banned fracking in New York, but that didn't stop fracking. It only deprived New Yorkers of their share of jobs and prosperity that other states are enjoying.

Gas plants have been ap-

proved on his watch, including one at the heart of a corruption scandal that will send one of his closest former aides to jail.

His opposition to pipelines runs flat into his signature scheme to get 50% of the state's power from renewables by 2030. A new report from the state grid manager could not be clearer: The report uses the word "reliability" 155 times and warns that new gas plants are urgently needed to support the governor's wind and solar goals.

New Yorkers find energy a fitting subject for irrational gestures only because they haven't yet paid the cost in blackouts and intolerable price hikes. That will change.

Mr. Cuomo's renewables goal was subject to no cost-benefit analysis—because there is no benefit. New York accounts for 0.4% of global greenhouse emissions.

Germany shows and a new study of 10 nations confirms: Investing heavily in wind and solar doesn't really reduce fossil-fuel use or fossil-fuel emissions. Why? Adding solar and wind as adornments to a basically functioning grid is one thing. Once you begin relying on them, however, each must be paired with an equivalent gas plant for when wind and sun are absent.

This is expensive, and the outage risk remains, not just because the grid must cope with a proliferation of unpredictable, intermittent power sources. Coal plants, which New York state has been closing

willy-nilly, maintain 30 days of fuel on site. The state's biggest nuclear plant, which Gov. Cuomo is closing, requires refueling only every two years.

In contrast, gas plants depend on just-in-time fuel delivery from an interstate pipeline system, connected to producing areas (which, thanks to Mr. Cuomo, New York isn't).

### Gov. Cuomo uses up his state's electricity margin of safety to advance his career.

In 2014's polar vortex, the Northeast and the Midwest avoided blackouts by burning dirty oil in gas plants when pipelines became overloaded, and grid operators still had to cut voltage by 5% to keep heat and lights on. If the same thing happened today, it's doubtful that blackouts could be avoided.

Mr. Cuomo privately would argue his green posturing protects New Yorkers from worse. Whoever wins the Democratic primary is likely to be the next governor. His primary opponent is "Sex and the City" actress Cynthia Nixon, who wants 100% of the state's energy from renewables by 2050.

A feature and not a bug is the incoherence of both candidates' green button-pushing. Closing the Indian Point nuclear plant, for instance, which both joyously support, would mainly deprive New York of its

most important source of climate-friendly energy.

The problem is, Mr. Cuomo intends to run for president in 2020, so his pandering will have to continue for another two years while the state burns through its energy safety margin.

Let's borrow a concept from technologist Peter Thiel, who once noted President Obama's "touching faith" in capitalism to support the burdens he placed on it.

Careers like Mr. Cuomo's are built on running down what might be called "good policy" political capital. Mr. Cuomo is using up the state's margin of energy survival to burnish his green potentials. He is sacrificing upstate's economy to burnish his green credentials.

President Trump may lack decorum, but his corporate tax reform addressed a universally recognized problem, and now future politicians have a fresh cushion for antibusiness tax gestures without unduly risking the economy.

Ditto his trimming back of President Obama's expensive but ineffectual climate policies: Now future politicians can dip their buckets in this well to advance their careers without overtaxing the citizenry's ability to sustain costly climate gestures that produce no benefit.

This is the good-policy capital buffer at work. Mr. Cuomo is doing statewide what Mayor David Dinkins did for New York City in the early 1990s, using up the buffer.

BOOKSHELF | By Kathleen DuVal

## He Opened The Way West

### Unlikely General

By Mary Stockwell  
(Yale, 363 pages, \$35)

In 1777, things were not looking good for American independence. People were calling it the year of the hangman, for the number 7's resemblance to the gallows from which they were sure Revolutionary leaders soon would swing. In the fall, the Continental Army abandoned Philadelphia. Encamped 20 miles north of the city, George Washington had his mood improved by the optimistic young Brig. Gen. Anthony Wayne. According to Wayne, the skirmishes with the British had not been losses so much as valuable lessons. He told his commander that "total defeat" of the British was imminent.

As Mary Stockwell shows in her fine biography of Wayne, these dark days forged a bond between the generals that Washington would remember 15 years later, when he was the first president of a nation whose survival was still uncertain.

In 1792 as in 1777, he believed Wayne, and through him America, could succeed despite the odds. By 1792, Washington had sent two armies west against the Ohio Valley Indian Confederacy, which included Shawnees, Delawares, Ottawas and Potowatomis. The Indian Confederacy had trounced both armies, with shocking casualties: 1,000 Americans dead or wounded in one battle.

Free land in the west had been one of the demands of the Revolution, and Washington had promised that as president he would open the Ohio Valley to American settlement. Instead, the Indian Confederacy was growing, armed by Britain and Spain, which both had forts and troops along the border.

As Ms. Stockwell explains, "The nation that Washington had spent so much of his life building" was ready to "die on the vine, bottled up along the Atlantic, surrounded by hostile tribes and nations." Because of the Ohio Valley defeats, Washington was under Congressional investigation. There would have to be another, bigger force raised, armed, trained and sent west. In a nation without a standing army, where frontier violence and the recent losses had left potential recruits with a paralyzing fear of the Indians, the task was daunting. As Washington considered who should command this vital expedition, he realized his only choice was Anthony Wayne.

In many ways, Wayne was Washington's opposite. His quick temper and rash decision-making had earned him the nickname "Mad Anthony." He drank to excess, cheated on his wife, and was prone to depression. By 1792 he was hobbled with gout, recurring malaria and a lead ball in his leg from the Yorktown campaign. He had also been accused of rigging two elections: Deep in debt, he had tried to sell his family estate in Pennsylvania out from under his wife and children and had run for Congress in part because elected officials were immune from debt prosecution. But Wayne was loyal to Washington and his country, and the aging general agreed to "wrap his swollen legs and arms in flannel, pack up his best brandy and Madeira and his writing table, and head west to Ohio."

**'Mad' Anthony Wayne taught his men to steel themselves against surprise attack by making them 'as afraid of him as they were of the Indians.'**

Ms. Stockwell's main story line follows Wayne west in the 1790s as he recruits and trains an army and faces the Ohio Valley Indian Confederacy. Along the way, she deftly uses flashbacks to tell the larger story of Wayne's life. When Wayne hears of the death of his wife, Mary (Polly) Penrose Wayne, while on the campaign, Ms. Stockwell takes us back to their courtship and Wayne's failures as a husband. She paints a poignant picture of Polly's gradual transformation from a wife who wrote (in vain) urging her husband to visit when he was encamped only 20 miles from home, to a more independent woman who wrote him only terse occasional reports.

In a weaker writer's hands, these flashbacks might be distracting or confusing, but Ms. Stockwell's careful structure and clear, driving prose builds suspense and connects the Revolution to the 1790s. When Wayne arrives at Pittsburgh as a "General without troops," we flash back to a more hopeful time, the frenzied opening months of the Revolution, in which young Wayne wrote broadsides, gave speeches about "American liberty" and was elected to the Pennsylvania Assembly (with no charges of election tampering).

By the time he was building an army from scratch in the Ohio Valley a decade after the Revolution, Wayne was no longer surprised at insufficient uniforms, shoes, food, muskets and powder. He was disappointed, though, to discover that most Americans on the frontier suspected he would either lead them to their deaths at the hands of Indians or tax their whiskey. Nonetheless, Wayne's combination of boldness and skill were required in the current crisis, and he did what Washington had asked of him: He taught his men to steel themselves against surprise attack, through practice and by making them "as afraid of him as they were of the Indians."

Ms. Stockwell, former chair of history at Ohio's Lourdes University, is so skilled at understanding and conveying her subject's perspective that—as often happens to a biographer—she becomes overly persuaded by it. Part of the problem is that she relies almost exclusively on primary sources written by Wayne and his comrades, and the histories she cites are mostly decades old. Because Ms. Stockwell relies entirely on Henry "Light-Horse Harry" Lee's memoirs for an event in which Wayne ordered the killing of a group of Creek Indians, she writes only that Wayne decided on a "death sentence for the prisoners." In fact, the British and Creeks believed Wayne had murdered a parlay party, violating the rules of warfare. Similarly, Ms. Stockwell claims that, after Wayne's military and diplomatic victories, the defeated Indians "now admired him" as a "hero" and contentedly "returned to their villages," where "corn was again planted in patches of sunlight in the forest and along the bottomlands." This bucolic version seems to merely be Wayne's wishful thinking.

Still, Anthony Wayne's perspective is a fascinating and valuable one—a window into the trials of Revolution and independence that did not cease as the new country sought to gain its footing at home and abroad. Both Wayne and Washington kept working to, as Ms. Stockwell puts it, "truly secure the Revolution" throughout their lives.

**Ms. DuVal, a professor at the University of North Carolina at Chapel Hill, is the author of "Independence Lost: Lives on the Edge of the American Revolution."**



POLITICS & IDEAS  
By William A. Galston

If you're reading this on Wednesday morning, members of the Senate Select Committee on Intelligence are convening to consider the nomination of Gina Haspel to lead the Central Intelligence Agency. The vote will not be—or at least should not be—an easy one. Ms. Haspel, the CIA's deputy director and a 33-year veteran of the agency, served previously as chief of a black site in Thailand where at least one detainee was waterboarded on her watch.

This initiative was thoroughly bipartisan. Democratic signers included Leon Panetta, who served as President Obama's first CIA director before becoming secretary of defense; James Clapper, the director of national intelligence for most of Mr. Obama's eight years in office; and Avril Haines, who served as deputy CIA director before joining the White House as deputy director of Mr. Obama's National Security Council.

Their support, however, has not gone unchallenged. One month after that letter, on the day of Ms. Haspel's Senate hearing, more than 100 former U.S. ambassadors made public

their own letter to the Senate opposing her nomination. "We have little doubt what lesson governments that rely on torture and other forms of mistreatment to maintain their grip on power will draw from Ms. Haspel's confirmation,"

Though the intelligence community may be more divided

about the waterboarding question than Mr. Trump implied, it is largely united in backing Ms. Haspel.

Fifty-one former senior officials with experience in national security wrote on April 9 to the chairman and vice chairman of the Senate Select Committee on Intelligence expressing their strong support for her nomination. The authors hailed Ms. Haspel as "a true intelligence professional who brings care, integrity and a commitment to the rule of law to her work every day. She will speak truth to power, offering unbiased intelligence to policymakers no matter how difficult the situation."

After Ms. Haspel's hearing, the ailing but still formidable Sen. John McCain weighed in. After praising the nominee's patriotism and long record of service to the country, Mr. McCain declared that "Ms. Haspel's role in overseeing the

Senators must balance doubts about the CIA nominee's record with the agency's needs.

use of torture by Americans is disturbing. Her refusal to acknowledge torture's immorality is disqualifying."

So what is the right answer? It depends on what you consider the most important question.

The more certain you are that the core of the matter is about reckoning with the past, the more negative you will be about Ms. Haspel's nomination. If you believe, like professor of national-security law Steve Vladeck, that the coming confirmation vote will be a "referendum on accountability for the CIA's abuses," then you should oppose the nomination and hope the Senate votes it down.

If you believe, as Sen. McCain understandably does, that condoning these abuses is an absolute bar to confirmation, however weighty considerations to

they wrote. "They will welcome it, as it will allow them to proclaim, however cynically, that their behavior is no different from ours."

If you look forward rather than backward, however, matters become more complicated. On one hand, the ambassadors may be right: Thuggish autocrats could use Ms. Haspel's confirmation as a shield. And future CIA operatives may feel freer to employ morally dubious tactics as long as they are not deemed illegal at the time.

On the other hand, virtually no one has questioned Ms. Haspel's ability to carry out the duties of the director knowledgeably and professionally from day one. Having been burned so badly for her participation in post-9/11 interrogations, she is likely to be on her guard against future orders to act *ultra vires*. On Monday Ms. Haspel spelled out this commitment in a letter to committee Vice Chairman Mark Warner. The next day, the Democratic senator announced that he would endorse her. While it limits her vision, Ms. Haspel's unwavering loyalty to the CIA will serve as a shield against demands for personal loyalty to the president. Yes, Ms. Haspel gives the impression of having placed her conscience in cold storage decades ago. But in current circumstances, simple commitment to the rule of law is of more than ordinary importance.

If I were a senator, I would cast a reluctant vote in favor of this nomination while committing myself to rigorous oversight of an institution that needs it more than most.

Overheated worries about youth" we need to worry about, said Lynn T. Kozlowski, a tobacco expert at the University of Buffalo, at last month's E-Cigarette Summit in Washington. Youth who have started to smoke, he added, "need to know the real costs of different nicotine products."

Better they are told that the smoke they are inhaling comes with 7,000 chemicals, dozens of them in carcinogenic levels, plus carbon monoxide. And if they can't or won't quit, they should know that vaping, according to the Royal College of Physicians, is about 95% less hazardous than cigarette smoking.

JUUL Labs has pledged \$30 million to fight underage vaping. But beyond "don't start," the best public-health message to teens, according to David B. Abrams of New York University's College of Global Public Health, is this: "If the choice is between getting addicted to nicotine and dying from cigarettes

or getting addicted without dying from e-cigarettes, the answer is obvious."

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By Sally Satel

The sudden success of an e-cigarette called JUUL—pronounced "jewel"—is causing a backlash. Sales of JUUL, invented by two Stanford engineers, have exploded 30-fold since early 2016. JUUL doesn't burn tobacco. It heats a nicotine-containing liquid held in replaceable pods, and, like other vaping devices, delivers nicotine far less dangerously than cigarettes.

But instead of cheers for a blockbuster of American ingenuity that's saving lives, JUUL has sparked a moral panic. A Harvard pediatrician likened teen use of JUUL to "bioterrorism . . . a massive public-health disaster." Last week, Sen. Chuck Schumer demanded that the Food and Drug Administration douse the "fire of e-cig addiction among New York adolescents."

Everyone agrees that teens shouldn't vape. But the con-

sensus cannot end there, because there is no adult activity that some kids won't do. According to the 2017 Monitoring the Future survey, almost 1 in 5 high school seniors reported getting drunk within the previous month, while 22.9% used cannabis during

The moral panic over teens and e-cigarettes is clouding judgment.

the same time frame. Only 11% said they had vaped. Two major government surveys show that regular e-cigarette use by people who have never smoked is under 1%.

Some 4.2% of high-school seniors report smoking conventional cigarettes daily, according to Monitoring the Future, and 9.7% reported smoking at least once in the previous month. These are "the high-risk

## Vapin' in the Boys' Room

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## OPINION

## REVIEW &amp; OUTLOOK

## A Phony Vote on 'Net Neutrality'

**O**ne extreme part of the anti-Trump "resistance" is outrage, including death threats, against Federal Communications Commission Chairman Ajit Pai because he wants to roll back the Obama Administration's regulation of the internet. Senate Democrats are now whipping up this base ahead of a phony vote on Wednesday, and the ironies are many.

Senate Democrat Ed Markey of Massachusetts and colleagues are forcing a floor vote to "save" something called "net neutrality." That foggy concept has become in practice regulating the internet as a public utility, which the Obama Administration did in 2015. Mr. Markey says the Trump FCC "takes away a fundamental right" to a diverse and open internet.

The real issue isn't if you'll be free to surf the web but whether the federal government should dictate what rates providers can set for services. The FCC's Mr. Pai is rolling back the Obama rules, which means restoring the status quo of a mere few years ago.

Senate Democrats are trying to overrule Mr. Pai by deploying the Congressional Review Act, which allows Congress to reject Mr. Pai's rule within 60 legislative days. The Democrats can force a floor vote with a mere 30 votes. Resolutions can dodge a filibuster and pass with a simple majority.

How could this pass a GOP Senate? Meet Republican Susan Collins of Maine, who is supporting the resolution. The irony in her case is that largely rural states like Maine need more broadband investment, which has been a casualty of the neutrality scheme. Apparently investment to broaden the reach of broadband lacks the emotive political appeal of "net neutrality."

Net neutrality activists recently took out a full page ad in a Juneau newspaper to try to pick off Lisa Murkowski of Alaska, though her vote might not be necessary. By pushing a vote Chuck Schumer is exploiting the fact that Republican John McCain of Arizona is battling

cancer and unavailable to vote. That won't be remembered as a class act.

## Democrats try to rile up millennials about a deregulated internet.

And here comes the farce. Remember all the shock and horror over Facebook's data misuse? The move by Democrats would bifurcate and weaken privacy protections online.

As part of its Obama net neutrality rules, the FCC conscripted the Federal Trade Commission's online privacy protection duties. Then the FCC promulgated a set of privacy rules that applied to cable providers but not Facebook or Google, as if consumers care who is lifting their data. This was both separate and unequal.

The current Republican-led Congress then moved to reject the privacy rules with a Congressional Review Act resolution, and President Trump signed that bill into law. By the way, Ms. Collins voted to scuttle the privacy rules. The review measure prevents agencies from issuing similar regulations. So Democrats are now moving to yank the FTC's right to protect privacy with no replacement.

Then again, none of this is about the policy merits: The point is to fire up Democrats ahead of midterm elections. Net neutrality is the perfect issue for the left because it sounds virtuous and hardly anyone knows or cares what it means.

That's in part because it has enjoyed a powerful propaganda campaign from the giants of Silicon Valley, which can absorb new regulatory costs better than smaller competitors and don't want to pay for content delivery. The tech giants have throttled down this campaign in recent years, but millennial voters are still convinced that only federal regulation can fend off a dystopian future when Netflix might not load rapidly enough.

All of this is for political show because the House is unlikely to take up the measure, and Mr. Trump—we hope—wouldn't undermine his own appointee's important reforms. But remember this stunt when Mr. Pai's rules take effect and the web doesn't cease to exist.

## A Chance for Sugar Welfare Reform

**C**ognitive dissonance is common in Washington, but some cases truly are exceptional. One is the ritual of the farm bill, when Republicans who campaign on "free markets" whoop through corporate welfare for agriculture interests. But maybe there's a stroke of sense coming on sugar subsidies.

Republican Rep. Virginia Foxx of North Carolina is making a run at reforming the U.S. sugar program with an amendment to the farm bill that may hit the House floor as soon as this week. This program is arguably the worst farm subsidy, which is saying something, featuring a menagerie of sweetened loans, restrictions on sales and import quotas for some of America's richest people.

The point is to keep prices artificially high and enrich large sugar producers, who aren't paupers but nonetheless demand this help to maintain their station. Many producers live in Florida, which is why Senator Marco Rubio periodically embarrasses himself by supporting sugar welfare.

All of this is a tax on consumers. In 2015 raw sugar in the U.S. ran 24.7 cents a pound, an 84% premium over the global price. Consumers lose anywhere from \$2.4 to \$4 billion annually, according to an analysis from the American Enterprise Institute.

