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A Fare Change For Business Fliers

THE MIDDLE SEAT | D1



Jeffrey Herbst Facebook's Algorithm Is a News Editor

OPINION | A15

DOW JONES | News Corp *****

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DJIA 17908.28 ▲ 187.03 1.1% NASDAQ 4947.42 ▲ 1.55% STOXX 600 343.06 ▲ 2.5% 10-YR. TREAS. ▲ 6/32, yield 1.760% OIL \$41.76 ▼ \$0.41 GOLD \$1,246.80 ▼ \$12.60 EURO \$1.1274 YEN 109.32

What's News

Business & Finance

J.P. Morgan posted better-than-expected results, delivering a reassuring report on its business and the U.S. economy. A1
◆ **The Dow climbed** 187.03 points to 17908.28, its highest level since November, as J.P. Morgan's earnings ignited gains in financial shares. **C1**

◆ **Citigroup was the only** bank whose "living will" plan wasn't rejected by either the Fed or the FDIC, while Wells Fargo drew a rebuke. **C1**

◆ **Peabody filed** for bankruptcy protection, as coal's slow collapse claimed the country's largest producer. **A1**

◆ **Regulators have proposed** banning Theranos's founder from the blood-testing business for at least two years. **A1**

◆ **Two senators circulated** a proposal that would require firms to unlock encrypted technology when served with a court order. **B1**

◆ **Most top oil executives** have seen their pay shrink along with share prices. An increase for BP's CEO has irked many shareholders. **B1**

◆ **OPEC said** global oil production outside the cartel is falling more sharply than expected. **C1**

◆ **Verizon was hit** by a strike by nearly 40,000 union employees after 10 months of tense contract talks. **B5**

◆ **Retail sales** fell in March, the third straight month of flat or declining sales. **A6**

World-Wide

◆ **Sanders is making** risky moves ahead of the New York primary in a bid to undercut Clinton. Trump is drawing support across western New York state. **A4**

◆ **A Chicago task force** on police accountability called for sweeping changes to the city's police force. **A3**

◆ **A brain implant** allowed a paralyzed man to use his thoughts to move his arm, researchers reported. **A3**

◆ **Total spending** on prescription drugs in the U.S. increased 12.2% to nearly \$425 billion in 2015. **B3**

◆ **Defections by allies** of Brazil's Rousseff are reducing her chances of surviving an impeachment vote. **A7**

◆ **The CDC said** there is enough evidence to conclude that the Zika virus can cause birth defects. **A3**

◆ **Islamic State said** two brothers were the main organizers of the attacks in Paris and Brussels. **A10**

◆ **Syrian peace talks** resumed as the regime held elections that critics denounced as illegitimate. **A10**

◆ **European Union** privacy regulators called for changes to a new EU-U.S. data-transfer accord. **B3**

◆ **Russian warplanes** buzzed a U.S. Navy destroyer in the Baltic Sea this week, a sign of potentially rising tensions. **A10**

CONTENTS		Opinion.....	A13-15
Business News.....	B2-3-6-8	Sports.....	D6
Crossword.....	B8	Style & Travel.....	D2-4
Election 2016.....	A4-6	Technology.....	B4-5
Global Finance.....	C3	U.S. News.....	A2-3
Heard on Street.....	C8	Weather.....	B8
In the Markets.....	C4	World News.....	A7-11



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Migrants Trying to Leave Greece Meet Resistance at Border



FENCED IN: A migrant in the Greek village of Idomeni clashed Wednesday with a police officer across the border in Macedonia. **A10**

Coal Crash Sinks Mine Giant

Largest U.S. producer Peabody follows rivals into bankruptcy amid drop in demand, prices

By JOHN W. MILLER
AND MATT JARZEMSKY

Coal's slow collapse pushed the largest U.S. miner to declare bankruptcy Wednesday, marking the end of an era for big publicly traded companies that have fueled American in-

dustry for more than a century.

The bankruptcy of St. Louis-based Peabody Energy Corp. came after similar filings by Arch Coal Inc., Alpha Natural Resources Inc., Patriot Coal Corp. and Walter Energy Inc., all of which have recently sought chapter 11 protection.

Those companies have lost a combined \$30 billion in stock-market value since 2010, and the coal sector has shed 31,000 jobs since 2009, according to the Mine Safety and

Health Administration.

No large publicly listed U.S. coal miner has been spared by the forces crushing the coal industry, which include the decline in steel production, the conversion of coal-fired power plants to natural gas, which has become a cheap and abundant thanks to the shale boom, and new environmental regulations.

But despite miners' struggles, coal has continued to fuel roughly one-third of the U.S. electric grid. Americans will

get 33% of their electricity from gas in 2016, and 32% from coal, according to the Energy Information Administration. As recently as 2008, coal fueled half of U.S. power consumption. Coal prices have fallen by more than 60% since 2011.

Peabody Chief Executive Glenn Kellow called the current market "historically challenged" and said the bankruptcy filing was "an in-court solution to Peabody's substan-

Please see COAL page A11

Final Buzzer for Kobe Bryant



MAMBA: One of the NBA's all-time top scorers hugged Laker head coach Byron Scott at his farewell game. Magic Johnson and other giants paid tribute to the All-Star's achievements over a 20-year career.

U.S. Proposes Ban Of Theranos Founder

By JOHN CARREYROU
AND CHRISTOPHER WEAVER

Federal health regulators have proposed banning Theranos Inc. founder Elizabeth Holmes from the blood-testing business for at least two years after concluding that the company failed to fix what regulators have called major problems at its laboratory in California.

In a letter dated March 18, the Centers for Medicare and Medicaid Services said it plans to revoke the California lab's federal license and prohibit its owners, including Ms. Holmes

and Theranos's president, Sunny Balwani, from owning or running any other lab for at least two years. That would include the company's only other lab, located in Arizona.

The two labs generate most of Theranos's revenue and are at the core of its strategy to revolutionize the blood-testing industry with new technology, user-friendliness and quick results.

The letter hasn't been released to the public, but a copy was reviewed by The Wall Street Journal.

Under federal law, Theranos

Please see HOLMES page A6

Big Bank's Earnings Stoke Optimism

By EMILY GLAZER
AND PETER RUDEGEAIR

J.P. Morgan Chase & Co. delivered a reassuring report on the state of U.S. consumers and corporations Wednesday, raising hopes that strength in the economy will help banks offset weakness in their Wall Street trading businesses.

Shares of the New York bank, which reported better-than-expected first-quarter profit, helped push the Dow Jones Industrial Average 187.03 points, or 1.1%, higher, to a new 2016 peak. J.P. Morgan's position as the largest U.S. bank by assets—spanning businesses from mortgage lending to merger advice—makes it a bellwether for the industry and the rest of the market.

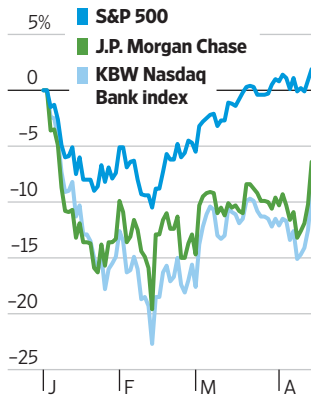
Bank officials said trading activity picked up in March, helping offset an otherwise lackluster first quarter in markets. Strong borrowing demand from consumers and companies helped the bank earn about \$300 million more than analysts projected for the period.

"The U.S. economy continues to chug along," Chairman and Chief Executive James Dimon said on a conference call with reporters. While the bank is still aiming for faster growth, "the consumer is strong, companies still have plenty of cash" and "most economists think [the U.S. economy] will be stronger in

Please see BANK page A2

Bank Bounce

Performance of J.P. Morgan shares vs. two indexes



Source: FactSet

THE WALL STREET JOURNAL.

◆ **Greg Ip:** Big banks bring benefits, too..... **A2**

NASA Truly Wants to Grow Spuds on Mars

* * *

In Peru, fiction
and real life
are mashed up

By RYAN DUBE

PAMPAS DE LA JOYA, Peru—As humans prepare to blast off to Mars, there is still the question of what they'll eat once they colonize the red planet. Scientists who have traveled here to the Peruvian desert say they have the answer. Potatoes.

Researchers at the Lima-based International Potato Center and scientists at the National Aeronautics and Space Administration are studying which type of potato could be best suited for extraterrestrial farming to support a human settlement on Mars. If everything goes as planned, the Mar-

Please see MARS page A12

TWITTER AND ISIS DEADLOCK IN ONLINE BATTLE

Islamic State supporters open new accounts almost as quickly as gatekeepers delete them

By CHRISTOPHER S. STEWART
AND MARK MAREMONT

Hours after the Brussels terror attacks, a notorious Islamic State operative posted a Twitter message on behalf of the extremist group, which had taken responsibility for the slaughter and warned of more to come.

"We promise black days for all crusader nations allied in their war against Islamic State," tweeted Abu al-Walid, a presumed nom de guerre.

Twitter closed that account and similar ones in the hours and days that followed. Mr. Walid kept surfacing. Using his 464th Twitter account, he circulated photos of sweets handed out to cele-

brate the attacks.

U.S. companies such as Twitter, Facebook and YouTube, joined by online hackers and similarly minded groups, have for months aggressively battled the spread of Islamic State material online. Accounts and posts that would have stayed alive for weeks now sometimes last as little as a few hours.

Islamic State supporters, particularly on Twitter, have responded to the crackdown by opening accounts almost as quickly as gatekeepers delete them.

This battle, a signature el-

Please see ISIS page A12

◆ **Extremists claim** brothers led attacks..... **A10**

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U.S. NEWS

Be Wary of Breakups: Big Banks Bring Benefits, Too

A handful of companies have achieved such astonishing size and reach in the past decade that the sudden collapse of any would be potentially catastrophic to the economy. With their size, they have accumulated profits and political clout to match, at times defying the federal government's efforts to keep Americans safe. I'm talking, of course, about Apple, Google, Facebook and Amazon.

But I could also be talking about J.P. Morgan Chase, Bank of America, Wells Fargo and Citigroup.

The difference is that no one wants to break up the first group but everyone, it seems, wants to break up the second. "Apple is not destroying the fabric of America," Bernie Sanders, a Democratic presidential candidate, told the New York Daily News last week. "J.P. Morgan Chase, and virtually every other major bank in this country," he added, are destroying the national fabric.

While federal regulators haven't sought the breakup of the big banks, on Wednesday they warned five of them they had inadequate plans to deal with a possible failure. Without acceptable "living wills," banks face a

series of penalties that could end in their breakup.

The preoccupation with banks' size is well-founded. The havoc when big banks fail, and the perception the government won't let that happen, enables them to borrow cheaply and grow still larger.

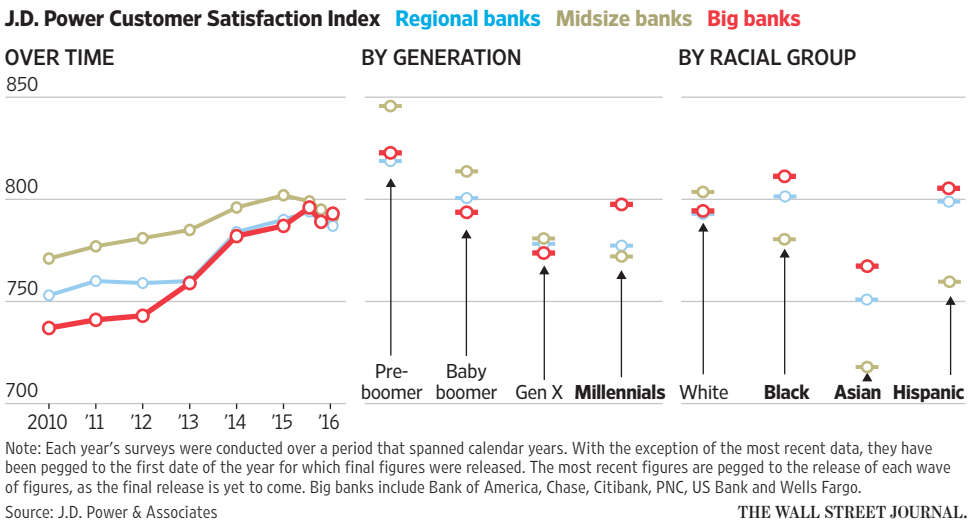
Yet as in technology, size confers unique benefits in banking: economies of scale in technology, branding and risk management; network effects that attract customers; and broad geographic and sectoral diversity. If regulators ignore these attributes while dwelling solely on the danger of size, they risk leaving the economy worse off, not better.

That was the implicit message that U.S. District Judge Rosemary Collyer delivered in a decision, unsealed last week, that reversed the federal government's designation of the giant insurer MetLife as a "systemically important financial institution" in need of special oversight and heightened capital standards.

The court rapped the Financial Stability Oversight Council, made up of federal regulators and headed by the Treasury secretary, for saying MetLife's failure could damage the economy but not detailing how such a failure could occur. Nor did it consider the costs of regulating MetLife like a bank, "a consideration that is essential to

They Really Like Us

Big banks in a recent survey surpassed their smaller competition in customer-satisfaction levels, due in part to high marks from the millennial generation and minority groups.



reasoned rule making."

The decision puts the federal government in a bind. One of the lessons of the financial crisis was companies such as American International Group, an insurer, can be just as intertwined with the financial system as banks. If rules are tightened only on banks, risky activity is likely to migrate to these nonbank institutions. That's why the Dodd-Frank financial-regulatory overhaul empowers the FSOC to designate a nonbank as systemically important. The court decision, if upheld, could compromise this criti-

cal weapon in the crisis-prevention arsenal.

Yet it also makes a useful point. Because a financial crisis, like a terrorist attack or pandemic, is so unpredictable, the value of preventing one is not easily quantified. But that too easily becomes an excuse to ignore costs altogether, whether to civil liberties or economic growth.

In the case of big financial companies, regulators have to weigh the benefits of size against the risks that big banks become "too big to fail." Those benefits aren't

trivial, as a 2014 report by the Bipartisan Policy Center, a think tank, notes.

Big banks are no match for Apple in the affections of hipsters, Hollywood or Mr. Sanders, but one constituency seems to rather like them: consumers. Their satisfaction ratings have risen steadily since 2010 and now top those of regional banks, according to J.D. Power. Bank of America, J.P. Morgan Chase, Citibank, Wells Fargo and US Bank added nearly 25 million retail deposit accounts between 2010 and 2014, during which they were barred from acquisitions. In the same pe-

riod, the number of accounts at banks with less than \$10 billion in assets dropped by 35 million.

Investment in technology has huge fixed and low marginal costs, and thus gives an advantage to size. The Bipartisan Policy Center report notes large banks were the first to offer automated-teller machines, online bill payment and small-business credit scoring. Economies of scale may also apply to risk management and regulation.

Big banks also make big mistakes, but this doesn't automatically mean they are more prone to failure. With size comes greater diversification across regions, industries and business lines, and thus less volatile revenue. One study found that when geographic restrictions on branch banking fell, more-efficient banks gained market share, loan losses declined and customers benefited.

Big banks need stiffer regulation and higher capital to neutralize the harm their failure could inflict on the economy and to remove any subsidy that their too-big-to-fail status garners. Antitrust cops should bar them from using their size to quash competitors. The endgame is not, however, to drive such banks out of existence; that's a decision customers and shareholders can make.

BANK

Continued from Page One
the later part of this year, not weaker."

Analysts said the results could prove a turning point for banking stocks, in large part because the report suggests banks are starting to dig out of some of the troubles they have long struggled to overcome—sluggish trading, lackluster consumer demand, tough capital rules and profit-sapping low interest rates. Bank of America Corp. and Wells Fargo & Co. report results on Thursday.

Financial shares have been a drag on the overall market this year. They are still down about 4% in 2016, the worst performing sector in the S&P 500, despite Wednesday's gains. At its lowest point this year the index was down almost 18%.

J.P. Morgan's results could show that investors grew too pessimistic, some analysts said. "Investors' sentiment going into this quarter was as negative as we've seen in a number of years," said Gerard Cassidy, a bank analyst at RBC Capital Markets. J.P. Morgan's

results "bode well for the others."

Investors drove shares of J.P. Morgan, Bank of America and Wells Fargo higher, despite all three being told by federal regulators Wednesday that they would have to rewrite plans, known as "living wills," of how to handle a potential bankruptcy without taxpayer support. The KBW Nasdaq Bank Index and J.P. Morgan shares both had their third-best trading day of the year and hit three-month highs. European bank stocks also rose sharply.

The bank said first-quarter profit fell 6.7%, to \$5.52 billion, or \$1.35 a share. That topped the \$1.26 expected by analysts. Adjusted revenue of \$24.1 bil-

lion, down 3%, also beat analysts' expectations, while the bank intensified its cost cuts, reducing expenses 7%.

Consumer loans rose 12% to \$448.85 billion, owing largely to a 37% increase in mortgages that the bank added to its books. Commercial-banking loans rose 13% to \$173.92 billion, as a 31% increase in real-estate lending overcame weakness in the oil patch.

Also, J.P. Morgan and other large consumer banks like Wells Fargo and Bank of America benefited from a December Federal Reserve rate increase that many investors have now moved on from to focus on whether the Fed will hold off on future rate rises. The bank said its net yield on interest-

earning assets rose to 2.3% from 2.23% in the fourth quarter and 2.07% a year earlier.

"The consumer showed no signs of the feared recession," said Evercore analyst Glenn Schorr in a research note.

In trading and investment banking, the first quarter was weak, as expected, but strength in the last few weeks of the quarter—spurred in part by a rebound in stocks—has been followed by early optimism about the second quarter from executives.

J.P. Morgan's trading revenue decreased 11% to \$5.17 billion from \$5.81 billion in the first quarter of 2015 but up from \$3.64 billion in the fourth quarter. The bank's corporate and investment bank head,

Daniel Pinto, said in mid-February that trading fell 20% in the early part of the quarter because of less debt and equity capital-markets activity.

Similarly, the investment-banking revenue drop of 25% to \$1.32 billion, roughly in line with analysts' expectations, may turn around again in coming quarters, as markets stabilize and deals that were put off in the first quarter resurface. J.P. Morgan Chief Financial Officer Marianne Lake said she is "optimistic" about the merger pipeline if recent trends continue.

Another positive for J.P. Morgan and other banks is the improving litigation picture. The bank recorded no material legal costs in the first quarter,

the lowest level in two years. J.P. Morgan has paid out billions of dollars in settlements over the past several years, but Mr. Dimon recently wrote in his annual shareholder letter that many legal and regulatory issues that J.P. Morgan and the banking industry have faced are beginning to dissipate.

There are still trouble spots. J.P. Morgan set aside \$1.82 billion in the first quarter to cover loans that could potentially turn bad in the future, nearly twice what it set aside in the first quarter of 2015. The increase in reserves was primarily driven by downgrades to loans in the bank's oil, gas, metals and mining portfolios.

CORRECTIONS & AMPLIFICATIONS

Brazil's Progressive Party has 46 acting federal deputies and five elected deputies on leaves of absence. A World News article in some editions Wednesday about the party's withdrawal from Brazil's ruling coalition in-

correctly said it has 47 acting federal deputies.

Former President Richard Nixon was 48 years old in 1961 when he hit a hole-in-one at Bel Air Country Club. A Sports article Monday about the Masters

incorrectly gave his age as 44.

A photo with a Business News article Tuesday about mining in Africa was taken in 2014. In some editions, the photo caption incorrectly gave the year as 2104.

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

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★ ELECTION 2016 ★

Sanders Makes Bold—and Risky—Moves

Trip to Vatican, harsh attacks on Clinton and her husband precede a crucial April 19 vote

By PETER NICHOLAS

ALBANY, N.Y.—Sen. Bernie Sanders is taking some of the boldest and potentially riskiest steps of his campaign ahead of the crucial New York primary, hoping to raise his profile and undercut Hillary Clinton's support among a key part of the Democratic electorate.

After his debate with the Democratic presidential front-runner on Thursday, Mr. Sanders will leave the U.S. to appear at an academic conference at the Vatican devoted to themes of economic and social justice. Both issues are at the core of Mr. Sanders's message. But some Democrats are baffled as to why he would drop off the campaign trail for two days before the April 19 primary, where more delegates are at stake than in any other state save California.

"My advice to Bernie would be: Don't go to the other side

of the Hudson River. Stay here where you belong," said Hank Sheinkopf, a New York-based Democratic strategist not aligned with either candidate.

Leading up to the primary, Mr. Sanders has also escalated criticism of both Mrs. Clinton and her husband, former President Bill Clinton, who remains a popular figure in the party. Only 9% of Democrats said they viewed Mr. Clinton negatively in a Wall Street Journal/NBC News poll in February.

Appearing in New York's Harlem neighborhood last week, Mr. Sanders said at a forum devoted to race relations that the welfare overhaul signed by Mr. Clinton in 1996 was a campaign ploy to win voters at the expense of the poorest Americans.

"Bernie is a fighter, and he understands clearly what he needs to do to move forward," said Gary De Carolis, an ally when Mr. Sanders was mayor of Burlington, Vt., in the 1980s. "He will be tougher and tougher on the issues that he thinks [Mrs. Clinton] is vulnerable on."

In campaign stops in New York, Mr. Sanders has grown

more caustic about the six-figure fees Mrs. Clinton earned in speeches to New York financial firms. "Not bad for a day's work," he said at a recent rally in Albany. He is taking aim at what polls show is one of Mrs. Clinton's biggest points of vulnerability: perceptions that she is too close to Wall Street.

At a recent speech in Rochester, he faulted her for benefiting from super PACs that take money from financial interests. Wall Street has given more than \$17 million to outside groups backing her, according to the nonpartisan Center for Responsive Politics.

Brian Fallon, a spokesman for Mrs. Clinton's campaign, said Mr. Sanders's latest tactics undercut his vow to focus his campaign on issues. "In the last week, Sen. Sanders has questioned Hillary Clinton's qualifications, her judgment and most recently her credibility," he said. "If that doesn't amount to a personal attack, I don't know what does."

The moves by Mr. Sanders could test Democratic unity. Should she win the nomination, Mrs. Clinton will need to rally Sanders supporters and



Democratic rivals Bernie Sanders and Hillary Clinton wave to the audience at the Miami Dade College Kendall Campus last month.

sociated Press tally shows that in what has been his most successful stretch, the last nine contests have only cut into her lead by 71 pledged delegates. Mrs. Clinton currently enjoys a lead of 251 pledged delegates.

That makes the New York primary close to a must-win proposition for Mr. Sanders, some Democrats say.

Steve McMahon, a Democratic strategist who isn't aligned with either candidate, said: "For Bernie to have any hope of ultimately prevailing, he's got to start winning every big state by big margins. If he doesn't win New York, he's going to soon look like a spoiler and not an insurgent."

People close to Mr. Sanders say he has no interest in playing that role—weakening Mrs. Clinton to the point that she might lose in November.

John Franco, a longtime friend of Mr. Sanders, said in an interview he recalled an early discussion in which Mr. Sanders made clear he didn't want to be a "spoiler." "That conversation was settled in five minutes," Mr. Franco said.

—Laura Meckler contributed to this article.

In House Race, GOP Challenger Hails Trump

By SIOBHAN HUGHES

ROCHESTER, N.Y.—Two years ago, a little-known Republican town supervisor almost unseated Democratic Rep. Louise Slaughter, one of the lions of the New York congressional delegation, in the closest race she has faced since her first election to the House three decades ago.

This year, the same GOP challenger, Mark Assini, thinks he may be able to win, even though Democratic turnout tends to be higher in a presidential-election year. His weapon, he believes, is Donald Trump, who has been drawing thousands of supporters across western New York, an economically distressed area that finds the GOP presidential front-runner's brand of populism appealing.

Some Republican leaders have been anxious, and some Democrats gleeful, about the down-ballot effects of a Trump nomination, given the real-estate developer's high unfavorability ratings among many groups of voters. But in the white, working-class districts such as those that are typical in western New York, there is a different story, which even some Democrats acknowledge.

In a re-election strategy meeting at the Democratic Congressional Campaign Committee last month, at least one lawmaker cautioned against not taking Mr. Trump seriously, participants said.

"With all due deference to you all, I think Donald Trump is going to be harder than you think," Rep. Debbie Dingell (D.,



Rep. Louise Slaughter (D., N.Y.), in Washington in January, faces a challenge from a Trump supporter.

Mich.) told some of her party's leaders at the meeting, according to people who heard her remarks.

That perception is why Mr. Assini stood outside for hours Sunday in freezing temperatures to shake hands with the thousands of people lined up to see Mr. Trump speak at an airplane hangar outside of Rochester. Even in conversations with those constituents turned off by Mr. Trump, Mr. Assini explains why he would align with the businessman, whom he expects to be the party's nominee.

"There are a bunch of things

that I don't agree with him on," Mr. Assini said in an interview. "But the one strength he has is his economic policy. We've had politicians try and they haven't done very well. Let's try a businessperson."

Ms. Slaughter declined to be interviewed for this article. Her aides pointed to a memo circulated by her campaign that describes Mr. Assini as a person with extreme views, citing, among other things, his support for Mr. Trump.

Mr. Trump holds a commanding lead in polls ahead of next week's primaries in New York, and it is in his home

state that his ability to help—or hurt—down-ballot Republicans will be most tested if he is the nominee. That is because New York is one of the few states where congressional districts weren't drawn for partisan advantage, so it has nine congressional races that are competitive or have the potential to be, according to the Cook Political Report.

One of those nine districts is Ms. Slaughter's, which covers the Rochester region. President Barack Obama easily carried the district in 2012, and Ms. Slaughter won re-election by 14 points that year. But two

GOP congressman in nearby districts have already endorsed Mr. Trump, including Rep. Chris Collins, who was the first member of Congress to do so.

Mr. Trump's calls for a new approach to trade deals is resonating in a region beset by economic challenges. Eastman Kodak, the iconic Rochester photography company that employed 145,000 people world-wide at its peak, has just a fraction of its former workforce. General Motors Co. closed a plant in recent years. And last year, SentrySafe said it would move facilities from the Rochester area to Mexico and Wisconsin, eliminating hundreds of local jobs.

"I'm the only one who knows how to stop it," Mr. Trump said Sunday in Rochester, using the safe maker to give a local flavor to his calls for slapping tariffs on imports to stop production from being shifted to other countries. "I would have stopped them so fast your heads would spin."

Voters here find the clarity of such messages appealing, even if business and political leaders warn that Mr. Trump, if elected, risks touching off a trade war that could cripple the U.S. economy.

"As far as me voting Republican, there's a very good chance that I will vote that way," said Darlene Dunn-Lafredo, a Democrat from Rochester who once worked at GM. Onboard a bus to Mr. Trump's rally, she says the GOP candidate has the "right idea" when he proposes steep tariffs on goods imported from low-cost countries.

★ ★ ★ ★ ★
CAMPAIGN WIRE
★ ★ ★ ★ ★

DEMOCRATIC PRIMARY
Oregon Sen. Merkley Endorses Sanders
Sen. Jeff Merkley of Oregon endorsed Bernie Sanders for president on Wednesday, becoming the first member of the U.S. Senate to back him and breaking from the large majority of Democratic leaders who are supporting front-runner Hillary Clinton.
He cited Mr. Sanders's commitment to tackling climate change, the campaign-finance system, banking interests and free-trade agreements that Mr. Sanders says move good jobs overseas and undermine American workers.
—Laura Meckler

STATE DEPARTMENT
Kerry Reaffirms U.S. Opposition to Torture
Secretary of State John Kerry reaffirmed U.S. opposition to torture on Wednesday, an allusion to support voiced by two Republican presidential candidates for a return to harsh interrogation methods.
Mr. Kerry didn't single out any candidate or party, instead saying he wanted to remove any doubts "caused by statements" others have made.
Leading Republican candidates Donald Trump and Ted Cruz have suggested that they would use waterboarding and other "enhanced" techniques against terror suspects held by the U.S.
—Felicia Schwartz

Ryan's Fundraising Hits Record

By JANET HOOK AND KRISTINA PETERSON

WASHINGTON—House Speaker Paul Ryan of Wisconsin doesn't want to be the Republican nominee in this year's presidential election, but his high-profile presence and behind-the-scenes work raising money for the GOP could position him to seize the spotlight four years from now.

Mr. Ryan raised \$17.2 million in the first three months of 2016, outpacing his predecessor as GOP fundraiser-in-chief, according to reports filed Wednesday with the Federal Election Commission.

More than \$11 million of the money Mr. Ryan raised from January through March went to the National Republican Congressional Committee, the House GOP campaign arm, surpassing the \$7 million record set by Mr. Boehner in the second quarter of 2012.

The report covers the first full fundraising quarter since Mr. Ryan became speaker in late October 2015, a job he took reluctantly after party turmoil led to Mr. Boehner's resignation.

Mr. Ryan "puts a great face and voice on the Republican brand," said Sen. John Cornyn of Texas, the second-ranking

Republican in the Senate.

His fundraising haul and self-discipline illustrate Mr. Ryan's commitment to helping the party keep control of the House through a tumultuous presidential election. They also suggest that Mr. Ryan is working to polish his standing as a party leader and could be amassing a power base from which he could run in 2020, when the 46-year-old speaker would be a still-youthful 50.

The House speaker 'puts a great face and voice on the Republican brand.'

"Certainly the White House is something that would be available and something you might see Republicans really applying pressure on him to do," said fellow Wisconsin Republican Rep. Reid Ribble.

Still in his first year as House speaker, Mr. Ryan's job will become more difficult next spring, when Congress will contend again with raising the government's borrowing limit to avoid any chance of defaulting on the debt.

"You can continue to postpone some of the inevitable through the election," but

those thorny fights are "all on the horizon and they're going to have to be dealt with," said Rep. Raul Grijalva (D., Ariz.), co-chair of the Congressional Progressive Caucus.

If Democrats win the White House and take back control of the Senate in November, Mr. Ryan would be the most powerful Republican in Washington, but would still have limited power to implement GOP policy. Some conservative groups are frustrated that a host of task forces set up by Mr. Ryan have yet to produce substantive Republican legislation overhauling the tax code and welfare system or replacing the 2010 health-care law.

Notably, internal divisions among Republicans have stymied them so far from passing a budget blueprint this year, an embarrassment for Mr. Ryan, a former Budget Committee chairman.

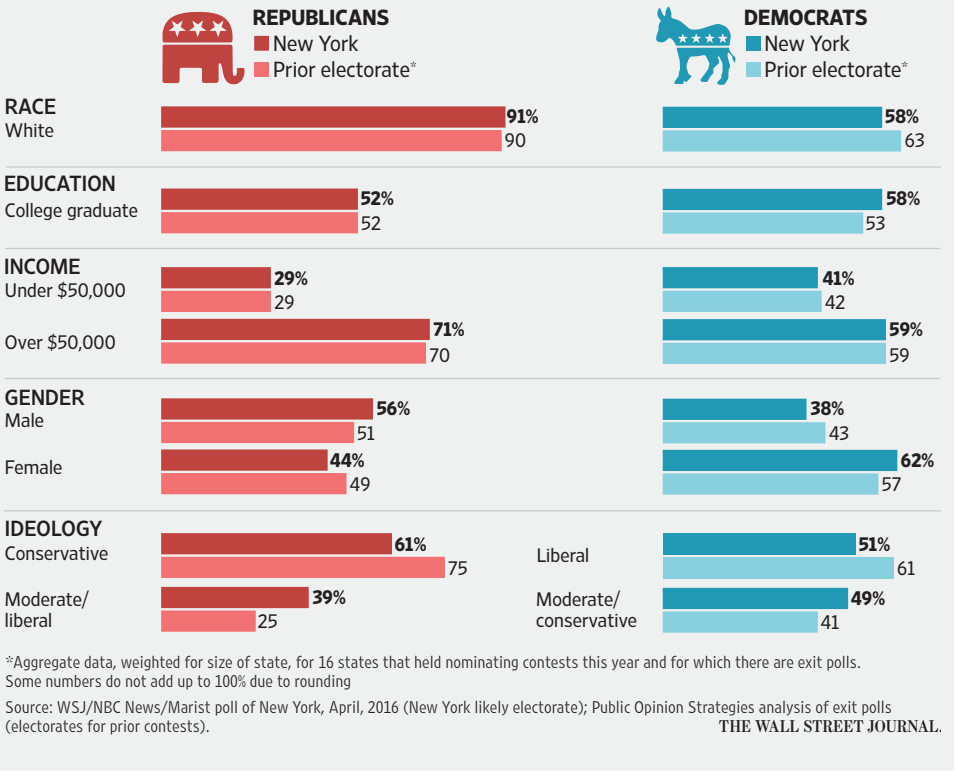
Although he has said flatly many times that he wouldn't run for president in 2016, many Republicans have speculated—or wished—that he could emerge as an alternative candidate if they have a deadlocked or contested convention in Cleveland in July.

Mr. Ryan held a news conference Tuesday to end the speculation. "Count me out," he said bluntly.

POLITICS COUNTS | Aaron Zitner

Primary Distinction

New York voters are more likely to describe themselves as moderates than Republicans and Democrats who have voted in nominating contests so far. But the racial and class makeup of the state's voter pool looks much like that of prior electorates viewed in the aggregate.



Clinton Seeks Unit To Help Migrants

By Laura Meckler

NEW YORK—Seeking to press her case to Latino voters, Democratic presidential front-runner Hillary Clinton said Wednesday she would create a national Office of Immigrant Affairs that would coordinate government policy on the issue if she reaches the White House.

The announcement came in conjunction with an endorsement of Mrs. Clinton by the New York State Immigrant Action Fund, one of New York's largest immigrant-rights groups, and less than a week before the state's Democratic primary, where a substantial portion of voters are expected to be Hispanic.

The new office would coordinate programs across federal, state and local governments, and would work to help integrate immigrants, refugees and their children into communities, the Clinton campaign said. An aide said the office would help undocumented immigrants as well as those in the U.S. legally.

Mrs. Clinton said she would propose \$15 million in competitive grants to fund community navigators who would help guide people through the immigration system. She would also work to help people eligible to become citizens, a process she said was too complex.

Mrs. Clinton and her rival, Sen. Bernie Sanders of Vermont, have sought to paint themselves as the stronger supporter of immigrant rights. The Sanders campaign on Tuesday spotlighted Mrs. Clinton's onetime opposition to granting driver's licenses to undocumented immigrants, while Mrs. Clinton hit Mr. Sanders this week for voting against a 2007 immigration overhaul.

Standing Issue for Immigration Suit

States' ability to bring case against Obama plan rests on claim over driver's license fees

By Jess Bravin
And Miriam Jordan

The 26-state challenge to the Obama administration's immigration policy, scheduled for Supreme Court argument Monday, comes wrapped in rhetoric about the separation of powers and brims with implications for the November elections.

But the outcome may hinge on something more mundane: Texas driver's license fees.

That is because the states' legal ability—known as standing—to bring the case rests on Texas' claim it would have to subsidize the cost of licenses to people qualifying for the plan, called the Deferred Action for Parents of Americans. The plan would provide work authorizations and a temporary reprieve on deportation to millions of illegal immigrants whose children are U.S. citizens.

Texas charges \$24 for a license, but says it costs nearly \$200 to process an application. Because immigrants with temporary status can request licenses, "Texas therefore would lose millions of dollars if even a small fraction of DAPA-eligible aliens applied for driver's licenses," the state said.

The Justice Department counters that Texas has no business being in court at all.

"The cost to Texas of subsidizing temporary visitor driver's licenses for aliens—is entirely self-generated," the government said in a brief suggesting that Texas could charge the full cost of issuing licenses. "If such self-imposed harms were sufficient, then states could force disputes over a wide swath of federal policies."

The Supreme Court has been taking pains to reach consensus decisions after the February death of conservative Justice Antonin Scalia, which left the court with eight justices and



Activists in Austin, Texas, protest a legal challenge to the Deferred Action for Parents of Americans, also known as DAPA.

increased the chance of 4-4 splits. The standing issue—one of great importance to several justices, including Chief Justice John Roberts—could offer a route to avoid a potential tie.

"I think this is going to end up being another civil procedure case where we're talking about what standing means, with nothing to do with immigration altogether," said Kit Johnson, a law professor at the University of Oklahoma.

Some 4.1 million parents of U.S. citizens and legal permanent residents could benefit from the Obama plan.

Immigrants filled workshops at churches, community centers and schools across the U.S. to learn about the program after it was announced, among them a 28-year-old Mexican woman involved in the case and identified publicly as Jane Doe 2. She has spent half her life in McAllen, Texas, where

she was brought illegally by her parents.

In an interview, she said she had envisioned "finally" getting a driver's license, working legally to support her two U.S.-born children and living without fear of being deported. Her hopes were disrupted by the legal challenge, she said.

She rarely ventures more than a few miles from her home, to avoid passing a border-patrol checkpoint. "I feel imprisoned," she said.

Last year, she and two other immigrants entered the court case on the side of the Obama administration. "I feel frustrated that I can't take advantage of opportunities here to give my children a good life," she said.

The Obama plan, announced in November 2014, is limited to people with clean records whose children are U.S. citizens or lawful permanent residents.

The administration said the plan is similar to temporary actions by previous administrations to assist specific alien populations lacking legal status, and simply formalizes the discretion the president already holds over immigration enforcement.

A federal district judge in Brownsville approved the Texas challenge on the driver's-license basis, and in February 2015 issued a nationwide injunction barring the program's implementation. In November, the Fifth U.S. Circuit Court of Appeals in New Orleans upheld the injunction, based on the claim that the Department of Homeland Security didn't follow proper administrative procedures in issuing the policy.

The Texas coalition contends President Barack Obama acted contrary to federal law. By providing work permits, the administration would create "pre-

cisely the sort of magnet for unlawful immigration that Congress sought to avoid," its legal brief said.

"The job of the president is not to make law," Texas Attorney General Ken Paxton, a Republican, said in an interview. "He is supposed to execute the laws that Congress puts in front of him."

A victory for the administration wouldn't conclusively determine the lawfulness of the deferred-action plan, but it would allow it to take effect while Texas litigates the matter at a trial court. Secretary of Homeland Security Jeh Johnson said the department is prepared to implement it quickly if the injunction is lifted.

If the court deadlocks, the lower-court injunctions would remain in place, likely freezing the program for the rest of the Obama administration and into the next presidency.

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U.S. NEWS

Weak Start to 2016 Fits Familiar Pattern

By JEFFREY SPARSHOTT

The U.S. economy is again off to a poor start to the year, clouding the outlook and validating the Federal Reserve's wait-and-see posture on raising interest rates.

Falling corporate profits are already constraining business investment, and a strong dollar is restraining exports. Now, renewed caution among American households is holding back consumer spending, stymieing a key growth driver.

"The economy appears to have stumbled out of the gate again this year," said Jim Baird, chief investment officer at Plante Moran Financial Advisors.

A 0.3% drop for retail sales in March, according to Commerce Department figures out Wednesday, marked the third straight month in which sales have been flat or falling.

Slow starts are nothing new, leaving plenty of hope that better months are ahead. Gross domestic product, a broad measure of economic output, shrank in the opening quarter of 2014 and barely grew at the outset of 2015, only to resume the same staid trajectory that has been the hallmark of the recovery.

GDP forecasts for the first



SPENCER PLATT/GETTY IMAGES

Retail sales fell 0.3% in March after declines in January and February. Here, a shopping mall in New York City last month.

quarter of 2016 echo the pattern of the past two years: Macroeconomic Advisers is tracking a growth rate of 0.9%, Nomura expects 0.7%, J.P. Morgan Chase 0.2% and Wells Fargo 0.1%.

That apparent slowdown—following a muted 1.4% ad-

vance in the closing quarter of 2015—and weakening prospects for global growth are leaving Fed officials on a cautious path as they weigh the next move for interest rates.

The central bank raised its benchmark rate in December

for the first time in almost a decade but has held off on further moves amid global uncertainty and financial market volatility. So far, central bank officials have been more worried about the drag from external forces than underlying

domestic economic growth.

"We need to let the data play out and see if the weakness that we saw in fourth-quarter GDP and first-quarter GDP are an aberration or a trend," Philadelphia Fed President Patrick Harker said Tues-

day. The Fed meets April 26-27.

Some economic indicators have been robust. The labor market, for example, has powered through soft patches and added nearly 1.5 million jobs over the past six months. The Fed's "beige book" survey, released Wednesday, covering economic conditions into early April, said an economic expansion in most of the U.S. has been supported by firming labor markets, rising wage pressures and modest increases in consumer spending.

Still, the latest retail-sales figures highlight some of the broader forces restraining the overall economy. Auto sales set a record in 2015 but have been disappointing so far this year, tumbling last month. Americans also cut back on discretionary spending at restaurants and bars, clothing stores and department stores in March.

Rising gasoline prices boosted the value of purchases at service stations. Sales also climbed at building suppliers, and health and personal-care stores. Also offering hope for the outlook: Sales at furniture and home-furnishing stores fell in January and February but expanded 0.3% in March, possibly reflecting an improving consumer outlook.

U.S. Watch

SUPREME COURT

Republicans Hold Firm on Nomination

The White House campaign to persuade Senate Republicans to vote on Supreme Court nominee Merrick Garland this year isn't changing any minds.

Sen. Kelly Ayotte (R., N.H.), a first-term senator who is up for re-election this year, said after meeting with the Judge Garland Wednesday that the confirma-

tion process should wait until after the elections—a position that has drawn criticism back home.

The White House has calculated that if GOP senators sit down with Judge Garland, they would agree to hold a confirmation hearing and then later confirm him. But so far, the meetings aren't changing any minds.

—Siobhan Hughes

TEXAS

'Affluenza' Teen Ordered to Jail

A teenager who once successfully used an "affluenza" defense after a fatal drunken-driving crash was ordered by a judge to serve nearly two years in jail for violating his probation.

Ethan Couch, who turned 19

on Monday and was appearing in adult court for the first time, received a sentence of 180 days for each of the four deaths in the June 2013 crash, to be served consecutively.

In 2013, Mr. Couch was sentenced in juvenile court to 10 years of probation after he was charged in the crash that left four dead. The defense argued the teen had been coddled into a sense of irresponsibility by his wealthy parents, a condition a psychologist called "affluenza." Earlier in 2013, Mr. Couch had lost control of his family's pickup truck after he and his friends played beer pong and drank beer. The crash fatally injured a stranded motorist, a youth minister and a mother and daughter.

—Associated Press

HOLMES

Continued from Page One

had 10 days to give CMS evidence of why the sanctions shouldn't be imposed. The company has responded, and CMS is reviewing the response, according to a person familiar with the matter.

If the company doesn't respond to the satisfaction of the regulators, CMS said in the letter that it will proceed to impose the sanctions.

If the sanctions are imposed, some would take effect within eight days. Others would take longer, including revoking the California lab's license, which could occur in 60 days.

Theranos could appeal to an administrative law judge and then a departmental appeals board, which could delay the effective date of some of the sanctions. If Theranos were to appeal, the lab would keep its license pending the outcome of the appeals process. The proposed ban on Ms. Holmes and Mr. Balwani would take effect at the same time as the lab's license revocation and would be subject to the same appeals process.

The appeals process could take months, and such appeals have rarely succeeded in the past. A list of appeals decisions on the agency's website shows that the agency didn't lose a single such case from 2001 to the end of 2010.

In response to questions from the Journal about the letter, Theranos spokeswoman Brooke Buchanan said the government hasn't yet imposed sanctions on the company's lab in Newark, Calif.

"Due to the comprehensive nature of the corrective measures we've taken over the past several months, which has been affirmed by several experts, we are hopeful that CMS won't impose sanctions," she added. "But if they do, we will work with CMS to address all of their concerns."

Last week, Theranos announced the recruitment of "nationally respected laboratory and medical experts" to its scientific and medical advisory board. The company said the eight-member panel would "work alongside Theranos' leadership and internal teams in various areas, including advising Theranos regarding the full integration of its technology into routine clinical practice, and publication and presentation in scientific journals and at scientific meetings."

Theranos was valued at \$9 billion in a funding round in 2014 and the majority stake of Ms. Holmes at more than half that. During the past six months, though, Theranos has faced questions about the proprietary blood-testing devices it invented, code-named Edison, the accuracy of patient test results and its lab practices.

The Journal reported in October that former employees had doubts about the accuracy and reliability of the Edison devices. CMS inspectors found that some tests run on those machines and traditional devices routinely missed Theranos's own accuracy requirements.

Ms. Buchanan said last month that Theranos "made mistakes in the past in the Newark" lab but has "dedicated every resource to remedy those failures" since becoming aware of the problems.

She also said that most of the deficiencies related to how Theranos used various testing machines, including its Edison devices, not "the fundamental integrity of the technologies themselves."

The company's most urgent challenge is to persuade government officials not to impose the crippling penalties detailed in the 45-page letter. The agency completed an inspection of the California lab in November and found five major categories of infractions that violate the fed-

that the California lab ran about 890,000 tests a year.

Officials found that Theranos failed to adequately correct 43 of 45 deficiencies identified by inspectors last year. The failures included not providing evidence that Theranos sent corrected reports to patients who got flawed test results.

One of those tests, a blood-coagulation test known as prothrombin time, measures how long it takes blood to clot and is often used by doctors to determine which dosage of the blood thinner warfarin to give patients.

Wrong prothrombin time results could cause doctors to prescribe too little or too much warfarin. Too much of the drug, also known by its brand name



NIKKI RITCHER FOR THE WALL STREET JOURNAL

Elizabeth Holmes at a WSJ tech conference in Laguna Beach, Calif., in October.

eral law governing clinical labs.

In February, Theranos submitted a correction plan to address the problems, but federal officials concluded it was insufficient, according to the March 18 letter. CMS declined to comment.

The letter detailed six proposed sanctions, including revoking the California lab's federal license and barring it from the Medicare program. License revocation would result in Ms. Holmes and Mr. Balwani being barred from owning or operating any lab for at least two years, according to the copy reviewed by the Journal.

CMS also proposed to fine Theranos \$10,000 a day and said it wants the company to submit the names and addresses of all doctors and patients who used the lab's services since January 2014.

"This list may be used to advise the laboratory's clients of the nature of its non-compliance and the nature and effective date of any sanctions imposed against the laboratory," federal officials wrote in the letter.

The proposed penalties are among the most severe in CMS's power, said Barbara Cammarata, a lawyer at Sidley Austin LLP who advises clinical labs on regulatory issues. "They're in a lot of trouble," she said.

Last year, the agency revoked the licenses of about two dozen clinical labs out of the thousands it oversees across the U.S.

Greg Ingle, chief executive of Clinical Lab Consulting LLC, a firm that audits labs, said it "is incredibly rare to see" the government seek to take away the license of "a highly capitalized, large operation" such as Theranos. Company records showed

Coumadin, can cause fatal bleeding, while too little can leave patients vulnerable to clots and strokes, according to medical experts.

Prothrombin time is a hematology test. In January, CMS told Theranos that its hematology-testing practices placed patients in "immediate jeopardy." In the March 18 letter, the agency said the company's plan failed to adequately correct those deficient practices.

As a result, the agency proposed to bar Theranos's lab in California from doing any hematology testing, regardless of whether it appeals the sanctions, according to the letter.

The company has said it doesn't believe any patients were affected.

The Arizona lab wasn't part of the inspection and continues to run a variety of tests on samples drawn from patients at 40 Theranos wellness centers at Walgreens Boots Alliance Inc. drugstores.

In addition, CMS said it didn't find some of the exhibits and tables Theranos referred to in its plan, according to the letter. And Theranos widened the variation ranges it deemed acceptable for certain blood tests without giving the agency any justification for the change, the letter said.

CMS officials usually release sanctions letters to the public soon after sending them to lab owners. With Theranos, the agency has held off because the company requested redactions that it said are necessary to protect its trade secrets, according to people familiar with the matter. The agency hasn't decided whether to grant the redaction requests, the people said.

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WORLD NEWS

In Brazil, Deep Divisions Are on Display

Colorful street theater reflects serious rifts in impeachment debate; yellow ducks, red shirts

By REED JOHNSON
AND LUCIANA MAGALHAES

SÃO PAULO—The national mood fluctuates between a festive carnival parade and a bitter family feud as Brazilians tensely await Sunday’s congressional vote on whether to impeach President Dilma Rousseff.

Here in Brazil’s largest city, pro-impeachment activists have pitched tents and draped anti-government banners on the main commercial drag. Among their props is a gigantic inflatable yellow duck, alluding to a Portuguese expression that roughly translates as, “We won’t pay the tab for what isn’t our fault.”

In Rio de Janeiro on Monday, intellectuals and artists including songsmith Chico Buarque and Leonardo Boff, a social-activist priest, staged a pro-government rally in the bohemian Lapa neighborhood, and signed a manifesto decrying the impeachment push as a threat to democracy.

But the colorful street theater underlines social fissures that have widened over the past decade amid a sagging economy and rising public anger at corruption among Brazil’s economic and political elites.

The showdown between Ms. Rousseff and her congressional adversaries has opened rifts among Facebook friends and family members. Punches have been thrown by angry lawmakers on national television. Bloodier altercations have bro-



EVARISTO SA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Members of the Come to the Street movement set up posters near Congress on Sunday depicting pro- and anti-impeachment lawmakers.

ken out among red-shirted supporters of Ms. Rousseff’s leftist Workers’ Party and opponents decked out in the yellow-and-green jerseys of the national soccer team.

“All this ends up being bad for democracy itself,” said Pedro Fassoni Arruda, a political scientist and professor at the Pontifical Catholic University of São Paulo, who like many commentators has compared the atmosphere to a rowdy soccer match.

Brazil’s political temperature is rising ahead of Sunday’s cli-

matic vote, after a special congressional committee voted on Monday to support a recommendation for impeachment. If two-thirds of the full Chamber of Deputies votes on Sunday to support impeachment, Ms. Rousseff’s case will be sent to the Senate for trial.

The charges against Ms. Rousseff stem from accusations that she used accounting tricks to hide a growing federal budget deficit, allegations she denies.

Politicians have set the nasty tone for the nation. Mon-

day’s televised commission hearing showed adversaries shouting each other down with cries of “Dilma, out!” and “There will not be a coup!” Government foes brandished blow-up dolls of Ms. Rousseff’s mentor and presidential predecessor, Luiz Inácio Lula da Silva, sporting prison pin-stripes.

Although Brazil’s social divisions aren’t as acute as those in neighboring Venezuela, the roiling discontent and disillusionment have upset the country’s self-image as a tolerant and

congenial society, as ugly incidents of intimidation have multiplied in recent weeks.

In the southern city of Porto Alegre, a pediatrician refused to treat the son of a local official aligned with the Workers’ Party. In São Paulo, a prominent sports columnist, Juca Kfour, was verbally abused at his home after he took a public stand against impeachment.

Mr. Kfour, who writes for the *Folha de S.Paulo* newspaper, said in an interview that he is not a Workers’ Party supporter, but doesn’t think Ms. Rousseff

has done anything that would justify impeachment.

“I have never seen such intolerance,” said Mr. Kfour, who was arrested in 1971 for opposing the military dictatorship that ruled Brazil for two decades before democracy was restored in 1985. “We are no longer able to discuss politics.”

Some believe the silver lining in Brazil’s outlook is that smartphones and social-networking apps have made it easier for ordinary citizens to have a say in the rancorous debate.

Filmmaker Anna Muylaert, who opposes impeachment, said Brazil and other countries are experiencing “a very democratic, historic period” that bodes well for the future.

The country’s greater problem is the corrupt legacy of the past, said Ms. Muylaert whose 2015 feature, “Que Horas Ela Volta?” (“The Second Mother?”) deals with subtle class tensions between an affluent São Paulo family and its devoted housekeeper.

“I think that comes from the way we were colonized 500 years ago, the way the Portuguese came here to get the gold, to use the Indians, and not thinking of building a nation,” she said. “That is a curse that is still going on.”

For now, though, many Brazilians are looking forward to Sunday’s vote and not bothering much about what came before or what comes next. “If the impeachment is approved, there will be a huge party,” enthused Cezar Leite, who heads a regional chapter of *Vem Pra Rua* (Come to the Street), an anti-Rousseff group, in the city of Salvador in the northeast state of Bahia. “Salvador will wake up in a carnival,” Mr. Leite said.

Rousseff Faces More Defections Of Allies

By ROGERIO JELMAYER
AND PAULO TREVISANI

SÃO PAULO—Political allies are deserting President Dilma Rousseff, reducing her chances of surviving a crucial impeachment vote in Congress set for Sunday.

The Social Democratic Party, or PSD, which is a member of the governing coalition, on Wednesday recommended its members vote in favor of impeachment, reversing an earlier decision to support the president, a spokeswoman said. Of the party’s 36 deputies, 26 are in favor of impeachment, five are against and five are undecided, she added.

Another party, the Brazilian Labor Party, or PTB, also recommended on Wednesday that its lawmakers vote in favor of impeachment.

The party, which isn’t in the governing coalition, has 19 deputies, with 15 in favor of impeachment and four against, a party spokesman said.

The move will add to pressure on undecided lawmakers to vote against the president, said Carlos Melo, a political-science professor at the Insper business school in São Paulo.

“It’s the typical rush for the exit that we see with political parties that always try to position themselves on the stronger side,” he said.

Ms. Rousseff’s government has been scrambling to cobble together enough support to stave off an impeachment vote in Brazil’s Chamber of Deputies.

She needs 172 votes in the 513-member body, including abstentions or no-shows, to kill the proceeding and avoid a trial in the Senate.

The president on Wednesday said her government has enough support in the lower house to block impeachment and proposed a national unity pact after she wins. The pact would unite “all political forces, without losers or winners,” she said.

The defections “have made an impeachment trial in the Senate almost inevitable,” said Rafael Cortez, a political analyst at São Paulo-based consultant Tendências Consultoria.

Economy Tanks as Political Upheaval Looms

By PAUL KIERNAN

RIO DE JANEIRO—For the past two months, Brazilian financial markets have staged wild rallies over any sign that left-leaning President Dilma Rousseff might be ousted from office, even as the nation’s economy spiraled further into the depths of its worst crisis in generations.

Now, with a crucial impeachment vote looming on Sunday, investors may soon get their wish for new leadership. If two-thirds of lawmakers in Brazil’s lower house vote to try Ms. Rousseff on charges of doctoring the government’s fiscal numbers, she will have to step aside, at least temporarily.

But while markets are cheering, the prospects for a growth rebound remain dim, even if Ms. Rousseff is succeeded by a more business-friendly head of state.

“The economy suffers from a variety of original sins,” said João Pedro Ribeiro, a Brazilian economist at Nomura in New York. He says Brazil’s “potential growth”—how fast gross domestic product is capable of expanding in the long term—is now “very, very low” in comparison with other developing countries.

The president’s critics say she has mismanaged her nation’s once-flourishing economy and lacks the political skills to push badly needed

overhauls through Congress. Brazil’s GDP shrank 3.8% last year—the biggest contraction in a quarter-century, and a stark turnaround from the 7.5% growth notched in 2010, the year Ms. Rousseff was elected. The economy is now projected to contract 3.8% in 2016.

But the bleeding will likely continue regardless of who Brazil’s president is because the government has virtually exhausted its firepower to fight the crisis. Years of economic stagnation, combined with constitutionally mandated spending on things like health care, education and pensions, have left Brazil’s public sector with a deficit of nearly 11% of GDP.

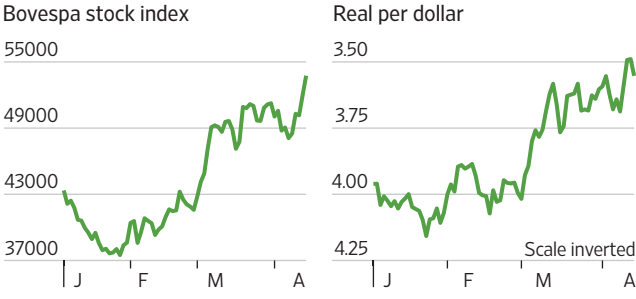
“We talk about entitlement spending in the U.S., but I mean, that is what Brazil does—90% of the budget is entitlement spending. There is no discretionary spending,” said Edwin Gutierrez, who manages \$11 billion in emerging-market debt at Aberdeen Asset Management.

The fixes Brazil needs would require politically unpopular decisions. Ms. Rousseff’s likeliest successor, Vice President Michel Temer, has signaled a pro-market agenda but will likely have “a very narrow honeymoon” to implement it, said Christopher Garman, head of country analysis at risk consultancy Eurasia Group.

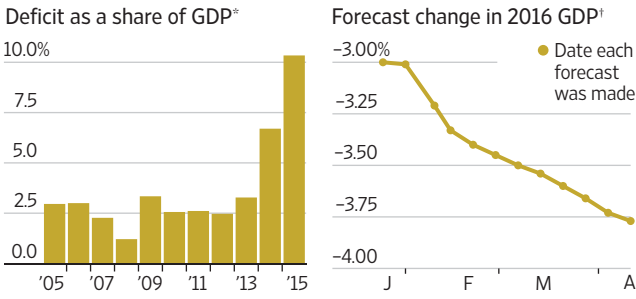
A Supreme Court judge re-

No Quick Fix

While news of President Rousseff’s possible ouster has helped lift Brazil’s financial markets...



...growing deficits and increasingly gloomy growth forecasts don’t bode well for a speedy turnaround.



*Nominal; †Based on weekly surveys of private economists
Tullett Prebon (real); Brazil’s central bank (deficit); GDP

Sources: FactSet (Bovespa);

THE WALL STREET JOURNAL.

cently ordered Brazil’s Congress to charge Mr. Temer with the same offenses it lodged against Ms. Rousseff. Several high-ranking PMDB members have been implicated in a wide-reaching corruption scandal.

A newly energized leftist opposition, meanwhile, is likely to oppose any austerity

measures he tries to impose.

“As a result, the binary manner by which markets are treating this weekend’s vote is probably somewhat misplaced,” Mr. Garman said in a research note on Tuesday.

Many challenges ahead are enshrined in Brazil’s 1988 constitution, which makes it practically impossible for the gov-

ernment to lay off civil servants and allows workers to start collecting social security at an average age of 54.

Such problems, along with other obstacles to growth like pervasive red tape and poor infrastructure, were masked from 2003 to 2011 by rising prices for Brazil’s commodity exports. When commodity prices began to falter during Ms. Rousseff’s first term, she intervened in the economy with populist policies that temporarily sustained consumer spending but left Brazil with a gaping budget deficit.

Ms. Rousseff attempted to right the fiscal ship after her 2014 re-election by naming a respected banker, Joaquim Levy, as finance minister. News of the appointment boosted Brazil’s stocks and currency. But his most important austerity measures fell flat, and he resigned in December.

Mr. Levy’s struggles may bode poorly for Mr. Temer’s hopes of swiftly delivering his party’s promise to overhaul the pension system, cut wasteful government spending and stimulate private investment.

“We thought when Joaquim Levy came on board...that Brazil was moving in the right direction,” said Michael Henderson, an analyst at Maplecroft. “But there is a lot of inertia there; a lot of these structural problems are hard to weed out. There are a lot of vested interests.”

Ex-Finance Minister Faces Uphill Battle in Peru Vote

By RYAN DUBE

LIMA, Peru—Pedro Pablo Kuczynski, a 77-year-old economist, is touted by some as the likely next president of Peru, after coming in second in a first-round vote last weekend.