Perhaps the worst result of the program is how the effects ripple across the supply chain

and kill jobs. The program drives manufacturing jobs overseas—hello there, President Trump—where sugar inputs are cheaper.

A bipartisan coalition could reduce the worst farm subsidy.

Take Ford Gum & Machine Company, the last major manufacturer of gum balls in the United States. The president of the firm has said he could double his workforce, based in Akron, N.Y., if he could pay fair

market prices for sugar.

Ms. Foxx's proposal wouldn't eliminate the program but would curb some of its worst features, such as repealing "marketing allotments," which are restrictions on sales. Another is ending a program that allows the Agriculture Department to buy surplus sugar and sell it to ethanol companies at a loss.

The agriculture lobby is treating the mere mention of reform as a surprise land invasion, and the politics are splitting Republicans. But this should be an easy yes for progressives who harp about corporate welfare in theory but too often vote for it in practice, and the amendment could win with a cross-party coalition.

Republicans are struggling to get the votes for their bill, in part because they have added a modest work requirement for food stamps, which eat up about 80% of farm bill dollars. This is a worthy policy change, but Republicans would have more credibility on reforming welfare for people if they did the same for politically powerful agribusiness.

## Seattle to Business: Drop Dead

**T**wenty cities are competing for Amazon's second headquarters. Then there's Seattle, Amazon's current headquarters, which the city apparently wouldn't mind driving away.

Seattle's city council on Monday unanimously approved a \$250 "tax" per full-time employee on businesses with more than \$20 million in annual revenue. Progressive council members had originally proposed a \$500 jobs tax that would have turned into a 0.7% payroll tax in 2021, but then Seattle's businesses revolted.

Amazon suspended two building expansion projects. More than 100 large businesses including Expedia, Alaska Airlines and Redbox wrote a letter warning that the tax sends the message "to every business: if you are investing in growth, if you create too many jobs in Seattle, you will be punished," which "will cause far greater damage to Seattle's growth prospects than the direct impact on the businesses being taxed."

Three hundred or so small businesses also warned that "continuing tax increases and regulations will only hurt the small business community and will vastly change our city." Even trade unions begged the council "not to tax our jobs away."

After the council scaled back the head tax, Amazon said it plans to resume work on one of its expansion projects, but a spokesperson noted that "we remain very apprehensive about the future created by the council's hostile approach and rhetoric toward larger busi-

nesses, which forces us to question our growth here."

The city taxes companies for hiring more workers.

The head tax is merely the city council's latest depredation against business. In 2015 the council allowed Uber drivers, who are independent contractors, to collectively bargain. A Ninth Circuit Court of Appeals panel on Friday declared that the ordinance violates antitrust laws. The council last year imposed a 2.25% income tax on high earners, which a state court has blocked.

Many businesses have located and expanded in Seattle because Washington state doesn't impose an income tax. Last year Washington's GDP growth led the country at 4.4%. But Seattle's city council seems to think this growth will continue no matter what it does. Ask Connecticut how that turns out.

Liberals are bashing Amazon for wielding its political and economic clout to blunt a tax hike that would hurt all Seattle businesses and workers. Local leaders from Chicago, Denver, Dallas and Austin, among other cities, wrote a letter denouncing Amazon for "threatening Seattle over this tax." Amazon should cross these cities off its second-headquarter list.

Seattle businesses deserve credit for promoting a pro-growth climate rather than seeking special treatment for themselves. Companies in Illinois, Connecticut and New Jersey have threatened to bolt to obtain lucrative tax subsidies. Businesses in those states would be better off if they collectively bargained with politicians for lower taxes and more favorable regulatory conditions.

## LETTERS TO THE EDITOR

## Sun Smiles if You Can Pay the Up-Front Cost

California's decision to cut energy use by ensuring that new homes have access to solar power is a win for California homebuyers ("California Solar Vote Is Set to Jolt Home Costs," page one, May 10). The new standard will actually save homeowners considerable cash—\$14,400 over the life of a 30-year mortgage.

Savvy appraisers know that the present value of an average solar system now adds more value to the home than the cost of the system. These homes will be more comfortable, have better indoor air quality, emit fewer greenhouse-gas emissions and support a thriving clean-energy sector that generates local jobs.

DEVON HARTMAN  
Community Home Energy Retrofit Project Inc.  
Claremont, Calif.



Sol Invictus extends reach to California.

While the cost to install solar power systems in new homes in California will be significant, it won't be a "jolt." The new requirement will add 1.7% to the cost of the average home price while providing many benefits. It will reduce monthly utility bills and provide reliable power during outage emergencies (if backed by batteries). Generating power at the source of usage makes good economic and environmental sense.

LARRY KRAMER  
San Juan Capistrano, Calif.

If a state decides to promote a system of power generation that few homeowners want, you'd think at a minimum they'd choose the least-costly version. Energy economists prefer solar farms to individual home solar for a reason: economies of scale. It's the same most reason homeowners buy their milk at the supermarket and don't keep a cow in the backyard.

TOM ECKER  
Laguna Niguel, Calif.

In my first year here, I paid over \$2,500 for electricity, with the months from May through October routinely running over \$250. Over the three years since I've installed solar, my annual bill has been less than \$250.

I look at the installation of solar as an investment alternative to high-yield bonds and growth stocks. My annual return (\$2,100 on a net investment of \$11,900) is better than any investment vehicle I know. Recently our power company (APS) went to a different rate structure and my non-solar friends and family have seen their utility expense go up by 40%. With a solar-power system I am immune to such price increases.

The Journal seems to look at anything coming out of California as bad. How could a nanny state run by Democrats, with some of the highest taxes in the country, ever do anything right? In this case it did. Other states, even my "red till we're dead" state, has taken notice and begun to consider similar mandates.

STEVEN SCHLOSSER  
Scottsdale, Ariz.

## What Interest Do Health GPOs Really Serve?

In "Where Does the Law Against Kickbacks Not Apply? Your Hospital" (op-ed, May 8), Phillip L. Zweig and Frederick C. Blum identify important ailments affecting Americans' health care: high costs and shortages of prescription drugs. But their diagnosis is misinformed and their prescription would only make the problem worse. The authors erroneously claim that hospitals raise health-care costs by purchasing supplies through group purchasing organizations (GPOs) and call on Congress to change the current practice. Yet empirical evidence, as well as economic theory, demonstrate that purchasing through GPOs saves money for American hospitals, patients and taxpayers.

GPOs are voluntary organizations that bargain with vendors on behalf of multiple hospitals and health-care providers, which leads to lower prices for medical supplies and services, as well as reduced transaction costs.

Studies demonstrate that hospitals, under financial pressure to cut costs while providing high-quality patient care, save 10% to 18% by buying through GPOs. GPOs also operate in a robustly competitive market. If a GPO doesn't generate sufficient cost savings, hospitals can switch to a competitor GPO or negotiate directly with a vendor for supplies. Evidence also indicates that the overwhelming majority of hospitals are satisfied with their GPOs. Moreover, many GPOs are owned by their member hospitals, leaving no doubt about their incentive to generate cost savings.

Congress long recognized that GPOs help drive down health-care costs and has provided clear legal protection for them. Repealing that protection would put these cost savings at risk, violating the most basic maxim in health care: "First, do no harm."

JOE LEIBOWITZ  
Washington

Mr. Leibowitz is counsel to the Healthcare Supply Chain Association and a former chairman of the Federal Trade Commission.

The authors fail to mention the impact of GPOs' restrictive product selection on the quality of care for the American public. Access to the marketplace of innovative, new technology manufactured by a company outside of the GPO system is easily blocked.

HARLAN POLLOCK, M.D.  
Dallas

## That Centerfold Model Was Paid, Volunteered to Pose

On seeing the centerfold that a youthful Mike Kerrigan had in his possession, his mother told him it was wrong to "steal" the woman's "dignity" when he professed his plan to hang the picture on his wall ("A Centerfold and a Lesson From Mom," op-ed, May 11). It could be argued that the centerfold model sold her own dignity when she posed for the picture in the first place.

CAROL MASON  
Richmond, Texas

## Pepper ... And Salt

THE WALL STREET JOURNAL



"That was funny maybe three cats ago."

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

# Tom Wolfe Had the Right Stuff

By Roger Kimball

I first became aware of Tom Wolfe, who died Monday at 88, when an English teacher at my Jesuit high school in Maine turned me on to (classical reference in that phrase) his 1975 exercise in New Journalism, "The Electric Kool-Aid Acid Test."

Wow. I mean WOW! South Portland, Maine, had never encountered anything like it. Shakespeare, yes. Dante, but of course. Even a little Virgil and Descartes along the way. But this hypersonic chronicle about the novelist Ken Kesey ("One Flew Over the Cuckoo's Nest") and his Merry Pranksters motoring around California in a school bus decked out in Day-Glo psychedelic paint riding the ineffable wave of 1960s excess? That was something entirely new.

You'll know one of Kesey's slogans, which entered the language thanks to Wolfe: "You're either on the bus or you're off the bus." I was decidedly on the Tom Wolfe bus.

Next up was "The Kandy-Kolored Tangerine-Flake Streamline Baby," a collection of essays published a decade before "The Electric Kool-Aid Acid Test." Who knew that anyone

**America has lost one of its greatest men of letters—a journalist, novelist and profound cultural observer.**

could write with such serve, with SO MANY CAPITAL LETTERS and EXCLAMATION POINTS!!!? When you're 16 and have been battered on "The Scarlet Letter" and Kipling's "If," it is both a revelation and an emancipation.

I gobbled up a lot of Tom Wolfe's work as a teenager. Particularly choice was "The Right Stuff," his magisterial documentary about the origins of the Mercury space program and birth of NASA. What I appreciated then was mostly Wolfe's style, his sheer exuberance.

Only later did I come to appreciate the stiletto-like polemic concealed beneath the sheath of rhetorical efflorescence.



In 2004 at his apartment in New York's Upper East Side.

Everyone except Tom Wolfe, apparently, for his brutal (if laugh-out-loud funny) send up of the New Yorker assured that it would be one place his prose never appeared.

I am not sure exactly when I became aware that, in addition to being funny and perceptive, Tom Wolfe was also politically mature.

Probably it was obvious all along. You couldn't read "Radical Chic" (1970), Wolfe's stunning account of a fundraiser for the Black Panthers at Leonard Bernstein's 13-room Park Avenue penthouse, without realizing that he was not at one with the left-wing politics of the 1960s.

Instead, born in Virginia, Tom Wolfe was that nearly extinct creature, the Southern gentleman. In later years, he was famous to the public for his immaculate three-piece white suits, shirts with high collars, and fancy shoes with spats. That sartorial elegance bespoke a deep embrace of tradition, tinted with just the right amount of satire to be amusing.

I got to know Tom only in the last 15 years of his life. I believe I was first introduced to him by our friend Bill Buckley, but in any event we met casually on and off at various events and gatherings throughout the years. He was unfailingly courteous and jovial. At one of our last meetings, a year or so ago, he introduced himself when people went around the table as a "freelance writer," which I suppose was accurate, in its way.

By the time of his death, Wolfe was probably best known as a novelist, a contingency that I believe would have pleased him greatly. His first novel, "The Bonfire of the Vanities," a huge best seller, perfectly summed up the excesses of the 1980s and gave to the world a character indistinguishable from the Rev. Al Sharpton *avant la lettre*.

With the passing of Tom Wolfe we have lost one of our greatest, if not our greatest, men of letters. He was—to cite the title of one of his novels—a man in full. His many friends will miss him. Our culture is the poorer for his absence.

*Mr. Kimball is editor and publisher of the New Criterion and president and publisher of Encounter Books.*

## Let the Bipartisan Majority Rule

By Paul Donnelly

Three vulnerable House Republicans—Reps. Carlos Curbelo of Florida, Will Hurd of Texas and Jeff Denham of California—have attracted attention by challenging their party's leadership. They're trying to get 218 signatures from colleagues of both parties to force a series of votes on immigration bills. Most of the discussion about this strategy has focused on arcane procedures, missing the essential point: Self-government requires majority rule.

There are currently 429 representatives in the House—236 Republicans, 193 Democrats and six vacancies. Forming a majority requires only 215 votes. If Democrats stuck together, only 22 Republicans would need to defect. Many conservatives bristle at this suggestion. Perhaps they've forgotten that much of Ronald Reagan's first-term success came from a handful of Democrats who voted with a nearly unanimous Republican Party. A key budget vote in 1981 had all 190 Republicans making a majority with 63 of 245 House Democrats.

**If a bill has enough support to pass, House leadership shouldn't block a vote for partisan reasons.**

But the real parallel for what a small group of 2018 Republicans is trying to do is the 1964 vote to kill Jim Crow. Contemporary conservatives like to brag that a higher percentage of Republicans than Democrats voted for the Civil Rights Act. This is true, but it misapplies history. If Democrats had run the House in 1964 the way Republicans run it in 2018, there would never have been a vote on the Civil Rights Act, and the U.S. would be a lesser country.

What changed? The culprit is the "Hastert rule," an inside-baseball phrase from the political press that suggests "the majority of the majority" must back legislation for it to pass. But that's nonsense. For one thing, it isn't a rule but an unevenly observed custom. For another, it's how pretty much every voting organization works. No disciplined partisan majority governs by consistently relying on the partisan minority. If you govern with less than half of your side and nearly all of their side, there is something wrong with your side.

What determined the success of civil rights in 1964 was that a majority of the Democratic caucus joined 138 Republicans to kill Jim Crow. Those 152 Democrats outvoted 96 of their own partisan majority—which is exactly what James Madison invented the House of Representatives to do.

Yet the threshold in today's divided America isn't 118 Republicans voting with enough Democrats to pass legislation. The current House leadership maintains itself by insisting that a majority of the whole House—218 when all seats are filled—must be found within the partisan majority. Thus fewer than 20 Republicans can effectively prevent the nation from solving its problems.

Messrs. Curbelo, Hurd and Denham are trying to force a decision on the nature of American self-government. The House Republican leadership is fighting their proposal for a series of votes, because it wants to prevent a majority of the House from winning the vote. But isn't that what it's supposed to do? This is a fundamental question of how majority rule should work, on which the success of American self-government depends. That's why it helps to consider the 1964 vote to kill Jim Crow: Is there a better example of putting the national interest ahead of partisanship?

Opposing illegal immigration is not the same as supporting Jim Crow. Believing in legal immigration isn't a manifestation of white supremacy. That's why Americans elect representatives to Congress—so they can make tough votes.

I'm not arguing here for any particular immigration solution. I don't know what would happen to the Republican leadership in this House if they started to pass legislation with 118 Republican votes, plus every Democrat. It's a good question, though. Is there legislation that could pass with that kind of support? And if there is, why shouldn't it pass? It would be good for the country.

I know a lot of smart people of both parties who can write legislation that a majority of the House—and even Senate—would vote for. The purpose of American self-government is to give them a chance.

*Mr. Donnelly was communications director of the bipartisan U.S. Commission on Immigration Reform (1994-97).*

# The Sea Is Rising, but Not Because of Climate Change

By Fred Singer

**O**f all known and imagined consequences of climate change, many people fear sea-level rise most. But efforts to determine what causes seas to rise are marred by poor data and disagreements about methodology. The noted oceanographer Walter Munk referred to sea-level rise as an "enigma"; it has also been called a riddle and a puzzle.

It is generally thought that sea-level rise accelerates mainly by thermal expansion of sea water, the so-called steric component. But by studying a very short time interval, it is possible to sidestep most of the complications, like "isostatic adjustment" of the shoreline (as continents rise after the overlying ice has melted) and "subsidence" of the shoreline (as ground water and minerals are extracted).

I chose to assess the sea-level trend from 1915-45, when a genuine, independently confirmed warming of approximately 0.5 degree Celsius occurred. I note particularly that sea-level rise is not affected by the warming; it continues at the same rate, 1.8 millimeters a year, according to a 1990 review by Andrew S. Trupin and John Wahr. I therefore conclude—contrary to the general wisdom—that the temperature of sea water has no direct effect on sea-level rise. That means neither does the atmospheric content of carbon dioxide.

This conclusion is worth highlighting: It shows that sea-level rise does not depend on the use of fossil fuels. The evidence should allay fear that the release of additional CO<sub>2</sub> will increase sea-level rise.

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But there is also good data showing sea levels are in fact rising at an accelerating rate. The trend has been measured by a network of tidal gauges, many of which have been collecting data for over a century.

**There is nothing we can do about it, except to build dikes and sea walls a little bit higher.**

The cause of the trend is a puzzle. Physics demands that water expand as its temperature increases. But to keep the rate of rise constant, as observed, expansion of sea water evidently must be offset by something else. What could that be? I conclude that it must be ice accumulation, through evaporation of ocean water, and subsequent precipitation turning into ice. Evidence suggests that accumulation of ice on the Antarctic continent has been offsetting the steric effect for at least several centuries.

It is difficult to explain why evaporation of seawater produces approximately 100% cancellation of expansion. My method of analysis considers two related physical phenomena: thermal expansion of water and evaporation of water molecules. But if evaporation offsets thermal expansion, the net effect is of course close to zero. What then is the real cause of sea-level rise of 1 to 2 millimeters a year?

Melting of glaciers and ice sheets adds water to the ocean and causes

sea levels to rise. (Recall though that the melting of floating sea ice adds no water to the oceans, and hence does not affect the sea level.) After the rapid melting away of northern ice sheets, the slow melting of Antarctic ice at the periphery of the continent may be the main cause of current sea-level rise.

All this, because it is much warmer now than 12,000 years ago, at the end of the most recent glaciation. Yet there is little heat available in the Antarctic to support melting.

We can see melting happening right now at the Ross Ice Shelf of the West Antarctic Ice Sheet. Geologists have tracked Ross's slow disappearance, and glaciologist Robert Bindschadler predicts the ice shelf will melt completely within about 7,000 years, gradually raising the sea level as it goes.

Of course, a lot can happen in

**I** could spend an entire afternoon in the orchard this time of year, watching the bees do their work. There is a knack to it, this bee watching. You cross the meadow and eye the trees—sometimes blocks of solid white or pink or rose; sometimes clusters of flowers here and there. Where are they, these sneaky little bees? Lost in green tips of fuzzy new leaves and bare brown branches. Don't they know the bloom is here?

Better lie in the grass and scan the skies. There they are—against the blue. Darting in and out from tree to branch to blossom—stuffing their tummies, doing my farmer's work. A furtive, efficient lot are they, not built for beauty like the bumbles and queens. These are workers: small and quick. In and out, up and down. First the pears, then the apples, then the wildflowers. Only a few days to work from bloom till fall.