But he has to overcome two obstacles: getting about half the votes of the front-runner and being seen as too American.

“It’s going to be a tough slog,” said Pedro Pablo Kuczynski, known by rivals as “the gringo,” in an interview with The Wall Street Journal on Wednesday.

To win, he said he will have to count on the unpopularity of his opponent, Keiko Fujimori, and her famous father, a former president.

“We will need some help,” said the former Credit Suisse First Boston executive, who



SEBASTIAN CASTANEDA/EFE/ZUMA PRESS

Presidential candidate Pedro Pablo Kuczynski in Lima on Sunday.

speaks fluent English. “But there is a hard-core anti-Fujimori vote that is very important.”

Mr. Kuczynski, a former finance minister, qualified for the June 5 runoff against Ms. Fuji-

mori, the 40-year-old daughter of Alberto Fujimori. He is reviled by many Peruvians for his authoritarian 1990s rule, but beloved by others for having defeated a fanatical rebel group and tamed hyperinflation.

Mr. Kuczynski has won strong support among Peru’s business community and emerging middle class. But he has struggled to connect to poor voters in the countryside.

“He needs all of the anti-Fujimorista voters to line up behind him,” said Steven Levitsky, a political scientist and Peru expert at Harvard University.

Mr. Kuczynski acknowledges that he doesn’t have the name recognition of his rival, nor the grass-roots organization that makes her a favorite among rural voters. “What is in my favor is that my negatives are very low, whereas she’s got a hard core of people that will never vote for her.”

Mr. Kuczynski, who is married to an American, has tried to blunt perceptions that he is more foreign than Peruvian, as well as beholden to the elite. During the campaign, he gave

up the U.S. citizenship he had obtained during the many years he spent in the U.S.

But Mr. Kuczynski seems visibly uncomfortable playing the populist. He prefers to talk about providing incentives to small companies to get them to put informal workers on the payroll. He would also offer tax incentives for larger investors, like mining companies, to reinvest profits.

“Because we are commodity dependent, people say that China slows down and we hit a wall,” he said. “But it doesn’t have to be that way. There are a lot of things we can do.”

Mr. Kuczynski said he wants to better use state resources to improve education and provide services. “It’s time to have a country that is modernized, that is socially more egalitarian, more developed than it is.”

WORLD NEWS

Trapped Migrants Clash With Riot Police

Near-daily outbreaks of violence in Greece point to brewing humanitarian crisis

By Stelios Bouras

ATHENS—Migrants and Macedonian police clashed for the second time in recent days at the country's Greek border, highlighting the growing frustration of migrants trapped in squalid conditions in Greece by border closures.

At the village of Idomeni, on Greece's border with northern neighbor Macedonia, a group of up to 100 migrants threw rocks and tried to rip down the border fence on Wednesday, according to Greek police. Macedonian riot police responded by firing tear gas and stun grenades to disperse the group.

Greek police stepped in to prevent an escalation and a repeat of violent clashes on Sunday, when scores of people were injured, mostly by tear gas or plastic bullets fired by Macedonian police.

The outbreaks of fighting at Idomeni are a sign of how Greece is turning into a pressure cooker for some 54,000 migrants stranded in the country, often with little food and living in wretched conditions.

The migrants, including Syrian refugees as well as Iraqis, Afghans and others, mostly want to seek asylum in Germany and other parts of Northern Europe. But the trail into the continent has been blocked by the closure of borders in the Balkans.

A deal between the European Union and Turkey to send back migrants who cross the Aegean Sea to Greece has coincided with a sharp reduction of new arrivals in Greece in recent weeks. But tens of thousands already in Greece face an uncertain future, un-



A man threw a tear-gas shell back at Macedonian police as they tried to stop migrants from tearing down a fence at the country's border with Greece on Wednesday.

able to travel deeper into Europe and many afraid to return to troubled regions in the Middle East or South Asia.

Outbreaks of violence involving refugees and other migrants have become an almost daily occurrence in Greece.

At Idomeni, where nearly 11,000 migrants are gathered, some have blocked train tracks between Greece and Macedonia, while others have on occasion blocked traffic on nearby roads.

Efforts by Greek authorities to shift them to nearby camps have proved largely fruitless. Many fear that if they leave the area, they may miss their chance to get across the border. Others complain about the overcrowded conditions at the state-run shelters.

Greek government officials acknowledge there are problems at the more than 30 official camps around the country but say they are doing their best, given limited time and

resources.

One of the most overcrowded accommodation centers is at the disused Athens airport at Hellenikon, where more than 4,500 migrants have been put up, exceeding the camp's planned capacity of 4,000. On Tuesday, refugees smashed the windows of the main building to cool it down amid a bout of warm weather.

Akram Halae from Syria said he preferred a makeshift camp at the port of Piraeus,

along with all its risks. Outbreaks of violence among migrants over food regularly take place. Reports of sexual harassment against women are frequent.

Mr. Halae has been sleeping in a small tent with his wife, their 6-year-old daughter and his mother the past 20 days. A driving instructor in his hometown Aleppo, Mr. Halae complained of rats and "other animals" in the government shelter where he slept before.

His biggest concern, however, is how his family can get a hot shower. It can't afford to pay the €30 (\$34) that local hotels are demanding for a few hours in a room when they can wash and rest, he said. The family has caught the flu in recent days, he said.

Like most of the trapped migrants, Mr. Halae is at a loss. "All I can do is sit here and wait for something to happen. I don't know what—just something," he said.

Russians Buzz U.S. Navy Ship in Baltic Sea

By Julian E. Barnes and Gordon Lubold

Russian warplanes and a military helicopter repeatedly buzzed a U.S. Navy destroyer in the Baltic Sea two days this week, flying to within 75 feet of the warship, according to U.S. officials, a sign of potentially rising tensions despite Moscow's recent agreement to hold new talks with the Western alliance.

U.S. officials said the passes by unarmed Su-24 warplanes and at least one Ka-27 Russian military helicopter were unsafe, potentially provocative and could have caused an accident.

Images released by the U.S. showed the Russian aircraft streaking within yards of the USS Donald Cook, then circling the bow of the ship in what a U.S. official said was an unmistakable attempt to harass the vessel and its crew.

The Cook was also followed by a Russian frigate and auxiliary ship.

A Russian military helicopter also came within about 100 feet of the Cook. One image of the helicopter showed its side door open and an individual in jeans sitting in a rear seat, an indication that the Russians



A Russian SU-24 jet shown making a pass near the USS Donald Cook on Tuesday in the Baltic Sea.

were hosting someone who wasn't in the military.

Video of one incident included audio of the U.S. ship's crew repeatedly describing the Russian aircraft over a radio, likely to a higher authority. According to one official, attempts to communicate with

the Russian pilots were unsuccessful.

One of the passes occurred as a Polish military helicopter was about to take off from the deck of the Cook, according to a U.S. official briefed on the incident. The pass-by disrupted the operation, forcing the Cook to

hold the helicopter on its deck.

The Cook, a ballistic missile-defense destroyer, was patrolling and conducting helicopter exercises with Poland and other U.S. partners in the southwestern Baltic Sea, after a port visit in Poland on Sunday. A U.S. official said the Cook

was operating in international waters.

After the March 2014 Russian move to annex Crimea, there were a series of high-profile intercepts of aircraft and passes of warships as tensions rose between Moscow and the North Atlantic Treaty Organization. Recent months, however, have been a period of relative calm.

The U.S. also has witnessed an increase in Russian submarine activity in the region over the past 18 months—the most U.S. officials have seen since the end of the Cold War, according to one official. As a result, the U.S. has increased its surveillance of those subs.

The rise in sub-hunting operations could explain why the Russian military responded so aggressively to the Cook.

"As Russian sub activity has increased in the region, the U.S. and its allies have increased their monitoring and tracking of them," the official said. "We want the Russians to know that we know where they are."

The official said the U.S. destroyer wasn't in the Baltic to look for Russian subs.

—Thomas Grove in Moscow contributed to this article

Extremists Claim Brothers Led Strikes

By Valentina Pop

BRUSSELS—Islamic State identified what it said were the main organizers behind the attacks in Paris and Brussels and put out a hit list for more than a dozen prominent moderate Muslims in the West.

Khalid and Ibrahim el-Bakraoui, the two brothers who blew themselves up at a Brussels metro stop and at the city's main airport, respectively, were responsible for "all preparations for the raids in Paris and Brussels," according to Islamic State's English-speaking magazine Dabiq.

A Belgian prosecutor declined to comment on the claims, but a French police official cast doubt on them. "Let's not forget this is a propaganda tool for Islamic State," he said.

The claims contrast with investigators' account that Abdelhamid Abaaoud, who was killed in a raid in a Paris suburb days after the November attacks in the French capital, was the ringleader behind the Paris terror spree.

The magazine listed four of the Brussels assailants, all dead, and glorified their role in the attacks in both cities. It said nothing of the surviving suspects arrested or still at large, raising questions over whether the account was designed to protect others.

The magazine also listed around a dozen prominent Muslims it called "overt crusaders" as targets, naming political and religious figures in the U.S., U.K. and Canada.

Pieter Van Ostaeyen, a Belgian expert in Islamic affairs, said the Islamic State's claim was very likely exaggerated. "I doubt the Bakraoui brothers had the operational knowledge," he said. "They could have helped easily in providing the weapons, as they were hardened criminals, but I don't see them capable of organizing all of this."

—Inti Landauro in Paris contributed to this article.

Syria Regime Holds Election as Talks Get Started

By Raja Abdulrahim and Dana Ballout

BEIRUT—Talks aimed at ending Syria's five-year war resumed in Geneva, as the government in Damascus held parliamentary elections that the opposition and Western governments said were illegitimate and undermined the negotiations.

There remains no plan for direct talks, the United Nations envoy for Syria, Staffan de Mistura, said after meeting with opposition delegates in Geneva. President Bashar al-Assad's regime has said its delegation would arrive there Friday for the indirect talks, which Mr. de Mistura is mediating.

Secretary of State John Kerry spoke by phone Wednesday to Mr. de Mistura to express concern about fighting in Syria and about regime efforts to hinder humanitarian access, the State Department said.

President Barack Obama, af-

ter a meeting at the Central Intelligence Agency, said the cease-fire was "tenuous and under strain," and that the talks in Geneva must encompass a political transition away from the rule of Mr. Assad.

Mr. Obama travels to Saudi Arabia next week for meetings with Gulf leaders.

The U.N. envoy said he had just returned from visits to Jordan and Damascus as well as Tehran and Moscow—key backers of the Assad regime. "All of them indicated support and interest in the progress of a political transition [and] all supported the advancement of political solutions."

Syrians living in areas under government control were choosing candidates to fill the 250-seat parliament. Voting was extended until midnight, after which counting of ballots began, state media reported. Mr. Assad and his wife, Asma, were among those shown voting.



President Assad watching his wife cast her vote on Wednesday.

Mr. Assad said there was "an unprecedented number" of voters Wednesday compared with "past decades."

Syrian officials have said the elections are required every four years by the constitution, which remains in effect until a new one is drafted.

But Asaad al Zoubi, who

heads the opposition delegation to the peace talks, denounced the elections as "a farce." The peace talks are about establishing a transitional government body that can then draft a constitution and organize elections in which all Syrians can participate, he said in a televised

news conference.

On Monday, the U.S. State Department called the elections "at best premature and not representative of the Syrian people." Paris on Wednesday denounced them as "sham elections," and Germany said it wouldn't accept the results.

The elections and the talks are occurring amid a partial cease-fire that is under severe strain after six weeks.

Rebels launched an offensive in the area of Aleppo more than a week ago following repeated cease-fire violations by government forces, antigovernment activists said.

In response, the regime announced an operation to retake Aleppo, which has been divided since 2012.

"In spite of several serious instances, the cessation of hostilities is still holding," Mr. de Mistura said.

Neither side has declared an end to the truce.

WORLD NEWS

World Watch

GERMANY
Government Sticks With Tight Budgeting

Germany reaffirmed its commitment to fiscal discipline, pledging to balance its budget and crank down the national debt through at least 2020.

The government forecast a balanced budget for this year, after a 0.7% of gross-domestic-product surplus in 2015. It said the debt level would likely drop to 68.25% of GDP this year, from 71.2% in 2015.

Germany's focus on reining in spending has left it increasingly isolated: The country is expected to come under pressure to help stimulate Europe's weakening economy at International Monetary Fund meetings this week.

—Andrea Thomas

CHINA
Officials Targeted Over Vaccines

China will punish 357 officials implicated in the sale of improperly handled vaccines, a scandal that further eroded trust in the country's public-health system.

Officials found to have been involved will be fired or demoted, and criminal charges may be filed against some, Xinhua said, citing an announcement from China's State Council. As of Monday, authorities have filed 192 criminal cases, Xinhua said.

The State Food and Drug Administration announced in March that it identified nine drug wholesalers involved in the alleged reselling of vaccines that had been stored and transported without proper refrigeration.

—Laurie Burkitt

DENILQUIN, Australia—Like the Mississippi River in the U.S., the tributaries near this farming hub helped open up Australia's interior more than a century ago. Now, European carp are devastating the lifeblood of the nation's food bowl here, prompting the government to consider smiting them with a lethal virus.

The invasive species now represent 80% of all fish in southern Australia's Murray-Darling river system, up from 58% four years ago, in a region that produces a third of the country's total agricultural output.

Scientists blame the fish for contributing to algal blooms that this month hit a vast section of the Murray River—Australia's longest waterway—degrading water quality and harming native species valuable to the inland fishing industry. The carp erode river banks, leading to trees toppling into rivers, slowing river flows and fouling valuable water that farms rely on for irrigation.

But their proposal to introduce the virus is worrying many Australians in a country where distrust of biological methods to control pests runs deep. Viruses introduced to kill rabbits in Australia have had limited success. Noxious South American cane toads—introduced here a century ago to kill sugar-cane beetles—have spread across Australia's northern tropics and devastated many native predators.

The same virus under



Steve Hounsell unloading carp at a fertilizer factory in Deniliquin.

consideration in Australia nearly killed off the carp-farming industry in Israel when it emerged there in 1998, spreading quickly through trade to ravage farmed stocks in Europe.

People want to curb carp, but “You say the word virus and people worry,” said Neil Gorey, the mayor of Wakool Council, which covers several nearby riverside towns. “You take them out of the food chain and that will impact other species. We need to get the science right.”

Still, lawmakers, scientists and some conservationists have banded together in a rare alliance in support of introducing the carp virus. Tests by Australia's main science agency, which has been

researching the virus at a quarantine lab for the past seven years, have shown the koi herpesvirus CyHV3 could kill four in every five carp that become infected.

“It has been shown to pose no danger to 13 native species such as Murray cod, various species of perch, eel and catfish, as well as crustaceans,” said Ken McColl, who is leading the government's research into the virus.

Officials say they plan to announce a decision on the virus in the coming weeks.

For Australia, much is riding on the decision. The country wants to boost its agricultural exports to Asia, helped by several free-trade pacts signed with countries such as China and Japan last

Unwelcome Guest



year. Foreign investors have rushed to buy farmland to get ahead of that anticipated demand boom.

The outcome also is being closely watched in the U.S. and Canada. Carp now threaten the Great Lakes and other waterways, including the Mississippi and Illinois rivers, after being introduced into the Midwest as a game fish in the early 1880s.

European carp were imported decades ago to start a new aquaculture industry. But since escaping pens their numbers have exploded; female carp can produce a million eggs each. Carp is prized in Europe as a food, but Australia's muddy rivers taint its flesh, rendering it almost inedible. Fishermen

call them the “cockroaches of the waterways.”

Matt Barwick, a carp expert with Australia's Research Centre for Invasive Animals, said the fish cause an estimated 500 million Australian dollars (US\$384 million) in annual damage.

Till now, the front line in combating carp numbers has been led by fishermen such as Steve Hounsell. Three times a week, Mr. Hounsell hauls his catch to Charlie Carp, a company founded in 1995 to turn European carp into liquid and pellet fertilizers.

“If we can do anything to get rid of them and control them, it will be a better environment for us all to live in,” said Charlie Carp director Harold Clapham.

Defectors Help Drive Media Blitz Against North Korea

SEOUL—On a recent day, North Korean defectors filled a classroom here to learn skills that could accelerate a challenge for the Kim Jong Un regime: the erosion of its information blockade.

More than 260 people have studied at a defector-led journalist academy since 2011, some going on to work for radio stations that broadcast into North Korea, or to write about the country for media in its archrival South Korea.

As North Korea faces new international sanctions in response to its nuclear test and long-range rocket launch this year, its leadership is also grappling with the growing spread of potentially destabilizing information about life beyond its borders and its government.

Last week's defection of 13

North Korean restaurant workers to South Korea and the revelation by Seoul this week that a colonel in the North's primary spy agency defected late last year are adding to the pressure.

Highlighting its concerns, North Korea said in early April it was blocking “antirepublic” websites such as South Korean news portals, as well as Facebook and other social-media sites.

North Korea's formerly robust barrier to outside sources of news and information has weakened as radio programming into North Korea has increased, cellphones smuggled from China have enabled some international calls, and media devices such as memory cards have become more prevalent, defectors said.

“These days, it's a surprise if new defectors say they haven't seen South Korean vid-

eos or dramas,” said Sokeel Park, head of research and strategy at Liberty in North Korea, an organization that works with defectors.

The state still maintains a highly effective system of domestic surveillance and those caught using or distributing foreign media face severe punishment. But the spread of foreign information appears to be changing Pyongyang's calculus. The government no longer claims to its people that it is the more prosperous of the two Koreas, for example.

The flow of external information also weakens links between North Koreans and their government. Mr. Park says one defector told him that he realized South Korea was a safer place to live after hearing a foreign documentary about policing in the country.

The U.S. plays a significant role in aiding inflows of exter-

nal information into North Korea. It funds Korean-language broadcasts by Radio Free Asia and Voice of America. President Barack Obama recently approved legislation that provides around \$50 million over five years for radio broadcasting into North Korea and the

spread of communication devices there.

The National Endowment for Democracy, a U.S. non-profit, made about 20 grants to North Korea-related projects last year worth around \$2 million, including radio broadcasting and other journalism-



North Korean defectors study at a journalism academy in Seoul.

related initiatives.

One grant funds more than half of the operating budget of Radio Free Chosun, a Seoul-based radio station that broadcasts into North Korea.

The North Korea Strategy Center, which operates the journalism academy in Seoul, is one group working to keep prying open North Korea's information barrier. The non-profit is headed by Kang Cheol-hwan, who spent a decade in a North Korean prison camp and worked as a journalist at South Korea's biggest circulation newspaper.

Mr. Kang says the journalist program was started with the same goal of helping to spread information inside North Korea. “I hope that one day they'll be able to go back and bring the freedom of the press to North Korea,” he said.

—Min Sun Lee contributed to this article.

COAL

Continued from Page One
tial debt burden.”

Peabody's move sets the stage for a potentially bitter fight among creditors for its assets, which include massive open-pit complexes in Wyoming and Australia and underground mines in Illinois.

America may never again see a coal company as big as Peabody. Founded in 1883 by Francis Peabody with \$100, a wagon and two mules, according to the company's corporate history, Peabody grew into a juggernaut, producing coal for customers in 25 countries and employing 7,600 people.

But its decline has been precipitous. In 2011, Peabody's value on the stock market briefly touched \$20 billion. It is now worth \$38 million. Many of its mines are still profitable, but not profitable enough to take care of the debt it has run up.

About half of U.S. coal is now being produced by bankrupt companies, which will be broken up to compensate private creditors. “The producer of 2020 is going to look different than the producer of 2010,” says James Stevenson of IHS Energy. “We're going back to a model of predominantly private ownership.”

The industry's setbacks have been damaging well beyond Wall Street, especially in the coal strongholds of Wyoming and Appalachia, wiping out tens of thousands of jobs

and denting tax revenues.

Peabody estimates its future cleanup costs and other environmental obligations at \$723 million, a concern for environmental activists. The miner shouldn't be allowed to “walk away from the billions of dollars in damages to landscapes, wildlife, and crucial water supplies that are part of coal's legacy,” said Theo Spencer of the Natural Resources Defense Council.

Coal isn't the only commodity getting hammered by the weaker global economy. Prices for copper, steel, aluminum and other industrial goods have fallen steeply this decade as demand has weakened around the world, especially in China.

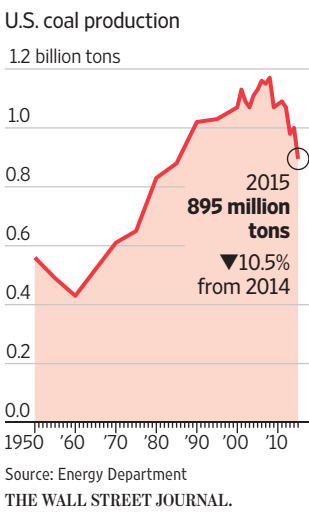
Peabody's move raises the default rate for U.S. metals and mining companies in the past 12 months to 29% from 25%, according to a report released Wednesday by Fitch Ratings.

Peabody expects a bankruptcy-court fight between lenders and bondholders over which of its mines secured lenders can lay claim to, according to people familiar with the matter.

Bondholders including Elliott Management Corp. and Aurelius Capital Management LP are expected to argue that Peabody's debt agreements significantly reduce lenders' claims on mines and other assets, leaving more value for bondholders, the people said.

The firms are known for investing in distressed debt and a willingness to engage in legal battles to protect their invest-

Under Pressure



ments. Elliott and Aurelius, which were founded respectively by billionaire Paul Singer and former Elliott Management portfolio manager Mark Brodsky, are poised to make big profits on a decade-plus legal fight with Argentina over defaulted sovereign bonds.

Many of the creditors expected to vie for control of Peabody's assets bought their debt at steep discounts, according to people familiar with the matter.

The company's bonds and loans have tumbled in recent years along with coal prices. A \$1 billion series of bonds Peabody sold just in March 2015 recently traded for 7 cents on the dollar, according to MarketAxess.

Peabody said Wednesday it had obtained \$800 million in

emergency financing, arranged by Citigroup Inc., and has enough cash to keep running mines and delivering coal to customers. Citigroup didn't respond to requests for comment. Peabody last month said it had delayed interest-rate payments on two loans and warned it may not have sufficient liquidity to sustain operations, warning of a possible chapter 11 filing.

Peabody has now lost money in nine straight quarters and in 2015 posted a \$2 billion deficit. The company has also been weighed down by its ill-timed acquisition of Australia's Macarthur Coal Ltd. for \$5.1 billion in 2011. Prices have been declining ever since.

Peabody executives insist they believe the company's mines have a future. They cite the Environmental Protection Agency's estimates that as much as 802 million tons of coal will be burned in the U.S. in 2050, roughly the same as last year. Coal use is expected to decline to 680 million tons this year.

Peabody filed for chapter 11 protection for most of its U.S. entities in the bankruptcy court for the Eastern District of Missouri. All mines and offices are continuing to operate during this process, the company said, adding that none of its Australian operations is included in the filings.

The coal producer said it has also dropped plans to sell mines in New Mexico and Colorado.

—Alex MacDonald contributed to this article.



FROM PAGE ONE

MARS

Continued from Page One
tian colonies could be munching on french fries, chips and mashed potatoes one day. “It’s got to be a Martian potato that tastes good,” Julio Valdivia-Silva, a Peruvian astrobiologist with NASA, said while surveying the reddish-brown desert on a trip to collect soil. “It’s a big challenge to take a living organism somewhere else. We’ve never done this before.”

The idea is literally science fiction, included in the Hollywood blockbuster “The Martian,” where Matt Damon played a stranded astronaut and botanist who plants potatoes to survive on Mars. It’s also not so far-fetched.

Mars One, a Dutch nonprofit foundation, plans to send individuals to the planet in about 10 years on a one-way trip to establish a permanent colony. Inventor Elon Musk says his spacecraft company, SpaceX, also hopes to send humans within a decade but warned during a startup conference in Hong Kong in January that it would be “hard and dangerous and difficult in every way you can imagine.”

NASA, which landed the Curiosity rover on Mars in 2012 and found last year that water flows there, has recently announced plans to land astro-

nauts. That will be when the potato comes in handy.

“When humans go to Mars, they will want to grow things. They’ll need food,” said Chris McKay, a planetary scientist at NASA’s Ames Research Center in California and participant in the potato study. “I think we’ll be able to find varieties of potatoes that will grow at cold and low-pressure conditions. That would be interesting to know for Mars applications.”

The potato is a major global crop thanks to its ability to adapt to a variety of climates and its abundance of carbohydrates, as well as protein, vitamin C, iron and zinc. Peru, birthplace of the humble tuber, is home to over 4,500 varieties, more than anywhere else, according to the International Potato Center.

Peru is good for the experiment because of the Pampas de La Joya Desert, one of the driest spots on Earth, which receives about a millimeter of precipitation a year. It is part of South America’s vast Atacama Desert that has long been studied by NASA for its Mars-like conditions, in particular its dirt.

For the potato study, scientists selected 65 varieties of spuds known to be the most resilient.

The first step will be to plant the tubers in over 1,300



NASA is testing potatoes in Peru’s Pampas de La Joya desert, which it says has Mars-like soil conditions.

RYAN DUBE/THE WALL STREET JOURNAL

pounds of soil transported from this desert to Lima. If they grow successfully, the potatoes will then be planted in a simulator that factors in the atmospheric conditions on Mars.

Walter Amoros, a Peruvian scientist at the International Potato Center, said he thinks half of the potatoes will grow in the desert soil, but only about 10 will yield a good-sized tuber. The flavor could change under the stress, he warned, which is common on Earth when potatoes are exposed to severe drought and high temperatures.

That sometimes makes them so bitter they are inedible.

On Mars, the temperature averages minus 84 degrees Fahrenheit, with lows of minus 284 degrees, according to NASA. It has high levels of radiation and over 60% less gravity than Earth. Its atmosphere has 96% carbon dioxide, with only a tiny amount of oxygen. Then there are the dust storms and salty water.

The potatoes “are going to pass through an acid test. I’ve done tests under stressful conditions, but never so stressful,”

Mr. Amoros said. “I don’t think they’ll grow in the open air [on Mars]. They will have to plant them under controlled conditions, in domes.”

Early space travelers relied on paste-like food squeezed from aluminum tubes. Today, astronauts have a more appetizing menu: chicken, beef and even salmon jerky. Salt and pepper are provided in liquid form, to prevent them from floating away. There is coffee, orange juice and lemonade, consumed through straws.

NASA’s plant studies are

ISIS

Continued from Page One
ement of warfare in the age of technology, has emerged as a vital front against the spread of Islamic State extremism—its ideology, recruitment and financing.

Islamic State controls a limited amount of territory in Iraq and Syria, but social media puts the terror group within reach of every smartphone, laptop and desktop computer in the world. Its potent use of social media has far surpassed al Qaeda, which in past years released poor-quality videos to Al Jazeera and other media outlets to bolster calls for global jihad.

On Twitter, Islamic State supporters engage in a noisy online war of words. Working around the clock, militants send tweets that swing between promises of paradise for believers and brutal death to all who oppose their brand of religiosity in a digital clash of civilizations waged every day.

On the other side are those who seek to do more than battle to a draw. Twitter, which ramped up its antiterror fight last summer, removed more than 26,000 suspected pro-Islamic State accounts in March, nearly four times the number erased in September, according to an analysis conducted for The Wall Street Journal by Recorded Future Inc., a threat-intelligence firm based in Somerville, Mass.

Islamic State supporters have tried to keep pace, establishing more than 21,000 accounts in March, compared with about 7,000 in September, the analysis found.

Twitter said in a statement on its website earlier this year that it condemned “the use of Twitter to promote terrorism,” saying it had deleted 125,000 accounts since mid-2015 for threatening or promoting terrorist acts. As a result, the company said, it had seen “this type of activity shifting off Twitter.”

Islamic State operatives mocked the Twitter announcement, sending their own message: A tweet of a bullet-riddled version of the company’s bluebird logo. The group also distributed a video taunting the shutdown efforts by Twitter and Facebook. “Is that all you can do?” read a banner at the video’s end.

Joining the battle are private intelligence firms and such crowdsourcing organizations as CtrlSec, which draws online hunters around the world to watch for suspected terrorists on social media and other parts of the Web.

Over the past year, CtrlSec said it has identified about 120,000 Twitter accounts linked with Islamic State, including hundreds featuring Mr. Walid. At least three of his accounts were reported and deleted on the day of the Brussels attacks that killed 32 people.

“No terrorist organization in history has launched as dynamic and ultimately effective global influence operation online as Islamic State,” said Michael S. Smith II, chief operating officer of Kronos Advisory.



Michael S. Smith II, of Kronos Advisory in Charleston, S.C., tracks online accounts linked to Islamic State; below, one Twitter exchange.

monly employed by Islamic State propagandists, the company found a 40% reduction in these accounts in March compared with August.

Militant sympathizers are also being shut down faster. The median lifespan of a targeted account was less than two days, the analysis found, compared with several weeks last summer.

Mr. Walid’s accounts, which a year ago lasted a week or longer, now survive for at most a day and sometimes for less than an hour.

Some Islamic State-related content has since shifted to other parts of the Web, including Telegram, a Berlin-based messaging service that is a mix of public and private channels.

Messages from Islamic State, also known as ISIS or ISIL, often appear first on a private Telegram channel and are then spread on Twitter and other public platforms by agents such as Mr. Walid, terrorism analysts said.

“There’s an almost infinite number of other platforms on which ISIS supporters can disseminate their propaganda,” Mr. Winter said.

Telegram didn’t respond to a request for comment. In January, it said on Twitter it was removing as many as 10 Islamic State channels a day and had banned more than 660 public channels since November.

Bliss, barbarism

Islamic State messages online generally fall into two main categories: military triumphs and the building of an Islamic utopia.