They know what they want and they'll give a fair price. From my blossoms: most of the nectar and a share of the pollen, to take back to the hive and procure their good fate. In return, they'll distribute my pollen and assure my crop's spate.

Persistent, industrious little creatures, these bees. Sundays and holidays, they work, sunrise to sunset, but only on their terms. No overtime,

not even a minute, job finished or not. They won't work in the cold, nor in the rain—only in sunlight. They'll do their best in the wind, but when it blows too rough, they will perch in silence and await the next lull.

"Terms accepted," says the farmer. "My pollen, my nectar, my apples, my pears."

**They want my nectar and pollen. In return, they distribute my pollen and assure my crop's spate.**

Hold your horses. There's competition out there. The apple, the pear, the dandelion.

The *dandelion*? "Have you no sense, you ravenous bee? The pear is a prince, the dandelion a knave."

"Pride plays no part," says the hive's practical scout. "Have you seen the rhododendron? He prims and he panders, but what does he offer? Sure, the pear is a prince, but where is his prize? Ten percent nectar? Bah, what is that? The dandy's got 40. We want to get fat."

Out come the mowers; the dandy's no more.

"OK, pears for 10," says the bee, "but only till Monday; the apples give more."

*Mr. Kolatch grows apples and pears and writes about the Far East. He is author of "China Mosaic."*



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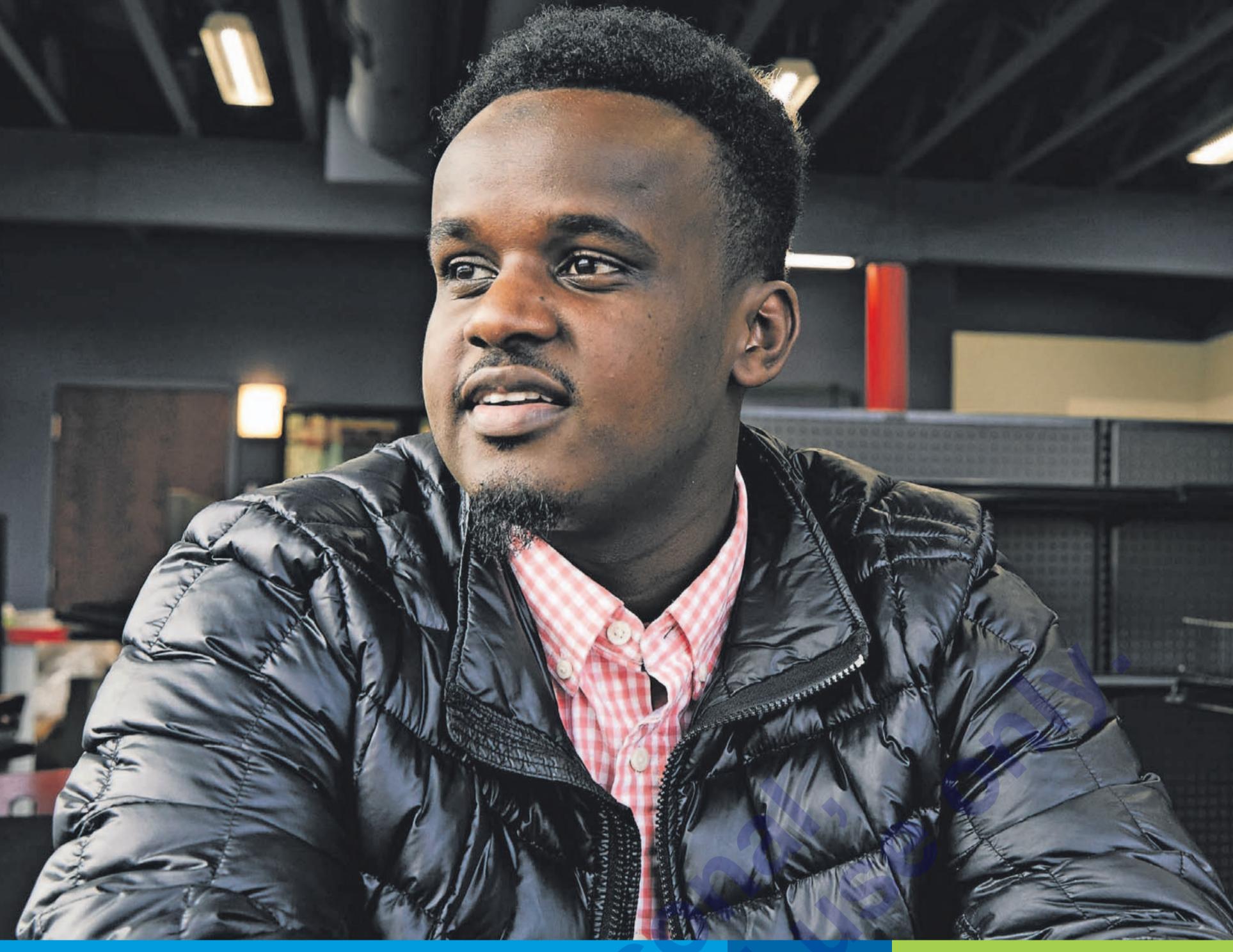
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# BUSINESS & FINANCE

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## Tencent Ascends as Tech Investor

Internet giant owns hundreds of stakes in startups and is raising its deal-making pace

BY LIZA LIN  
AND JULIE STEINBERG

**Tencent Holdings** Ltd. of China has quietly become one of the world's largest and most active technology investors, a calculated strategy that is crowding out competitors

and bolstering the internet giant's profit.

The social-media and video-game company has bought stakes in 277 startups since 2013, and its pace of deal-making accelerated last year, according to Dow Jones VentureSource. In 2017 alone, Tencent invested in over 80 private and public companies, participating in far more deals than its main rival, **Alibaba Group Holding** Ltd., which took part in about 40, according to Bernstein Research data.

Tencent over the past year has emerged as one of the world's most valuable tech giants, with a market capitalization of nearly half a trillion dollars after its shares nearly doubled, making the Hong Kong-listed company worth nearly as much as **Facebook** Inc. and Alibaba. It is best known for its popular Chinese messaging app, WeChat.

Tencent's investments have been in a wide range of companies, from young startups to firms that have already raised

several rounds of funding and some listed technology companies. Tencent hasn't disclosed how much it has spent on such investments, but the value of its stakes in public companies exceeded \$33 billion at the end of last year.

The incessant deal-making, however, has also drawn criticism from some market participants who say it is helping to inflate valuations of companies that aren't profitable. Shares of some Tencent-backed companies that went

public to much initial fanfare have slumped in recent months, after investors turned skeptical of the companies' profit-generating prospects.

In 2017, almost one-quarter of Tencent's \$11.1 billion net income came from valuation gains in companies it has stakes in that went public, such as Chinese insurer **ZhongAn Online P&C Insurance** Co. and search browser **Sogou** Inc. A year ago, Tencent's stakes in listed compa-

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## Uber Frees Workers To Sue for Sex Bias

BY GREG BENSINGER

**Uber Technologies** Inc. is addressing its scandal-ridden history by ending the company's use of the widespread but controversial practice of mandatory arbitration for claims of sexual harassment and assault.

The move, coming after pressure from both former employees and customers, will immediately free U.S.-based litigants to sue Uber in open court, rather than in private with an impartial arbitrator.

Uber's decision is a rarity among American corporations, where mandatory-arbitration clauses are preferred because they tend to lead to quicker settlements at a lower cost than class-action suits and may spare companies from bad publicity. Technology companies, including Uber, often make mandatory-arbitration provisions a condition for employment, and bury these provisions in lengthy user agreements required for apps, services or software programs.

The ride-hailing company has been trying to overcome last year's allegations from former employees that management disregarded repeated claims of sexism and sexual harassment. The company also faces a recent lawsuit from a group of Uber riders who allege they were sexually assaulted by drivers and who asked Uber's board last month to be freed from the provision in order to pursue their case in open court.

Uber also said Tuesday it would no longer require employees, riders or drivers who allege sexual assault or harassment to agree to confidentiality about the specifics of their claims as a condition of a future settlement. It will, however, keep a lid on the financial details of the agreement.

"We think it's important to

*Uber's move is rare for U.S. firms, which prefer mandatory-arbitration clauses.*

give survivors their choice of venue to seek redress," Uber General Counsel Tony West said in an interview, noting that may include voluntary arbitration, as well as private settlements or open court.

Later Tuesday, rival ride-hailing firm **Lyft** Inc. also said it would end the practice of forced arbitration for its employees, riders and drivers. "Uber made the good decision to adjust their policies," said a spokesman in a statement. "We agree with the changes."

Legal experts say mandatory-arbitration clauses may lead some victims to walk away from harassment or discrimination claims, in part because they can't find plaintiffs' lawyers to take their cases because many work for contingency fees.

Arbitration involves trial-like hearings, typically conducted by former judges or lawyers. Employers often assume the costs if it is mandated, but both parties have a say in deciding who hears the case. Arbitrators usually don't follow federal rules of civil procedure and, compared with courts, impose tighter limits on pretrial discovery. Such cases are generally confidential and harder to appeal.

In a blog post, Mr. West said the company is making the changes in the spirit of transparency. "Sexual assault is a vastly underreported crime," he wrote, citing research from the nonprofit Rape, Abuse & Incest National Network. He said Uber would begin disclosing data about re-

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CHART TOPPERS: North America's top-grossing tours on an annual basis Taylor Swift's latest tour will employ a new pricing strategy.

## Touring Artists Take On Scalpers

BY ANNE STEELE

The biggest pop star's current concert tour isn't a sell-out. And that's a good thing, according to some in the concert industry.

Taylor Swift's "Reputation" tour, which kicked off last week in Glendale, Ariz., is a test case in squeezing out scalpers and capturing more profits from ticket sales.

The strategy, which could reset how tickets to high-profile tours are sold, is to use aggressive pricing to limit the ability of scalpers to purchase tickets and later sell them at higher prices. In addition, a

program from **Ticketmaster** is aimed at giving passionate fans earlier access to tickets at discounted prices.

One downside to the plan: empty seats at some of the roughly 36 stadiums on Ms. Swift's 53-date tour.

However, even if those seats remain unsold, the "Reputation" tour already has grossed more on its North American leg than Ms. Swift's previous tour in 2015, which brought in more than \$250 million world-wide. Across the 17 stadiums Ms. Swift will have played on both tours, she has already grossed 15% more for "Reputation," with some of

those shows still months away.

For decades, artists and their teams have claimed "sold out" shows as a badge of honor showing the high demand for their music. The new approach is raising questions in the music industry about whether an end is nearing for the days of instant sellouts. In the roughly two decades since online ticketing became commonplace, fans have engaged in the same ritual: using a computer or phone to buy tickets as soon as they go on sale before a show sells out, often because of scalpers with technology that can snap up reams of tickets when they be-

come available.

For the current Taylor Swift tour, would-be concertgoers were encouraged to register for Ticketmaster's Verified Fan program months before tickets went on sale. They could boost their standing in the ticket queue by watching music videos and purchasing the "Reputation" album or merchandise. Users then received codes that allowed them the chance to purchase discounted tickets over a six-day presale period.

The best seats—some with added VIP perks—cost \$800 to \$1,500 at face value for a given show, with those imme-

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HEARD ON THE STREET | By Spencer Jakab

## RV Stocks Promise an Interesting Ride



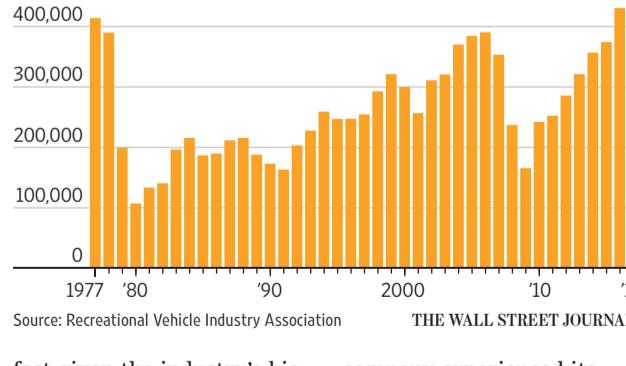
Investors in the booming RV industry could have been forgiven for daydreaming about the open road ahead just before the wheels came off.

As of the beginning of 2018, shares of the two big U.S. recreational vehicle manufacturers, **Winnebago Industries** and **Thor Industries**, had returned 179% and 168%, respectively, over the past two years. Leading retailer **Camping World Holdings** had doubled in price since its 2016 debut. Consumer confidence, demographics and the "hip factor" that had drawn younger people into the RV lifestyle were all intact.

Since then each of the manufacturers has lost more than one-third of its value and Camping World fell by more than half. The fundamentals remain strong aside from jitters about inventory and steel-and-aluminum tariffs. While interest rates and gas prices are up, the main reason seems to be that the shares climbed too far, too

### The Road More Traveled

Annual wholesale RV shipments



fast given the industry's history of spectacular booms and busts. Bargain seekers should be selective before jumping back in, though.

U.S. RV shipments rose by 17% last year and were twice what they had been in 2011. The momentum continued into 2018. March was the first month on record with more than 50,000 units shipped according to the Recreation Vehicle Industry Association.

Bob Martin, Thor's chief executive officer, said the

company experienced its third-best quarter ever during what is seasonally a slow period.

Pretax income rose by 53% and the company's backlog was up by 34% during its fiscal second quarter compared with a year earlier. "The overall health of the RV industry remains strong and is supported by solid growth of retail shipments," he said. Smaller competitor Winnebago reported a 45% jump in fiscal second-quarter net income in March and management was similarly

upbeat.

But it is retailer Camping World Holdings that, despite reporting a big drop in unadjusted earnings per share, looks like the best way to get RV exposure. It also saw a nice jump in sales, but it made almost three times as much gross profit from parts and service, used sales and finance and insurance as it did from the sale of new RVs. Even when the industry eventually skids, it will continue to insure, finance, service and resell the greatly expanded fleet on American roads with an expanding network that has no meaningful rival.

There are no perfect proxies for the industry, but RV makers still trade at a 26% premium on forward earnings compared with six auto manufacturers—also cyclical industrial companies. Camping World doesn't have directly comparable competitors but its shares are at a 39% discount to five retailers partially or fully exposed to outdoor sales. It provides a greater margin of safety for investors who want to ride the RV boom.

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give survivors their choice of venue to seek redress," Uber General Counsel Tony West said in an interview, noting that may include voluntary arbitration, as well as private settlements or open court.

Later Tuesday, rival ride-hailing firm **Lyft** Inc. also said it would end the practice of forced arbitration for its employees, riders and drivers. "Uber made the good decision to adjust their policies," said a spokesman in a statement. "We agree with the changes."

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## BUSINESS NEWS

# Trans-Atlantic Flights Add Smaller Jetliners

BY DOUG CAMERON

Increasing numbers of smaller jets are making the trans-Atlantic crossing, giving consumers more travel options and airlines more flexibility in scheduling.

Low-fare carrier Norwegian Air Shuttle ASA is using Boeing Co.'s 160-seat 737 Max in the world's busiest long-haul market, while JetBlue Airways Corp. is eyeing its first European flights with a long-range version of the Airbus SE A321neo, which can carry around 200 passengers.

These planes are carving a niche alongside larger twin-aisle jets that members of the three global alliances—which have more than 75% of the world's

capacity but have expanded the list of cities served.

The trans-Atlantic market is highly seasonal, and the drop-off in traffic has in the past forced discounters to offer even lower fares to fill their planes in the winter. The smaller new jets are more versatile, and they can be deployed on other routes, such as to the Caribbean or Southern Europe, and can be rented out to other airlines during the winter.

Norwegian spearheaded the low-cost push across the Atlantic with Boeing 787 Dreamliners before adding 737 Max jets to link smaller cities. Norwegian started 737 flights from Scotland and Ireland to the U.S. last summer.

Some of those routes haven't worked out. Norwegian is dropping flights from Edinburgh to Hartford, Conn., and Providence, R.I. Chief Executive Bjørn Kjos said Norwegian has learned at least one of the destinations on its trans-Atlantic routes needs to be a major city.

JetBlue executives said they are considering using a longer-range version of the new single-aisle Airbus A321neo to start trans-Atlantic service. JetBlue has built a big presence in New York and Boston, luring business-class passengers with its Mint cabin on domestic transcontinental flights that offers lie-flat beds.

"It's a market with high fares and not great service," said Marty St. George, JetBlue's marketing chief. The airline needs to give Airbus two years' notice to secure the longer-range jets, so it would likely be 2020 before service could begin.

Scandinavian airline Primera Air also plans to fly Airbus A321neo planes between London and New York. For now, the airline is using a rented Boeing 757, the maker's largest single-aisle passenger plane.

—Robert Wall contributed to this article.

**Airlines experiment with flying new jets to smaller cities in largest long-haul market.**

long-haul market—have long used to generate big profits carrying as many as 450 passengers across the Atlantic per flight.

"This will be a game changer," said Tamur Goudarzi Pour, vice president for the Americas at Deutsche Lufthansa AG, the fifth-largest trans-Atlantic operator and a member alongside United Continental Holdings Inc. of Star Alliance, the biggest interairline association.

Capacity on flights between North America and Europe was roughly flat in the decade to 2013. Since then, capacity has climbed more than 20% as the big airlines have expanded and Norwegian, Iceland's Wow Air and other low-cost entrants have added service on twin-aisle jets between major cities.

The smaller planes added more recently make up only about 2% of trans-Atlantic ca-



The retailer, which has been operating in the country since 2010, said it has 'destroyed' the product following criticism on social media.

## Gap Apologizes for China T-Shirt

BY WAYNE MA

BEIJING—Retailer Gap Inc. is the latest foreign company to offend China's geopolitical sensibilities—and the latest to apologize swiftly for the slight.

The San Francisco-based apparel company came under fire on Chinese social media for selling T-shirts depicting a map of China, but omitting Taiwan, disputed islands in the South China Sea and parts of the semiautonomous regions of Tibet and Xinjiang.

"We were informed the design of a Chinese map on a Gap T-shirt sold in some overseas markets was incorrect," Gap said Tuesday in a statement posted to an official Chinese social-media account. "The product has been withdrawn from the Chinese market and com-

pletely destroyed," it said.

Gap said it respects China's sovereignty and territorial integrity, adding that it strictly abides by Chinese laws and regulations.

Gap's statement follows similar apologies by other foreign brands including Mercedes-Benz, the Zara apparel chain and hotel giant Marriott International Inc. for online communications and websites that rubbed China the wrong way on sensitive topics involving Tibet and Taiwan.

Last month, China's aviation authority warned international carriers to amend their websites to reflect China's sovereignty claims over Taiwan, and to reflect accurately the status of Hong Kong and Macau as Chinese territories. Otherwise, they could face severe disruptions to their operations in what is the world's second-busiest



A T-shirt sold by Gap shows China without Taiwan.

aviation market.

White House spokeswoman Sarah Sanders called the threat "Orwellian nonsense and part of a growing trend by the Chinese Communist Party to impose its political views on American citizens and private companies."

Though Taiwan has gov-

erned itself since 1949, Beijing regards the island as an integral part of China. Tibet has been under China's control for decades, though some Tibetans advocate its independence.

For foreign firms, the risk of offending China could mean exclusion from the world's largest consumer market. Gap opened its first store in mainland China in 2010 and now has 27 stores there, according to its website. Last year, the company opened its largest China store in Shanghai.

The retailer doesn't break out China figures but its Gap stores in Asia booked revenue of \$1.12 billion, or 7% of net sales, in the fiscal year ended Feb. 3. In Asia, it has more than 310 stores across Japan, Taiwan, China and Hong Kong.

—Fanfan Wang contributed to this article.



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## TECHNOLOGY

# Facebook Focuses on Policing Content

The company reacts to widespread criticism by hiring thousands of site moderators

BY DEEPA SEETHARAMAN

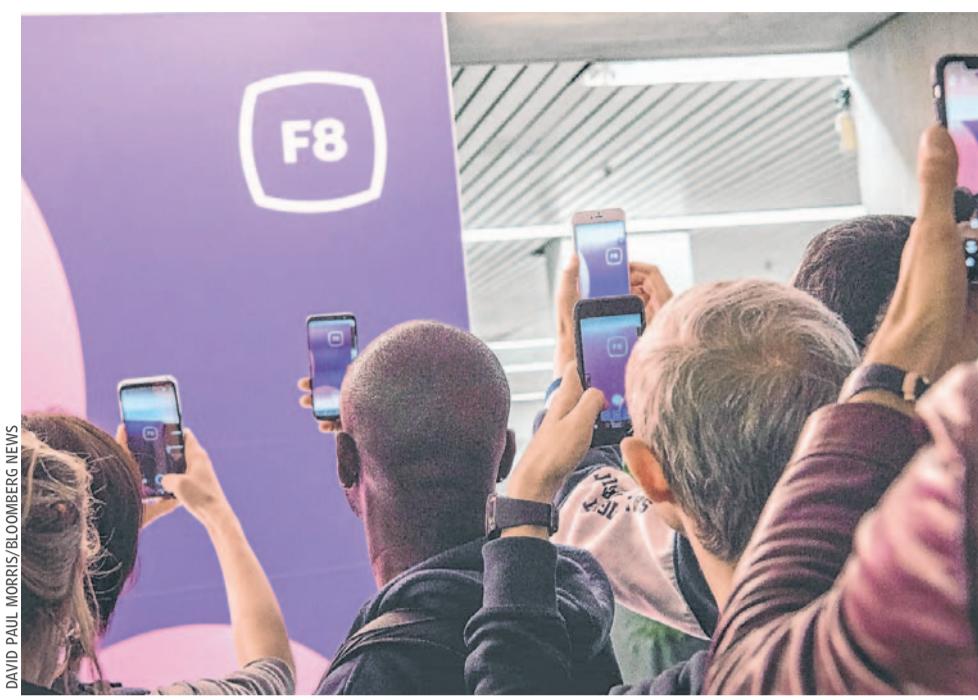
**Facebook** Inc. has spent more than a decade building an efficient machine to analyze and monetize the content on its platform. Now, after years of neglect, the social-media giant is throwing more resources at defending its platform from bad actors.

The annual budget for some of Facebook's content-review teams has ballooned by hundreds of millions of dollars for 2018, according to people familiar with the figures. Much of the additional outlay goes to hiring thousands of new content moderators, they said. Facebook says it is hiring 10,000 people—including staffers and contractors—this year to work on safety and security issues including content review, roughly doubling the total in place last fall.

Facebook also plucked two executives from its respected growth team to oversee its expansion of content-review operations and to build technical tools that help measure the prevalence of hate speech and track how well its moderators uphold its content rules. The company outlined some of those measures in a blog post Tuesday.

The moves reflect Facebook's increased focus on stamping out graphic violence, hate speech, fake accounts and other types of objectionable posts that have marred the social-media giant's image and drawn the ire of regulators world-wide in the past 18 months.

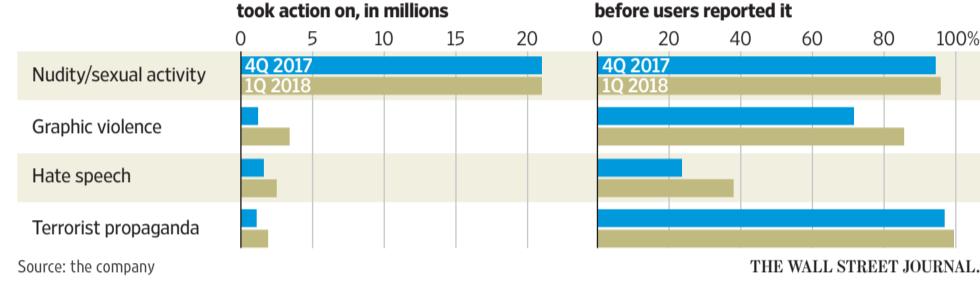
Facebook also is contending with a backlash over how it handles user data. The company is examining tens of thousands of apps that previously had access to its user data to determine if there were instances of misuse. On



The company's budget reflects increased concern about content. A Facebook conference this month.

## Objecting to the Objectionable

Facebook has pledged to get tougher and smarter about removing posts that violate the platform's rules.



Source: the company

THE WALL STREET JOURNAL.

Monday, it said it had suspended 200 apps so far for suspicion of misusing data.

Intensifying scrutiny of content on Facebook has compelled top executives, including Chief Executive Mark Zuckerberg, to re-evaluate the resources it has given to content review, which in the past represented a small fraction of those allocated to promoting new tools and products.

For 2016, Facebook allocated roughly \$150 million to its community-operations division, which oversees content moderators, according to people

familiar with the figures. That year, in a single product initiative, Mr. Zuckerberg approved a budget of more than \$100 million to pay publishers to put more live videos on Facebook, The Wall Street Journal previously reported.

After the 2016 U.S. presidential race, Facebook was criticized for failing to detect the manipulation of its platform. The live-video product also drew increasing scrutiny because people were using it to broadcast crimes and acts of violence. For 2017, Facebook increased the community-operations team's budget by almost 50% to \$220 million, one person familiar with the figures said.

Mr. Zuckerberg said they

## Twitter Also Acts Against Abuse

**Twitter** Inc. is turning to greater automation in its battle against abuse on its platform, saying its software will start automatically demoting response posts that it determines are likely to disrupt users' conversations.

The change, which will roll out over the coming week, isn't designed to deal with accounts or messages that violate Twitter's content policies, which the company says it already acts against. Rather, the new approach targets accounts that Twitter says exhibit signs of "troll-like behavior" and that "distort and detract from the public conversation on Twitter."

Instead of deleting those accounts' messages, Twitter will push them down in the list of replies people see to their tweets and in search results, particularly for popular hashtags.

Executives at Twitter said the move is among the more important it has made to address longstanding criticism about bad behavior on its service. "It is shaping up to be

one of the biggest impact changes we have made," said Twitter Chief Executive Jack Dorsey.

Twitter and other social networks have sometimes struggled to balance demands to filter out abusive content with criticism that doing so risks imposing the values of their employees on their users. Some right-wing activists, for example, have complained that past efforts by Twitter to curb harassment disadvantaged conservative commentators.

Del Harvey, vice president of trust and safety at Twitter, said its latest change focuses more on the conduct of users than on the content of postings. Such tweeting might include accounts using lots of unrelated hashtags or repeatedly mentioning accounts that don't follow them back.

The move will affect mainly replies to posts, which is the primary way most Twitter users see messages from people they don't follow. Ms. Harvey said the number of accounts affected is likely less than 1% of all accounts, but they are important because they trigger an outsize share of the complaints that Twitter receives.

—Georgia Wells

the 2016 election.

Mr. Rosen's new role was a sign that Facebook was starting to take content review seriously. Mr. Zuckerberg often turns to members of Facebook's growth team to help crack tough problems that he sees as a priority, according to current and former employees.

Some of Facebook's additional spending is expected to go to hiring engineers and developing artificial-intelligence software that can automatically detect problematic content—an emerging technology that Mr. Zuckerberg repeatedly touted in his appearance before Congress last month. Facebook says it has successfully used AI software to uproot terror-related posts.

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## TECHNOLOGY

# U.S. Urged to Curb Sale of Surveillance Technology to China

By DAN STRUMPF  
AND NATASHA KHAN

Two members of Congress are urging the Commerce Department to consider toughening export controls on U.S. companies whose technologies they say are being used for state surveillance of citizens in China that enables human rights abuses.

In a letter to Commerce Secretary Wilbur Ross, Sen. Marco Rubio of Florida and Rep. Chris Smith of New Jersey, the Republican heads of the bipartisan Congressional-Executive Commission on China, ask whether the agency is "tracking the sale of equipment and technology by U.S. companies that may be used by Chinese police and other security agencies for the surveillance and detention of individuals."

Mr. Rubio and Mr. Smith wrote that they had particular concerns about the use of U.S. technology in policing the country's restive Xinjiang province, where police have rolled out one of the most extensive state surveillance programs ever built. They said "ongoing abuses" in Xinjiang show how the government is using technology, including U.S. made, to keep watch on its people.

The Wall Street Journal has over the past year documented China's expanding, and increasingly high-tech, surveillance state. Across China, police are harnessing tools such as facial-recognition technology, voice prints and biometric-gathering techniques to better monitor the country's 1.4 billion people.

The letter aims to focus interest among Washington policy makers on the role that U.S. technology is playing in the monitoring of Chinese citizens. The commission is composed of 15 members of Con-

gress and is charged with monitoring human rights and rule of law in China. The letter was sent to Mr. Ross on May 9 but hasn't been previously reported.

A Commerce Department spokesman said the department has received the letter and is currently reviewing it.

Chinese companies rely on U.S. suppliers for high-tech DNA sequencers as well as microchips and other components needed to build artificial-intelligence equipment used for state surveillance.

Companies that sell such products have escaped scrutiny, even as the tech sector has emerged as a front line in the growing U.S.-China trade battle.

The dispute has nearly felled ZTE Corp., a Chinese telecom firm currently banned from receiving U.S. exports for violating a settlement over its earlier sanctions-busting sales to Iran and North Korea.

The letter zeroes in on technology used in Xinjiang and made by Thermo Fisher Scientific Inc., a Waltham, Mass.-based manufacturer of laboratory equipment.

According to the letter, Thermo Fisher has been identified by Human Rights Watch as selling DNA sequencers "with advanced microprocessors" under its Applied Biosystems Genetic Analyzer brand to police across China.

Thermo Fisher, in an emailed response to questions, said it follows "rigorous trade export policies," and works with governments "to contribute to good global policy overall."

Few locations in China are as extensively surveilled as Xinjiang, a province on China's western frontier where police are focused on rooting out a violent separatist movement by some members of the Muslim Uighur minority.



**Sen. Marco Rubio is one of two lawmakers who expressed concern about U.S. technology being used in China's Xinjiang province.**

## Two Activist Investors Build Stakes in ADP

By CARA LOMBARDO  
AND DAVID BENOIT

Two activist hedge funds have built small stakes in **Automatic Data Processing Inc.**, adding pressure to the payroll-processing firm as it tries to jump-start growth.

The two investors, **D.E. Shaw Group and Sachem Head Capital Management**, haven't decided whether they would try to push for changes at the company, according to people familiar with the matter, but they have met separately with ADP's management and are closely tracking its performance.

ADP earlier this month increased its revenue forecast for its fiscal year, which ends June 30, and its shares are up about 8% so far this year.

The Wall Street Journal had reported Tuesday afternoon that the firms had built stakes. Both disclosed in filings after markets closed Tuesday that they owned about 0.4% stakes as of the end of March, worth around \$250 million. The quarterly filings are required for large money managers but don't include derivatives.

D.E. Shaw and Sachem Head, which aren't working together, built their ADP stakes ahead of a key meeting for the company next month. The Roseland, N.J., company plans to hold an analyst day in mid-June, where it is expected to detail its plans for new growth.

The two investment firms join William Ackman, another activist investor, as investors in ADP. Last year, Mr. Ackman's Pershing Square Capital Management LP, which owns about 7.2% of ADP, including derivatives, lost a proxy fight by a wide margin for three ADP board seats. Mr. Ackman had argued the company fell behind technology-focused startups and needed to improve its margins, which ADP insisted it was already doing.

ADP is Pershing Square's largest investment. Mr. Ackman and Pershing Square analyst Charles Korn said on Pershing Square's earnings call Tuesday that ADP accelerated its bookings and did a better job retaining business in its latest quarter and stands to benefit from the tax-law overhaul, an accounting rule change and rising interest rates. Pershing Square bought the ADP stock about 10 months ago at an average cost of about \$104, Mr. Ackman said. Shares have risen 22%, closing Tuesday at \$127.08.

Shares of ADP closed up 0.3% to \$127.07 after The Wall Street Journal first reported the new investors Tuesday.

Other activist hedge funds also have looked at ADP recently, as some believe Pershing Square had the right ideas but misstepped in the proxy fight, the people said, but those funds so far haven't gotten involved.

A registration statement relating to the securities proposed to be issued in the Offer (as defined below) has been filed with the Securities and Exchange Commission but has not yet become effective. Such securities may not be sold nor may offers to buy such securities be accepted prior to the time the registration statement becomes effective. This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares of MTGE common stock (as defined below), nor is it an offer to buy or a solicitation of an offer to sell shares of Annaly common stock (as defined below), and the provisions herein are subject in their entirety to the provisions of the Offer. The Offer is made solely by the Prospectus/Offer to Exchange (as defined below), and the related Letter of Election and Transmittal (as defined below) and any amendments or supplements thereto, and is being made to all holders of shares of MTGE common stock in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Offeror (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by the Offeror.

## Notice of Offer by

## Mountain Merger Sub Corporation

a wholly owned subsidiary of

## Annaly Capital Management, Inc.

to

## Exchange Each Outstanding Share of Common Stock

of

## MTGE Investment Corp.

for

\$9.82 in Cash and

0.9519 Shares of Common Stock of  
Annaly Capital Management, Inc.

or

\$19.65 in Cash

or

1.9037 Shares of Common Stock

of

Annaly Capital Management, Inc.

(subject in each case to the election procedures and, in the case of an all-cash election or an all-stock election, to the proration procedures described in the Prospectus/Offer to Exchange and related Letter of Election and Transmittal)

Annaly Capital Management, Inc. ("Annaly"), through its direct wholly owned subsidiary Mountain Merger Sub Corporation (the "Offeror"), is offering to exchange for each outstanding share of common stock of MTGE Investment Corp. ("MTGE"), par value \$0.01 per share ("MTGE common stock"), validly tendered and not validly withdrawn in or on the Offer.

• \$9.82 in cash; and

• 0.9519 shares of common stock of Annaly, par value \$0.01 ("Annaly common stock").

We refer to the above as the "mixed consideration." In lieu of receiving the mixed consideration, holders of shares of MTGE common stock may elect to receive, for each share of MTGE common stock that they hold, (1) \$19.65 in cash (we refer to this election as the "all-cash election" and this amount as the "all-cash consideration") or (2) 1.9037 shares of Annaly common stock (we refer to this election as the "all-stock election" and this amount as the "all-stock consideration"), upon the terms and subject to the conditions set forth in the prospectus/offer to exchange, dated May 16, 2018 (the "Prospectus/Offer to Exchange"), and in the related Letter of Election and Transmittal ("the Letter of Election and Transmittal") which, together with the Prospectus/Offer to Exchange and other related materials, as each may be amended or supplemented from time to time, constitutes the "Offer".

MTGE stockholders who tender their shares of MTGE common stock into the Offer and do not make a valid election will receive the mixed consideration for their shares of MTGE common stock. MTGE stockholders who make the all-cash election or the all-stock election will be subject to proration so that approximately 50.0% of the aggregate consideration in the Offer will be paid in shares of Annaly common stock and approximately 50.0% of the aggregate consideration in the Offer will be paid in cash.

**THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 PM, EASTERN TIME, ON JUNE 18, 2018, UNLESS EXTENDED. SHARES VALIDLY TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE OFFER.**

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of May 2, 2018, by and among Annaly, the Offeror and MTGE (as it may be amended from time to time, the "Merger Agreement"). The Merger Agreement provides, among other things, that the Offeror will make the Offer and promptly following the consummation of the Offer and subject to the satisfaction or waiver of certain conditions, MTGE will be merged with and into the Offeror (the "Merger"), with the Offeror continuing as the surviving corporation in the Merger and a wholly owned subsidiary of Annaly. Because the Merger will be governed by Section 3-106.1 of the Maryland General Corporation Law, no MTGE stockholder vote will be required to consummate the Merger. At the effective time of the Merger, each issued and outstanding share of MTGE common stock that has not been tendered and accepted for exchange in the Offer will be automatically canceled and converted into the right to receive, at the election of the holder, (i) the mixed consideration, (ii) the all-cash consideration or (iii) the all-stock consideration, subject to proration of the all-cash consideration or the all-stock consideration, without interest and subject to any applicable withholding taxes. Holders of shares of MTGE common stock who make the all-cash election or the all-stock election in the Merger will be subject to proration so that approximately 50.0% of the aggregate consideration in the Merger will be paid in shares of Annaly common stock and approximately 50.0% of the aggregate consideration in the Merger will be paid in cash. In addition, in the Merger, the outstanding shares of MTGE's 8.125% Series A Cumulative Redeemable Preferred Stock ("MTGE Series A Preferred Stock") will be automatically canceled and converted into the right to receive one share of Annaly's 8.125% Series H Cumulative Redeemable Preferred Stock which will have rights, preferences and voting powers substantially the same as those of MTGE Series A Preferred Stock. As a result of the Merger, MTGE will cease to be a publicly traded company and will become wholly owned by Annaly. Under no circumstances will interest be paid on the purchase price for shares of MTGE common stock, regardless of any extension of the Offer or any delay in making payment for MTGE shares. The Merger Agreement is more fully described in the Prospectus/Offer to Exchange.

The Offer is not subject to any financing condition. The Offer is conditioned upon, among other things, the satisfaction of the Minimum Tender Condition (as described below) and the receipt of required regulatory approvals.