Earlier this year, Mr. Walid tweeted about a car bombing in Iraq, along with lifestyle news of Islamic State’s meat inspections and complaints division. Of late, he has posted photos of spring flowers and other idyllic scenes of daily life under militant rule. Barbarism also continues to surface regularly.

On a recent March afternoon, the Walid account posted a routine mélange of news reports and combat images—including men blown up—when a CtrlSec activist joined the Twitter conversation, responding to images of a decapitation.

The activist, who goes by @kitten_spatt, alerted two of Twitter’s official accounts: “#ISIS psychopath.”

Learning he had been spotted, Mr. Walid blocked @kitten_spatt from viewing most of his messages. He also switched usernames from @xgd393 to @zyd393, to mask the account from Twitter investigators. The CtrlSec operative found him and reported his new username: “Abu Walid Kuwaiti/ major #ISIS propagandist/393rd acct.”

To ensure Twitter wouldn’t miss him, @kitten_spatt also noted the underlying user identification number for the account, which the activist retrieved with a special service. Twitter suspended Mr. Walid within about an hour.

Shortly after, a new Walid account surfaced, along with the images of beheading.



Michael S. Smith II
@MichaelSSmithII

@gdydydyd @XoXoX_111 @xte431 Do you really think you will win?

06:30PM - March 11 2016



Forum For Publishing
@gdydydyd

@MichaelSSmithII @XoXoX_111 @xte431 ask your army how we send them back home from iraq !!

06:31PM - March 11 2016

chael S. Smith II, chief operating officer of Kronos Advisory. The Charleston, S.C., security consulting firm collaborates with CtrlSec to monitor Islamic State’s online activities.

Militant messenger

No one outside Islamic State seems to know who controls Mr. Walid’s Twitter accounts. His profile picture is a bearded man who resembles Abu Musab al-Zarqawi, the founder of al Qaeda in Iraq, a precursor to Islamic State. Mr. Zarqawi was killed in a 2006 U.S. airstrike.

The profile picture, which has been used for more than a year, is a way for Islamic State followers to find each new Walid Twitter account. His account usernames vary, typically three letters followed by a three-digit number that increases with every iteration: @vtr488 became @ctr489, for example.

Some of Mr. Walid’s earlier usernames collected more than 6,000 followers. Even with the recent shutdowns, the account still gathers as many as 2,000 or more followers, presumably sympathizers ripe for recruit-

ment or donations.

Mr. Walid’s account was first spotted early last year, using a longer honorific that suggested he was from Kuwait: Abu Walid Kuwaiti.

CtrlSec believes Mr. Walid’s account is run by an Islamic State official who may be in charge of a recruiting network in Saudi Arabia. Mr. Smith said it was also possible several people run the account, all conforming to a single style.

One of Mr. Walid’s first tweets, in February 2015, boasted of a fight against U.S.-backed Kurdish forces that garnered valued weapons for the militants, according to records kept by Kronos Advisory and Recorded Future.

A month later, Mr. Walid tweeted other alleged military successes. That account was reported to U.S. Special Operations Command. “I’ll tell @USOCOM where you are if they let me eat your liver and brain after they kill you,” the user tweeted to Mr. Walid.

Others flagged Mr. Walid to Twitter, which soon closed the account.

Mr. Walid, who posts in Arabic and occasionally in English and other languages, often

evades Twitter’s countermeasures. When an online Islamic State hunter reports his username, he sometimes changes names to keep the account alive a bit longer.

The Walid account is part of a decentralized media empire run by Islamic State, which relies on supporters world-wide to distribute missives in at least half a dozen languages, intelligence analysts said.

Messages and videos often originate at Islamic State’s provincial propaganda offices or the al-Hayat Media Center, the group’s propaganda-production wing focused on non-Arab audiences, intelligence experts said.

On a typical day, Mr. Walid posts dozens of tweets in a role that is part jihadist news-wire and part militant cheerleader. His most frequent posts are about Islamic State military activities, but he also posts photos of fighters who have been “martyred,” as well as images of alleged spies beheaded.

“He tweets and posts pictures that only a psychopath would tweet,” said Lara Abdallat, a Jordanian-born woman who works for CtrlSec, the group monitoring Islamic State on social media.

Charlie Winter, a researcher at Georgia State University who tracks Islamic State, said those operating the Walid account were “spending all of their time trying to make sure Islamic State propaganda gathered in the darkest corners of the Internet reaches Twitter.”

In dueling tweets earlier this year, Mr. Walid taunted an Arabic-speaking anti-Islamic State activist who often mocks the Walid account by posting a version of its profile picture with a monkey face.

“There is nothing you can do, you dog,” Mr. Walid tweeted, “if the account is deleted or hacked, within three minutes I’ll be back with a new one.”

Islamic State supporters use other forms of social media but favor Twitter because of its reach and anonymity. Twitter has 320 million active users world-wide, and new accounts can be created without using a real name.

Twitter Inc., which declined to comment for this article, takes pride in its role as a global forum of diverse opinion.

The company relies mostly on Twitter users, including CtrlSec, to report offensive content. Internal company teams review reports to decide who to ban.

Of the 500 Islamic State activists tracked by Mr. Smith, of Kronos Advisory, about 95% return after being terminated.

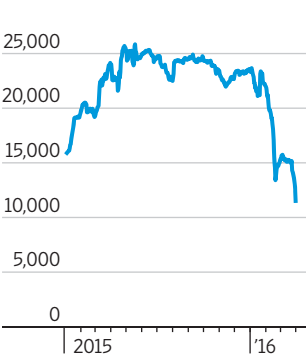
“In the name of God the merciful may account 139 remain a thorn in the throats of the infidels and apostates...” one supporter tweeted in February.

Even so, Twitter’s shutdowns are making it more difficult for the terror group to operate on its service, the analysis by Recorded Future found. Looking at accounts that used any of seven hashtags com-

Islamic State Online

Active Twitter accounts using any of seven hashtags related to the terror group

30,000 live accounts



Source: WSJ analysis by Recorded Future
THE WALL STREET JOURNAL.

OPINION

Trump's New York Values



WONDERLAND
By Daniel Henninger

The presidential primaries are in New York now, with it not beyond imagining that Donald Trump will sweep the state's 95 delegates Tuesday by winning all of its 27 congressional districts. If so, Ted Cruz can blame it and his possible third-place finish on that dumb remark about "New York values."

He says it won him the Iowa caucuses. We're not in Iowa anymore, senator.

Sen. Cruz had a point, but he blew it by not describing it so that even many New Yorkers would agree.

One example: The greatest moral issue in America is four decades of failed inner-city public schools. In New York, local liberals won't lift a finger for minority-district schools in east Brooklyn, Harlem or the Bronx.

Trump is running against two things that made New York City great again.

Instead, Andrew Cuomo and Bill de Blasio, like Jerry Brown in blue California, stay afloat on public unions and a liberal urban sea of smug, yuppie self-absorption. Donald Trump learned this week that these people don't even bother to vote. In 2013, New York's now-unpopular Mayor de Blasio won with 17% of eligible voters (turnout was 24%).

New York, after its primary, will revert to its status as a blue-state automaton. Just now, New York's political values are a good subject.

Hillary Clinton this week is defending herself against charges that as senator, she



Donald Trump at a ballgame in Yankee Stadium in 2012.

never delivered on her promises to beleaguered counties upstate. She blames George Bush's economic policies.

More revelatory of New York values, though, is Vermont Bernie Sanders, ranting about "Wall Street" and "bankers." To be clear: Those people, much mocked of late for living on Park Avenue and such, annually give tens of millions to support charter schools, scholarships to parochial schools, social entrepreneurs, and innumerable non-profits and arts institutions. Most, Republican and Democrat, would do it without the tax deduction.

Bernie is praising New York for its total ban on hydraulic fracking. Let me rephrase that as a local political value. New York City to upstate New York: Drop dead.

Donald Trump projects himself as the embodiment of "New York, New York," the ethos of making it big as sung by Frank Sinatra at the end of Yankees home games: "Top of the list, King of the hill, A-number-one!"

We then might have expected the Queens-born Mr. Trump to be campaigning everywhere in the city that never sleeps—in the Bronx, Brooklyn, Staten Island. But no, he's been in places like

Rochester and an airport hangar in Rome (N.Y.). Thursday evening, he'll attend the state party's fundraiser near Grand Central Terminal, with Gov. John Kasich and Mr. Cruz. The streets outside, of course, will be a zoo of protesters.

The irony of the Trump "outsider" campaign in New York is almost too rich for words. Let's start with the relationship between New York politicians and real-estate developers, an ancient swamp of crony capitalism.

Today the city's politicians green-light thousands of condominium units—like the Trump apartment towers lining the West Side Highway—because each one is a taxpayer-pod sending the pols revenue from a combined, top city-state tax rate of more than 12%. Even so, the city's perpetually wrecked road surfaces, paved with tire-busting steel plates, would embarrass a third-world capital.

Still, as a construction guy, Mr. Trump knows as well as anyone what makes New York City tick. So why is Mr. A-Number-One in Rome? Because that's where his people are in a presidential campaign based mainly on two policies: building a wall on the Mexican border and putting a 35% tax on goods made in Asia.

grants, legal or otherwise, to compensate for the out-migration of natives the past two decades, New York City would be in decline.

As to trade, imposing a 35% price increase on goods made in China, Mexico, Japan and Vietnam—which is to say clothing, shoes, foodstuffs, electronics, furniture—would make living in New York totally unaffordable for most of its 8.5 million people. Needless to say, he knows that.

But these New York City people aren't voting for Mr. Trump in his current incarnation, so they're ignorable. Also true, however, is that in 2012, an incredible 71% of Asians voted for Barack Obama because living in Democratic cities like New York, they rarely hear the alternative.

Mr. Trump, an entrepreneur, should be the ideal pitchman to New York's many Asians, or to the black voters former Texas Gov. Rick Perry appealed to in his remarkable July speech. Instead, Mr. Trump is somewhere in the middle of the state, bashing the people who, he knows, are making New York City great again.

Mr. Trump may win New York's primary and even the GOP nomination. But he could have been better.

Write to henninger@wsj.com

BOOKSHELF | By Richard Aldous

Serving the National Interest

Harry & Arthur

By Lawrence J. Haas
(Potomac Books, 313 pages, \$29.95)

On April 12, 1945, Franklin Roosevelt died suddenly in Warm Springs, Ga., leaving Harry Truman to assume office as 33rd president of the United States. Truman, who had been reluctant to serve as vice president, told a friend: "I feel like I have been struck by a bolt of lightning." Many wondered whether he was up to the task of commander in chief. World War II still had to be won. A postwar settlement would need to be fashioned. The low-key Missourian seemed a small-scale character for such mighty enterprises.

Watching from the Senate, Republican Arthur Vandenberg wrote to the new president with words of encouragement. "Good luck and God bless you," he said. "Let me help you whenever I can. America marches on." In his diary, he was more pensive: "The gravest question-mark in every American heart is about Truman. Can he swing the job?" To which the optimistic answer came, "Despite his limited capacities, I believe he can."

Those words seem extraordinary today. The Republicans had not won a national election since 1928. Roosevelt had ridden roughshod over them in Congress with his New Deal, broke the tradition of serving only two terms and fashioned a liberal Supreme Court. After 12 years of humiliation and defeat, FDR's death could have provided Republicans with an opportunity to get on the front foot, to take advantage of an inexperienced and uncharismatic new president. And yet here was Vandenberg, one of the leading Republicans in the Senate, saying not only that he believed the man could overcome his limitations but also that he would do everything he could to help him.



Lawrence J. Haas's "Harry & Arthur" is thus a story of bipartisanship at work. The subtitle, "Truman, Vandenberg and the Partnership That Created the Free World," seems at first sight hyperbolic, at least concerning Vandenberg, but Mr. Haas makes an excellent case that Truman's worldview could not have been implemented without the senator from Michigan.

The two men shared a vision for America in the world and over the next six years, until the senator's death from lung cancer in 1951, set about putting it place. Even a short list demonstrates the revolution in global strategy that would take place during the Truman years: the Marshall Plan, the Truman Doctrine, NATO, the U.N. Charter, not to mention the creation of the CIA, the Defense Department and the U.S. Air Force. Much of the focus of this book is on process—how White House policy was realized through legislative action. That could have been dull, but Mr. Haas, a former communications director for Vice President Al Gore, writes with an admirable lightness of touch and a command of detail that is enhanced by his insider knowledge of how Congress and the White House operate. This is a first-class story, well told, of professional politicians working in tandem during a world crisis in the best interests of the republic. At a time when the public and even Washington itself seems to have lost confidence in the political process, the Truman-Vandenberg partnership is a timely reminder of what the Founding Fathers had in mind when they instituted the separation of powers in the first place.

Truman proved a decisive commander in chief, but from the start he consulted Vandenberg on major strategic issues and later encouraged new Secretary of State George Marshall and his deputy Robert Lovett to maintain an informal dialogue with the senator. Each man consciously bent toward the other. "If Vandenberg needed stroking before he would cooperate, Truman provided it," Mr. Haas writes. "If Truman became mean and petty, Vandenberg's grace saved the day."

The Truman-Vandenberg partnership realized the Marshall Plan, NATO, the UN Charter, the CIA, the Defense Department and the Air Force.

The senator was pivotal after the 1946 midterms, when the Republicans became the majority in both houses of Congress. He took over the chairmanship of the powerful Senate Foreign Relations Committee. From the get-go, he signaled the importance of bipartisanship, insisting on giving his own party the narrowest majority possible (7-6) on the 13-man committee. In debates, having already extracted any compromises he wanted from Truman in advance, he unapologetically drove bills through the Senate, maneuvering against isolationist colleagues in his own party and even introducing measures such as the "Vandenberg Resolution," which in 1948 gave the president the latitude to negotiate the collective defense agreements that became NATO, something that infringed on the Senate's traditional prerogative regarding declarations of war. Vandenberg believed in rigorous debate, but his principal consideration was always the American, not the party, interest: "To me 'bipartisan foreign policy' means a mutual effort," he said "under our indispensable two-Party system, to unite our official voice at the water's edge so that America speaks with maximum authority against those who would divide and conquer us and the free world."

Given the closeness of the relationship, it was no surprise that Vandenberg's name came up as a potential secretary of state after Truman won the 1948 election—and both houses of Congress, surprisingly, reverted to Democratic control. Vandenberg quickly moved to quash the idea, telling the president that "my best chance to be helpful" remained in the Senate. Even when subsequently piqued by Truman not consulting him on tapping Dean Acheson for the job, and by Senate Democrats, now in the majority, insisting on an 8-5 split on the Foreign Relations Committee, he absorbed the blows. "Although Vandenberg felt slighted by the Democrats' committee action and the president's behavior," Mr. Haas writes, "he quickly swallowed his pride and recovered his grace."

That characteristic of gracefully swallowing one's pride in the national interest is less valued today than in the 1940s. Certainly Truman recognized its worth, mourning in 1951 the loss of "a patriot who always subordinated partisan advantage and personal interest to the welfare of the Nation." It may seem hopelessly nostalgic to look back to some halcyon period of courtly manners and bipartisan cooperation. Yet "Harry & Arthur" shows us that it was by working together that these two men laid the foundations for the West's victory in the Cold War. For that reason the Republican senator, as well as the Democratic president, deserves his place among those who, in Acheson's famous phrase, were "present at the creation."

Mr. Aldous teaches at Bard College. He is writing a biography of Arthur Schlesinger Jr.

Vanity Will Be The Donald's Undoing

By Karl Rove

He can run, but he can't hide," Joe Louis once said of fellow boxer Billy Conn. The same might be said of Donald Trump. In March the Republican front-runner gave three long, revealing interviews—two with the Washington Post and one with the New York Times—that were not reassuring.

Mr. Trump, who has often displayed his ignorance about myriad policies, added to the impression of not having thought through his presidential bid. Quizzed by the Post's Bob Woodward and Robert Costa about how long it would take a Trump administration to get rid of the \$19 trillion national debt, he replied, "I would say over a period of eight years."

Federal outlays under current law will total \$38.6 trillion between 2017 and 2024, the Congressional Budget Office estimated last year. Mr. Trump would have to slash the budget nearly in half each year of his two full terms to fulfill his pledge without raising taxes. Oh, and he promises to leave entitlement programs, the chief driver of the debt, untouched. Mr. Trump was not pressed on his inane answer.

How would he restore international respect for America? "Through the aura of personality," he told the Post reporters. They asked if Russian President Vladimir

Putin would respect the U.S. under President Trump. "He said very positive things about me," The Donald replied, confirming that he is easily misled by flattery from anti-American dictators.

He further demonstrated his ignorance by complaining to the Times's David Sanger and Maggie Haberman about how Iran is spending the billions released to it under the nuclear deal. "They're buying everything, they're buying from everybody but the United States," he said. When Mr. Sanger reminded the celebrity TV star that U.S. sanctions prevent American companies from selling to Iran, Mr. Trump was reduced to saying, "Uh, excuse me?"

His lack of knowledge shouldn't be surprising, given that Mr. Trump is his own principal foreign-policy adviser. When Mr. Sanger suggested foreign affairs was "not an area you focused on in your business career," Mr. Trump responded that he "had an aptitude for it," and "would read about it."

Asked what he had read, Mr. Trump said "various newspapers." Pressed about his failure to attract experienced advisers, he responded, "Many of them are tied up with contracts working for various networks." Strange how other campaigns don't have the same problem.

In all his interviews, The Donald expressed a high opinion of himself, assuring the Post's reporters, "I'll do a fan-

tastic job." Later he added: "I've gotten unbelievable political things done." What kind of political things? Zoning changes! "I've gotten as many zone changes as any human being on earth, probably."

Mr. Trump revealed almost clinical narcissism, crowing that his television series, "The Apprentice," was "a very, very successful show" that made \$213 million, a figure that

Trump thinks he is so rich, famous and athletic that he can skip a real campaign.

"was certified." In a conversation with the Post's editorial board, he asked a revealing question: "Do I get more publicity than any human being on the earth?"

That isn't all. "My life has been about victories," he boasted to the Post reporters. "Even in sports, I always won. I was always a good athlete. And I always won. In golf, I've won many club championships. Many, many club championships." He's a veritable Jordan Spieth.

Mr. Trump also believes he can project whatever image he wants whenever he wants. "After I win," he said, "I will be so presidential that you won't even recognize me." Soon, Donald Trump will become synonymous with grace and class. We'll all forget that

when the Post's editorial board asked why he felt compelled during a presidential debate to talk about the size of his private parts, he defended himself by saying, "I don't want people to go around thinking that I have a problem."

Mr. Trump's newfound class was on display this week, in reaction to Saturday's state GOP convention in Colorado. Lacking almost any organization, Team Trump was smoked. Sen. Ted Cruz took all 34 delegates. In response, Mr. Trump tweeted, "The people of Colorado had their vote taken away from them" and warned, "This will not be allowed!"

Actually, it will be. The state Republican executive committee voted unanimously last August to select delegates through a convention, not a primary or caucus. Mr. Trump, running initially as a lark, failed to organize in states like Colorado. Now he demands that the rules be changed because he didn't prepare and lost.

Mr. Trump has been running a vanity campaign. His looming victory in next week's New York primary may discourage him from doing so, but at some point, maybe he should run a real one.

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

Notable & Quotable: A Young Progressive's Education

From a guest column for the College Fix by Mahad Olad, "I'm a progressive student who's scared my peers have gone off the deep end in killing free speech," April 12:

As a high school senior living in St. Paul, I was excited to visit the University of Minnesota to watch a joint lecture by Christina Hoff Sommers and Milo Yiannopoulos. It was to be one of my first campus experiences as I gear up to attend Ithaca College in New York this fall.

But what I discovered at this institution of higher learning shocked me to my core.

A raucous demonstration prevented me from even getting inside the door. The unruly protest included a throng of students holding signs and shouting that the university was supporting "transphobic hate speech." They chanted "trans lives matter" and "end rape culture."

As someone who has been celebrated by the ACLU of Minnesota for my youth activ-

ism in support of LGBTQ and women's reproductive rights, I was highly taken aback by the display. In my native Kenya, I saw firsthand how women are denied comprehensive reproductive health care services and how the LGBTQ community is forced to live underground. I'm only 18, but I have dedicated myself to working against that here.

To suggest I support "transphobic hate speech" and "rape culture" for my desire to attend this lecture was not only ludicrous but a personal

affront to everything I have worked for in recent years as a civil libertarian.

I finally managed to make my way into the event—90 minutes after it began—missing most of it and feeling frustrated, confused and concerned. That evening I had something of an epiphany.

I really began to understand the pernicious influence student activists who would normally have my sympathies have on the campus environment, especially when it comes to free speech.

OPINION

REVIEW & OUTLOOK

Dodd-Frank in Retreat

It’s been a rough few weeks for President Obama’s signature reform of American finance. Across Washington deep cracks are appearing in the foundations of the Dodd-Frank law Mr. Obama enacted in 2010.

A federal judge has knocked down a major decision from Mr. Obama’s Financial Stability Oversight Council. Also, a federal appeals court panel is questioning the constitutionality of Mr. Obama’s Consumer Financial Protection Bureau. On Wednesday regulators officially declared that most of the nation’s banking giants are still too big and too complicated to fail.

Dodd-Frank’s failure on its own terms virtually guarantees that someone will reform it. The question is whether it will be the judicial or legislative branch. Republicans have been criticizing Dodd-Frank since it was on the drafting table. More significant is that both *Democratic* presidential candidates are now also talking reform. Obviously a Bernie Sanders rewrite of financial rules would look very different from a Ted Cruz version. But outside of the White House, the status quo has almost no constituency. And with Barack Obama due to vacate the premises in just nine months, Dodd-Frank’s flaws are becoming impossible to ignore.

Two weeks ago U.S. District Judge Rosemary Collyer rescinded the government’s designation of insurer MetLife as a “systemically important financial institution.” It was the first time such a designation had been challenged in court. Indeed in its first title defense, the stability council created by Dodd-Frank lost by a knockout. Judge Collyer called the council’s decision “unreasonable” and the result of a “fatally flawed” process.

This week in the same D.C. Circuit, an appeals court panel is questioning whether another Dodd-Frank creation should even exist. Government attorneys may have figured they would have to explain only why the new Consumer Financial Protection Bureau is ignoring the parts of federal housing law it doesn’t like and overturning long-standing interpretations of others.

But earlier this month the appeals court warned them to be ready to respond to larger questions about the new agency. The consumer bureau is an odd creation. Unlike most independent agencies, it isn’t run by a bipartisan board but by a single director. It also doesn’t have to pay attention to Congress because it doesn’t require annual appropriations from legislators. The bureau simply draws its budget from the

Trouble in Kim’s Kitchen

Thirteen North Koreans defected to the South last week from China. That may not seem significant, especially since they were waitresses rather than high officials. But in the secretive and topsy-turvy world of the Kim regime, this gutsy group defection suggests trouble in the workers’ paradise.

The North Korean restaurant in Ningbo that employed the defectors is one of 130 that Pyongyang runs in China and 11 other countries to earn some \$10 million annually. They attract customers not with the food, which is terrible and overpriced, but with a glimpse into the North’s totalitarian facade. Attractive waitresses sing and dance to kitschy ballads praising the Kim family.

The restaurants are controlled by the Kim family’s Office 39, which coordinates the sale of drugs and other criminal activities abroad, suggesting they are fronts for money laundering. They are staffed only with hand-picked regime loyalists—preferably those with family members back in North Korea who will be

Verizon’s Political Strike

As Hillary Clinton and Bernie Sanders chase each other further to the left, it was only a matter of time before somebody decided to capitalize on their competition. The Democrats have now helped inspire the largest domestic strike in years—and it’s pure political performance art.

On Wednesday, more than 36,000 Verizon workers on the East Coast walked off the job after their unions rejected the telecom’s latest contract offer in a 10-month negotiation. The Communication Workers of America and the International Brotherhood of Electrical Workers wanted a public spectacle, and did they ever get one.

Mr. Sanders joined a picket line in Brooklyn and began, “Brothers and sisters, thank you for your courage and standing up for justice against corporate greed.” He went on to accuse Verizon of “trying to destroy the lives of working Americans,” and that was the subtle part. Mrs. Clinton demanded that the company “do the right thing” and tender “a fair offer to their workers.”

The Democrats are not exactly Bobby Kennedy communing with Cesar Chavez and destitute grape pickers. How’s this for “fair”? The walk-offs enjoy an average annual pay and benefits package of \$130,000. Management is offering a 6.5% cash wage increase, the same health coverage as its other domestic employees and

Federal Reserve, which can’t turn off the funding spigot even if it wants to.

This week’s case neatly captured the unaccountable nature of this bizarre Beltway creature. The consumer bureau has been demanding that, for its alleged sins, New Jersey mortgage lender PHH should pay 18 times the amount ordered by the bureau’s own in-house administrative law judge. And why not, since the bureau reports to no one?

At Tuesday’s hearing, Judge Brett Kavanaugh made it clear that the bureau’s “very unusual structure” has him concerned about more than just a novel way of interpreting lending laws. “You are concentrating huge power in a single person and the President has no power over it,” Judge Kavanaugh said.

That same day word began to leak out of Washington of still another failure in the architecture of Dodd-Frank. On Wednesday morning the Fed and the Federal Deposit Insurance Corporation confirmed the results of their study of “orderly resolution” plans at America’s biggest banks. Known as “living wills,” they are supposed to show in detail how these banking titans, in the event of failure, could be placed into bankruptcy without wrecking the financial system.

The Fed and the FDIC agreed that the plans submitted by five of the eight banking giants reviewed were “not credible.” Bank of America, Bank of New York Mellon, J.P. Morgan Chase, State Street and Wells Fargo received these failing grades. The plans from Goldman Sachs and Morgan Stanley were deemed “not credible” by one of the two agencies. And even though Citigroup was the one kid in the class who managed to pass both the Fed and FDIC tests, regulators found “shortcomings” there too.

Much of the press may play these results as another outrage committed by giant banks, but this is fundamentally a failure of Dodd-Frank to keep its central promise. Six years after the law was passed, and eight years since the financial crisis, regulators given broad authority to remake American finance, with thousands of regulatory officials on their payroll, cannot figure out a system to allow financial giants to fail, even in theory. What are we paying these people for?

As the search continues for people outside 1600 Pennsylvania Avenue who believe that Dodd-Frank is reforming the U.S. financial system, judges are beginning to question the law’s most basic premises. Just possibly, taxpayers can contemplate a better future.

punished if they defect.

In February South Korea urged its citizens to stop patronizing North Korean restaurants abroad, part of a broader tightening of policy after the North’s latest nuclear and missile tests. Soon reports circulated that the restaurants owed staff back wages and some shut down.

It’s nonetheless surprising that a group of workers defected together, since North Koreans are encouraged to report on each other for disloyalty. It’s also unusual that Chinese authorities allowed them to leave China for a third country instead of detaining and repatriating them to the North.

It’s too early to say that Kim Jong Un’s hold on the Pyongyang elite is slipping as sanctions begin to bite. But this week South Korea disclosed that a senior colonel from Pyongyang’s powerful Reconnaissance General Bureau defected last year. Signs that the regime is under stress show that the North is not as self-sufficient as it likes to claim, and more pressure could bring it to its knees.

an industry-competitive 401(k) match.

Yet Verizon and the unions have largely agreed about compensation. The unions preferred to make a political statement about expanding the ranks of the Americans lucky enough to have decent-paying jobs, which apparently means showing solidarity with an increasingly obsolete

business model.

Some 99% of the strikers work for Verizon’s legacy “wireline” business, or its traditional fixed phone service plus its fiber optic Internet service. This unit generates only 7% of Verizon operating income, down from 60% in 2000—wireless is more profitable—and as more customers ditch land lines, it is only natural that these old-fashioned networks will require fewer workers to operate and maintain.

But Verizon isn’t even looking to shed jobs. It is merely seeking more flexibility to manage its workforce, such as consolidating under-used call centers and the ability to hire more outside contractors. “Nostalgia for the rotary-phone era won’t save American jobs,” Verizon CEO Lowell McAdam wrote in a LinkedIn post.

Mr. McAdam also called Mr. Sanders’s rhetoric “contemptible,” publishing a detailed rebuttal. Credit is due to the rare executive willing to defend economic reality and stand up to political intimidation.

LETTERS TO THE EDITOR

The Big Banks Are More Equal Than Others

The correspondent banking system that Jamie Dimon describes (“Large Banks and Small Banks Are Allies, Not Enemies,” op-ed, April 6) has existed for 200 years. While the story of our financial system is one of interdependence, the reliance of today’s largest banks on a government guarantee against failure has destabilized the banking ecosystem and threatens institutions not deemed “too big to fail.”

Community banks are critical of the largest financial firms, not merely due to their size but because concentrating most of the industry’s assets in a handful of banks puts the entire system at risk. The 2008 crisis showed that the largest banks are powerful enough to bring down the financial system, prompt a multitrillion-dollar taxpayer backstop and cause massive economic disruption which exacerbated banking industry consolidation. This isn’t a question of large and small. It’s a fundamental question of concentration, risk and moral hazard.

America faces many challenges and one of them is how to address the systemic risks posed by our too-big-to-fail institutions.

CAMDEN R. FINE
President and CEO
Independent Community Bankers of America
Washington

Regulations brought about by actions of banks like Mr. Dimon’s are absolutely affecting our ability to serve members and the communities in which we live and work, through no fault of our own.

The regulatory cost impact on the

credit-union industry was \$6.1 billion in 2014, and the lost revenues to credit unions from services that were discontinued or reduced because of added regulation is at least an additional \$1.1 billion. This total impact of \$7.2 billion is equivalent to an astonishing 80% of industry earnings and 6% of our credit unions’ net worth.