The "Minimum Tender Condition" requires that the number of shares of MTGE common stock validly tendered in accordance with the terms of the Offer and not validly withdrawn on or prior to 5:00 p.m., Eastern Time, on June 18, 2018 (the "Expiration Date," unless the Offeror shall have extended the period during which the Offer is open in accordance with the Merger Agreement, in which event "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Offeror, shall expire), together with the shares then owned by Annaly and the Offeror (if any), represents at least a majority of the then-outstanding shares of MTGE common stock.

The Offer is also subject to other conditions as described in the Prospectus/Offer to Exchange (together with the conditions described above, the "Offer Conditions").

**The board of directors of MTGE, acting upon the unanimous recommendation of the special committee of the board of directors of MTGE, has (i) determined that the terms of the Merger Agreement and the transactions contemplated thereby are in the best interests of MTGE and its stockholders, (ii) declared the Offer, the Merger and the other transactions contemplated by the Merger Agreement advisable, and (iii) recommended that MTGE stockholders accept the Offer and tender their shares of MTGE common stock to the Offeror on the Offeror's behalf.**

Subject to the provisions of the Merger Agreement and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"), and unless MTGE consents otherwise or the Merger Agreement is otherwise terminated, the Offeror will extend the Offer (1) for the minimum period required by any rule, regulation, interpretation or position of the SEC or its staff or New York Stock Exchange or Nasdaq which is applicable to the Offer, (2) for periods of up to ten business days each (or such longer period as may be agreed by MTGE) in order further seek to satisfy the Offer Conditions in the event that any of the Offer Conditions (other than the Minimum Tender Condition) have not been satisfied or validly waived as of any then-scheduled expiration of the Offer, and (3) for up to two successive periods of ten business days each (or such longer or shorter period as may be agreed by MTGE) if each Offer Condition (other than the Minimum Tender condition) has been satisfied or validly waived and the Minimum Tender Condition has not been satisfied as of any then-scheduled expiration of the Offer, and MTGE requests that the Offeror so extend the Offer. However, the Offeror is not required to extend the Offer beyond 11:59 p.m., Eastern Time, on February 2, 2019.

In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Securities Exchange Act of 1934, as amended, which require that any material change in the information published, sent or given to stockholders in connection with the Offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing a press release. During any extension, shares of MTGE common stock previously tendered and not validly withdrawn will remain subject to the Offer, subject to the right of each MTGE stockholder to withdraw previously tendered shares of MTGE common stock.

Subject to applicable SEC rules and regulations and the terms and conditions of the Merger Agreement, the Offeror also reserves the right, in its sole discretion, at any time or from time to time to waive any condition identified as subject to waiver under "The Offer—Conditions of the Offer" in the Prospectus/Offer to Exchange by giving oral or written notice of such waiver to the exchange agent.

The Prospectus/Offer to Exchange has not been approved or disapproved by the SEC or any state securities commission, nor has the SEC or any state securities commission passed upon or prior to the fairness or merits of the Prospectus/Offer to Exchange or upon the accuracy or adequacy of the information contained in the Prospectus/Offer to Exchange. Any representation to the contrary is a criminal offense.

Upon the terms and subject to the satisfaction or waiver of the Offer Conditions (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Offeror will accept for exchange, and will exchange, shares validly tendered and not validly withdrawn promptly after the expiration date. In all cases, a MTGE stockholder will receive consideration for tendered shares of MTGE common stock only after timely receipt by the exchange agent of certificates for those shares, or a confirmation of a book-entry transfer of those shares into the exchange agent's account at The Depository Trust Company ("DTC"), a properly completed and duly executed Letter of Election and Transmittal, or an agent's message in connection with a book-entry transfer, and any other required documents.

For purposes of the Offer, the Offeror will be deemed to have accepted for exchange shares validly tendered and not validly withdrawn if and when it notifies the exchange agent of its acceptance of those shares pursuant to the Offer. The exchange agent will deliver to the applicable MTGE stockholders any cash and shares of Annaly common stock issuable in exchange for shares validly tendered and accepted pursuant to the Offer as promptly as practicable after receipt of such notice. The exchange agent will act as the agent for tendering MTGE stockholders for the purpose of receiving cash and shares of Annaly common stock from the Offeror and transmitting such cash and stock to the tendering MTGE stockholders. **MTGE stockholders will not receive any interest on cash that the Offeror pays in the Offer, even if there is a delay in making the exchange.**

MTGE stockholders can withdraw tendered shares of MTGE common stock at any time until the Expiration Date and, if the Offeror has not agreed to accept the shares for exchange on or prior to July 15, 2018, MTGE stockholders can thereafter withdraw their shares of MTGE common stock from tender at any time after such date until the Offeror accepts shares for exchange.

For the withdrawal of shares to be effective, the exchange agent must receive a written notice of withdrawal from the MTGE stockholder at one of the addresses set forth on the back cover of the Prospectus/Offer to Exchange, prior to the expiration date. The notice must include the MTGE stockholder's name, address, social security number, the certificate number(s), the number of shares to be withdrawn and the name of the registered holder, if it is different from that of the person who tendered those shares, and any other information required pursuant to the Offer or the procedures of DTC, if applicable.

We are not providing for guaranteed delivery procedures and, therefore, MTGE stockholders must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC prior to the expiration date. MTGE stockholders must tender their shares of MTGE common stock in accordance with the procedures set forth in the Prospectus/Offer to Exchange.

MTGE has provided the Offeror with MTGE's stockholder list and security position listings for the purpose of disseminating the Prospectus/Offer to Exchange, the related Letter of Election and Transmittal and other related materials to MTGE stockholders. The Prospectus/Offer to Exchange and related Letter of Election and Transmittal will be mailed to record holders of shares of MTGE common stock whose names appear on MTGE's stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares of MTGE common stock.

Each MTGE stockholder should read the discussion under "The Offer—Material U.S. Federal Income Tax Consequences" in the Prospectus/Offer to Exchange and should consult its own tax advisor for a full understanding of the tax consequences of the Offer and the Merger to such stockholder.

**The Prospectus/Offer to Exchange and the related Letter of Election and Transmittal contain important information. Holders of shares of MTGE common stock should carefully read both documents in their entirety before any decision is made with respect to the Offer.**

Questions and requests for assistance may be directed to the Information Agent at its address and telephone number set forth below. Requests for copies of the Prospectus/Offer to Exchange, the Letter of Election and Transmittal and other tender offer materials may be directed to the Information Agent. Such copies will be furnished promptly at the Offeror's expense. Stockholders may also contact brokers, dealers, commercial banks or trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding tender offer materials to their customers. Except as set forth above, neither Annaly nor the Offeror will pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the Offer.

**The Information Agent for the Offer is:**

**D.F. King & Co., Inc.**

48 Wall Street, 22<sup>nd</sup> Floor

New York, New York 10005

Banks & Brokers Call: (212) 269-5550

All Others Call Toll-Free: (800) 669-5550

Email: mtge@dfking.com

May 16, 2018

# THE PROPERTY REPORT

## Newmark Raids Rival Team

Recruitment of staffers from Eastdil Secured shows growth plans endure following IPO

By PETER GRANT

Howard Lutnick's **Newmark Group** Inc. poached a senior hotel sales and financing team from rival **Eastdil Secured** in Newmark's biggest talent grab since its initial public offering in December.

The group, including Eastdil managing directors Adam Etra, Mark Schoenholtz, Lawrence Wolfe and Miles Spencer, will run Newmark's hotel capital-markets group. They have been responsible for lodging transactions in the eastern half of the U.S. for Eastdil and have worked on such high-profile transactions as the \$90 million sale of Miami Beach's Setai Hotel and **Anbang Insurance Group** Co.'s \$1.95 billion purchase of the Waldorf Astoria New York from **Hilton Worldwide Holdings** Inc., both in 2015.

Newmark went public as part of a spinoff from Mr. Lutnick's financial-services firm, **BGC Partners** Inc. The real-estate firm, which had about \$1.6 billion in revenue in 2017, has been on a growth binge since BGC acquired it in 2011.

Newmark's recruitment of the Eastdil team shows that the firm has no plans to slow down its growth plans in the wake of the IPO, which gave it currency to use for acquisitions and talent. Newmark is predicting its 2018 revenue will be between \$1.9 billion and \$2.05 billion.

"The pipeline is pretty full in terms of acquisitions," Barry Gosin, Newmark's chief executive, said in an interview Monday. "We're aggressive in pursuit of growth."

The move of the hotel group marks Eastdil's second loss of a high-profile team in less than two years. The niche



The Eastdil group had worked on Anbang's purchase of the Waldorf Astoria New York.

firm, which specializes in sales and refinancing, lost a group led by Douglas Harmon and Adam Spies to **Cushman & Wakefield** Inc. in 2016.

Members of the Eastdil team who are making the move to Newmark said they are moving partly for the opportunity to build a business from the ground up. They said Messrs. Lutnick and Gosin are committed to investing sufficient capital to build a world-class hotel sales group.

They "created an opportunity that was too good to pass up," said Mr. Schoenholtz.

A spokeswoman for Eastdil didn't respond to a request to comment.

Mr. Lutnick is Newmark's chairman and BGC's controlling shareholder. He is best known as the chairman and CEO of Cantor Fitzgerald LP, which he rebuilt after the Sept. 11, 2001, terrorist attacks, when the firm lost 658 employees in the World Trade Center.

Founded in 1929, Newmark

is striving to be one of the world's largest commercial real-estate-services firms, on par with such giants as **CBRE Group** Inc. and **JLL**.

The industry has been consolidating in recent years as cross-border capital flows have surged and property owners increasingly have looked for brokers who can tap buyers, partners and lenders in other countries.

Other firms jockeying for position include Cushman & Wakefield, which was acquired by a group led by private-equity firm TPG in 2015. Cushman, which has been combined with other firms, is widely expected to launch an initial public offering this year. A spokesman for Cushman declined to comment.

The hotel sales business has been choppy in recent years, partly because of investor concern about competition from online lodging services such as Airbnb. Investors purchased \$28.2 billion of U.S. hotels in 2017, compared with \$36.4 bil-

lion in 2016, according to data firm Real Capital Analytics.

So far this year, the hotel market is off to a strong start. Investors purchased \$10.9 billion of property, compared with \$6.7 billion in the first quarter of 2017, Real Capital said.

Two big portfolio deals accounted for half of the volume, Real Capital said. Meanwhile, interest in the lodging sector also is being fueled this year by the effort announced in March by **Pebblebrook Hotel Trust** to acquire **LaSalle Hotel Properties**.

Newmark sold its stock to the public at \$14 a share in December. It fell seven cents, or 0.5%, to \$14.49 Tuesday.

Newmark's spinoff from BGC won't be complete until Newmark repays about \$800 million in debt that BGC took on to acquire Berkeley Point, a financing firm now part of Newmark. Newmark is planning to borrow to repay BGC, but it first needs to get its own credit rating.

## Investors Step Back Into Struggling REITs

By ESTHER FUNG

Real-estate investment trusts have been underperformers for the past two years in the U.S., but as merger activity increases some investors are giving them a look.

The **FTSE Nareit All Equity REITs** index produced a total return of 3.7% in March, compared with a 2.5% decline for the **S&P 500 stock index** over the same period. In April, the REIT index's total return of 0.5% outperformed the S&P 500's 0.4%.

Still, despite the recent up-tick, the REIT index had a total return of negative 6.2% in the first four months of the year, versus the S&P 500's 0.4% decline.

"The tide is turning very slowly. It's not going to be a sea change," said Jonathan Woloshin, head of Americas equities and real estate at UBS Global Wealth Management's Chief Investment Office.

Commercial real-estate values have been appreciating for eight years, but expectations of a moderate slowdown rather than a hard landing are drawing some investors back, albeit cautiously, analysts said.

Within the different REIT sectors, some have continued to experience stable demand and healthy debt levels.

Going into 2018 there had been a view of decelerating real-estate fundamentals, but the first-quarter earnings came in line with or slightly better than expectations, said Thomas Bohjalian, executive vice president at global portfolio manager Cohen & Steers Inc. Among malls and shopping-center REITs, "the bottom didn't fall out as quickly as some investors believed would occur," Mr. Bohjalian said, adding that Cohen & Steers has recently increased its position in some shopping-center REITs.

It is painful to see stock prices going down, but valua-

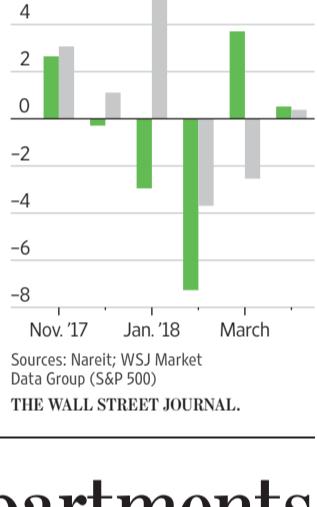
tions are attractive, said Marc Halle, managing director at PGIM Real Estate, the real-estate investment unit of **Prudential Financial** Inc. and head of the global real-estate securities business. "REITs are a good indicator of the direction of private market values. But they tend to overdo it on the way up and on the way down."

In particular, investors have taken a shine to the industrial and multifamily sectors, which are enjoying strong demand and tight supply. In a recent report, Fitch Ratings pointed out that multifamily REITs with access to financing from government-controlled enterprises **Fannie Mae** and **Fredie Mac** would put them on steadier footing than other REITs if the availability of mortgage capital is disrupted.

Another thing working in favor of REITs is a recent increase in merger-and-acquisition activity, which is fueling hopes, especially among some investors, of bigger gains via buyouts.

### Warming Up

Some investors are tiptoeing back into REITs after the sector underperformed the S&P 500 index for the past two years.



Sources: Nareit; WSJ Market Data Group (S&P 500)

THE WALL STREET JOURNAL.

## Landlords Dump Apartments

By LAURA KUSISTO

A push to expand rent control in California is sending a chill through the state's apartment industry, prompting more investors to sell properties or hold off on buying.

Ben Lamson, whose family owned just under 100 apartments in the Inland Empire area in Southern California, said he has sold about 70 units and is in contract to sell the remaining ones. He is taking all the money and investing it in properties in the Las Vegas area, he said.

Mr. Lamson said he started reading news about the push for rent control a year ago and decided it was time to leave the state where he was born and has lived for five decades. He and his wife bought a home for themselves in Las Vegas, where they plan to retire in the next five years.

"These renter groups are starting to speak out and say, 'These rents are ridiculous.' They've gotten more organized than they ever have been," he said. "I started getting a little freaked out or a little scared or concerned [that] this could really happen."

In late April, a coalition of housing advocates said they submitted some 595,000 signatures, more than enough to get a measure on the ballot in November to repeal Costa Hawkins, state legislation that prevents cities and towns from imposing rent control on buildings constructed after 1995 and on single-family rentals.

Both sides are gearing up for a fight and are expected to spend tens of millions of dollars on campaigning.

In Santa Monica, the number of properties on the market is at the highest level in 20 years, said Tony Solomon, a first vice president at Marcus & Millichap based in Southern California. Mr. Solomon said there are 90 properties on the market, about 80% more than normal.

He said developers are also holding off on bidding on land to build new developments.

Many of the buildings on the market are a direct result

of the fear that if "this were to pass, what this would do to the community again" in terms of prompting landlords to stop investing in their buildings and creating widespread disrepair, Mr. Solomon said.

Data from property tracker **Real Capital Analytics** show a 22% increase in multifamily sales, to \$4.5 billion, in the first quarter of 2018, compared with the same quarter a year earlier. Prices have risen

8% during this time, which indicates demand is healthy.

Brokers and owners say they have become more spooked since the measure officially garnered enough signatures to be on the ballot, which won't be reflected until the second-quarter data. The potential expansion of rent control is also having a bigger effect in places like Santa Monica and Santa Ana, where politicians and advocates are openly weighing expanding

rent control.

Advocates are skeptical of owners' complaints that the push for rent control is having a negative impact on the market. Stephen Barton, who has a doctorate in city and regional planning from the University of California, Berkeley, and is a former deputy director of Berkeley's rent stabilization program, noted that real-estate groups are pushing for loosening development regulations even though that can depress rents.

"It's very self-contradictory to say we need an enormous increase in supply and then point to rent control and say this would be terrible," Mr. Barton said.

Landlords said what is concerning to them is the uncertainty over how municipalities will react to the repeal of Costa Hawkins and how far they will go to limit their ability to raise rents.

A Santa Monica apartment owner with roughly 50 apartment buildings, who wished to remain anonymous because he said he was afraid of attracting additional scrutiny at a politically sensitive moment, said he was in contract to purchase two properties but decided to back out because he wasn't confident the measure would be defeated.



An effort in California to repeal legislation that prevents the imposition of rent control is putting a chill into the sector.

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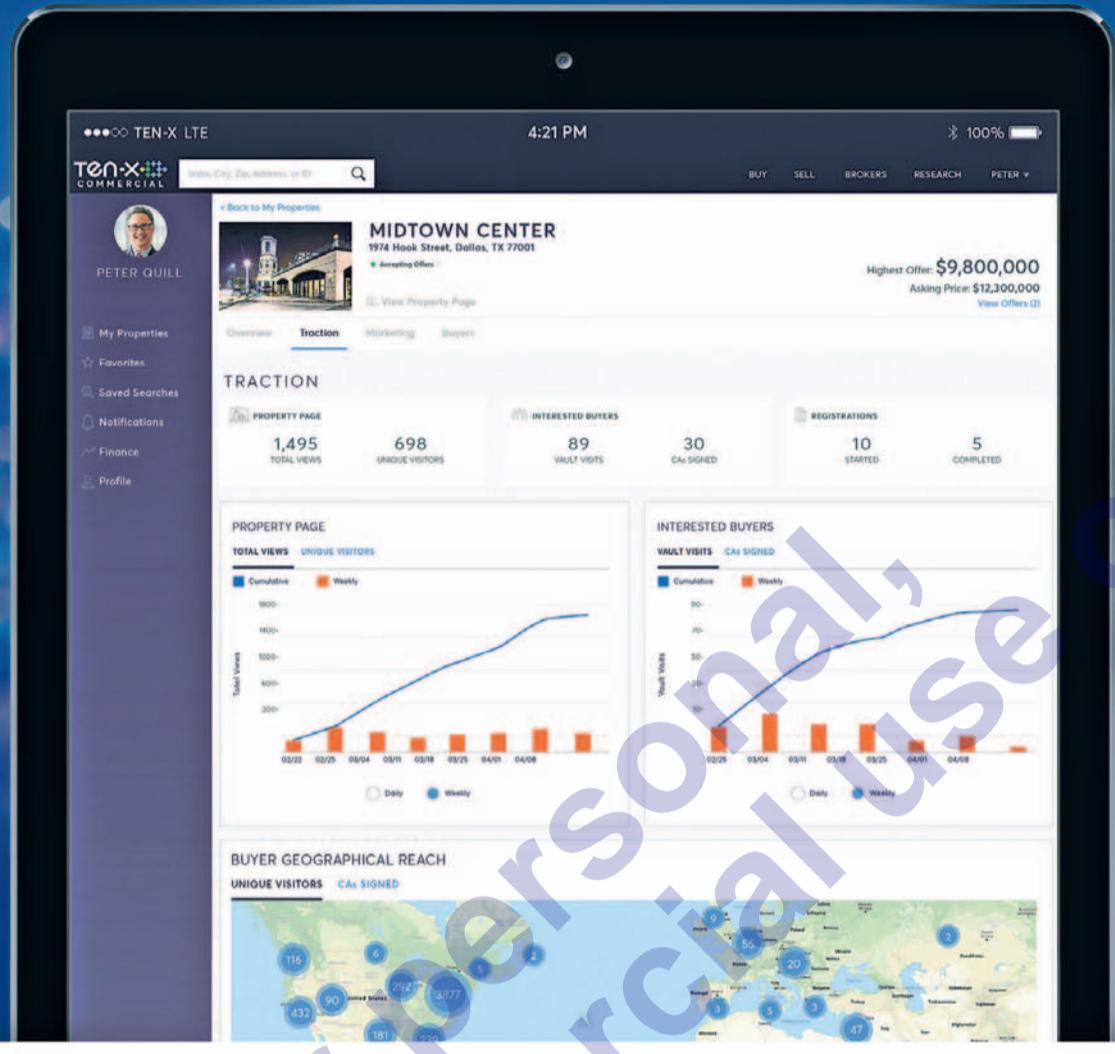
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# Q&A WITH TOM MCGEE, PRESIDENT AND CEO OF ICSC

As online retailers move into brick-and-mortar, the face of shopping centers is changing

**By Joseph Dobrian**

**T**om McGee, president and chief executive officer of the International Council of Shopping Centers, gave his assessment of the retail industry, specifically retail real estate, on the eve of RECon, the global retail real estate convention, taking place in Las Vegas, May 20-23. Approximately 37,000 real estate professionals and 1,200 exhibitors are expected to attend the convention, which will include educational sessions, presentations by various industry leaders, ICSC's Innovation Exchange (which showcases the latest futuristic retail concepts), plus a variety of special events and plenty of opportunities to network with colleagues, investors, developers, innovators and service providers. The latest technologies will be on display, and the long-term future of retail—including the blending of traditional retailing with e-commerce—will be one of the hottest topics of discussion.

**What is the state of retail real estate in 2018??**

The 2017 holiday season was the best in years and 2018 is off to a good start. The economy is strong, employment is solid and consumer sentiment is rising. Retail real estate is the ultimate consumer-facing industry and these

data points support the health of the industry. I am also optimistic beyond 2018 as our country's largest demographic group, Millennials, transitions into its prime consumption years. Further, the increasing demand for space from, among other things, online retailers looking to expand their physical footprint, creates an opportunity for shopping centers to showcase new and innovative brands and tenants.

**"The economy is strong, employment is solid and consumer sentiment is rising."**

**What policy issues are facing the industry?**

Tax reform was in focus in 2017 and the resulting changes in tax policy were positive for U.S. business growth, including the retail industry. Most recently, the U.S. Supreme Court heard oral arguments in the State of South Dakota vs. Wayfair, et al. case addressing the South Dakota law challenging the physical presence standard created by the Court in 1992. ICSC has been engaged on this issue for decades. Unfortunately, Congress failed to act over this time period. However, we are now hopeful

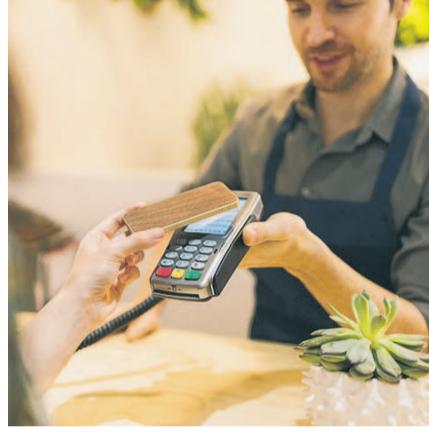
that the present inequity in our nation's sales tax collection regime will be addressed by the Court.

**What is new at RECon this year?**

In addition to a great line-up of speakers, we have a full show floor and are expecting another strong year of attendance. We are excited to introduce the new Innovation Exchange, which will feature cutting-edge technology in the retail real estate space. Participating companies will be demonstrating technology ranging from 3D renderings of merchandise to smart indoor farming to mirrors that provide a 360-degree view of outfits on customers. It is exciting to be able to showcase the newest technology that is headed to centers across America.

**What other trends should we expect to see?**

Technology will continue to influence the industry, from how consumers interact with products to how they navigate a parking lot. We live in a digital environment and expect the latest technological advances to be part of almost everything we do. The importance and relevance of omni-channel retail will continue to grow. Consumers expect to have a variety of options, and the convergence of physical and digital affords them choices in how they make their purchases.



*The ICSC's president and CEO says the latest technological advances will become integrated with almost everything we do as consumers.*

*The Wall Street Journal news organization was not involved in the creation of this content*



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# SHOPPING CENTER FORMAT: STILL HEALTHY

More than simple retailing, customers are looking for a unique experience

**By Joseph Dobrian**

**H**ow will the growth of online retailing affect the shopping center format? Will infrastructure and physical space have to be re-imagined to enable traditional retailers to stay in the game?

"We're going to see a focus on the conversion of e-commerce to brick-and-mortar retailing and vice versa," says Kenneth Hochhauser, executive vice president of Winick Realty Group, a Manhattan-based retail consultant. "Online companies will better control their retail channels by opening direct-to-consumer stores. Those who will enter the retail channel [are] those whose wholesale channel has been interrupted by the decrease in department stores."

#### EXPERIENTIAL RETAIL

Online retailers will use stores as distribution points, says Ben Conwell, senior managing director of new commerce from Cushman & Wakefield. "There's no replacing quality curated, experiential retail. There will always be a significant share of the buying public for whom in-store experience is essential."

"I've been in the shopping center industry for more than 25 years, and seen it declared dead many times," notes Michael Glimcher, chief executive officer of Starwood Retail Partners. "The closings of some of the big anchor stores will be the catalyst for our plans. We might lose a department store, but what happens if you turn that space into 200 hotel



*The experiential-store trend is prominent among sportswear brands.*

#### "Shopping patterns have changed; you have to create a compelling, efficient destination."

rooms or residential units? What does that do to your food, beverage and entertainment? How much safer does that make your mall?"

Hap Stein, chairman and CEO of Regency Centers, agrees that shopping centers are going through a natural evolution.

#### STRONG RESULTS

He agrees that some major online retailers are expanding into brick-and-mortar space. He adds, "Winning retailers still report strong results, but they aren't getting publicity. We're 96% leased, with six consecutive years of 3.5%-plus growth; we have re-leased 95% of the space we've got back from bankruptcies."

Nick Hernandez, managing director of Houston-based Transwestern, a real estate

services firm, insists that these temporary vacancies will turn out to be undisguised blessings.

"With the supply/demand curve what it has been, we're seeing no regression in rent growth," he says. "Lots of submarkets have low availability, so these spaces are being backfilled—sometimes by one retailer, and sometimes it's subdivided." He notes that some retailers are expanding aggressively.

Andrea Olshan, CEO of Olshan Properties, a private owner/operator, says the recent consolidations are a matter of the good centers getting better, and bad ones worse.

"Shopping patterns have changed; you have to create a compelling, efficient destination with critical mass in key categories," she adds. "But you have to

look at tenant mix differently today. You once wanted tenants who covered all your bases. Now we look at who's doing well and build on that strength."

#### TRANSITION PERIOD

"Retail is in a period of transition," remarks Saul Scherl, president of the New York Tri-State region for The Howard Hughes Corporation. "People are not visiting stores solely for a transactional experience, as in the past. People come to a place that provides a unique experience and opportunity for social interaction."

Dynamic content and convergence of various offerings are essential to attracting shoppers. Customers are looking for an engaging, multifaceted shopping experience—within an individual store and in the surrounding neighborhood."

Deborah Weinstig, founder and CEO of Coresight Research, says she sees sustained openings by grocery stores, off-price retailers, and dollar stores.

These formats, she notes, generally benefit outdoor shopping centers.

"However, top-tier covered malls are continuing to see high occupancy rates and strong shopper traffic," she adds.

"These destination malls continue to be appealing as more brands emphasize direct-to-consumer channels. Apparel and technology brands are opening experiential stores to deepen their connections with consumers. This trend is prominent among sportswear, athleisure and technology brands."

"As the discussion continues, the ICSC is launching an initiative to encourage new investment in infrastructure, from traditional roads and bridges and transit systems to the redevelopment of brownfields and smart utility grids," concludes Jennifer Platt, vice president of federal operations for the International Council of Shopping Centers (ICSC).

"Investment in infrastructure will bring more investment in our nation's economy and real estate."

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## BUSINESS NEWS

# Fox Settles Discrimination Suits

By JOE FLINT

Fox News and parent company **21st Century Fox** said they have reached settlements with 18 former employees of the news channel who had filed lawsuits that included allegations of racial and gender discrimination.

Terms of the settlements weren't disclosed, but a person familiar with the matter said the cases were settled for around \$10 million. There are no nondisclosure agreements as part of the settlements, the person said.

The first suit, filed in March 2017 in New York state court, was brought by two black women who worked in the payroll department at Fox News. They alleged that they were subject to racial slurs and insults by their superior and that they were subjected to a hostile work environment.

Other employees from payroll and accounting subsequently joined the suit, as did Kelly Wright, an on-air personality. Mr. Wright argued that

discrimination based on his race had kept him from advancing at the network. Mr. Wright is leaving the network.

"Kelly Wright has informed Fox News of his desire to pursue new opportunities," Mr. Wright said in a statement. "He thanks Fox News and wishes it well as he moves forward to the next phase of his career."

Fox News and the employment law firm of Wigdor Law LLP, which represented the plaintiffs, separately released similar statements Tuesday, saying: "The parties have reached mutual agreements that resolve various cases involving former Fox News employees."

Individual defendants included Judith Slater, a former comptroller of Fox News who was fired last year in the wake of some of these complaints. She has denied wrongdoing. Fox News's executive vice president of legal and business affairs, Dianne Brandi, was also a defendant in the suit. Ms. Brandi, who also denied wrongdoing, has been on a voluntary

personal leave of absence from the company since October.

The discrimination suits came in the wake of the sexual-harassment scandal at Fox News that led to the ousters of Roger Ailes, the late former Fox News chief executive, and prime-time star Bill O'Reilly. Some of the women who ac-

**There are no nondisclosure agreements as part of the settlements.**

cused the men of sexual harassment were paid settlements. Messrs. Ailes and O'Reilly each denied wrongdoing.

After an initial harassment suit was filed against Mr. Ailes by former on-air talent Gretchen Carlson, the network worked with a law firm to conduct a probe into the workplace environment at the network and to investigate

additional claims. 21st Century Fox has paid tens of millions in settlements related to harassment suits and other workplace complaints in the past two years.

Last November, 21st Century Fox created the "Fox News Workplace Professionalism and Inclusion Council" as part of its efforts to address concerns about the work environment inside Fox News. The council was created as part of a settlement with a shareholder who accused the company of breaching fiduciary duty by failing to address the "hostile work environment" at Fox News.

The Wigdor firm has represented many employees in their legal claims against the network and parent company. The U.S.-based firm also tried to derail 21st Century Fox's efforts to acquire the 61% of European pay TV company Sky PLC that the media company doesn't already own.

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

# UBER

**Continued from page B1**  
ported sexual assaults and other incidents affecting its customers. The details of the report are being worked out, he said.

For now, Uber said, its changes apply only to the U.S. and only for claims regarding sexual misbehavior. Matters of pay inequity or race are still bound by Uber's mandatory arbitration clause, as are class-action matters, even in cases of sexual misconduct.

Mr. West said most sexual harassment and assault claims against Uber are brought by individuals. "[The change] will not please everyone, because it will not give everything to everyone," he said.

Uber and other firms have faced increasing pressure to rework their arbitration policies. The California state legislature is considering a bill that would prohibit companies from making signing mandatory-arbitration provisions a condition for employment.

That bill is being backed by software engineer Susan

Fowler, whose viral blog post in February 2017 detailing her experiences with harassment at Uber compelled the company to hire former U.S. Attorney General Eric Holder to review its practices.

Ms. Fowler and Uber CEO Dara Khosrowshahi exchanged tweets in March after she challenged him to end the practice of mandatory arbitration. "I will take it seriously but we have to take all of our constituents into consideration," wrote Mr. Khosrowshahi, adding that he hoped to meet with her to discuss the idea. Mr. West said Ms. Fowler and Mr. Khosrowshahi haven't met.

Microsoft Corp. ended the practice of forced arbitration for sexually related claims in December, affecting hundreds of mostly senior executives. The company also said it would throw its support behind a federal bill co-sponsored by Sen. Lindsey Graham of South Carolina and Sen. Kirsten Gillibrand of New York that would do away with mandatory arbitration. Mr. West, in the interview, said Uber is reviewing the bill and had no position on it.

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## Associate,

Interest Rates Trading

NY, NY. Work as trader in JP Morgan ATG (Automated Trading Strategies) group, primarily focused on interest rates derivatives. Monitor ATG interest swap trading bus. & hedge risk assoc'd w/actvity. Master's or equiv in Fin'l Eng'g, Math, CS, Comp'c, or rel field + 2 yrs rel exp OR Bachelor's or equiv in Fin'l Eng'g, Math, CS, Comp'c, or rel field + 5 yrs relevant exp. Exp managing risk of interest rates trading book. Exp in fixed income trading & interest rates products (US Rates mkt structure, mkt drivers, risk metrics). Demonstrated understanding of algorithmic trading (exchange microstructure, order placement, heartbeat / kill-switches mechanisms). Demonstrated knowl of US rates specific trading venues (BrokerTec, eSpeed, CME, Trad-X, Swap, TrueEx) & microstructure (order types, queue priority resolution). Demonstrated knowl of object-oriented proj in C++, Exp w/ scripting languages (Python / Bash). Exp in stat analysis. Exp w/ UNIX & softw g tools (version-control like Git/Perforce). Demonstrated knowl of legal landscape for interest rates swaps, futures & US Treasuries (Dodd-Frank SEF regulation, TRACE reporting, Reg-W). Employer will accept any amount of prof'l exp w/reld skills. To apply, visit <http://jpmorganchase.com> & apply to job # 180047666. JP Morgan Chase is an EOE, AA, M/F/D/V. J.P. Morgan Chase is a marketing name of J.P. Morgan Chase & Co. © 2003 J.P. Morgan Chase & Co. All rights reserved. www.jpmorganchase.com

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24706.41** ▼193.00, or 0.78%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.26 20.42  
P/E estimate \* 16.41 17.72  
Dividend yield 2.17 2.34  
All-time high 26616.71, 01/26/18

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.							
May	3,0780	3,0780	3,0220	3,0425	-0,0360	1,637		
July	3,0880	3,1030	3,0345	3,0560	-0,0370	140,702		
Gold (CMX)	-100 troy oz.; \$ per troy oz.							
May	1304,60	1304,70	1290,30	1288,90	-27,60	104		
June	1313,20	1314,70	1288,20	1290,30	-27,90	246,969		
Aug	1318,90	1320,80	1294,10	1296,20	-28,10	177,851		
Oct	1325,80	1326,60	1301,00	1302,50	-28,10	9,582		
Dec	1332,60	1333,40	1307,00	1308,90	-28,20	63,030		
Feb'19	1336,60	1336,60	1316,10	1315,20	-28,20	4,236		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.							
June	991,60	993,30	954,30	983,20	-12,50	14,599		
Sept	988,30	986,30	959,30	980,10	-12,30	8,780		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.							
June	905,00	905,00	905,00	895,90	-17,30	20		
July	912,40	913,80	896,10	897,20	-17,70	73,414		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.							
May	16,350	16,350	16,165	16,194	-0,376	116		
July	16,540	16,565	16,205	16,269	-0,376	135,920		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.							
June	71,17	71,92	70,42	71,31	0,35	249,507		
July	71,20	71,95	70,48	71,37	0,38	454,054		
Aug	71,02	71,78	70,33	71,15	0,34	206,517		
Sept	70,62	71,39	69,94	70,72	0,27	225,878		
Dec	69,33	70,11	68,76	69,34	0,13	313,301		
Dec'19	62,63	63,48	62,47	62,98	0,26	159,637		
NY Harbor ULSD (NYM)	-42,000 gal.; \$ per gal.							
June	2,2521	2,2721	2,2380	2,2490	-0,006	89,988		
July	2,2444	2,2646	2,2326	2,2431	-0,019	124,916		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.							
June	2,2027	2,2226	2,1854	2,2048	-0,0046	105,102		
July	2,2023	2,2227	2,1871	2,2045	-0,0050	128,917		
Natural Gas (NYM)	-10,000 MMBtu's; \$ per MMBtu.							
June	2,833	2,864	2,824	2,836	-0,004	149,315		
July	2,850	2,878	2,844	2,854	-0,005	269,593		
Sept	2,845	2,869	2,836	2,844	-0,007	147,270		
Oct	2,853	2,875	2,840	2,850	-0,009	140,856		
Jan'19	3,072	3,090	3,059	3,068	-0,009	102,902		
March	2,917	2,938	2,909	2,918	-0,008	92,704		

## Agriculture Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)	-5,000 bu.; cents per bu.							
July	396,25	402,50	396,00	402,25	5,75	808,172		
Dec	414,00	419,50	413,75	419,25	5,00	485,471		
Oats (CBT)	-5,000 bu.; cents per bu.							
July	236,00	241,00	236,00	240,25	1,00	4,381		
Dec	256,50	257,75	255,00	256,75	1,00	968		
Soybeans (CBT)	-5,000 bu.; cents per bu.							
July	101,25	102,50	100,25	101,85	1,00	416,780		
Nov	102,50	103,00	101,33	102,45	1,50	241,438		
Soybean Meal (CBT)	-100 tons; \$ per ton.							
July	386,70	390,90	378,60	382,30	-5,30	235,648		
Dec	376,10	380,60	370,60	374,40	-2,70	104,343		
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.							
July	31,34	31,36	31,01	31,12	-1,13	261,661		
Dec	32,02	32,06	31,73	31,84	-1,11	98,438		
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.							
July	124,50	126,00	124,70	124,85	-2,00	5,499		
Sept	119,01	119,40	118,50	119,20	-5,00	2,665		
Wheat (CBT)	-5,000 bu.; cents per bu.							
July	490,50	496,25	486,25	493,50	2,25	236,899		
Dec	530,00	534,50	525,00	531,50	1,25	92,397		
Wheat (KC)	-5,000 bu.; cents per bu.							
July	505,75	514,75	502,50	509,75	...	133,616		
Dec	552,00	558,50	547,00	554,75	0,50	51,503		
Wheat (MPLS)	-5,000 bu.; cents per bu.							
July	603,00	608,00	599,50	606,25	4,75	30,769		
Sept	609,50	614,75	607,00	613,25	4,50	11,632		
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.							
May	135,500	135,500	133,450	135,500	-1,850	3,933		
Aug	140,250	140,350	137,800	138,450	-1,925	25,482		
Cattle-Live (CME)	-40,000 lbs.; cents per lb.							
June	104,525	104,75	102,225	102,975	-1,650	79,062		
Aug	101,900	102,000	99,550	100,400	-1,500	146,826		
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.							
June	76,225	76,300	74,075	74,725	-1,425	56,014		
July	78,825	78,850	76,575	77,700	-1,025	66,096		
Lumber (CME)	-110,000 bd. ft. \$ per 1,000 bd. ft.							
May	654,50	655,00	613,70	613,70	-37,30	23		
July	618,80	627,70	606,20	619,00	6,30	5,268		

## Commodities

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Milk (CME)	-200,000 lbs., cents per lb.							
May	15,24	15,27	15,24	15,25	0,01	3,887		
June	16,06	16,14	16,06	16,12	0,03	3,825		
Cocoa (ICE-US)	-10 metric tons; \$ per ton.							
May	2,775	2,782	2,775	2,662	-105	31		
July	2,782	2,785	2,662	2,674	-105	131,285		



## BANKING &amp; FINANCE

# For China-Listed Stocks, Wait Is Over

MSCI taps 234 firms that will be included in its global benchmarks beginning June 1

BY JOANNE CHIU

Global index provider **MSCI** Inc. has released a list of more than 200 Chinese stocks that it will include in its indexes starting next month, capping a yearlong process that is likely to attract billions of dollars into China's markets.