It’s time for policy makers to act by recognizing the need for regulatory relief for credit unions and small banks.

JIM NUSSLE
President/CEO
Credit Union National Association
Washington

Community banks have been strangled by a wave of regulation designed to reign in the systemically dangerous “mistakes” of Wall Street, for which J.P. Morgan Chase has paid more than \$23 billion in fines.

Mr. Dimon implies that Main Street is “inventing conflicts where none need exist.” From his lofty perch on Wall Street, and with the blessed assurance of too-big-to-fail/too-big-to-jail status, one can forgive Mr. Dimon for not being able to recognize the strife endemic within a system that guarantees an unlevel playing field. Community bank “mistakes” end in financial ruin and criminal referrals. This un-American, two-tiered system of justice opens prisons for community bankers, while allowing Wall Street to pay for its sins with shareholder money.

PRESTON L. KENNEDY
President and CEO
Bank of Zachary
Zachary, La.

Climate Change: More Losers Than Winners

In his April 7 op-ed “An Overheated Climate Alarm” Bjorn Lomborg targets the recent Federal Climate and Health Assessment, focusing on the balance between cold-related deaths avoided and heat-related deaths caused by climate change. He complains that the report “not once” mentions that more people die of cold than heat—a complaint that is plainly false (see the chapter on temperature). Mr. Lomborg is right that cold-related deaths will decline, but quantitatively comparing this health benefit with the health penalties of hotter weather and more heat waves is complex, as the report clearly acknowledges.

More important, Mr. Lomborg misses the forest by arguing about just one tree. Heat is just one of many exposures by which climate change threatens human health. Severe storm events kill and displace people. Insect-borne disease risk spreads, as warming allows West Nile or Zika-carrying mosquitoes and Lyme-ridden ticks to expand their range. Nutrition is threatened as the nutrient content of crops decreases and changes in weather threaten our breadbasket. Heat and stagnant air masses threaten respiratory health from ozone (smog) pollution.

Fortunately, the solutions to climate change are also public health prescriptions: clean sources of energy, such as the ever-cheaper wind and solar; active transportation such as walking, cycling, transit and urban green spaces.

There’s no place for selective, gratuitous contrarianism in assessing the science of climate change. Any fair reading of the growing body of evi-

dence—nicely summarized in the federal report—makes clear that climate change is a pressing health concern, and that both adaptation and mitigation must be urgent priorities.

HOWARD FRUMKIN, M.D., DR. PH.
University of Washington
Seattle

JONATHAN PATZ, M.D., M.P.H.
University of Wisconsin, Madison
Madison, Wis.

Longevity in both cold North Dakota and Hawaii top the list in the U.S. Canadians above the 49th parallel live longer than Americans: 81 years versus 78.7 years. Moving to a warmer spot like Texas and Florida may be fine for moneyed retirees, but for the rest of the world’s population it’s often impractical. Syria’s refugees would happily live out their lives in Norway or Germany, and longevity for them would have little to do with the local weather.

Global warming will still have deleterious effects on the world’s coastlines, air quality, water supplies and agriculture—those are the biggies.

WILLIAM L. SEAVEY
Cambria, Calif.

Climatologists should consider an alternative explanation for the observed migration patterns away from places like Michigan and Minnesota to places like Florida and Texas: taxes.

RICK CROSBY
Darien, Conn.

A Smartphone Is Very Much More Than Just a Telephone

L. Gordon Crovitz’s “FBI vs. Apple Isn’t Over” (Information Age, March 28) doesn’t take into consideration the view that my iPhone 6s is an extension of my “person.” Notwithstanding his comparison to banks and telecoms, my smartphone may contain messages between myself and my attorney. Although not under the same protection as attorney-client privilege, does anyone want messages between themselves and their physicians to undergo government scrutiny? What about messages between a pastor and one of his congregants?

It appears the Supreme Court, not Congress, needs to weigh in on this one.

JOHN LAIDO
Brooklyn, N.Y.

It is ironically symbolic that Mr. Crovitz’s opinion column arguing against data security in favor of the prying eyes of the state is opposite a story titled “China Website Staff Go Missing After Post” (World News) on the facing page. Once government has usurped a power, even for ostensibly legitimate reasons, it will be expanded in scope under various pretexts until it has extinguished our liberties.

MICAH B. HABER
Minnetonka, Minn.

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OPINION

The Algorithm Is an Editor

By Jeffrey Herbst

Social media companies quickly are becoming the dominant news providers for many Americans and citizens across the world. The implications of this revolution are significant for how we understand the information ecosystem and our democracy.

In only a few years, the number of Americans who get their news (as opposed to the latest cute cat videos) from Facebook, Google, Apple and Twitter has increased markedly. Four in 10 adults in America now get news

Google, Facebook and other tech companies say they aren't news organizations, but the claim is becoming increasingly implausible.

from Facebook and one in 10 from Twitter, according to the Pew Research Center. "Among Millennials," Pew researchers write, "Facebook is far and away the most common source for news and information about government and politics."

Tech companies, seeing the economic promise of this trend, are working hard to become the dominant distributors of news. Facebook's Instant Articles, which allow news stories to load much faster than before, will be open to all publishers in April. Apple has launched Apple News, Google offers Accelerated Mobile Pages, and Twitter has Moments.

The Washington Post has made all of its daily content available through

Facebook's Instant Articles. For struggling print publications that have yet to fully monetize their digital products, social media platforms are a new source of advertising revenue. For tech companies, the news is just more content that they can use to entice readers to stay on their platforms longer to be exposed to more ads.

But the change is profound. Facebook has implemented algorithms that will determine who sees which Washington Post articles. Two people with very similar interests may get different news, depending on what Facebook's servers believe is best for each reader. This is an extraordinary change from when a newspaper editor determined what the reader would see either in print or via the paper's own website.

Tech companies are adamant that they are not news providers but simply distribution networks. In a recent interview with Business Insider, Facebook's Mark Zuckerberg said, "I think the platform is the core of our product that people use to share and consume media, but we ourselves are not a media company." Officials I have spoken to at Google, Apple and Twitter similarly insist that they aren't news companies but simply deliver content that their algorithms find people want or, in the case of Facebook and Twitter, that users' friends or followers recommend.

This stance reflects Internet companies' historical role as "pipes" to



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provide information through search or recommendations. It is also commercially convenient, because it may help them avoid some difficult problems, including libel.

Yet as technology evolves, the tech companies' position that they are not news organizations becomes increasingly implausible. Simply by presenting articles in a different manner, the tech companies profoundly affect how news is consumed. In addition, they increasingly are inserting themselves and their views into the news stream. Both Apple News and Twitter's Moments employ human curation to highlight important stories, so an element of editorial selection is obvious. All try to scrub out some types of pornog-

raphy and expressions of hate speech, thereby immediately exercising editorial control.

Inevitably, as their prominence and ambition grow, the tech companies will be moved to do more. For instance, Facebook recently announced that it would ban private sales of guns on its platform. While this may be a good idea, no one had argued that gun sales were the most pressing problem among the many Facebook posts. Rather, the policy originates in management's beliefs.

Or consider counterterrorism, where the growing implausibility of solely being a distribution network, neutral to content, is most obvious. Islamic State and other radical groups have become experts at using social media to recruit members. The tech companies have reacted with steps that, while eminently sensible and responsible, seem to contradict their position as simply "pipes." Twitter has removed tens of thousands of accounts promoting Islamic State. Facebook removes posts that express support for terrorists or condone violent acts. It has also provided free ads to those who provide "counter speech" to extremist groups.

It could be argued that the tech firms are not news companies because they don't have reporters. However, that 20th-century model does not really apply to modern firms. What the social media companies have is a treasure trove of information about anyone with a smartphone

or Internet service and about the choices they make. Information arrived at through data mining, such as the public mood on particular issues, is already making its way into presidential debates and other political discussions. Google is training reporters on how to use its data. It is hard to imagine that the tech companies will resist further exploiting their store of information so that they can remain mere "pipes" in an increasingly competitive market.

As these companies enter further into the news arena they will have to develop an understanding of where their editorial role fits into American and world society and how they see themselves aligning with societal goals. Certainly a fundamental challenge will be to delineate how their for-profit imperative and shareholder demands interact with their role as providers of information.

The legacy media companies addressed this issue by trying, admittedly with varying degrees of success, to establish walls between the departments responsible for editorials, news reporting and advertising. This will be far more difficult in an era where algorithms—not editors—often control the content and ads a person consumes.

An informed citizenry depends on robust sources of news. How technology firms position themselves as news providers, and the choices they make as a result, will have an effect not only on the companies themselves but also on the quality of our democracy.

Mr. Herbst is the president and chief executive officer of the Newseum in Washington, D.C.

Why the MetLife Case Bears Watching Well Beyond Wall Street

By Peter J. Wallison

Federal district Judge Rosemary Collyer sent a shock through the financial community on March 30 by striking down the designation of MetLife as a systemically important financial institution (SIFI). Her opinion, released to the public last week, is more than a challenge to the authority of the Financial Stability Oversight Council. It is a challenge to the power of the entire federal bureaucracy.

A ruling against federal regulators could mean a brake on the wild growth of the administrative state.

The Treasury Department intends to appeal her ruling, and whatever happens at the next step of litigation, the case is likely to reach the Supreme Court. *MetLife v. Financial Stability Oversight Council* bears watching far beyond Wall Street: Ultimately, this case could determine whether the administrative state will be contained within judicially and statutorily created boundaries, or continue its unrestrained growth.

The Financial Stability Oversight Council, a creature of the Dodd-Frank Act, is a 15-person board composed largely of the heads of the federal agencies that regulate financial services. It can designate any nonbank financial firm as a SIFI, singling it out for stringent oversight by the Federal Reserve, if the council believes that the "material financial distress" of the firm "could pose a threat to the financial stability of the United States." The council can also determine whether "the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities" of any financial company could pose a similar threat.

Judge Collyer's decision challenges whether the council—or, for that matter, any other federal administrative body—can base its decisions on nothing more than a prediction about the future that is unsupported by evidence. The council's designation

of MetLife as a SIFI was clearly that. The financial conditions that might exist in the future, when MetLife might suffer "material financial distress," are unknown and indeed unknowable.

The Justice Department, representing the council, told Judge Collyer that because of the council's expertise in financial regulation, its opinion about this matter must be given deference by the court.

MetLife's counsel argued instead that the council's decision to label the company a SIFI, with no evidentiary foundation of any kind, was *ipse dixit* (a Latin phrase that means, essentially, "because I said so"). Judge Collyer agreed. An agency, she said, must engage in "reasoned decisionmaking" or its action will be deemed arbitrary and capricious. But the council's analysis of MetLife "never projected what the losses would be . . . or how the market would destabilize as a result." She concluded that a "predictive judgment must be based on reasoned predictions," and "a summary of the company's assets and financial exposures is not a prediction."

In other words, Judge Collyer found that the discretion provided to the council by Dodd-Frank violated the underlying policies of the Administrative Procedure Act, which authorizes courts to dismiss federal agency decisions that are not based on evidence. For this reason, the ruling has far-reaching ramifications.

It is difficult to see how the council, or any other federal agency, can meet Judge Collyer's standard, except where there is clear supporting evidence for a prediction—for example, where the weight of scientific evidence supports its view that a certain action will cause a predicted result.

Other cases are not so easy. In February 2014, the Federal Reserve adopted enhanced prudential standards such as stricter liquidity requirements for bank holding companies, with the proviso that the standards will get "more stringent" as these firms become more "systemically important." Systemic importance is clearly a prediction about the future effect of a firm's "material financial distress" for which an administrative agency must have supporting evidence. Judge

Collyer's ruling thus calls into question whether any firm can be considered "systemically important" unless an agency, like the council or the Fed, can produce such evidence.

The MetLife case is not about statutory authority. Dodd-Frank unambiguously grants the council discretion to designate financial firms as SIFIs on whatever grounds it chooses. The issue raised by Judge Collyer is whether—no matter what Congress says—this or any other agency can base a decision on nothing more than an opinion about what may happen in the future.

Federal courts used to rein in the discretionary authority of administrative agencies by ruling that

Congress had unconstitutionally delegated its exclusive authority to make the laws. But this practice has fallen into disuse. Instead, federal courts now often validate agency discretion, holding that these bodies, staffed by alleged experts, deserve "deference" when they fill in the blanks left open in laws that Congress has enacted.

At the Supreme Court, this validation has often satisfied both sides: conservative justices, who believe in judicial restraint, and liberal justices, who generally support administrative power. Lately, however, Chief Justice John Roberts, and Justices Clarence Thomas and Samuel Alito, have begun to question this course.

Misplaced Worries About Solo Investors

By Joe Ricketts

Do individual investors get a square deal when they trade stocks? There has been a lot of discussion about the question, in particular about where and how brokers route their customers' orders. As someone who spent his professional life trying to empower people to make informed investment decisions, I understand the concern. But it's misplaced.

Consider the vast improvements in stock markets. Individual, or retail, orders get filled 10 times faster than a decade ago. Commission rates have fallen by nearly 70% since 1997. The prices at which orders are filled beat quoted prices 91% of the time, versus 14% a decade ago. And 99% of all market orders are filled in their entirety.

The supposed problem is what happens after an individual investor enters an order to buy or sell a stock. At this point the broker is legally obligated to try to make the trade at the most favorable terms reasonably available—including such factors as price, speed, the likelihood of partial or full execution, transaction costs, and customer needs and expectations. This obligation, called "best execution," is a big deal; it is why regulators like the Securities and Exchange Commission and the Financial Industry Regulatory Authority require brokers to conduct regular, rigorous reviews of their execution quality.

A significant factor in determining

the best execution involves where orders get routed. The broker who took the order may try to match buyers and sellers among his business's clients in-house—called internalization—or he may send the order out to a third-party market center. Market centers include electronic exchanges like NYSE and Nasdaq, as well as market makers, which are firms that trade for their own accounts to make markets in particular securities.

Criticism of how customers' orders are routed reflects a misunderstanding of how market centers compete.

Market centers compete fiercely for order flow. In part, that's because they need strong order volume to produce robust trading and liquidity. When the market for a stock is liquid, it means investors are actively buying and selling it, and that means trades can be executed quickly and at good prices. The fact that the current equity-market structure has generally produced robust liquidity is one of the main reasons orders are getting filled faster, cheaper and at better prices.

Some market centers compete for order flow by paying brokers to get their orders, usually small fractions of a cent per share. And this is what all the recent brouhaha is about—irre-

sponsible assertions that competition among market centers for order flow has led brokerages to ignore their best execution obligation and simply channel orders to the market center that paid them the most.

Yet there is nothing shadowy about market centers competing for order flow. Paying for order flow began in the late 1990s and has been well-established in the U.S. since the mid-2000s. Since 1994 the SEC has required broker-dealers to disclose publicly to new customers, on trade confirmations and in public quarterly reports that they are receiving order-flow payments.

The effect of this transparent competition has been extremely positive for retail brokerage clients. According to data analysis firm RegOne Solutions, competition among market centers for order flow has resulted in retail investors receiving more than \$600 million in direct price improvement to buyers and sellers from market centers in 2014 alone, up from roughly \$100 million in 2004. And that doesn't take into account the extent to which revenue from payments for order flow permit brokerages to offer lower commissions and, in many cases, free extra services such as powerful technology platforms, access to third-party research reports and online education.

There is no doubt the industry can do even better. Providing investors with more and easier access to information about payments for orders will permit them to decide if they are comfortable with their broker's routing practices. If not, they can take their business elsewhere.

But improvements need to be thoughtful, measured and informed by the fact that the current market structure has produced incredibly favorable conditions for individual investors. It is a mistake to obsess over one practice without considering how it, and all the other pieces, work together to produce the current, favorable environment for retail traders. As with doctors, the first rule should be: Do no harm.

Mr. Ricketts, the founder of TD Ameritrade, now pursues entrepreneurial and philanthropic projects. Alfred Levitt, president and general counsel of Hugo Enterprises LLC, helped with research for this op-ed.

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CITY NEWS | A19

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THE WALL STREET JOURNAL.

Thursday, April 14, 2016 | A17



Bernie Sanders hoists a hot dog at Nathan's Famous in Coney Island. Hillary Clinton has her eyes on a slice of cheesecake at Junior's.

Brooklyn Has Its Moment

By MIKE VILENSKY

As “Girls” star and Brooklyn’s own Lena Dunham stumps for Democratic presidential front-runner Hillary Clinton, her television co-star Alex Karpovsky, who lives in the borough’s Greenpoint area, is backing rival Bernie Sanders. Mr. Karpovsky, who plays Ray Plushansky on the Brooklyn-centered television show, said about half of his friends are supporting Mrs. Clinton. “We’ve kept the discussions pretty civil,” he said.

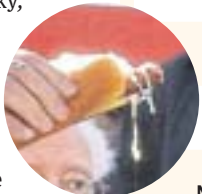
This year, Brooklyn has an outside presence in the Democratic presidential primary, handing Kings County’s 853,000 registered voters, the most of any borough in New York City, a starring role in national politics.

On Thursday night, Mrs. Clinton, who represented New York for eight years in the U.S. Senate, and Mr. Sanders, who was born and raised in Brooklyn and now represents Vermont in the Senate, will face off at the Brooklyn Navy Yard, their last debate before the state’s primary on Tuesday.

The Brooklyn political rallies, candidate sightings and campaign staffs competing for support have offered the borough’s residents and officials a chance to push local issues. With Mrs. Clinton’s national campaign based in Brooklyn Heights, and Mr. Sanders’s state headquarters in Gowanus, there has been plenty of opportunity for neighbor-on-

The Candidates’ New York States of Mind

Bernie Sanders		Hillary Clinton
Gowanus	Headquarters	Brooklyn Heights
Born in Brooklyn	Credentials	U.S. senator from New York
Canal Bar	Supporter hang-out	Monty Q’s
Hot dog at Nathan’s	Campaign food stop	Cheesecake at Junior’s
New York City Councilman Rafael Espinal	Official endorsement	New York Gov. Andrew Cuomo
Spike Lee	Celebrity backer	Lena Dunham
Brooklyn Dodgers	Yankees or Mets?	Rooted for the Yankees



neighbor sparring sessions.

“This is like the lunar eclipse,” said Brooklyn Borough President Eric Adams, a Democrat who hasn’t endorsed a candidate. The race is “a window of opportunity” for national figures to address poverty in parts of Brooklyn like Brownsville, he said.

Mrs. Clinton, who leads Mr. Sanders in the latest Wall Street Journal-NBC News-Marist poll of likely Democratic voters in New York 55% to 41%, has touted her work representing the state before she joined President Barack Obama’s administration as secretary of state.

Brooklyn residents “know she has their backs,” said Harrell Kirstein, a spokesman for Mrs. Clinton, pointing to legislation she backed that pro-

vided health care for 9/11 first responders.

Mr. Sanders has his own hometown advantage. Though he has long been a face of Vermont, he was raised in a south-central Brooklyn enclave with a large immigrant population.

“His vision of a society where we’re all in this together was shaped in large part by his upbringing in Brooklyn,” said Karthik Ganapathy, a spokesman for the candidate. The borough now, Mr. Ganapathy said, “is in some ways a microcosm of the [economic] inequality he is talking about.”

Mr. Sanders held a rally last week outside his childhood home. “These were rent-controlled apartments” during his upbringing, he said, a nod toward the rising rents that have bedeviled swaths of the city.

A self-described Democratic socialist, Mr. Sanders has positioned himself as a more left-wing alternative to Mrs. Clinton, who holds a large lead in convention delegates and the bulk of political endorsements. He has focused much of his campaign on assailing money in politics and corporate greed, while Mrs. Clinton has said she can better handle a wide range of issues.

Brooklyn has faced similar ideological battles before. In 2014, Zephyr Teachout, a little-

known left-leaning law professor, ran an insurgency campaign against incumbent New York Gov. Andrew Cuomo, a centrist Democrat. Mr. Cuomo won the primary in Brooklyn and every other borough in the city.

Assemblyman Joseph Lentol, a Brooklyn Democrat who is backing Mrs. Clinton, said she helped bring school aid to the borough. But no matter what, Mr. Lentol said, he is glad Brooklyn is getting “a good election to determine who is the sweetheart of New York.”

Mrs. Clinton maintains wide support among New York’s high-ranking politicians, including Sens. Kirsten Gillibrand and Charles Schumer, who lives in Brooklyn. Still,

Please see RACE page A18

- ◆ Sanders heads to conference at Vatican after debate.....A4
- ◆ Brooklyn Navy Yard gets another star turn..... A18

De Blasio Keeps City Agencies On Short Leash

By JOSH DAWSEY

New York Mayor Bill de Blasio has taken a more hands-on and ideological approach than his predecessor in managing the city’s 44 agencies, a style that sometimes drags out decision making and frustrates some of his commissioners.

In the de Blasio era, commissioners are required to provide weekly reports, submit so-called decision memos to multiple layers of review and run prospective senior-staff hires by the mayor’s office, according to documents and current and former city officials.

“The Bloomberg administration was the golden era of being a commissioner,” said Staten Island Borough President Jimmy Oddo, a Republican who has worked closely with Mr. de Blasio and his predecessor, Michael Bloomberg. “There has been a sea change between de Blasio and Bloomberg. City Hall is now more involved.”

Like Mr. Bloomberg, Ed Koch took a largely hands-off approach to managing agencies when he was mayor, said Jonathan Soffer, who wrote a biography about Mr. Koch and interviewed him and many of his commissioners.

Former Mayor Rudy Giuliani took a more aggressive approach.

“I was accused all the time of being a micromanager,” said Mr. Giuliani, who added he sometimes met with commissioners four times a week and liked a “military-style” power structure. Mr. Giuliani said he

learned as time passed to delegate more but still struggled. “I would micromanage you for a while, and then if I trusted you, I gave you more room. If I didn’t, I would find someone else.”

Mr. de Blasio said last week he was “aggressive” managing agencies and was “very proud of being a hands-on leader.” Mr. de Blasio’s management style has come under scrutiny in recent weeks as he has faced questions after saying he didn’t know about the city’s approval of a Lower East Side land deal now under investigation and a federal probe into the city’s public housing authority.

Mayor Bill de Blasio said he was ‘very proud of being a hands-on leader.’

“If it’s something that is strategically complicated, if it’s something where there are real substantive and philosophical issues, I’d rather [issues] come to City Hall than be held at the agency,” he said.

In the weekly reports to the mayor’s office, Mr. de Blasio’s commissioners list contacts with outside politicians, lobbyists and others, along with an account of their activities.

Under Mr. de Blasio, the mayor’s office reviews resumes from at least three finalists when agencies want to hire senior staff, and the mayor’s office approves the

Please see MAYOR page A18

Leak Puts Focus On Lost-Art Case

By JENNIFER SMITH

Leaked documents from the so-called Panama Papers have shone an international spotlight on a New York legal battle over an Amedeo Modigliani painting that was allegedly looted by the Nazis.

The 1918 portrait, “Seated Man With a Cane,” has an estimated worth of as much as \$25 million. The Nazis confiscated the painting from the Jewish art dealer Oscar Stettiner after he fled Paris in 1939, according to legal claims by his grandson, Philippe Maestracci, that are now being pursued by Mr. Stettiner’s estate.

Mr. Maestracci’s initial efforts to recover the painting were hampered by difficulty in determining who held the

work after Christie’s auction house sold it in 1996.

The work is owned by International Art Center SA, or IAC, an offshore entity registered in Panama. The painting is stored in a warehouse at the Geneva Freeport in Switzerland, where fine art and other valuables can be held without incurring taxes.

According to recent reports by the International Consortium of Investigative Journalists, IAC was set up in 1995 by the Nahmad family—a wealthy and influential art-dealing clan that has been fending off Mr. Maestracci’s claims for years—and is controlled by billionaire art collector David Nahmad.

Mr. Nahmad confirmed those details on Wednesday.

He said the entity was set

Please see ART page A25

56°
TODAY'S HIGH

SUNNY, NICE

Weather
Real Feel
9 a.m. 42°
5 p.m. 58°
Record High
85° (1941)
Sunrise/Sunset
6:18 a.m./7:35 p.m.
Friday's High
59°

N.Y. Sports Lineup

7:07 p.m.
Thursday
Yankees
@ Blue Jays

8 p.m. Thursday
Islanders
@ Panthers

For N.Y. sports coverage, see A26

Stacking Up Housing On Upper West Side

By JOSH BARBANEL

Could New York’s perennial housing shortage be eased by simply stacking new buildings on top of old ones?

That is what a group of tenants at 711 West End Ave. are considering, some with horror, for their 1950s-era red-brick building spanning West 94th and 95th streets. Above it, a nine-story condominium is to be set on a concrete platform, supported by 17 steel columns embedded in rock outside the existing, six-story building’s walls.

When completed, the two buildings will be connected by a shaft containing an elevator bank, two staircases and util-

ity lines, as well as design elements like terra-cotta cladding intended to echo the stately prewar apartments lining West End Avenue. Residents of the two structures will have different addresses but will share a lobby and amenities, such as a new garden, a space for recitals and readings and music-practice rooms.

The plans generated substantial opposition from tenants, neighbors and local elected officials, including City Council member Helen Rosenthal, resulting in unusually extensive design and engineering reviews, including a peer review by a second engineering consultant, typically required only of the tallest skyscrapers.

Please turn to page A20



A rendering of 711 West End Ave., where developers plan to add nine stories to the existing structure.

PROVIA ARCHITECTS

CITY NEWS



Swimming lessons at University Settlement's Houston Street Center. At right, volunteers Judy Sarmento, standing, and Deborah Lee.



RALPH GARDNER JR./THE WALL STREET JOURNAL (2)

Community Spirit Lives in the Bowery

A fort in Indian country was the analogy that came to mind as I sat in a conference room at University Settlement's Houston Street Center on the Bowery and listened to Melissa Aase, the organization's executive director, discussing the onslaught of gentrification. Though "gilding" may be a more apt description of the luxury transformation of a neighborhood once known as the city's Skid Row.

"We used to be able to see the sky from here," Ms. Aase lamented as she looked out the window of the cen-

ter's conference room. It was blocked by a new condo-hotel rising next door. "This was our only daylight." It wouldn't be quite accurate to describe University Settlement, one of the city's oldest and largest social-service providers, as a bulwark against the forces of gentrification. Rather, it's a place where every element of the community—from wealthy, to middle class, to poor, many of them immigrants—can congregate. "It's accessible to the whole community," Ms. Aase said, referring to the Houston Street Center. "It makes the place a much richer place, vibrant and inclusive." University Settlement started in 1886 as a haven for the flood of impoverished immigrants arriving on the

Lower East Side. The Houston Street Center, celebrating its 10th anniversary, is a few blocks from the group's headquarters on Eldridge Street. And were further proof required of the forces of change, it shares the ground floor of the apartment building where it's located with a Whole Foods. "We know a little bit about the neighborhood," Ms. Aase explained. "We just turned 130. We've seen so many changes." The community spirit is on display nowhere as much as in the gym and swimming pool that the Houston Street Center shares with the Chinatown YMCA. On a recent afternoon, it was a beehive of activity. "It's a 50/50 partnership with the 'Y,'" Ms. Aase ex-

plained as neighborhood residents ran on treadmills that overlooked the pool. The two groups even divide the pool. "The Y has a certain amount of lanes and we have a certain amount of lanes," she said. "In the summertime you have to reserve two weeks in advance. There are so many people who want to swim." But the gym and pool constitute only a fraction of the Houston Street Center's offerings. They include family yoga, English conversation, housing assistance, job training, drama courses, child care, knitting, and zumba. There's also free after-school and summer programs for middle schoolers. Judy Sarmento, 78 years old, comes from Jackson Heights three days a week. "I

have a lot of friends here," she explained. "You have to go to a place where you're welcome." And did I mention the Excel programs? They provide children and adults with special needs with everything from art and cooking to computer-skills classes. Deborah Lee, 29, is among them. Indeed, Ms. Lee who takes hip hop dancing classes—in addition to drama, sewing, and the ancient Chinese breathing technique of Qi Gong—recently testified before the Lower Manhattan Development Corporation in an effort to help secure funding for University Settlement.

A gym and pool are only a fraction of the Houston Street Center's offerings.

"Before I wrote down some notes," she recalled of her appearance. "It was a very nice experience. I went with my mom and other parents and friends. I spoke in a microphone." The effort paid off. The

LMDC awarded the organization \$1.1 million. "Nowhere else would we feel like family," said Wai Lan Lee, Deborah's mother, who goes by Michelle. She was speaking in Chinese as Eva Wong, the Houston Street Center's director of programs and engagement, translated. The family lives in the neighborhood and Deborah and her mother can walk to the building. While Deborah was taking those hip hop classes her mother was learning how to swim. Though she said she can't float. So I don't know how that works. "We really need this place," she said. Ms. Aase grew passionate while discussing the symbolic importance of losing that conference-room view. "This is the kind of space that brings people together and creates a sense of belonging," she said of University Settlement. "When people are pushed out of their neighborhood and feel displaced you're pushing back against all those things." She nodded in the direction of the swimming pool. "And having fun."

ralph.gardner@wsj.com

RACE

Continued from page A17
Mr. Sanders has gained some elected-official support. City Councilman Rafael Espinal, a Brooklyn Democrat, is backing Mr. Sanders, saying the candidate "gets the problems" that his district's lower-income people face, and is "speaking to my constituents." At a clothing store near Mrs. Clinton's headquarters, Kristin Becker, a volunteer at the shop, said she is backing Mrs. Clinton, who bought a gift for her granddaughter at the store last year. "If she hadn't taken a moment to come down into the

community, I think there could potentially be this feeling of us and them," Ms. Becker said. That is indeed the feeling just a few blocks away at another shop, Rocco and Jezebel for Pets, a shop Mrs. Clinton hasn't visited. Politicians "are so out of touch," said store owner Andrea Demetropoulos, who is undecided. Mr. Adams, the borough president, said he is disappointed in both Mrs. Clinton and Mr. Sanders. "I need candidates who are not afraid to walk through the Tilden projects," he said, referring to a public-housing development in Brownsville where neither has campaigned. —Zolan Kanno-Youngs contributed to this article.