Last year, MSCI decided to include China-listed stocks in its global benchmarks after three years of rejections. Of the more than 3,000 companies listed in China, just 234 will be included in MSCI's indexes on June 1, largely in line with market expectations.

The initial batch of companies will have a 0.4% weighting in MSCI's Emerging Markets Index and a 1.3% weighting in the MSCI China Index.

Currently, the MSCI China Index comprises overseas-listed Chinese companies.

The weighting for China-listed stocks on both indexes is set to double in September, MSCI said Tuesday. While the



**MSCI's move comes as a much-needed boost to China's domestic stock markets.**

inclusion of the stocks will likely have limited initial impact on Chinese shares, it comes as a much-needed boost to domestic markets, which have been among the worst performers world-wide this year. Concerns about the U.S.-China trade dispute have sent stock benchmarks in Shanghai and Shenzhen down more than

3% this year.

Louisa Fok, China equity strategist at Bank of Singapore, said about \$18 billion will likely enter China's stock markets after MSCI's move, compared with the \$70 billion average daily turnover of China's two major markets.

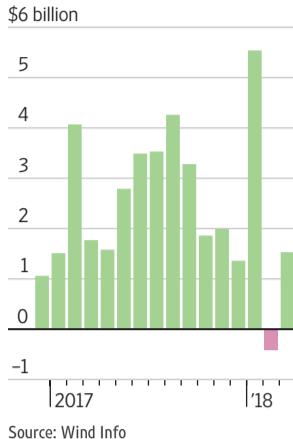
"It's a long road ahead for China's domestically listed

stocks to be fully included to MSCI's index," she said, adding that it would take probably half a decade for the stocks to get full access to the global indexes.

MSCI said its decision to include China-listed stocks won "broad support from international institutional investors" and was primarily the result of

## Going Global

Funds are flowing into China's stock markets from Hong Kong.



Source: Wind Info  
THE WALL STREET JOURNAL.

the country's efforts to improve market accessibility.

In recent years, China introduced two Stock Connect programs to link exchanges in Shanghai and Shenzhen with Hong Kong as part of its plans to open the country's markets to global investors. Chinese stock exchanges also eased preapproval requirements that can restrict the creation of index-linked investment vehicles globally.

Irmak Surenkok, a portfolio

specialist at T. Rowe Price Group Inc., said despite the dominance of individual investors in China's domestic market, many foreign investors built up their portfolios after MSCI said in June that it would include China-listed stocks in its indexes in 2018.

However, foreign participation in Chinese stock markets was about 2% as of March, compared with close to 40% in other north Asian markets such as Taiwan and South Korea, Mr. Surenkok said.

"The opportunity set is immense," he said, noting that the U.S.-based money manager sees compelling opportunities in various consumption categories, technology and health care. Companies with underappreciated free-cash-flow growth within China's domestic market will also be a focus, said Mr. Surenkok.

In April, net inflows into Shanghai's stock market via the Stock Connect system more than quadrupled from a month earlier to 27.5 billion yuan (\$4.3 billion), according to financial-data provider Wind Information Co. The figure for the smaller Shenzhen market more than tripled to 11.2 billion yuan over the same period.

## Volcker Rule 2.0 Draft Is Anticipated Soon

BY RYAN TRACY  
AND DAVE MICHAELS

**WASHINGTON**—Large Wall Street banks would have more trading freedom under the Volcker rule as a result of changes U.S. regulators are considering, according to people familiar with the matter.

The draft changes to the rule, which restricts bankers' trading activities, are designed to lower the burden banks face to prove that short-term trades don't violate the rule, the people said. Regulators are also seeking to alter the definition of permitted hedging and market-making activities, to limit the rule's impact on non-U.S. investment funds, and to cut compliance requirements for banks with trading desks under a certain size, the people said. The changes could be published as soon as late May.

The overall impact of the changes, dubbed Volcker 2.0, isn't yet clear. The rule bans traders at taxpayer-insured banks from speculating but allows them to buy and sell securities in concert with customers' demand.

It has been difficult to enforce. Bank traders, their lawyers and regulators constantly grapple with how to decide

whether a given trade was executed with a customer in mind, or for the bank's own profit.

Regulators say their goal is to draw clearer boundaries, but previous attempts to clarify the rule haven't succeeded.

"It's only going to work if the change also creates a clearer, crisper rule," said Margaret Tahyar, a partner in Davis Polk & Wardwell LLP's financial institutions group. "You could change it and still have mush."

In general, officials appointed by the Trump administration say the Volcker rule has an adverse effect on liquidity in financial markets. But they also have repeatedly said they don't think taxpayer-insured banks should be trading for themselves the way hedge funds do.

As recently as late April, regulators had broadly agreed on the parameters of a Volcker 2.0 proposal but were still negotiating details. Those included provisions dealing with whether a bank's chief executive must attest to Volcker rule compliance, and how the rule treats swaps and clearing activities, a person familiar with the matter said.

—Lalita Clozel contributed to this article.

## MassMutual Seeks to Raise Rates

BY LESLIE SCISM

**Massachusetts Mutual Life Insurance** Co. is seeking steep premium increases on long-term-care insurance policyholders, a move that will make it much costlier for thousands of customers to pay for nursing homes, assisted living and in-home assistance.

The potential increases would apply to about 54,000 of its 72,000 total long-term-care policyholders, the company said. In total, the insurer is asking state regulators to approve increases averaging about 77% per customer, a company spokeswoman said.

Before this week, MassMutual had been one of relatively few holdouts, resisting raising rates on existing policyholders as errors in pricing have haunted insurers and turned many consumers against the product. Over the past decade, some rivals doubled premiums.

While the 54,000 customers are a small slice of the approximately 7.3 million U.S. policyholders across all insurers, financial advisers say the move dramatizes how serious the mispricing problems are for the industry. MassMutual has more flexibility than most to absorb poor results without asking longtime customers to pay more. The Springfield, Mass., company is also one of the

most diversified and financially strong, and it is owned by its policyholders, not shareholders.

"This was a difficult decision, made only after our ongoing analysis indicated it was absolutely necessary to preserve our ability to continue to protect our policyholders given the many factors that have changed over the years, such as people living longer, the need for long-term care growing rapidly, and the cost of long term care services increasing," MassMutual spokeswoman Laura Crisco said in an email.

Investors and policyholders are still absorbing the disclosure in January that **General Electric** Co. needs to add \$15 billion to back its long-term-

care policyholder reserves over seven years. The unexpectedly large size of the shortfall has investors and analysts concerned that additional reserve charges and rate increases are ahead.

"The challenges occurring [at GE] will broaden and impact additional insurers," Evercore ISI analyst Thomas Gallagher said in a note to clients.

MassMutual began selling long-term-care policies in 2000. At the time, many insurers thought they had the perfect product to profit from people's concerns about becoming unable to care for themselves and outliving their savings.

But by the end of the decade, growing numbers of insurers concluded they had badly mis-

calculated how many people would hold on to the policies and file claims, and how long they would draw benefits before dying. Since 2008, ultralow interest rates have hurt their ability to earn interest income as they await claims.

From a peak of more than 100 insurers selling long-term-care policies, only about a dozen still do, including MassMutual. Sales have collapsed amid consumer alarm and fewer agents pitching the product. Just 66,000 traditional policies were bought last year, insurance-industry-funded researcher Limra says. That is down from hundreds of thousands a decade ago.

MassMutual said the increases would apply to its "earlier policy series," some of which have lifetime benefits that are no longer sold. Policyholders will have options for holding down an increase. Typically, insurers allow consumers to give up features such as inflation adjustments or otherwise reduce benefits.

Policies sold today typically cost significantly more and have less generous benefits than earlier versions. A buyer in his or her late 50s to early 60s can expect to pay roughly \$3,000 annually for a policy whose benefits grow to just over \$300,000 or so when the owner is in his or her 80s, according to financial advisers.

MICHAEL SHORT/BLOOMBERG NEWS



**Greater participation by electronic traders will help Coinbase win over institutional investors, says the exchange's general manager.**

tive to offer special perks to high-speed traders.

"The stock exchanges in the equity market were the 'arms merchants' that sold speed advantages to HFT so they could be faster than traditional investors," Mr. Saluzzi said in an email. "It looks like Coinbase wants to be one of the arms merchants for the crypto world."

Coinbase isn't the first bitcoin exchange to gear its systems for ultrafast traders.

Gemini, the New York-based cryptocurrency exchange founded by Cameron and Tyler Winklevoss, said its trade-execution times are already a matter of microseconds. Gemini's systems are based in the same New Jersey data center used by **Cboe Global Markets**

Inc., an options and stock exchange operator.

Several electronic-trading firms are already active in cryptocurrencies, including Chicago-based **DRW Holdings** LLC and **Jump Trading** LLC and New York-based **Hudson River Trading** LLC, **Jane Street Group** LLC and **Virtu Financial** Inc.

Many cryptocurrency ex-

changes operate on relatively slow and failure-prone technology, compared with the powerful, battle-tested computer systems used by Nasdaq or the NYSE.

Last year, a number of digital-currency exchanges suffered outages during periods of heavy investor interest in bitcoin, including GDAX and Europe-based **Bitstamp**.

## Chinese Firms Pay More to Tap Debt Market

BY SHEN HONG

Investors are demanding the highest premiums in two years for buying lower-grade Chinese corporate bonds, now that Beijing's campaign to rein in financial risk has made it harder for the country's weaker, mostly private firms to raise cash.

The sharp rise in borrowing costs is coinciding with an increase in both the number and value of defaults in China's \$4 trillion corporate-bond market. Growing concerns about the health of these firms is prompting investors to pile into bonds issued by China's higher-grade—and mostly state-owned—enterprises.

The premium yields on five-year Chinese corporate bonds with an AA- rating over those on corresponding government bonds increased to 3.63 percentage points on Friday, its highest since 2016. It has since narrowed to 3.57 points, higher than the 3.10 recorded at the start of this year.

"Concerns are definitely growing about risk among private companies because Beijing's deleveraging campaign has narrowed their funding channels," said Liu Yi, a Shanghai-based analyst at Guotai Junan Securities.

## MARKETS

## On the Rise



## Treasury Yields Rise On Solid U.S. Data

By AKANE OTANI

Bets on the U.S. economy gaining momentum sent investors fleeing from government bonds, driving the yield on the benchmark 10-year Treasury note to levels it last touched nearly seven years ago.

The yield on the 10-year Treasury note, used as a reference rate for everything from mortgages to auto loans to corporate debt, settled Tuesday at 3.082%, compared with 2.995% Monday, marking its biggest one-day advance since March 2017.

The latest wave of selling began early Tuesday, when data from the Commerce Department showed American consumers ramped up spending in April.

Bond prices also came under further pressure after the Empire State Manufacturing Survey's general business conditions index, a survey of New York manufacturing activity, showed business activity improving more than expected over the past month.

## 55%

Chances of four Fed rises in short-term rates in 2018

Together, the reports showed the U.S. economy picking up steam, helping ease recent fears among investors that momentum could be fading in the second-longest economic expansion in U.S. history. While the April retail sales figures were largely in line with economists' expectations, the data, combined with upward revisions for March, suggested consumer spending would accelerate in the second quarter.

That damped demand for Treasurys, whose fixed returns typically look more attractive when investors are feeling uncertain about the future outlook for growth.

"The Street is extremely short and it seems like the sellers are in control, so a little bit of data that is either as expected or slightly better goes a long way in the short book," said Kevin Giddis, head of fixed income capital markets at Raymond James. "It would take some pretty weak economic data to take us down from here."

As the selling accelerated, some investors doubled down on bets that the Fed would speed its interest-rate rises.

Federal-funds futures, used by traders to place bets on the path of interest rates, Tuesday afternoon showed a 55% chance of the Fed raising short-term interest rates four times by the end of the year—up from 50% Monday and marking the highest level of the year, according to CME Group.

"There's been a stronger narrative in the markets that inflation is picking up," said Aaron Kohli, rates strategist at BMO Capital Markets.

## AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS	
Applications	\$140,708,129,000
Accepted bids	\$45,000,219,000
* noncompetitively	\$746,965,500
* foreign noncompetitively	\$100,000,000
Auction price (rate)	99.871278 (1.655%)
Coupon equivalent	1.680%
Bids at clearing yield accepted	63.32%
Cusip number	912796PL7
Comments	The bills, dated May 17, 2018, mature on June 14, 2018.



Home builders Lennar, PulteGroup and D.R. Horton dropped more than 5% after a survey showed rising lumber costs. Shares of Home Depot also fell after weak results.

# Blue Chips Snap Winning Streak

Dow industrials sink 193 points and fall back into negative territory for the year

By GEORGI KANTCHEV AND ALLISON PRANG

U.S. stocks fell, with the Dow Jones Industrial Average breaking an eight-session streak of gains, as investors parsed mixed

TUESDAY'S MARKETS

economic data, rising govern- m e n t - b o n d yields and continuing trade negotiations between the U.S. and China.

A rare spurt of synchronized global growth at the end of last year and the beginning of 2018 has underpinned stock markets around the world, so investors are sensitive to any signs of a slowdown. In the U.S., data have also been coming in somewhat below expectations in recent months.

The Dow industrials ended lower by 193 points, or 0.8%, to 24,706.41, on Tuesday after earlier dropping as much as 270 points. The S&P 500 fell 18.68 points, or 0.7%, to 2711.45 and the Nasdaq Composite pulled back 59.69 points, or 0.8%, to 7351.63.

Through Monday, the blue-chip index had risen 974

points, or 4.1%, since May 3 as stocks appeared to be regaining their footing after several months of rocky trading. But Tuesday's declines pushed the Dow industrials back into negative territory for the year. A number of factors, including trade concerns, geopolitical tensions, signs of a pickup in inflation and peaking corporate earnings, have kept some investors on the sidelines.

The Commerce Department said Tuesday that U.S. retail sales rose 0.3% on an adjusted basis in April, which was in line with expectations of economists polled by The Wall Street Journal. Retail sales also increased in March.

Ryan Kelley, portfolio manager at Hennessy Funds, said the latest retail sales numbers sparked worries inflation could pick up, which could force the Federal Reserve to increase rates faster than planned.

"It's just simply a pause in a very strong last eight days," he said.

Meanwhile, inflation worries also cropped up in the latest survey from the National Association of Home Builders, which pointed to rising costs of lumber as a challenge to the residential construction industry.

**D.R. Horton, Lennar and PulteGroup** all dropped more than 5%.

**Stumbling**

The Dow Jones Industrial Average is on pace to snap an eight-session winning streak.

**Dow industrials, daily moves**

Source: WSJ Market Data Group

## Stumbling

The Dow Jones Industrial Average is on pace to snap an eight-session winning streak.

### Dow industrials, daily moves



Ten of the 11 sectors in the S&P 500 fell Tuesday, while shares of energy companies edged up slightly. **Home Depot** dropped \$3.10, or 1.6%, to \$187.98, weighing on the Dow industrials, after the company's quarterly sales came in short of expectations.

The yield on the 10-year Treasury note settled at 3.082%, up from 2.995% Monday, its largest one-day yield gain since March of last year. It crossed 3% for the first time since 2014 last month, leading to concerns among some investors that rising interest

rates could start to make stocks look less attractive relative to bonds. Yields rise when bond prices fall.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, rose 0.6%.

Other data on Tuesday showed growth in the euro-zone economy slowing to 0.4% in the first quarter from 0.7% in the fourth quarter of last year. Economic activity cooled in Germany, France and the Netherlands.

China, meanwhile, reported mixed results for business ac-

tivity, adding to signs of cooling in the world's second-biggest economy. Industrial output quickened last month from a year earlier, but investment and retail sales slowed.

"We still see the global economy as growing but perhaps not at the previous furious pace," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management.

Just 1% of investors think the global economy will strengthen over the next 12 months, according to **Bank of America Merrill Lynch's** monthly global fund manager survey released Tuesday. That is the lowest level since February 2016.

Investors were also monitoring trade negotiations between the U.S. and China. Escalating trade tensions have kept markets on edge in recent months, with the U.S. also locked in negotiations over tariffs with Europe and Japan.

Washington and Beijing appeared close to a deal that would give China's ZTE a reprieve from potentially crippling U.S. sanctions in exchange for Beijing removing tariffs on billions of dollars of U.S. agricultural products.

In early trading Wednesday, Japan's Nikkei Stock Average was down 0.33%, while Hong Kong's Hang Seng was off 0.63%.

# Coal Prices Are Burning Up As Demand Stokes Gains

By RHIANNON HOYLE

Crude oil isn't the only fuel on a hot streak.

U.S. export prices for electricity-generating coal have surged 16% in the past four weeks, according to S&P Global Platts, a period that is traditionally a seasonal lull in energy markets.