Bernie Sanders's state headquarters in Gowanus. Right, the Brooklyn Heights building where Hillary Clinton's national campaign is based.



L-R: BETH HARPAZ/ASSOCIATED PRESS; MARK LEVIN/HAN/ASSOCIATED PRESS

Democratic Presidential Debate Puts Spotlight on Brooklyn Navy Yard

The Democratic presidential debate on Thursday will mark another star turn for Brooklyn's Navy Yard, a former U.S. military shipyard that is now home to hundreds of businesses and the occasional fashion event. The refurbishment of the Navy Yard—a 300-acre industrial park with more than 4 million square feet of leasable space on the waterfront between the Williamsburg and Manhattan bridges—was a priority under former New York City Mayor Michael Bloomberg. Efforts have continued under

his successor, Bill de Blasio. Thursday night's debate between Democratic candidates Hillary Clinton and Bernie Sanders is scheduled to take place at an event space within the Navy Yard called Duggal Greenhouse. The three-year-old venue has previously hosted some high-wattage gatherings, including Lady Gaga's album release party with artist Jeff Koons, an Alexander Wang fashion show and rehearsals for pop star Beyoncé. "I think it's a great time for us to have the local and na-

tional spotlight," said David Ehrenberg, president of the Brooklyn Navy Yard Development Corp., which manages the yard for the city. The Navy Yard is undergoing its largest expansion to date, and officials hope the developments will bring a surge of jobs. Mary Lovci, vice president of Duggal Greenhouse, said the debate is a "unique, special occasion" for the space. Owned by 80-year-old Baldev Duggal, the founder of a global graphics business, "this space was his vision and

his dream," she said. Ms. Lovci said the space was sought by CNN, which is co-hosting the debate that is scheduled to begin at 9 p.m. The event location has drawn some criticism from Brooklyn Borough President Eric Adams, who said the debate should be held somewhere that will put the spotlight on poverty in New York City. "The Brooklyn Navy Yard is a success story," Mr. Adams said. "We can't continue to stay in the environments of success stories." —Mike Vilensky

MAYOR

Continued from page A17
chosen candidate, according to a December 2014 memo reviewed by The Wall Street Journal. The mayor's office said the measure was intended to promote diversity. "While there may be instances where taking this additional time may feel like it extracts a toll on short-term productivity, it is the view of this Administration that the long-term benefits outweigh the cost," the memo says. Mr. de Blasio's administration has used decision memos more than 80 times, say aides in City Hall. Decision memos are documents explaining why

Mr. de Blasio should take a certain position, and they require wide approval before getting to his desk. One memo on flight rules for helicopters had at least nine rounds of revisions, and it took more than a year for a final copy to get approved, according to people who viewed it. Several others took at least five months, according to city officials. Some were lost in the process. Mr. de Blasio said the memos forced people to communicate more. Councilman Ritchie Torres, a Bronx Democrat who heads the council's public-housing committee, said Mr. de Blasio was far more involved in the day-to-day affairs at the New York City Housing Authority than Mr. Bloomberg or his pre-

decessors. "Their approach has its virtue and its vices," Mr. Torres said of the de Blasio team. "I think with NYCHA, it has mainly been virtues. But I don't know if the operations are any better in this administration." Mr. Oddo has applauded some of the decision-making coming from city agencies and said he sometimes scored quick attention from City Hall. But he also said a big economic-development project recently dropped through the cracks on Staten Island "because they let the months go by and never said no, but they never said yes." Eventually, developers chose to go elsewhere, he said. The mayor's office said it worked

with Mr. Oddo on the matter. "I don't think this is an administration that does a lot of things well at once," he said. "They are laser-focused on what they care about. It's a good thing sometimes, but it's a bad thing when there are other things in the queue."

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SPACES THURSDAY



The current building at 711 West End Ave., below. The proposed addition, above, will have views of Riverside Park and the Hudson River.

Building Up to Ease Housing Shortage

Continued from page A17

Stephanie Cooper, a co-leader of a tenant group opposed to the new tower, worries that if the project proceeds, it could endanger the more than 130 rent-regulated tenants who will continue living in the existing building and set a precedent for local real-estate projects. “New York City is filled with low rise buildings over which construction like this possible, if this works,” she said.

But the plans have passed the review, a Department of Buildings official said. Once the school year ends at P.S. 75 across the street, and the department’s enforcement-safety team conducts a final review of “site safety logistics,” construction is expected to begin.

The developers of the new project, Paul Boardman of P2B Ventures and Steven J. Pozzycki of SJP Properties, see it as a way of easing the city’s housing shortage, adapting sites in a way that could improve the lives of existing tenants.

“Because of the peculiar nature of New York real estate and the cost of land, these opportunities do present themselves from time to time,” said Ray H. Dovell, the lead architect and a principal at PBDW Architects.

In a rare arrangement for a condo development, the Miller family, which has owned the existing building since the 1960s, will continue to own and operate it as a rental building. They sold air rights allowing for the new condo, in exchange for equity in the project, said Aloysius Lawn, a lawyer for the family. Eventually they plan to exchange their equity for units in the condo that they will also rent out.

Mr. Lawn said that several family members live in apartments in the existing building and had checked the construction plans to make sure residents wouldn’t be endangered.

The new building is to be called the Haswell, for Andrew Haswell Green, a 19th-century civic leader who oversaw planning for nearby



Riverside Park, along with Central Park and other New York institutions. It will have 64 condos, including rear-facing apartments with balconies that overlook Riverside Park.

Mr. Boardman said he came across the building while walking a new puppy on the West Side a few years ago. The idea to build on top of it came as he was looking for a way to “adaptively reuse” it, he said, adding to its capacity while maintaining “the existing fabric.”

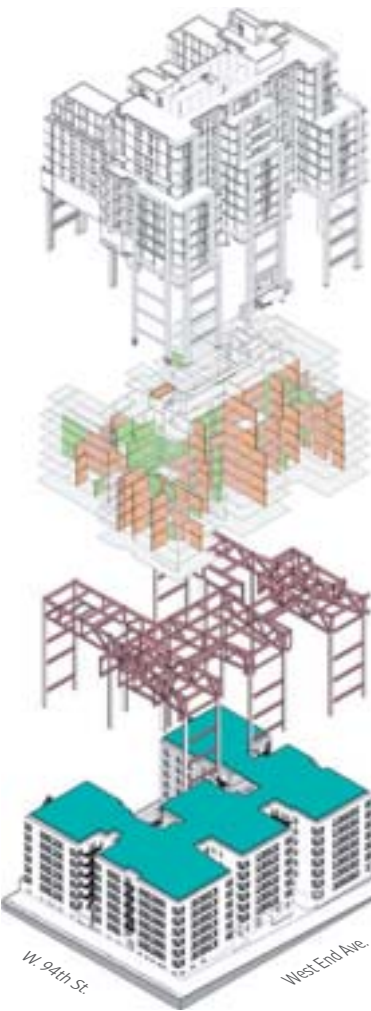
The Haswell isn’t the first effort to build a market-rate building on top of an existing structure housing rent-regulated tenants.

In 2005, a group of investors, led by developer Kent Swig, purchased two six-story rental buildings on Amsterdam Avenue near West 92nd Street and developed plans to put up a nine-story condominium on top.

After giving preliminary approval to the project, however, the Department of Buildings withdrew it after

Building on Air

How to build a nine-story condo on top of a six-story rental.



4 Exterior walls, with windows already installed, will be built offsite and raised into place to speed construction and contain dust and noise. Once they are in place, the apartment interiors will be finished. Brick, metal and terra-cotta details were designed to echo prewar buildings on West End Avenue.

3 A concrete platform will be poured on top of the steel structure. Then load-bearing interior walls will be hoisted into place, serving as bases for the pouring of each of the floors above.

2 The new building will sit on top of 17 columns that will be anchored outside the perimeter of the existing building.

1 The existing six-story building opened in 1952 and will continue to be operated as rentals by the family that owns it. It is shown topped by two protective layers that will be installed as construction of the new building begins.

Not shown: A line of studio apartments in the northwest corner of the existing building will be replaced by an elevator bank, two staircases and a shaft for utilities.
Source: PBDW Architects

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ARTS & ENTERTAINMENT

Tribeca Festival: Films to Catch The First Week

By STEVE DOLLAR

Week one of the 2016 Tribeca Film Festival is beginning in earnest with screenings at a variety of downtown venues. There are 102 features in the lineup, ranging from documentary to independent and foreign-language films to all-star Hollywood attractions. Below, a look at some promising selections. See tribecafilm.com/filmguide for screening times.

‘LoveTrue’

Five years after her debut film “Bombay Beach” won the best feature documentary prize at the festival, Alma Har’el returns with an ambitious new project that digs into the eternal mysteries of true romance.

The documentary took her to New York, Hawaii and Alaska, where she connected with an array of star-crossed lovers.

They include a surfer dude who becomes a single father, the patriarch of a gospel-singing family she met in Central Park and a young stripper in Fairbanks. As part of the film’s unusual process, Ms. Har’el also found nonprofessional actors to also play versions of the subjects as their younger

and older selves.

The doubles help explore “how we cast ourselves and other people in mythological stories,” said Ms. Har’el, who often finds poetic visual complement to those stories. “And then we have to realize who they really are when we take the masks off.”

‘Actor Martinez’

Filmmakers Nathan Silver and Mike Ott play themselves as they produce a mock biographical drama about aspiring Denver actor Arthur Martinez, a middle-aged computer repair manager who asked to collaborate with the risk-taking directors. He participates in unintentionally comic casting sessions for the roles of his ex-wife and girlfriend, but grows suspicious as the filmmakers plot to “punch his buttons.” Mr. Martinez begins to feels the joke may be on him and fights back. The audience can decide whether the film is a spoof or a psychodrama, exposing the emotional perils of indie filmmaking.

‘All This Panic’

“People want to see you but they don’t want to hear what you have to say,” argues one of the teenage subjects in this film, which tracks the lives of



A scene from Alma Har’el’s documentary ‘LoveTrue’

ALMA HAR’EL

a group of Brooklyn high-school girls as they approach adulthood. Director Jenny Gage turns up the volume, capturing three years of vulnerable, confessional and quite sophisticated girl talk. The project began when Ms. Gage and her cinematographer husband, Tom Betterton, met sisters Ginger and Dusty, who were their neighbors in Clinton Hill.

“They had pink hair one week and green hair the next week,” Ms. Gage recalled. “I became fascinated and asked if we could follow them around.”

Soon enough, the filmmak-

ers were crouching in corners of teen bedrooms. “It is meant to be completely immersed as much inside their heads as we can be,” said Mr. Betterton, who sometimes felt awkward as the only male. “There were definitely moments when I was the only one blushing in the room.”

‘Contemporary Color’

In a series of concerts last summer, pop star David Byrne championed the overlooked world of color guard, a one-time military-drill tradition that has become a flag-twirling, rifle-tossing, saber-spin-

ning choreographic marvel, taken up by competitive teams of high school children and, sometimes, adults.

This full-hearted documentary distills performances in Toronto and Brooklyn’s Barclays Center into one glorious spectacle, as the teams take their routines to new intensity with the help of musicians such as St. Vincent, Tune-Yards and Ad-Rock of the Beastie Boys. Directors Turner and Bill Ross IV turn a vast arena into an intimate prism of all-American dreams, as the adolescent participants pour out their emotions.

‘The Fixer’

Coastal northern California looks like heaven to Osman, an Afghani exile played by the charismatic Iranian actor Dominic Rains in this suspenseful fish-out-of-water drama. Once an aide, or fixer, for Western war correspondents, he takes a low-level job as the local crime reporter. But as he begins to make new friends in the eccentric community, Osman may prove too eager for his own good. Director Ian Olds, working with cinematographer Adam Newport-Berra, evokes a natural paradise riddled with snakes and snares.

ART

Continued from page A17
up “for discretion purposes” when making sizable purchases at auction, adding: “Everybody in the art world knows we buy under IAC.”

Mr. Nahmad said the issue wasn’t relevant to the lawsuit over the Modigliani, which he said will turn on whether the plaintiffs can prove in court that Mr. Stettiner owned the painting.

In that case, he said, “I am ready to return it.”

This week, Swiss authorities said a criminal case had been opened “relating to the Panama Papers to investigate links with a Modigliani paint-

ing in Geneva.”

The Geneva public prosecutor’s office said Monday that a Modigliani was “sequestered late last week” at the Geneva Freeport but declined to elaborate further.

Swiss authorities said a Modigliani was ‘sequestered late last week.’

Aaron Richard Golub, a lawyer representing IAC and the other defendants in the Modigliani lawsuit, said the painting is “still at the Freeport, under the custody of my clients.”

Mr. Golub said authorities “blocked” the painting from

being moved and froze documentation and records relating to the work, which was also photographed.

He said the company had 10 days to appeal the order.

Meanwhile, representatives for Mr. Stettiner’s estate said they had sent Mr. Nahmad new documents that they plan to file in New York state court, which they say provide additional proof of the family’s ownership of the painting.

“We are hopeful that David Nahmad will now agree that the evidence is compelling and conclusive and that he will return the painting to Mr. Stettiner’s family,” said James Palmer of Mondex Corp., a Toronto firm that specializes in recovering Nazi-looted art and is working with Mr. Maestracci and the estate on the claim.

Mr. Maestracci initially sued the Helly Nahmad Gallery in federal court in 2011, but withdrew an amended complaint over jurisdictional issues.

In 2015, Mr. Maestracci filed a lawsuit in New York state court against IAC, David Nahmad, his son, Hillel “Helly” Nahmad and the Helly Nahmad Gallery.

It was amended in November to make George Gowen, the New York administrator of Mr. Stettiner’s estate, the sole plaintiff in the case.

The November filing alleged that IAC was a “shell company” set up by the Nahmad family “to conceal and confuse their identities, and hide revenues...stemming from their art dealings.”

While the painting had been shown at the New York and London galleries run by members of the Nahmad family, lawyers for Mr. Nahmad and the New York gallery had said in court filings that IAC is the sole owner of the work.

In statements issued this week, representatives for IAC and Mr. Nahmad said the offshore entity was used for privacy reasons, a common practice at auction. They said the painting wasn’t hidden and was also shown in Switzerland and at the Royal Academy of Arts in London.

They said the plaintiffs had yet to prove Mr. Stettiner had owned the work and that Mondex was trying to use negative publicity to force a set-

tlement, of which it would receive a cut because it had financed the case.

Mr. Palmer said Mondex does “our best to put together a case,” whether the firm’s clients pay by the hour or on contingency.

“In this case it’s very clear that the painting was stolen property,” Mr. Palmer said, “which is the reason the Swiss government has sequestered the painting.”

“I did not steal the painting

from anyone,” Mr. Nahmad said earlier this week. “I raised my hand at public auction in London in 1996.”

Mr. Nahmad said Mondex and the Stettiner estate’s legal team were “trying to shift the problem to who is the owner of the painting today,” he said. “The discussion is not about who the owner is today, but about who was the owner during the war.”

—Anna Russell in London contributed to this article.

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SPORTS

The Good, the Bad, the Knicks: a Season Review

Another 50-loss year won't please anyone, but optimism abounds

By Chris Herring

INDIANAPOLIS—The Knicks' 2015-16 season, which ended with a loss to the Indiana Pacers Tuesday night, was strange for a handful of reasons.

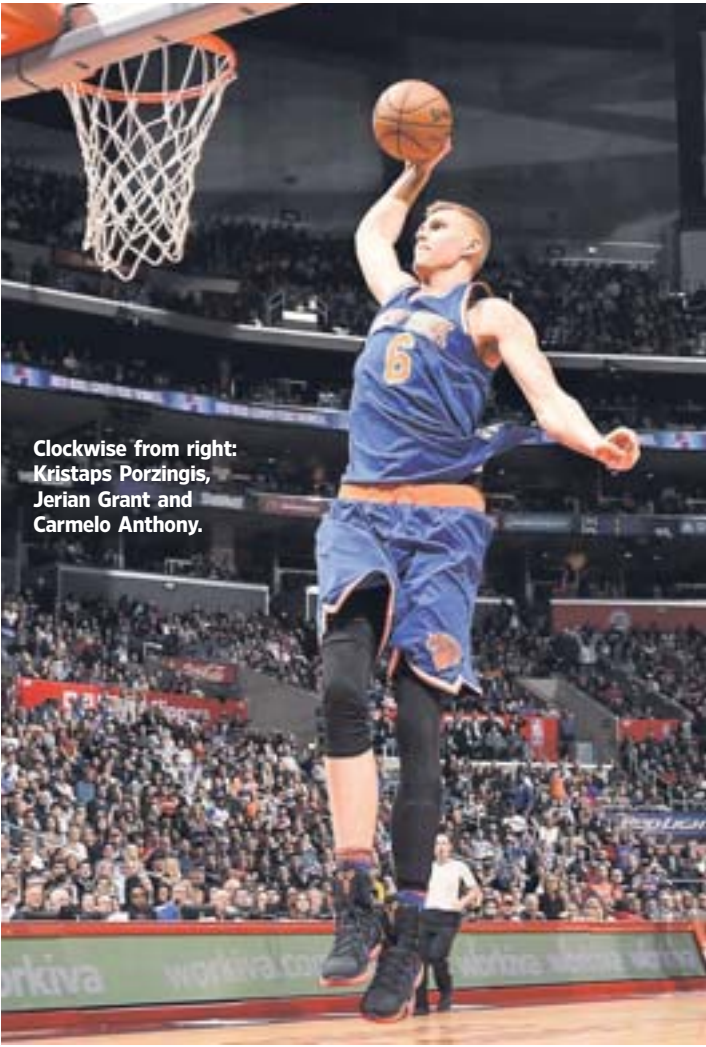
From one angle, it might appear that this season represented a step forward for the Knicks—they nearly doubled last season's franchise-worst win total of 17. But considering how well the Knicks started—they were in playoff contention at 22-22 in late January before going off the rails, firing coach Derek Fisher and finishing 32-50—one has to regard the end of the season as a big disappointment.

Ultimately, the franchise's fifth 50-loss season in the past decade will satisfy no one. Where did this team go so wrong? And where did it improve, if at all? Let's take a nuts-and-bolts look at the Knicks' latest letdown.

WHAT THEY DID RIGHT

They uncovered a potential franchise player. The most important thing the Knicks did this past year was draft Kristaps Porzingis, the versatile 7-foot-3-inch forward who went from being booed on draft night to logging 21 double-doubles in what will probably be a runner-up finish for Rookie of the Year honors.

Porzingis, still just 20 years old, can do a little of everything—hit tough fadeaway jumpers, pass the ball, put it on the floor, and protect the rim. His 14.3 points and 7.3 rebounds a game were more than anyone could have expected, but he still has plenty of work to do. The shoulder injury that ended his season prematurely robbed him of valuable minutes. Porzingis needs to put on weight so he can power through beefier defenders, and he needs to be more



Clockwise from right: Kristaps Porzingis, Jerian Grant and Carmelo Anthony.

(CLOCKWISE FROM TOP LEFT) ANDREW D. BERNSTEIN, JONATHAN DANIEL (GETTY IMAGES); TONY DEJAK/ASSOCIATED PRESS

accurate from 3-point range, where he hit 33% of his shots.

They protected the rim. During their abysmal 2014-15 season, the Knicks appeared to be fairly solid when it came to protecting the paint, ranking ninth in the NBA in field-goal percentage defense inside of 3 feet, according to Basketball-Reference. But that was misleading, since their opponents enjoyed the second-highest free-throw rate that season.

This season, the Knicks were legitimately good at defending the rim, holding foes to just 58.8% inside of 3 feet, tied for the NBA's second-best mark. As a result of Porzingis's

emergence, some would like to see the team trade 28-year-old center Robin Lopez and fortify a struggling backcourt. But the Knicks shouldn't break up that duo yet, as it is one of their greatest assets.

They convinced Carmelo Anthony to facilitate. The Knicks finished with another bottom-10 offense, leading some to argue that they should ditch Phil Jackson's beloved triangle offense. But if the triangle accomplished anything, it made Carmelo Anthony a much more consistent distributor of the ball.

Anthony averaged more than four assists a game for

the first time in his career. The uptick coincided with a sharp decrease in shot attempts—he took just over 18 a game, the fewest since the 2004-05 season. But his dip in field-goal percentage also led to his lowest scoring average (21.8) since 2004-05.

WHAT THEY DID WRONG

They didn't find ways to play up-tempo. The Knicks opened the season with a blowout road win over Milwaukee in which they logged 19 fast-break points. But the pace was short-lived, and the Knicks quickly reverted, becoming the NBA's lowest-scoring team in fast-break scenarios.

It's not hard to figure out why: Their slow-footed starting backcourt wasn't disruptive enough. The Knicks forced just 927 turnovers this season, the fewest by any team during an 82-game season since the NBA began tracking the statistic in 1977-78, per Basketball-Reference.

On offense, only two Knicks—rookie guard Jerian Grant and swingman Derrick Williams—could get to the basket regularly. But their inconsistencies left them on the bench at times, making the team's lack of paint penetration glaringly obvious.

The triangle doesn't use as many screens as other sys-

tems. But considering how Grant thrived during the final month in spread pick-and-roll situations, and how Anthony remains of the NBA's most efficient players when coming off a screen, screen-and-rolls should play a bigger part in the team's offense.

They didn't exercise patience once they began winning. Derek Fisher, who was fired in the middle of his second season, preached patience and process over results, but it seemed the team got prematurely caught up in the latter.

Aside from axing a young coach—Jackson cited a need to “get some wins”—the Knicks tampered with a rebuilding timeline in order to stay in a playoff race they were never going to win. Anthony came back too soon from an ankle injury, then immediately played enormous minutes, leading to knee trouble. Lance Thomas's January knee injury never fully healed, and he ended up re-aggravating it in March. And Grant, perhaps the Knick most in need of seasoning, saw limited playing time, in part because interim coach Kurt Rambis said he preferred wins over development, even after the team was eliminated from playoff contention.

They failed to build a roster to match the NBA landscape.

The NBA has downshifted to smaller, quicker lineups. But instead of signing more rangy, athletic guards and wing players, the Knicks filled out their roster with big men like Kyle O'Quinn and Kevin Seraphin. That left them without adequate guard depth to relieve someone like Arron Afflalo, who played almost 35 minutes a night, even when he couldn't throw the ball into an ocean.

The Knicks didn't know Porzingis would be ready to contribute so much so soon. Now it's clear the team would be better off finding an extra guard or two rather than keeping all their big men.

Toothless Mets Nibble a Win

By Andrew Beaton

The Mets' third victory of the season, a 2-1 win over the Miami Marlins on Wednesday, came in their eighth game. If the season were a marathon, the Mets would have run less than 1.3 miles so far.

MIA 1 Still, after losing **NYM 2** four straight, manager Terry Collins treated this April 13 matinee like a sprint to the finish, using closer Jeurys Familia, who had pitched two consecutive days before Wednesday, for a five-out save.

“We had to win this game to get ourselves back going again,” Collins said. “We’ve got to show people we mean business here.”

The Mets began the season with World Series expectations, and history has shown that plenty of teams have rebounded from similar starts to

win the title. The 1969 Mets, for one, were 3-5 through eight games. In all, 18 of 111 World Series winners (16.2%) started the season 3-5 or worse.

What would really put the Mets in rarefied company if they do win it all is their offense thus far—or lack thereof.

The Mets' two runs Wednesday, both of which came on an RBI single by backup catcher Kevin Plawecki in the seventh, gave them 20 through eight games. Only four teams in history have gone on to win the World Series after scoring 20 runs or fewer after eight games.

World Series winners have scored an average of 39.2 runs in their first eight games, led by the Yankees' 75 in 1932. The record for the fewest runs belongs to the 1963 Dodgers, who scored 17 in eight games. That team, like this year's Mets, relied on a dominant pitching staff that featured Sandy Koufax and Don Drysdale. They

No Running

Here's a look at how many runs World Series-winning teams have scored in their first eight games of that season. (The Mets have scored 20.)

RUNS	TEAMS	MOST RECENT
20 or fewer	4	1985 Royals
21 to 30	22	2011 Cardinals
31 to 40	42	2008 Phillies
41 to 50	24	2014 Giants
51 or more	19	2015 Royals

Source: Stats, LLC The Wall Street Journal.

started 4-4 and finished 99-63.

There's no single Met to blame for the team's woes at the dish—they're hitting .194 as a team, and no individual player is hitting above .300. Some have struggled more than others: Curtis Granderson is hitting .097 and Travis d'Arnaud .105. But the team has just 10 extra base-hits (eight doubles, two home runs) thus far and a .535 on-base plus



ELSA/GETTY IMAGES

Wilmer Flores pops up in the fourth inning of the Mets' win. New York has scored 20 runs in eight games.

slugging, roughly equivalent to Noah Syndergaard's OPS (.530) in 2015.

“We may not be hitting, that's part of the game,” Collins said. “We’ve still got outstanding pitching.”

That pitching kept them in the game Wednesday despite a

taxed bullpen and Jacob deGrom missing his scheduled start with a lat injury. Logan Verrett filled in with six shut-out innings, duplicating the brilliance of his first start last year when he allowed one run in eight innings against the Colorado Rockies.

“We know they’re going to turn it around start putting some runs up on the board,” Verrett said. “Today with the two runs, we’re lucky that was enough. It's not going to be like that every game, for sure. They’re going to start putting fives and sixes up there.”

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THE WALL STREET JOURNAL.

Thursday, April 14, 2016 | **B1**

Senators Propose Encryption Rules

By DAMIAN PALETTA

WASHINGTON—Two key lawmakers Wednesday circulated a proposal that would require companies to unlock encrypted technology when served with a court order, a notable change in the law that could escalate the clash between Silicon Valley and Washington.

Senate Intelligence Committee Chairman Richard Burr (R., N.C.) and the panel's vice chairman, Sen. Dianne Feinstein (D., Calif.), are seeking input on proposed legislation that attempts to address one of the thorniest security issues vexing policy makers—how to deal with the

use of technology that cannot be read for law enforcement or national security purposes.

The 10-page “discussion draft” would require firms, when served with a court order, to provide “such information or data” or “provide technical assistance as is necessary to obtain such information or data” when the government is seeking to obtain encrypted material.

A company would be required to assist the government if the data “has been made unintelligible by a feature, product, or service owned, controlled, created, or provided by the covered entity or by a third party on behalf

of the covered entity.”

Congress has been facing pressure to craft a balance between security and privacy when it comes to encryption,

Plan would require firms under court order to help retrieve phone data.

while the courts have been grappling with the issue, most prominently as a result of legal battles between the Justice Department and **Apple Inc.** over defendants’ encrypted iPhones. “I have long believed that

data is too insecure and feel strongly that consumers have a right to seek solutions that protect their information—which involves strong encryption,” Mr. Burr said in a statement. “I do not believe, however, that those solutions should be above the law.”

Apple declined to comment Wednesday about the senators’ proposal.

The draft has a long way to go before becoming law, and its chances for adoption in the short term are slim.

Many technology companies have opposed any requirement that firms help circumvent encryption, which is now commonplace in smart-

phones and other devices.

A number of lawmakers, have said they would oppose efforts to weaken encryption. But other legislators from both parties, joined by many law-enforcement officials, say Congress must intervene because of concerns that terrorists and other criminals use encryption tools to plan attacks or conceal crimes.

Some industry leaders warn that weakening encryption would make it easier for hackers and foreign governments to obtain consumers’ private messages or data.

◆ Court says no warrant needed in cellphone case.... **B2**



Exxon Mobil CEO Rex Tillerson

Pay Drops For Most Oil Chiefs As Stocks Tumble

By BRADLEY OLSON AND SARAH KENT

Most—but not all—top oil executives are seeing their pay shrink, after a plunge in crude prices that has erased \$200 billion in stock-market value from the world's largest publicly traded energy companies.

Bob Dudley, **BP PLC's** chief executive, enjoyed about a 20% bump in pay to \$19.6 million in 2015, despite his company's \$5.2 billion loss for the year and an accompanying stock-price decline of 11%.

Many BP shareholders are incensed by the increase, and investor-advisory firms including **Institutional Shareholder Services** are counseling them not to ratify Mr. Dudley's pay package at the company's annual meeting Thursday.

“This proposed increase is both unreasonable and insensitive,” said Ashley Hamilton Claxton, corporate-governance manager at **Royal London Asset Management**, which holds BP shares worth about \$600 million. She plans to vote against Mr. Dudley's pay.

BP defended the pay package. “Despite the very challenging environment, BP's safety and operating performance was excellent throughout 2015, and management also responded early and decisively to the steep fall in the oil price,” a company spokesman said.

Other executive pay packages shrank along with stock prices. **Exxon Mobil Corp.** released data Wednesday that showed CEO Rex Tillerson's salary rose 6% to \$3 million in 2015 even as the company's shares lost 15% of their value. But Mr. Tillerson's total pay fell 18% to \$27.3 million, due to a lower bonus, stock awards

Please see OIL page B2



Farming startups, like BrightFarms and Gotham Greens, have sought to reshape agriculture. Gotham's Jenn Frymark, at the company's Chicago rooftop greenhouse.

Farming Startups Have Tough Row to Hoe

High-tech growers face challenges in bid to produce vegetables in cities year-round

By RUTH SIMON

A crop of startups has emerged in recent years to grow vegetables on city rooftops or to turn old factories into indoor farms. But their quest for locally grown lettuce is running into challenging business realities.

BrightFarms Inc. last year

pulled the plug on a planned greenhouse in Washington, D.C., 10 months into the process of getting permits, and earlier exited an effort to develop a rooftop farm in Brooklyn, N.Y. **FarmedHere LLC**, which operates a farm in a former box factory outside Chicago, shut down for six months last August to re-vamp its strategy.

Building farms on city rooftops is “a foolish endeavor” because of the higher costs and the additional time for permitting, said Paul Lightfoot, chief executive of

BrightFarms.

The firm, which has raised more than \$25 million in equity and more than \$15 million in project financing, is now focusing on greenhouse farms in locations outside of urban centers.

“You would scale very slowly, and waste investors’ money,” Mr. Lightfoot said of city projects. The cost for the Washington, D.C., facility would have been nearly 20% more than an \$8.5 million greenhouse it instead built in suburban Virginia, he added.

Venture-backed for-profit

farming startups have sought to reshape agriculture by growing crops such as salad greens and herbs in or near big cities.

The idea is that urban farms promise year-round supplies of greens, with less spoilage and lower transportation costs than soil-raised produce from California or Mexico.

The undertaking is a far cry from the community gardens on once-vacant lots that are typically associated with urban farming. **Gotham Greens Farms LLC**, which has

raised about \$30 million, said it currently sells more than 20 million heads of lettuce and leafy greens a year to restaurants, food-service companies and retailers such as Whole Foods Market Inc.

The company, started in 2009, operates four rooftop greenhouses, including a Queens, N.Y., facility that once housed Ideal Toy Co., a maker of teddy bears and Rubik's Cubes.

High-tech indoor farming can involve millions of dollars in investments and a sophisticated

Please see FARM page B6

Shoppers’ Move to Apps Changes Game for Retailers

A continuing series on how changes in shopping habits are forcing big shifts across retail and other industries.

By GREG BENSINGER

Hana Pugh, a 29-year-old event planner and new mother, buys most of her household items and baby goods online. But she doesn't use her computer to shop. Instead, Ms.

Pugh taps away at her iPhone. “It's quicker to pull out my phone and click ‘buy’ than to log on to my computer,” said Ms. Pugh, of Bowie, Md., who relies on **Amazon.com Inc.'s** app for essentials.

Shopping on a small screen used to be a pain. But as consumers spend more of their days glued to smartphones, retailers are getting savvier with apps that ease browsing, offer rewards, suggest the right products and simplify the purchase to one click.

The so-called appification



U.S. sales from mobile devices jumped 56% last year as retailers became savvier with app offerings.

of shopping promises to transform the retail industry by creating new shopping habits, reshaping sales tactics and carving out winners and losers.

Instead of placing one big order from a computer, people increasingly are making smaller purchases in short bursts throughout the day on their phones, a phenomenon

retailers call “snacking.”

Mobile sales are booming, especially compared with sales gains from desktop computers.

Last year, U.S. sales from mobile devices jumped 56% to

\$49.2 billion, doubling the previous year's growth, according to comScore. Desktop sales still dwarf mobile, reaching \$256.1 billion last year, but annual growth slowed to 8.1% from 12.5%.

The retailers that are succeeding are training customers to think of their smartphones like an all-day impulse aisle. Apps are able to capture data available on handsets and push consumers to buy when they have a spare moment.

But merchants say many shoppers on phones still shy away from buying big-ticket items such as sofas, preferring larger photos, expanded reviews and product descriptions, as well as price comparisons available on a desktop computer.

And retailers have to be careful not to seem invasive. Amazon's shoe retailer, Zappos.com, is testing technology that highlights different products based on a phone's operating system. **Target Corp.** pushes coupons to customers who have the

app open in its stores. Fashion retailer **ModCloth Inc.** suggests some products based on a customer's location.

Amazon's dominance on the Web extends to mobile, and the online retailer has the top-ranked app, according to Apple. Among the top-ranked apps on both Apple and Android devices are two, young mobile-centric marketplaces, **OfferUp Inc.** and **Context-Logic Inc.'s** Wish, which last year were valued at \$800 million and \$3 billion, respectively, by investors.

“Mobile devices are driving demand,” said Andrew Lipsman, a comScore vice president, who has studied mobile shopping. “They can create an impulsive buying moment at any point in the day because they are with you all the time, right in your pocket.”

Selling merchandise on smartphones still poses challenges. The ease of buying single items instead of building a shopping cart can drive up retailers' shipping costs.

Please see SHOP page B4

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Exxon Mobil.....B1,B2	P	Patriot Coal.....A1
AeroFarms.....B6		Peabody Energy.....A1	
Airbus Group.....B5		Philip Morris International.....B8	
Alcoa.....C4			
Alibaba Group.....B4			
Alphabet.....B4			
Alpha Natural Resources.....A1			
Amazon.com.....D1			
Anbang Insurance Group.....C4			
Ant Financial Services Group.....B4			
Apple.....B1			
Arch Coal.....A1			
B			
Baidu.....B4			
Bank of America...A2,C2			
Bank of New York Mellon.....C2			
BlackRock.....C1			
BP.....B1			
BrightFarms.....B1			
British American Tobacco.....B8			
C			
Centerbridge Partners C8			
Chevron.....B2			
Chipotle Mexican GrillB2			
Chongqing New Century Cruise.....C3			
Citigroup.....C1,C8			
ContextLogic.....B1			
CtW Investment Group.....B2			
D - E			
Delphi Automotive.....C3			
Depomed.....B2			
Dish Network.....B4			
Emirates Airline.....B5			

INDEX TO PEOPLE

B	Goel, Vishal.....C3	Parasrampuria, Adarsh.....C3
Bahuguna, Anwiti.....C4	Green, Jason.....B6	Peabody, Charles.....C2
Bailey, Andrew.....C3	Gruenberg, Martin.....C2	Peng Jianhu.....C3
Balwani, Sunny.....A1	Gurewitz, Harold.....B2	Pötsch, Hans Dieter...B7
Brodsky, Mark.....A11		
Burr, Richard.....B1		
C		
Cammarata, Barbara..A6		
Carpenter, Timothy...B2		
Caspersen, Andrew W.W.....C3		
Cassidy, Gerard.....A2		
Claxton, Ashley Hamilton.....B1		
Corbat, Michael.....C2		
Coster, Daniel.....B5		
D		
Dimon, James.....A1		
Dugan, Regina.....B4		
F		
Feinstein, Dianne.....B1		
French, Jonathan.....B2		
G		
Gelos, Gaston.....C1		
Gijssels, Philippe.....C4		
Glaubitz, Kurt.....B2		

Appeals Court Says No Warrant Needed For Caller's Location

By JOE PALAZZOLO

Federal agents can obtain cellphone records that reveal a caller's location without a warrant, a Cincinnati-based federal appeals court said on Wednesday, in the latest ruling to tackle the scope of privacy protections for data transmitted by personal devices.

The records obtained by the Federal Bureau of Investigation from wireless carriers in 2011 showed that two Detroit men were near the scene of several robberies at the time they were committed.

Timothy Carpenter and Timothy Sanders, who were ultimately convicted of participation in nine armed robberies, sought to exclude the records, saying they were protected by the Fourth Amendment.

A 2-1 panel of the Sixth U.S. Circuit Court of Appeals ruled that location records created when a mobile phone connects to a nearby cell tower were the equivalent of the writing on the outside of an envelope, rather than the letter inside.

"Cell-site data—like mailing addresses, phone numbers, and IP addresses—are information that facilitate personal communications, rather than part of the content of those communications themselves," wrote Judge Raymond Kethledge.

"The government's collection of business records containing these data therefore is not a search," the judge said.

Judge Jane Branstetter

Stranch joined the ruling in part but was skeptical of lumping location records together with bank and credit card records that law enforcement officers can retrieve from financial firms without a warrant.

"This case involves tracking physical location through cell towers and a personal phone, a device routinely carried on the individual's person," she wrote.

"I am not convinced that the situation before us can be addressed appropriately with a test primarily used to obtain business records such as credit card purchases," she added.

Harold Gurewitz, a lawyer for Mr. Carpenter, said he and his client were considering their next move. They could ask the Sixth Circuit to rehear the case or petition the U.S. Supreme Court to review it.

Until the high court steps in, Mr. Gurewitz said, "I think the issue is just going to be unclear."

A spokeswoman for the U.S. attorney's office in Detroit, which prosecuted the case, declined to comment.

The ruling aligns the Sixth Circuit with two other regional appeals courts and means that law enforcement officers in Kentucky, Michigan, Ohio and Tennessee can obtain a court order for location data by showing merely that the records are relevant to an ongoing investigation.

A warrant requires a showing of probable cause.

BUSINESS NEWS



GERALD HERBERT/ASSOCIATED PRESS

Energy giant Exxon Mobil says it confirmed the risks of climate change and urged a carbon tax.

Exxon Fires Back in Court Over U.S.'s Climate Probe

Exxon Mobil Corp. went to court Wednesday to challenge a government investigation of whether the company conspired to cover up its understanding of climate change, a sign the energy company is gearing up for a drawn-out le-

By Amy Harder, Devlin Barrett and Bradley Olson

gal battle with environmentalists and officials on the politically charged issue.

The company filed court papers in Texas seeking to block a subpoena issued in March by the attorney general of the U.S. Virgin Islands, one of several government officials pursuing Exxon. Wednesday's filing argues that the subpoena is an unwarranted fishing expedition into Exxon's internal records that violates its constitutional rights.

"The chilling effect of this inquiry, which discriminates based on viewpoint to target one side of an ongoing policy debate, strikes at protected speech at the core of the First Amendment," the filing says.

Exxon also dismisses the notion that there is any suggestion of a crime, saying Attorney General Claude Earl Walker "issued the subpoena without the reasonable suspicion required by law and based on an ulterior motive to silence those who express views on climate change with which they disagree."

A request for comment to the U.S. Virgin Islands' attorney general's office wasn't immediately returned.

In the subpoena, the U.S. Virgin Islands told Exxon it could be violating two state laws, by purportedly obtaining money under false pretenses and conspiring to do so.

Both sides see this as a pivotal moment in a growing campaign by environmentalists to deploy a legal strategy used against tobacco companies in the 1990s by arguing that oil companies have long hidden what they know about climate change. Tobacco firms' finances and credibility were

badly damaged by lawsuits accusing them of hiding the truth about their products.

A key meeting in the new push unfolded in January behind closed doors at a Manhattan office building. The session brought together about a dozen people, including Kenny Bruno, a veteran of environmental campaigns, and Bill McKibben, founder of 350.org, two activists who helped lead the successful fight to block the Keystone XL pipeline.

The new campaign's goals include "to establish in public's mind that Exxon is a corrupt institution that has pushed humanity (and all creation) toward climate chaos and grave harm," according to an agenda of the meeting viewed by The Wall Street Journal.

Wednesday's filing is Exxon's first legal salvo in what could be a long war.

This new legal strategy stems in part from environmentalists' frustration at what they see as the inadequacy of recent climate deals. Their hope is to encourage state attorneys general and the U.S. Justice Department to launch investigations and lawsuits that ultimately will change Exxon's behavior, force it to pay big damages and drive public attention to climate change.

"It's about helping the larger public understand the urgencies of finding climate solutions," said Lee Wasserman, director of the Rockefeller Family Fund, which hosted the January meeting. "It's not really about Exxon."

Exxon and its supporters dismiss the comparison with tobacco. Cigarettes are a harmful, addictive product used by a portion of the public, they say, while fossil fuels are fundamental to the world economy.

In Wednesday's filing, Exxon's lawyers say the com-

pany has confirmed for more than a decade that it sees the risks of climate change, and has publicly advocated for a carbon tax as the best way to regulate carbon emissions.

A key part of the activists' strategy is to seek documents that show otherwise: that Exxon, despite knowing the dangers of climate change, has sought to challenge the scientific consensus. Such revelations would help "delegitimize [Exxon] as a political actor," the January agenda said.

In a twist, the initiative is set to be bankrolled partly by the heirs of John D. Rockefeller, the founder of Exxon's forebear, Standard Oil. The Rockefeller Family Fund has signaled it will help fund the campaign through its existing backing of 350.org, though it hasn't provided a figure.

Wednesday's filing is Exxon's first legal salvo in what could be a long war, since at least four state attorneys general have launched investigations and a dozen others have signaled they might.

None has been as aggressive as New York Attorney General Eric Schneiderman, who subpoenaed Exxon in November seeking data about the company's research on climate change over several decades. Exxon hasn't challenged that subpoena, partly because a New York law called the Martin Act gives Mr. Schneiderman wide latitude to investigate businesses for possible fraud or misrepresentation.

The new legal theory has yet to gain momentum within the Justice Department, according to officials familiar with internal discussions. But after prodding by lawmakers, the Federal Bureau of Investigation is conducting a preliminary review.

The issue also has seeped into the political arena. Democratic presidential front-runner Hillary Clinton has called for an investigation of Exxon, and Sen. Sheldon Whitehouse (D., R.I.), pressed U.S. Attorney General Loretta Lynch on the matter at a recent congressional hearing.

Investor Group Pushes for Chipotle Shake-Up



STEPHEN BRASHEAR/ASSOCIATED PRESS

CtW Investment Group in a letter Wednesday urged Chipotle Mexican Grill Inc. shareholders to withhold support for the reelection of two directors at the annual meeting in May, saying the chain is in need of "genuinely independent oversight."

"The last three quarters' on-

slaught of negative headlines, a federal criminal investigation and a nearly 40% share price collapse since October has reminded us that balanced leadership and independent board oversight are critical to sustainable, long-term value creation," CtW said in the letter.

A Chipotle representative wasn't available for comment.

The investor group asked stockholders to withhold support for incumbents Patrick Flynn and Darlene Friedman, members of the company's compensation committee.

—Anne Steele

OIL

Continued from the prior page and interest-rate-related changes in his pension.

For the past five years, oil giants Exxon, **Chevron Corp.**, **Royal Dutch Shell PLC** and BP have paid their top bosses nearly \$500 million in combined compensation, even though the companies' annualized returns for the period have undershot those of the S&P 500.

In 2015, Chevron chief John Watson's pay, including salary, bonus and stock options, rose 3%, but with pension-benefit changes his total compensation fell by 15% to about \$22 million.

Most of Mr. Watson's pay rises and falls with shareholder value, based on stock prices, with added emphasis on safety and other factors aligned with good corporate governance, said Kurt Glaubitz, a company spokesman.

"Overall, Mr. Watson's 2015 compensation package recognizes and reflects the value he continues to deliver to Chevron's stockholders," Mr. Glaubitz said.

The salary and bonus of Anglo-Dutch Shell's CEO, Ben van Beurden, who is paid in euros, fell 13% to \$5.5 million when translated into dollars.

Mr. van Beurden's overall pay for 2015, including pension changes, tumbled 81%. Shell's profit for the year plunged 80%.

"Shell's executive compensation reflects delivery of our strategy, measured by both short-term and long-term targets," said Jonathan French, a Shell spokesman. "There is a clear alignment between the company's performance and our compensation policies."

Stockholders at Chevron, Exxon and Shell will get to vote on executive pay next month—though the votes aren't binding. At those meetings, the companies are expected to outline their worst first-quarter performances in decades, analysts say.

Including BP, the four biggest Western oil companies have laid off, or are in the process of shedding, more than 25,000 workers because of the downturn in energy prices.

At the two dozen energy companies in the S&P 500 index, median pay, excluding pension changes, fell less than 1% from 2014 last year, according to an analysis by ISS Corporate Solutions Inc. That's far less than the cumulative 24% price decline for those companies. Executive compensation in other industries, except for retailing, increased last year.

In their annual filings, the biggest oil companies take pains to explain the complexities of their senior executives' compensation, including performance pay tied to the company's share price and options that can take a decade to vest. Those incentives are paid out over the long term, but they often get counted as part of annual pay packages.

Compensation packages at many energy companies are built to work well in most market conditions, but some were never set up to manage the impact of a crash in oil-and-gas prices, said John Roe, head of advisory at ISS Corporate Solutions.

"Sometimes, that produces results that don't pass the smell test," he said. "When that happens, companies need to step back and make sure that they are more responsive and aligned with shareholders. When they don't, they will run into issues year after year."

ISS hasn't issued its recommendations on whether shareholders should endorse or reject pay packages at Exxon, Chevron and Shell, but says it will do so in coming weeks.

One reason for discrepancies between executive pay and stock performance is that BP and other oil companies reward executives based on relative shareholder returns. That can blunt the impact of rising or falling oil prices because payouts depend more on how a company performs relative to its peers, said Kevin Murphy, a professor at the University of Southern California's Marshall School of Business.

Compared with the other three major oil companies, BP shares fell the least in 2015, dropping 11.7% including reinvested dividends, according to data from Morningstar. That is slightly ahead of Exxon's 12.6% share-price decline. Chevron's stock fell 16% last year, while Shell's was down 26%

BUSINESS NEWS

U.S. Drug Spending Climbs

Growth rate slows, but remains at high level, fueled by pricey new medications

By PETER LOFTUS

Total spending on prescription drugs in the U.S. rose 12.2% to nearly \$425 billion in 2015, continuing a steep climb fueled by the introduction in recent years of expensive new drugs for cancer and infections, as well as price hikes for older drugs, according to a report.

The spending growth rate decelerated from the 14.2% rise in 2014, partly because of patent expirations for certain drugs, but the growth was still well above the average for the past decade, according to a research arm of IMS Health that produces the annual report on spending. The figures are based on pharmaceutical list prices.

Politicians, health-care payers, doctors and patients have increasingly criticized drug pricing in the past year, saying medicines are out of reach for many patients and are straining health-care budgets.

Drugmakers have defended their pricing practices, in part by pointing out that they offer health-care bill payers rebates and other discounts off the list price for drugs, though they keep confidential the specific size of price concessions.

The Pharmaceutical Research and Manufacturers of America, the industry lobbying group, said in a statement that the IMS report confirms that drug costs are moderating “due to a competitive marketplace for medicines where large, powerful purchasers negotiate aggressively and generic utilization rates are nearly 90%.”

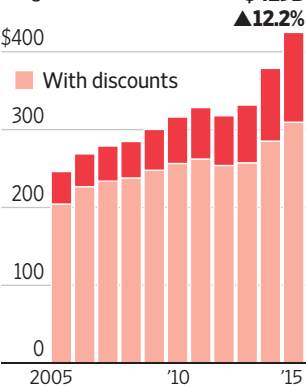
For the first time, the IMS report broke out the effect of these price concessions. Michael Kleinrock, research director of the IMS Institute for Healthcare Informatics, said IMS wanted to provide more information about post-dis-



Harvoni, a Hepatitis C drug, shown above, was the nation's top-selling drug last year.

Drug Spending Rises

Spending on prescription drugs in the U.S.



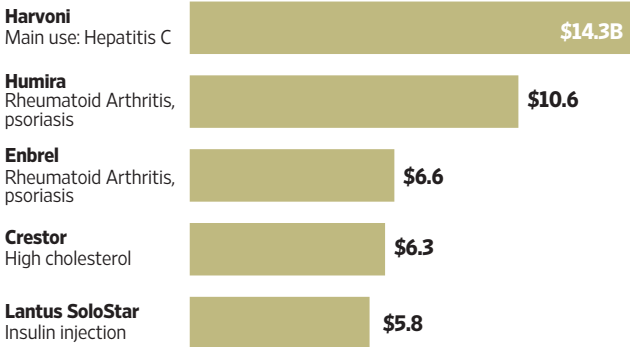
Source: IMS Health

count spending to inform the debate over drug prices.

IMS estimated that after rebates and other price breaks, manufacturers received \$309.5 billion for U.S. prescription drugs last year, up 8.5% from 2014. The higher total spending figure—\$425 billion—is based on the list prices that pharmacies and hospital customers pay drug-wholesale distributors, IMS said.

And while the average list price for patent-protected brands rose 12.4% last year, the net price growth after dis-

Spending on the top five prescription drugs in the U.S. for 2015



THE WALL STREET JOURNAL.

counts was 2.8%, IMS estimated. In 2014, the average list price increase for patented brands was 14.3% versus net price growth of 5.1%.

Still, patient affordability remains an issue. The average patient share of the cost for a brand-name prescription filled through a commercial health-insurance plan has increased by more than 25% since 2010, reaching \$44 per prescription in 2015, IMS said. And Mr. Kleinrock said list prices are relevant to highlight because some patients must pay full

price, or a fixed percentage of the full price. “Patients are facing high costs,” Mr. Kleinrock said. “It’s also true the manufacturers are not pocketing all of” the higher costs.

Gilead Sciences Inc.’s hepatitis C drug Harvoni was the top-selling drug in the U.S. in 2015 with an estimated \$14.3 billion in sales before discounts. AbbVie Inc.’s Humira and Amgen Inc.’s Enbrel, which treat arthritis and other inflammatory conditions, were the second- and third-highest selling drugs, respectively.

EU-U.S. Privacy-Pact Changes Are Sought

European Union privacy regulators called for changes to a new EU-U.S. privacy accord, boosting the chances that the

By Sam Schechner
in Paris
and Natalia Drozdiak
in Brussels

deal will end up challenged in court and leaving thousands of companies that transfer personal information across the Atlantic in legal limbo.

A body representing national data-protection authorities in the EU’s 28 states said Wednesday that the trans-Atlantic deal, dubbed Privacy Shield, should include clearer limits on how U.S. surveillance agencies conduct bulk collection of personal information for national security purposes to ensure that the accord conforms with EU privacy law.

The opinion by the group of privacy regulators undermines the proposed data-transfer accord, which EU and U.S. officials rushed to create after the EU’s top court last fall invalidated its predecessor because of concerns about mass surveillance in the U.S.

While Wednesday’s non-binding opinion doesn’t halt the EU process for approving the new data-transfer framework, the call for changes suggests that at least some EU regulators believe the deal doesn’t pass legal muster. That opens the possibility of enforcement against companies that use the framework if no changes are made.

“We believe there is still work to do, and urge the commission to resolve our concerns,” said Isabelle Falque-Pierrotin, head of France’s data-protection authority and chairwoman of the pan-EU group.

Wednesday’s opinion leaves businesses in sectors ranging from social media to heavy industry without clear guidance on how to legally send information—like social-media profiles or personnel data—to the

U.S., lawyers say. Hanging in the balance are billions of dollars in business, particularly in the online-advertising and cloud-services sectors.

“A battle in court is all but assured,” said Eduardo Ustaran, a privacy lawyer at Hogan Lovells. “Organizations will have to carry on doing global business without knowing if they are breaking the law.”

Tech-industry groups on Wednesday acknowledged that regulators had created a new hurdle to plans by the European Commission, the bloc’s executive body, to finalize the framework before summer.

“[W]e hope that the changes called for can be assessed speedily without significantly delaying the implementation of this much needed legal tool,” said Digital Europe, which includes Apple Inc., Alphabet Inc.’s Google and Microsoft Corp.

Vera Jourová, the EU’s justice commissioner, said the commission “will work to swiftly” include the regulators’ recommendations before it approves the framework, but didn’t say how she and her colleagues would resolve questions about U.S. surveillance guarantees.

Companies have been rushing to cope with the uncertain legal environment. Some have been shifting data about Europeans to servers in Europe.

Under pressure from European clients, companies including Amazon.com Inc., and International Business Machines Corp. have in recent years launched services that allow clients to keep data in a particular region if they want.

Cloud-storage firm Box said it plans to launch a service that will allow customers to keep their data on servers located outside the U.S., including Ireland and Germany, to allow clients to comply with local laws.

Talks that led to Privacy Shield initially stemmed from Europeans’ concerns following leaks from former National Security Agency contractor Edward Snowden.



Delphi has emphasized autonomous-driving and electric car parts since emerging from bankruptcy.

Delphi Wins Tax Battle, Offers Bullish Sales View

By JEFF BENNETT

Delphi Automotive PLC won an appeal with the **Internal Revenue Service** related to the agency’s 2014 claim that the auto-parts supplier should be treated as a U.S. corporation for income tax purposes even after it reincorporated in the U.K.

The decision, disclosed on Wednesday by Delphi during a broader financial presentation, is a blow to the Obama administration, which has looked to slow a trend where companies move legal addresses to low-tax companies. Delphi originally was founded in Troy, Mich., in 1999 after being spun off from **General Motors** Co. But it was re-established as a new company in Gillingham, U.K., after emerging from bankruptcy in 2009.

Shares of Delphi gained 5.6% to \$76.42 in 4 p.m. trading on the New York Stock Exchange on Wednesday.

“We are satisfied that the IRS appeals process worked as intended and reached the correct ruling,” the company said in a statement. Delphi also offered a bullish sales outlook for the next two years, projecting a 33% increase in revenue by 2018 amid growth in Asia and increasing demand for automotive software.

Analysts don’t expect any

financial impact from the IRS’s decision, but it is viewed as a victory for a company that continues to look for cost cuts. The IRS initially told Delphi in the summer of 2015 that it would be classified as a U.S. company for federal tax purposes and would have to pay taxes retroactive to Oct. 6, 2009.

The IRS contended that Delphi, which continues to have its top executives based in Troy, had acquired certain assets of the old Delphi during bankruptcy so it should be treated like a U.S. company. The move came amid a push by the Obama administration to combat corporate tax inversions it considers unfair. The parts supplier immediately contested the conclusions.

Delphi received word on Friday that the IRS Office of Appeals determined the law didn’t apply to it, and no adjustments for the tax years were required.

Once a sprawling conglomerate making many different components, Delphi has narrowed its focus to fewer areas and now is considered among the leading suppliers of in autonomous-vehicle parts, automotive electrification and safety gear. It booked \$15.2 billion in revenue last year, but expects that figure to grow to \$20 billion by 2018.

Nearly 50% of its new business will come from Asian customers, and nearly another third will be from customers in the Americas, the company said on Wednesday.

Delphi also plans to repurchase \$1.5 billion in shares, extending a series of stock repurchases made by the company and other parts makers in recent years. The U.S. auto supply sector was hit hard by the economic downturn last decade, but many companies are firmly profitable following bankruptcy filings or other downsizing tactics.

Delphi is looking to further build its engineering force while keeping costs in check. The company laid out plans to employ 8,000 software engineers by 2020, up from the current 5,000. Revenue from proprietary software sales is expected to triple to \$1.5 billion by the time those engineers are hired.

By 2018, the company aims to keep manufacturing expenses and material costs steady. For instance, the company spent about \$2.6 billion in manufacturing expenses last year, or 17.6% of revenue, and it aims to spend \$3.2 billion in 2018, or 16% of revenue. Delphi expects its tab for materials purchasing to fall to 16% of revenue by 2018 from 49.1% last year.

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Facebook's newly created group will be led by Regina Dugan.

Google Executive Set To Run Facebook Lab

BY DEEPA SEETHARAMAN
AND JACK NICAS

Facebook Inc. created a research lab to develop hardware products and hired a top Google executive to lead the effort, underlining the social-networking company's broadening technology ambitions. The new group, called Building 8, will be led by Regina Dugan, a former Pentagon research chief who joined **Alphabet Inc.'s** Google in 2012. It will create hardware products that "advance our mission of connecting the world," Chief Executive Mark Zuckerberg said in a Facebook post Wednesday. Facebook will invest "hundreds of people and hundreds of millions of dollars into this effort over the next few years," he said.

Regina Dugan will lead a group tasked with developing hardware products.

Building 8 will help launch a 10-year strategic plan outlined by Mr. Zuckerberg at its annual F8 developer conference this week, including advances in artificial intelligence, augmented and virtual reality, and extending Internet access to billions of people around the world, Mike Schroepfer, Facebook's chief technology officer, said in an interview. In a statement, Dr. Dugan said: "Building 8 is an opportunity to do what I love most, tech infused with a sense of our humanity. Audacious science delivered at scale in products that feel almost magic. A

little badass. And beautiful." Dr. Dugan received her Ph.D. in mechanical engineering from the California Institute of Technology and was the first woman to lead the Defense Advanced Research Projects Agency, the Pentagon research lab known as Darpa, which she helmed from 2009 to 2012. Later, she joined Motorola, then a division of Google, and helped launch Google's Advanced Technology and Projects, a research lab for ambitious new products. "I'm excited to have Regina apply DARPA-style breakthrough development at the intersection of science and products to our mission," Mr. Zuckerberg said. Dr. Dugan's team at Google is effectively the tech giant's short-term skunk-works lab, with two-year time limits on many of its projects. That differs from X, an Alphabet unit that works on longer-term bets, such as self-driving cars and delivery drones. As of last year, Dr. Dugan's lab at Google had about 100 staff and 1,000 nonemployee subject experts working on projects, including sensor-embedded clothing, modular smartphones and technology that enables mobile devices to effectively "see" in three dimensions.

Dr. Dugan is the latest high-level defection from Google to Facebook. Last year, Facebook hired Mary Lou Jepsen, a high-profile executive from Google's advanced-projects lab, to work on Oculus. Her background is in display technology. Google on Wednesday thanked Dr. Dugan for her work and said it wished her "the very best."