Export prices for thermal coal from other big producers such as Australia have also advanced, making the fuel one of the past year's best-performing commodities. At nearly \$110 a metric ton, the price of thermal coal from Australia's Newcastle export hub is up by more than one-fifth from a year earlier. As recently as 2016, it fetched just \$50 a ton.

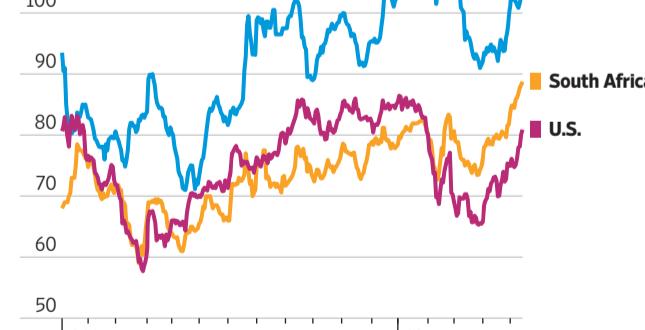
Traders are divided on the reason.

Some big suppliers, including South Africa, have seen rising domestic demand limit the amount of coal available for export. South African state-owned power company Eskom this month rushed to buy 3 million tons of the fuel from domestic suppliers after its own stocks ran low.

On the demand side, analysts point to China, where imports have been booming as power plants burn coal at an increasing rate despite Beijing's efforts to support domestic miners by restricting supplies from overseas. Chinese thermal-coal imports increased more than 50% from a year earlier in March, while

## Powering Back Up

Thermal-coal prices have been on a tear recently.



Notes: Price for Australia is FOB Newcastle 6,000 NAR; South Africa is FOB Richards Bay 5,500 NAR; U.S. is FOB U.S. East Coast 6,500 NAR. Data through May 14.

Source: S&P Global Platts

thermal-power production, which generates most of China's electricity, rose 1.4%.

"China is still the driver" for global coal markets, said Wood Mackenzie analyst Zhai Yu. The country accounts for about one-fifth of global seaborne coal demand.

Meanwhile, negotiations between the world's top thermal coal shipper, **Glencore** PLC, and one of its biggest buyers, Japan's **Tohoku Electric Power Co.**, over annual coal contracts have been dragging on. Many market participants look to those contracts to set a benchmark for prices. As they remain unresolved, coal sellers elsewhere have continued to enjoy the upper hand in contract talks.

Still, rising oil prices could lead to better-than-anticipated coal prices for the rest of the year. A stronger oil market tends to signal confidence in commodities, while increasing production costs for coal miners.

# Dollar Gains Strength

By DANIEL KRUGER

The U.S. dollar surged after strong retail-sales data boosted expectations for continued economic growth.

The WSJ Dollar Index, which measures the currency against a basket of 16

CURRENCIES others, rose 0.6%, to 86.92, on Tuesday.

The dollar rose broadly, gaining 0.8% against the euro to \$1.1837, 0.6% versus the yen to ¥110.35 and 0.4% against the British pound to \$1.3505.

The dollar jumped after the Commerce Department said retail sales—a measure of spending at stores, online-shopping websites and restaurants—rose a seasonally adjusted 0.3% in April from the prior month. That matched forecasts by economists in a Wall Street Journal survey.

The dollar was also supported by the surge in U.S. government bond yields, which rose to multiyear highs after the retail-sales data, analysts said. Higher interest rates typically attract investors to a currency by offering a higher rate of return.

Meanwhile, investors have lately increased bets that the Federal Reserve will speed up the pace of interest-rate increases. Chances that Fed officials will raise rates three more times this year rose to 55% Tuesday, up from 50% Monday and 39% a month ago, according to data from CME Group Inc.

Fed officials had penciled in three interest-rate increases this year at their December and March meetings, while some private forecasters and investors have predicted the strong

U.S. economy would compel them to raise rates four times to prevent inflation from gaining traction.

"The markets are a bit fixated on the rates response," said Mark McCormick, head of currency strategy at TD Securities.

The retail-sales data was important because consumer activity is responsible for more than two-thirds of U.S. economic activity, and the strength of the data undercut unexpectedly weak consumer-price data released last week, said Brian Daingerfield, a strategist at NatWest Markets.

Bond yields and odds for a fourth Fed rate increase this year fell last week after the Labor Department said the consumer-price index, which measures what Americans pay for everything from copier paper to ceramic tiles, rose 0.2% in April after falling a seasonally adjusted 0.1% in March. Economists surveyed by The Wall Street Journal expected consumer prices to rise 0.3% in April.

## Jacked Up

WSJ Dollar Index



THE WALL STREET JOURNAL.

## MARKETS

# Investors Are Split in Views About Gold

ETF buyers bullish despite prices hitting year's low, while fervor by hedge funds cools

By AMRITH RAMKUMAR

Gold prices slumped, falling below the \$1,300 level for the first time since December as a rising dollar and higher Treasury yields led traders to dump the precious metal.

But while the bullion price in the futures market on Tuesday reached a new low for the year, exchange-traded-fund investors recently have been bullish on gold. Investors poured about \$3.1 billion into gold-backed ETFs during April, the highest total since February 2017, data from the World Gold Council, an industry trade group, showed.

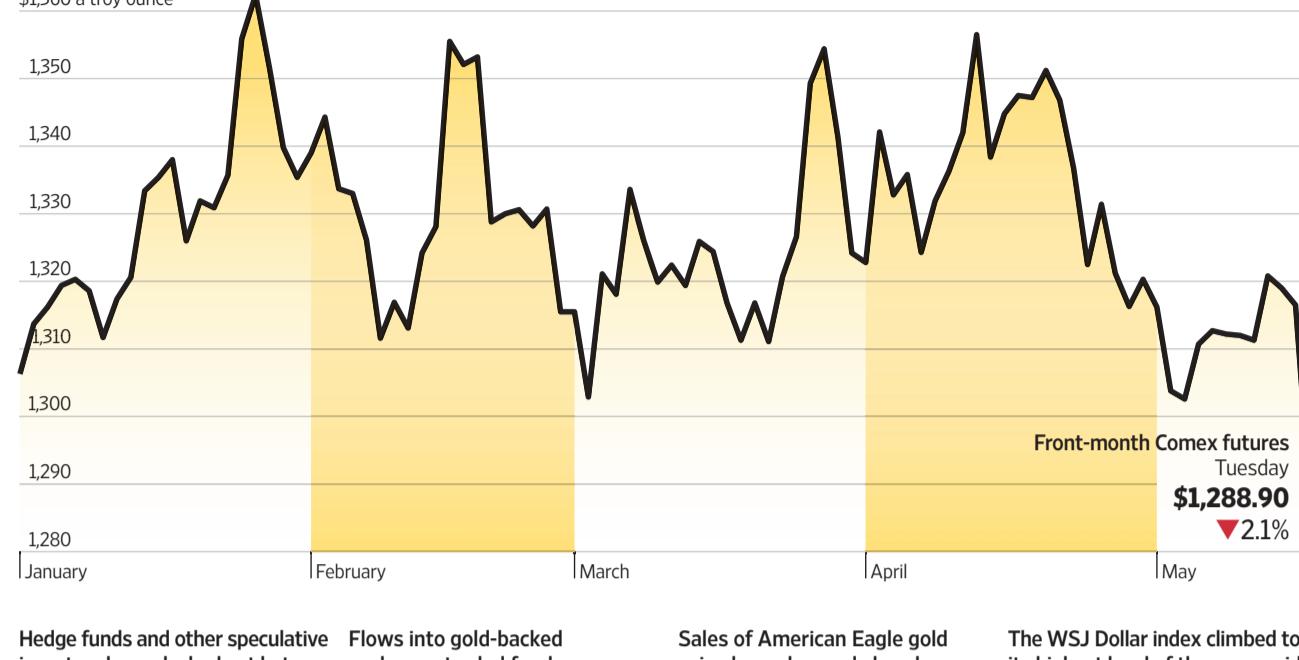
The contrasting views highlight the two opposing forces that have kept gold prices mostly locked in a narrow range between \$1,300 and \$1,350 a troy ounce, avoiding the big price swings that have rocked other assets such as stocks and oil.

ETF buyers and other bulls have turned to gold as a traditional haven play during turbulent political times, with the prospect of a trade war still looming, uncertainty swirling around North Korea and tensions in Syria and Iran flaring up. Some money managers are also using gold to hedge against a pickup in inflation signaled by recent consumer-price data.

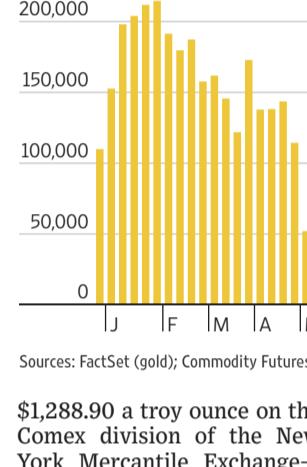
But speculative interest in gold has softened as expectations of higher U.S. interest rates have pushed up bond yields and the dollar, said Maxwell Gold, director of investment strategy at ETF Securities. "There's a bifurcation in the types of investors for gold," he said.

Front-month gold futures tumbled 2.1% Tuesday to

Gold prices broke out of their 2018 range Tuesday, falling below \$1,300 as bond yields and the dollar rose.

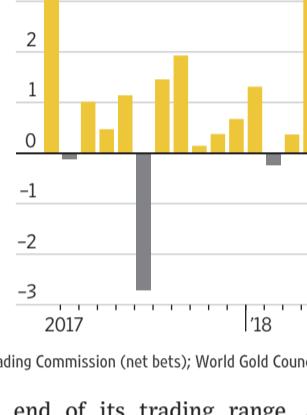


Hedge funds and other speculative investors have slashed net bets on higher gold prices.



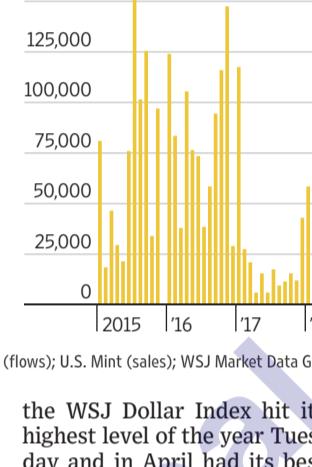
Sources: FactSet (gold); Commodity Futures Trading Commission (net bets); World Gold Council (flows); U.S. Mint (sales); WSJ Market Data Group (index)

Flows into gold-backed exchange-traded funds topped \$3 billion last month.



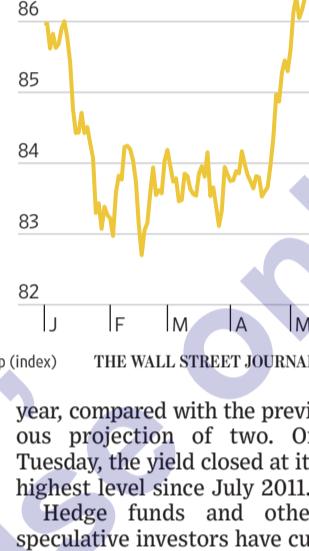
Sources: FactSet (gold); Commodity Futures Trading Commission (net bets); World Gold Council (flows); U.S. Mint (sales); WSJ Market Data Group (index)

Sales of American Eagle gold coins have dropped sharply since the start of 2017.



Sources: FactSet (gold); Commodity Futures Trading Commission (net bets); World Gold Council (flows); U.S. Mint (sales); WSJ Market Data Group (index)

The WSJ Dollar index climbed to its highest level of the year amid U.S. growth.



year, compared with the previous projection of two. On Tuesday, the yield closed at its highest level since July 2011.

Hedge funds and other speculative investors have cut wagers on higher gold prices to their lowest level since July. Net bets on higher gold prices by hedge funds and other speculative investors fell by more than 50% during the

end of its trading range, a strengthening dollar and worries about higher interest rates have zapped its momentum. A rising U.S. currency makes gold more expensive for overseas buyers, while higher Treasury yields tend to make the precious metal less attractive by comparison.

With global growth momentum shifting back to the U.S.,

the WSJ Dollar Index hit its highest level of the year Tuesday and in April had its best month since November 2016. And the yield on the benchmark 10-year U.S. Treasury yield in late April pierced 3% for the first time in more than four years, with more investors anticipating that the Federal Reserve will raise interest rates three more times this

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\$1,288.90 a troy ounce on the Comex division of the New York Mercantile Exchange—their worst day since December 2016. The drop came after data showing U.S. retail sales rose broadly in April pushed up Treasury yields and the dollar, continuing their recent trend.

Any time recently that gold has marched toward the upper

end of its trading range, a strengthening dollar and worries about higher interest rates have zapped its momentum. A rising U.S. currency makes gold more expensive for overseas buyers, while higher Treasury yields tend to make the precious metal less attractive by comparison.

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## HEARD ON THE STREET

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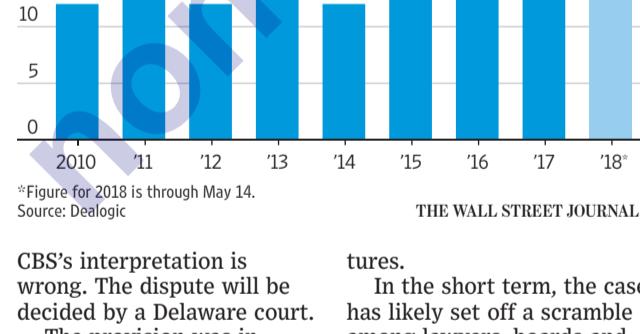
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# CBS Suit Threatens Supervoting Stocks

## Structural Challenges

Percentage of IPOs featuring a dual-class stock structure



\*Figure for 2018 is through May 14.

Source: Dealogic

the benefit wanes. Firms that keep the structure trade at a discount to ones that end it, according to an analysis by Robert Jackson Jr., a commissioner on the Securities and Exchange Commission.

In February, Mr. Jackson said U.S. stock exchanges should force companies to retire their dual-class structures after a period of time.

Such a move is supported by academic research, which shows that supervoting power encourages personal enrichment by controlling shareholders at the expense of other shareholders.

Yes these structures have become increasingly popular. About 16% of companies that have gone public on U.S. exchanges since 2013 had at least two classes of stock, according to Dealogic, up significantly in the past decade. The structure has historically been most common at media and cable companies, like **21st Century Fox** and **Comcast** and has been embraced

by tech companies such as Google, Facebook and LinkedIn. When **Snap Inc.** went public last year, it gave new shareholders no voting rights at all.

The S&P 500 took a stand against dual-class structures last year, barring public companies with multiple classes of shares from joining the index.

CBS could add to the pressure. "This case may be the ultimate acid test of dual-class stock," says Charles Elson, director of the Center for Corporate Governance at the University of Delaware.

He points to increasing intolerance in the Delaware courts with how dual-class stock plays out. Shareholders have sued Facebook and Google for trying to create a new class of stock, and brought suit against National Amusements on the issue of Mr. Redstone's compensation.

"I think they'll have to get rid of it," he says.

—Elizabeth Winkler

## OVERHEARD

Environmental Protection Agency Administrator Scott Pruitt has some issues hanging over him: controversial first-class flights, lavish office renovations, unauthorized raises to aides, questionable trips on taxpayers' dime and efforts to quash scientific research.

A more mundane issue may cost Mr. Pruitt his job: giving small refineries environmental waivers for the use of ethanol.

While he isn't breaking any rules and is pleasing some Republican donors invested in refineries, allowing them to avoid purchasing vouchers to comply with ethanol rules, this infuriates the corn lobby because it is the main raw material for ethanol.

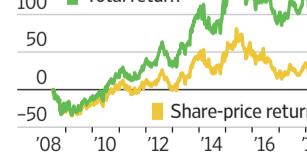
Now he really has gone too far in the eyes of powerful Iowa Republican Sen.

**Chuck Grassley** who said Tuesday that he would call for Mr. Pruitt to resign if he keeps it up.

# Vodafone's New Boss Won't Have It Easy

## All About Dividends

Returns from investing in Vodafone under current CEO, in euros



Source: Dealogic

as the heavy returns in the early years of mobile-phone adoption faded. Mobile revenues fell for years even as smartphones sent mobile-data usage up. Vodafone shareholders who reinvested dividends have doubled their money in euro terms under Mr. Colao, but the share

price has risen just 15%.

The company has promoted its current chief financial officer. This is wise, given the \$23 billion purchase of mainly German cable assets from John Malone's **Liberty Global** announced last week. The healthy premium Vodafone has agreed to pay makes the deal unusually dependent on cost savings, for which Mr. Read can be held responsible. The risk that antitrust regulators don't like the combination of Germany's two dominant cable networks could overshadow Vodafone.

Vodafone and its peers haven't benefited much from the digital world's breakneck expansion. That is one thing that may stay the same.

—Stephen Wilmot

It is less of a surprise that consumer spending is strengthening than that it isn't even stronger.

Overall retail sales rose 0.3% in April from a month earlier, the Commerce Department reported Tuesday, continuing to pick up after a sluggish start to the year. Sales excluding autos, gasoline, building materials and food services—which economists watch as an indicator of trends in consumer spending—were up 0.4%.

That counts as good news for the economy. Consumer spending grew at just a 1.1% annual rate in the first quarter, marking its weakest gain in more than five years, but the second quarter is shaping up to be much better. It is becoming clear that the

consumer weakness earlier this year was due to temporary factors such as a hangover from a hurricane-related pickup in fourth-quarter spending.

Many good things are happening for consumers: The unemployment rate, at 3.9%, is at its lowest level since 2000, a fresh round of minimum-wage increases went into effect earlier this year, the government is spending more, tax cuts are putting more money in many people's pockets, and consumer-sentiment measures are showing that Americans are in a pretty good mood.

What's more, if even just a small portion of corporate tax cuts start to flow through into higher wages and more hiring, the backdrop for con-

sumers ought to get even better. The only major drag consumers are experiencing right now is rising gasoline prices.

It may be a matter of time before spending moves into an even higher gear. There is one potential fly in the ointment, though: The money flowing into consumers' pockets might not all flow out. The saving rate did improve during the first-quarter spending lull, but it is still low. Ten years after the financial crisis, it is hard for U.S. consumers to completely throw caution to the wind as their incomes improve.

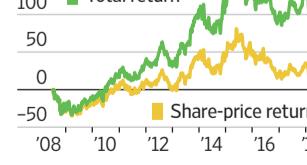
That wouldn't necessarily be a bad thing, but the days when consumer spending could really rip may be behind us.

—Justin Lahart

# U.S. Consumers Need More Confidence

## All About Dividends

Returns from investing in Vodafone under current CEO, in euros



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