Sling TV Unveils New Option

Its multi-stream version for \$20 a month has Fox channels but none from Disney

BY SHALINI RAMACHANDRAN

Dish Network Corp. unveiled a new \$20-a-month version of its Sling TV streaming service that will include channels from **21st Century Fox** for the first time, setting up a more robust competitor to traditional pay TV. The new package, which launched Wednesday in beta, will allow for three simultaneous streams on different devices in hopes of better catering to families with multiple viewers. It will be anchored by Fox channels like FX, Fox's regional sports networks and the Fox broadcast network in 17 markets initially, with more affiliates to be signed up over time. Subscribers to the new service will also have access to on-demand programming from shows like "Empire," as well as the full library of "The Simpsons." Sling TV was first introduced more than a year ago as a skinny bundle of select channels, touted as a cheaper option for consumers without traditional pay-TV subscriptions who still want some live TV. The new Fox-anchored package with multiple streams is separate from the original basic version of Sling that included channels from **Walt Disney Co.** but only allows one stream at a time. "Since launch, our customers have asked for more channels and multiple streams," said Sling TV Chief Executive Roger Lynch in a statement. Creating a multi-stream service and adding Fox content "is the first step in answering their requests." In a memo to employees, Fox Networks Group Chief Executive Peter Rice said the new service is "designed for a new and younger TV audience" and "offers an easy, affordable online alternative to the tradi-



Terrence Howard and Taraji P. Henson feature in an episode of 'Empire' on Fox.

tional pay TV bundle." Several other big programmers that are in the single-stream service will also be part of the multi-stream offering, including AMC Networks Inc., A&E Networks, Time Warner Inc.'s HBO and Turner channels, Scripps Networks Interactive Inc., EPIX and Univision Communications. The main catch to the new option? No channels from Disney. That's in contrast to the other version of Sling TV that Dish has been peddling for more than a year now, which has at its core Disney-owned channels like ESPN but only allows one stream at a time. Dish will continue to sell that \$20-a-month option to customers, but it will remain devoid of Fox channels. People can buy both options if they want. The new option may be attractive to local sports fans and NFL lovers, since it will include Fox channels like YES

Network, which airs the Yankees; Fox Sports 1; as well as the Fox broadcast network, which airs a big lineup of NFL games. Fox noted that Sling TV also now offers a streaming alternative for Comcast Corp. subscribers, who haven't been able to watch YES for months amid a carriage dispute in the Northeast. "Our customer impact continues to be minimal, and we are very confident in the broad appeal of our offerings," a Comcast spokesman said. The new Sling TV package won't be a complete sports solution since Disney's ESPN resides in the other version of Sling TV. Additionally, two major media companies with big sports properties, CBS Corp. and Comcast's NBCUniversal, still haven't done deals with either version of Sling TV. The two different Sling TV packages set up a "Hunger Games" of streaming, pitting

Disney against Fox. Fox had resisted signing on to Sling TV because it was insisting on carriage of all its networks, including its regional sports channels, while Sling TV had wanted to keep its package slim and affordable. Fox executives weren't thrilled about how Sling TV relegated broadcast networks like ABC and Univision to a premium add-on tier, as opposed to keeping them in the basic package. Disney, on the other hand, had been fine with Sling TV carrying just its few main channels—ESPN, ESPN 2, ABC, Disney Channel and Freeform—because it makes the majority of its carriage fees from those channels.

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Alibaba Bets on App for Food-Delivery Services

BY KANE WU

Chinese e-commerce giant **Alibaba Group Holding Ltd.**, together with its financial affiliate, is placing a \$1.25 billion bet on food-delivery app Ele.me, stepping up the battle to enable Chinese consumers to arrange services through mobile phones. The move to back the app—whose Chinese name means, "Are you hungry?"—comes after Alibaba reached a deal earlier this year to sell its stake in **Meituan-Dianping**, China's largest online provider of movie ticketing, restaurant bookings and other on-demand services. Ele.me competes with Meituan-Dianping and Chinese search company **Baidu Inc.'s** Nuomi platform. Alibaba will invest \$900 million in Shanghai-based Ele.me and financial affiliate **Ant Financial Services Group** will

add \$350 million, according to an Ant Financial spokeswoman. Alibaba also signed an agreement with Ele.me under which its own online food-services platform, Koubei, will cooperate with Ele.me. Alibaba and Ant Financial pledged last year to each invest three billion yuan (\$464.2 million) in Koubei, whose name translates as "word-of-mouth reputation." Ele.me couldn't be reached for comment on Wednesday. China's Internet companies are fighting for position in the competitive market for smartphone applications connecting users with brick-and-mortar services such as taxi rides, food deliveries, restaurant bookings and movie ticketing. Meituan-Dianping, formed by the merger of two rival startups last year, raised \$3.3 billion in January, marking the



A courier for food-delivery app Ele.me, which is based in Shanghai.

largest private-fundraising round globally for a venture-capital-backed startup. In the round, which valued it at more than \$18 billion, Meituan-Dianping raised capital from investors including Alibaba's chief rival, Tencent Holdings Ltd.

Many startups have burned out in the battle to attract users with heavy discounts and subsidies. But Alibaba and Tencent have deep pockets and supporting services such as maps, data and payments platforms that could give them an edge over other competitors.

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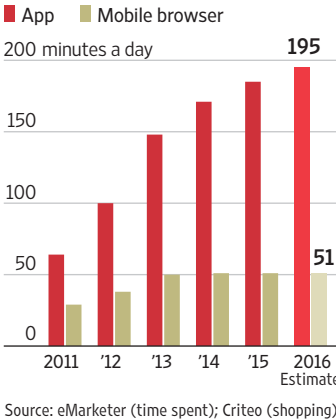
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SHOP

Continued from page B1
And consumers are more likely to window shop for products but not necessarily buy them. People still make most of their online transactions on desktop computers. Ryan McIntyre, chief marketing officer of men's fashion retailer **JackThreads Inc.**, said the average cart is about \$5 higher on his company's website than its app. But he says customers spend about 10% more on average on mobile devices in a given six-month period. Mobile devices also drive Web sales: Nearly 40% of desktop transactions in the fourth quarter took place after a customer visited the retailer's app or mobile site, according to consulting firm Criteo. Olivia Bryant, a 19-year-old Starbucks barista in Bakersfield, Calif., said she spends up to two hours a day shopping on her iPhone through apps such as marketplace **Etsy Inc.** and fashion retailer **Poshmark Inc.** "It's much simpler to shop on my phone," she said. "There aren't a lot of distractions." The average U.S. consumer

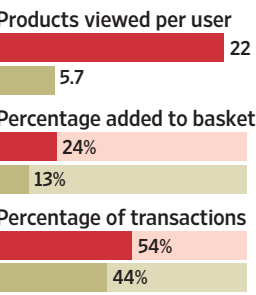
Sticky Apps

U.S. smartphone and tablet users spend more than three times longer using apps than surfing the mobile Web ...



last year spent 3 hours and 5 minutes a day using apps, compared with 51 minutes surfing the mobile Web, according to eMarketer. Such devotion to apps isn't lost on retailers. Target has shifted resources and staff away from Web development to its app—which it hopes to make central to all of its digital design. "With smartphones we're able to reach you all the time" through texts or lock-screen messages, known as push notifications, said Wish CEO Peter Szulczewski. The San Francisco startup

... and are more likely to select and purchase items.



has created an experience that mimics the mall, with a seemingly endless inventory to scroll through and bargain-basement prices. Some apps, such as those from Zappos and online auction site **Tophatter Inc.**, identify a user's device to judge a customer's possible buying power. "Our data shows that the more expensive device you have, the more you might spend," said Tophatter CEO Ashvin Kumar. "Millions of Amazon customers shop exclusively on a mobile device all year," said

an Amazon spokeswoman. Retailers may be most excited to cater results based on a customer's location, whether it is knowing a user has entered their store or is vacationing in warmer climes. "If you're in Australia, we might serve you swimwear when it's winter in the Northern Hemisphere," said Matt Kaness, CEO of San Francisco fashion retailer **ModCloth**, which has about 1.2 million users. eBay Inc. will highlight generators to customers shopping in areas affected by a big storm, said Hal Lawton, the company's North America senior vice president. Other retailers such as **Wal-Mart Stores Inc.** and **Nordstrom Inc.** have explored ways to tie in mobile shopping with stores. Customers could check in to a store through the app, providing salespeople with their purchase history, even encrypted payment information, for a quicker and more personalized shopping experience. But the main catch for apps may be the impulsive shoppers. "On bar nights, we see drunk shopping, which is very interesting," said Alan Tisch, CEO of fashion app **Spring Inc.** "Maybe there's an opportunity there."

TECHNOLOGY

Verizon Workers Strike as Tense Talks Fail

Walkout of 40,000 employees mostly affects landline phone, Internet businesses

By RYAN KNUTSON

Nearly 40,000 union employees of **Verizon Communications** Inc. went on strike Wednesday, starting one of the largest U.S. walkouts in recent years and attracting the attention of presidential candidates.

The strike was called by the Communications Workers of America and the International Brotherhood of Electrical Workers after 10 months of tense contract negotiations.

The unions mostly represent workers in Verizon's traditional landline business. The company's wireless business, which now accounts for about two-thirds of Verizon's revenue, is almost entirely non-union.

The unions say they are trying to improve pension benefits and prevent Verizon from outsourcing jobs to contractors. The company, which has about 178,000 total employees, is looking to reduce retirement benefits and health-care costs.

Democratic presidential candidates Hillary Clinton and Sen. Bernie Sanders both voiced support for the unions, which picketed outside some Verizon Wireless stores. About 100 wireless employees are part of the CWA, which allows that union to picket there.

"I know there's going to be a lot of pain involved," said Mr. Sanders, who also joined pickets at a rally in Brooklyn. "I want to thank you for standing up to the outrageous



Workers rallied outside of Verizon offices in Newark, N.J., on Wednesday. The last strike at Verizon, in 2011, continued for two weeks.

greed of Verizon and corporate America."

In a blog post, Verizon Chief Executive Lowell McAdam criticized the Vermont senator. "He oversimplifies the complex forces operating in today's technologically advanced and hyper-competitive economy," Mr. McAdam wrote.

"Our objective in these negotiations is to preserve good jobs with competitive wages and excellent benefits while addressing the needs of our ever-changing business."

The sides remained far apart Wednesday. On Tuesday, Verizon said the Federal Mediation and Conciliation Service

offered to help mediate, but the union said they hadn't agreed to work with the group. On Wednesday, the CWA filed a charge with the National Labor Relations Board, alleging Verizon has failed to bargain in good faith.

Verizon said it hopes to minimize disruptions by using

nonunion employees to fill in.

This is the third strike since 2000. The last strike, in 2011, lasted two weeks. Workers from cable splicers to call center employees across several states, including New York, Massachusetts and Virginia, were expected to participate in the strike.

GoPro Taps Apple Designer

By EZEQUIEL MINAYA

GoPro Inc. has hired a member of Apple Inc.'s design team, contributing to a rally in shares of the wearable-camera maker on Wednesday.

Daniel Coster, who is reportedly credited with contributing to the iPhone's design and the iPad's wireless keyboard, among other products, will begin his new post as vice president of design at GoPro at month's end.

Shares of GoPro, which have slumped 69% over the past 12 months, jumped 19% to \$13.90 in Nasdaq trading. Shares of other struggling tech companies, such as Fitbit Inc. and Yelp Inc., rallied Wednesday, up 12% and 4.3%, respectively.

GoPro said that Mr. Coster would have a hand in all aspects of design, from hardware to software to services.

GoPro described Mr. Coster as a "core member of Apple's elite industrial design team for more than 20 years" and added that he "holds more than 500 design patents and several utility patents, and has been recognized by several international design organizations for his work."

The hire was a shot in the arm for struggling GoPro, which in February posted weak fourth-quarter earnings, extending its rough ride of recent results. The company in January announced a 7% reduction of its workforce, and last year a 50% price cut to its newest camera.

Business Watch

FARADAY FUTURE

Construction Starts On Nevada Car Plant

Nevada is officially in the car-making business.

Faraday Future Inc., an electric-car startup financed by a Chinese billionaire, began construction on a new assembly plant in a dusty tract 25 miles north of the Las Vegas Strip.

The plot of land off Interstate 15 is surrounded by solar farms, a fireworks factory and marijuana-growing centers. But soon the walls will go up on what state officials hope is an extension of the outsize gamble the state already has made on electric cars by backing **Tesla Motors** Inc.'s giant battery factory outside of Reno.

Nevada signed off on a total of \$1.6 billion in incentives for the two projects, most of it for

Tesla's factory. The plant from Faraday, though, requires a leap of faith. Faraday has no announced products and doesn't even have a public prototype. Nonetheless it has hired 700 people in the U.S., and it has pledged to add more than 1,000 additional people in California alone in the next four years.

Faraday, based in Los Angeles, has promised to hire 4,500 people at the plant and invest \$1 billion.

—Mike Ramsey

LEVEL 3 COMMUNICATIONS

CEO Returns to Job From Medical Leave

Level 3 Communications Inc. said Chief Executive Jeff Storey has returned to work from a medical leave of absence following heart surgery, resuming all of his duties and responsibilities.

Mr. Storey had the operation to address "a recently diagnosed heart condition" in late February and had been expected to make a full recovery.

"I'm pleased to be back," said Mr. Storey said in prepared remarks on Wednesday.

—Tess Stynes

EMIRATES AIRLINE

Carrier to Purchase More Airbus Jets

Emirates Airline Wednesday said it was buying two more **Airbus Group SE** A380 super-jumbos, a day after the European plane maker announced the order as one from an undisclosed customer.

Emirates Airline, the world's largest international carrier by traffic, said the additional aircraft will be delivered in the fourth quarter of next year. The purchase has a list price value of \$865.2 million, though airlines often get steep discounts.

Emirates is the largest buyer of the A380 double-decker, with 142 now ordered. The Dubai-based carrier is the buyer of about 45% of all A380s Airbus has sold. Other airlines have shied away from the large plane, concerned they can't find a financially viable way to fill the aircraft, which seats more than 500 passengers.

Emirates Airline President Tim Clark has been most outspoken backer for the plane outside of Airbus. "We've always been

open about how the A380 has been a success for Emirates," Mr. Clark said, adding that the large-capacity plane was a "boon" for operations at packed airports such as London Heathrow, "and we get a lot of positive feedback from our customers."

—Robert Wall

REISS HOLDINGS

Warburg to Buy Majority Stake

Warburg Pincus LLC, a New York-based private-equity firm with more than \$40 billion under management, said it has agreed to buy a majority stake in **Reiss Holdings**, valuing the British fashion retailer at £230 million (\$328 million).

Reiss was founded in 1971 by David Reiss, who will keep a minority stake in the business and stay on as chairman and chief executive, Warburg Pincus said in a statement. Reiss operates in 160 locations in 15 countries and had sales of £146 million in the 12 months to Jan. 31.

Warburg Pincus said it plans to expand the company globally.

—Simon Clark



Tesco PLC reported a small rise in adjusted profit for its fiscal year as the British super-market giant logged stronger sales in the U.K. but signaled that future profitability would be capped by investment.

For the year ended Feb. 27,

Tesco's operating profit excluding one-time items—a figure closely watched by investors—came to £944 million (\$1.35 billion), up 1.1% from a year earlier. Tesco had guided to a trading profit of £940 million to £950 million.

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CLASS ACTIONS

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

THE DEPARTMENT OF THE TREASURY OF
THE STATE OF NEW JERSEY AND ITS
DIVISION OF INVESTMENT, on behalf of itself
and all others similarly situated,

Plaintiff,

v.

CLIFFS NATURAL RESOURCES INC.,
JOSEPH CARRABBA, LAURIE BRLAS,
TERRY PARADIE, and DAVID B. BLAKE,

Defendants.

Case No. 1:14-cv-1031

Judge Dan Aaron Polster

Magistrate Judge Thomas M. Parker

SUMMARY NOTICE OF (I) PENDENCY OF CLASS ACTION AND CERTIFICATION
OF SETTLEMENT CLASS; (II) PROPOSED SETTLEMENT WITH INDIVIDUAL
DEFENDANTS; (III) SETTLEMENT HEARING; AND (IV) MOTION FOR AN AWARD
OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: All persons and entities who or which purchased Cliffs Natural Resources Inc. ("Cliffs") common stock from March 14, 2012 through March 26, 2013, inclusive (the "Settlement Class Period") and were damaged thereby (the "Settlement Class"):

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of Ohio, that the above-captioned litigation (the "Action") has been certified as a class action on behalf of the Settlement Class, except for certain persons and entities who are excluded from the Settlement Class by definition as set forth in the full printed Notice of (I) Pendency of Class Action and Certification of Settlement Class; (II) Proposed Settlement with Individual Defendants; (III) Settlement Hearing; and (IV) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the "Notice").

YOU ARE ALSO NOTIFIED that the Lead Plaintiff in the Action, The Department of the Treasury of the State of New Jersey and its Division of Investment, on behalf of itself and the other members of the Settlement Class, has reached a proposed settlement of the Action with defendants Terrance Paradie, Joseph Carrabba, Laurie Brlas, and David Blake (the "Settling Defendants") for \$84,000,000 in cash (the "Settlement"). If the Settlement is approved by the Court, it will resolve all claims in the Action.

A hearing will be held on June 30, 2016 at 12:00 p.m., before the Honorable Dan Aaron Polster at the United States District Court for the Northern District of Ohio, Carl B. Stokes United States Court House, Courtroom 18B, 801 West Superior Avenue, Cleveland, Ohio 44113-1837, to determine (i) whether the proposed Settlement should be approved as fair, reasonable, and adequate; (ii) whether the Action should be dismissed with prejudice against the Settling Defendants, and the Releases specified and described in the Stipulation and Agreement of Settlement with Individual Defendants dated March 10, 2016 (and in the Notice) should be granted; (iii) whether the proposed Plan of Allocation should be approved as fair and reasonable; and (iv) whether Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved.

If you are a member of the Settlement Class, your rights will be affected by the pending Action and the Settlement, and you may be entitled to share in the Settlement Fund. If you have not yet received the Notice and Claim Form, you may obtain copies of these documents by contacting the Claims Administrator at Cliffs Securities Litigation, c/o A.B. Data, Ltd., P.O. Box 173003, Milwaukee, WI 53217, by toll-free phone at (866) 778-1167, or by email at info@CliffsSecuritiesLitigation.com. Copies of the Notice and Claim Form can also be downloaded from the website maintained by the Claims Administrator, www.CliffsSecuritiesLitigation.com.

If you are a member of the Settlement Class, in order to be eligible to receive a payment under the proposed Settlement, you must submit a Claim Form *postmarked* no later than August 8, 2016. If you are a member of the Settlement Class and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement, but you will nevertheless be bound by any judgments or orders entered by the Court in the Action.

If you are a member of the Settlement Class and wish to exclude yourself from the Settlement Class, you must submit a request for exclusion such that it is *received* no later than June 9, 2016, in accordance with the instructions set forth in the Notice. If you properly exclude yourself from the Settlement Class, you will not be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to share in the proceeds of the Settlement.

Any objections to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for attorneys' fees and reimbursement of Litigation Expenses, must be filed with the Court and delivered to Lead Counsel and counsel for the Settling Defendants such that they are *received* no later than June 9, 2016, in accordance with the instructions set forth in the Notice.

Please do not contact the Court, the Clerk's office, Cliffs, or Defendants' Counsel regarding this notice. All questions about this notice, the proposed Settlement, or your eligibility to participate in the Settlement should be directed to the Claims Administrator or Lead Counsel.

Requests for the Notice and Claim Form should be made to:

Cliffs Securities Litigation
c/o A.B. Data, Ltd.
P.O. Box 173003
Milwaukee, WI 53217
(866) 778-1167
info@CliffsSecuritiesLitigation.com
www.CliffsSecuritiesLitigation.com

Inquiries, other than requests for the Notice and Claim Form, should be made to Lead Counsel:

BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP
James A. Harrod, Esq.
1251 Avenue of the Americas, 44th Floor
New York, NY 10020
(800) 380-8496

LOWENSTEIN SANDLER LLP
Michael T.G. Long, Esq.
65 Livingston Avenue
Roseland, NJ 07068
(973) 597-2500

Dated: April 14, 2016

By Order of the Court

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**

BUSINESS NEWS

Air-Travel Survey Reveals
American Fliers' Habits

Airline trips taken
for business purposes
in 2015 accounted
for 31% of the total

By SUSAN CAREY

More than 80% of the adult U.S. population have flown in their lifetimes, compared with 49% in 1971, said a survey done for the leading U.S. airline trade group. Last year, 45% took to the skies, up from 21% in 1971.

Air travelers last year were equally split by gender, nearly divided into thirds by age groupings and more ethnically diverse, according to the survey of about 3,000 members of the general public 18 and older conducted by Ipsos Public Affairs. The average number of airline trips taken last year was 4.8, with 31% taking just one trip and 15% taking nine or more, the study said.

Airline trips taken for business purposes last year accounted for 31% of the total, down from 47% in 1997. Leisure trips accounted for 48% and personal trips not for leisure accounted for 21% of the total, according to the data prepared for Airlines for America.

Of those who flew last year, three-quarters said they are somewhat or very likely to travel by air this year.

Some 63% of 2015 airline trips were domestic, followed by 19% to Latin America and the Caribbean and 8% to Europe. Two-thirds of fliers last year were members of an airline frequent-flyer program but most didn't have elite status, the study found. The preferred check-in method was on a personal computer or mobile device, with just 11% of travelers checking in at airport ticket counters.



MARK RALSTON/AGENCE FRANCE PRESSE/GETTY IMAGES

Last year, 45% of Americans took to the skies, up from 21% in '71.

Of those who flew last year, 23% chose to purchase a seat upgrade using money, points or miles, the study said. Those traveling for personal reasons purchased basic economy tickets 70% of the time in 2015, 56% booked their tickets on an airline website and they checked an average of 1.1 pieces of luggage, the study said. More than half the checked items didn't require payment. Two thirds of the group surveyed prefer the la carte pricing model in which they pay only for the airline services and amenities they need or want.

Younger travelers and people with less than \$50,000 in annual household income are more likely to fly today than in past decades, according to Airlines for America. Millennial travelers between 18 and 34 on average flew six times in 2015 but are value-conscious when spending money on travel. Also price-conscious are retirees (83%), women (85%) and people flying for personal reasons (88%).

The study found that travelers value price and airline schedule as most important in

deciding whether to travel by air. Time spent in travel, safety perceptions, operational reliability and convenience of the airport also counted strongly. But the quality of in-flight amenities and amenities at the airport rated much lower.

Before flight, the most important factors for travelers were the speed of getting through security and the efficiency of the boarding process. During the flight, legroom and seat comfort mattered the most, followed by space for carry-on items, the study found.

Finally, for an industry defined by anecdotes and traveler snark, the study found that 80% of 2015 fliers were somewhat or very satisfied with their overall flying experiences last year, with even higher levels of satisfaction reported by those who receive expedited security screening through PreCheck and Global Entry, two programs run by the government. About 14% of those surveyed were neutral about their 2015 travel experiences and 6% were somewhat or very dissatisfied.



TAYLOR GLASCOCK FOR THE WALL STREET JOURNAL

Workers examined basil seedlings at FarmedHere's Bedford Park, Ill., facility last November, when the startup was going through a strategic transition. The company has moved away from aquaponics.

FARM

Continued from page B1
ticated mix of crop science, fertilizer know-how as well as expensive lighting and sensor systems to monitor temperature, moisture and other conditions.

"This is very much a technology play," said David Rosenberg, chief executive of Newark, N.J.-based AeroFarms LLC, which currently operates one indoor commercial farm as well as a research and development farm and a farm in a local school. AeroFarms said it has raised over \$70 million in corporate and project financing.

The company isn't profitable but says it expects each of its farms to become cash-flow positive in its first year.

FarmedHere, which restarted its business in February, abandoned an aquaponic model that relied on a tilapia farm to generate fertilizer to grow lettuce, basil and other greens. Now the company, which has raised about \$13 million, uses plant-derived organic fertilizers.

Aquaponics "sounds pretty elegant," said Nate Laurell, who recently took over as CEO. But "it's a much simpler process to use organic nutrients than to manage a school of fish and all that biology and chemistry." He said the change will also reduce the total cost of raising

crops by 30%.

Most startups grow lettuce and herbs that have short growing cycles and thrive in controlled environments. Brooklyn-based Edenworks says it can produce many varieties of baby lettuce in its indoor farm in just 18 to 21 days compared with 28 to 35 days for field-grown products.

"We are getting better unit economics than a farmer farming 1,000 acres in Salinas, Calif.," said Edenworks CEO Jason Green, noting that a shorter growing cycle and a

High-tech indoor
farming can involve
millions of dollars
in investments.

12-month operation allows the startup to turn over its crop more often than soil-based farms. By locating close to purchasers, the company cuts transportation and warehouse costs, he added. Still, the economics are challenging. In a second facility, not yet under construction, Edenworks plans to cut labor costs by more than 50% by automating seeding, harvesting, washing, drying, packaging and labeling. "The numbers would not work out if we didn't do that," Mr. Green said.

Flavor is also tricky. Industry participants disagree about what combination of

lighting, fertilizer and growing methods produces the tastiest greens at the lowest cost. Some startups operate greenhouses, while others stack trays of plants in so-called vertical farms that rely on lighting systems instead of sunlight.

"It is more difficult for hydroponic growers to achieve the same taste as soil-grown products or herbs," said Elly Truesdell, a buyer for Whole Foods, which buys produce from several high-tech farmers. In hydroponic farming, plants are grown in nutrient-rich water.

Ms. Truesdell said customers are willing to pay a premium for locally grown produce.

In New York, Whole Foods typically sells a 5-ounce package of Gotham Greens lettuce for \$3.99, about the same price as a slightly larger package of store-brand organic greens grown in California and \$1 more than a head of soil-grown organic romaine lettuce.

Gotham Greens CEO Viraj Puri said the company had to experiment with dozens of varieties of kale before settling on one that would thrive in its greenhouses without turning bitter and struggled to find a variety of green leaf lettuce that wouldn't "bolt," or shoot up and take on a sharp taste, just before harvesting.

"Plants are not widgets," said Mr. Puri. "There are a lot of dependent variables."

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BUSINESS NEWS

VW Labor Deal Spurs Bonus Cuts

By William Boston

BERLIN—Volkswagen AG Chairman Hans Dieter Pötsch agreed to a sharp cut in bonuses he is entitled to from his time as the car maker's finance chief, paving the way for a broader agreement among top executives over bonus cuts in light of the company's crippling emissions-cheating scandal.

Volkswagen said Wednesday that the deal would be approved at a supervisory board meeting on April 22, when the company's directors are also expected to review a report on the diesel scandal from Jones Day. Volkswagen commissioned the U.S. law firm in September to conduct a thorough independent investigation into the events surrounding the company's decision to rig diesel engines to cheat on emissions tests.

The board of directors will also review Volkswagen's 2015 accounts the same day. The company is planning to publish a few details from the accounts, which could include the dividend, which could be sharply reduced or scrapped, as well as any additional charges Volkswagen will take to fund potential fines and compensation linked to its emissions scandal. The full earnings report will be published on April 28.

lished on April 28.

The agreement to cut management bonuses comes after days of wrangling between the company's senior management, core shareholders and labor representatives. The state of Lower Saxony, which holds 20% of Volkswagen's voting capital, and the IG Metall trade union pushed management to accept a sweeping cut in bonuses.

"I very much welcome this step by Mr. Pötsch," Stephan Weil, the prime minister of Lower Saxony, who was driving the push to cut bonuses, told the state's legislature on Wednesday.

Mr. Weil also said that Volkswagen's directors would be briefed in detail on the Jones Day investigation at the next board meeting. It isn't clear how much of the report will be made public.

The move comes as Volkswagen is embroiled in legal proceedings in the U.S. and Germany ranging from criminal investigation into allegations of fraud, a major civil lawsuit with more than 500 plaintiffs in San Francisco, and an investigation by the Federal Trade Commission into whether Volkswagen's advertising for "clean diesel" constituted fraud in advertising.

—Hendrik Varnholt contributed to this article.



Ford expects to build 250 high-performance GT cars a year and wants potential buyers to demonstrate they will actually drive the cars.

Ford to Audition Supercar Buyers

Shoppers should be prepared to provide videos, social media to get limited-edition GT

By Christina Rogers and Gautham Nagesh

For buyers angling to get on the waiting list for Ford Motor Co.'s new GT supercar, having enough in the bank to cover the roughly \$450,000 asking price isn't enough. They also need to convince the company they are ready to drive it.

In a rare move for the domestic auto industry, the Dearborn, Mich., auto maker is taking applications for the latest iteration of its mid-engine sports car. Ford will produce only 250 a year, but the company doesn't want them collecting dust in garages.

The No. 2 U.S. car maker opened up the application process Wednesday morning. The move comes about two weeks after Tesla Motors Inc. began taking \$1,000 deposits for the

Model 3, a much less expensive electric sedan that will arrive next year.

To get a GT, candidates must lay out enthusiast credentials. If they own a previous-generation GT, for instance, Ford wants to know how many miles they put on that car's odometer.

Prospects also have the chance to plead their case in writing and add supporting material, such as video and social media posts, that show dedication.

"We really want to find those customers who will use this car and drive this car and be true ambassadors for Ford," said Henry Ford III, great-great grandson of founder Henry Ford and global marketing manager for Ford's performance division. Mr. Ford spoke to The Wall Street Journal in a podcast.

The reservation deadline for the first two years of production is May 12. Tesla's Model 3 collected 300,000 refundable deposits in the first week of accepting reservations—but that car is aiming

for the mass market.

Ford's application process "is the velvet rope line at the incredibly trendy club," said Dave Kinney, who publishes the price guide for Hagerty Insurance Agency LLC, the largest insurer of classic and collector's cars in the U.S.

The latest GT, to be built with carbon fiber body panels and a 600-horsepower engine, made a splash in 2015 at the Detroit auto show. The company had discontinued a prior edition it started selling in 2004, and it backed away from investing in its gaudiest models during the financial crisis amid a cash shortage.

It isn't uncommon for high-end cars to have lengthy wait lists or aim for handpicked clientele. Italy's Ferrari NV, a sports car maker capping annual output at about 7,000, has multiyear waits and often allocates models based on how many Ferraris a buyer has purchased already.

The GT nameplate dates back to the 1960s, when the GT40 bolstered Ford's racing chops by sweeping the 24

hours of Le Mans.

Ford revived the GT about a decade ago. It was designed to be an American-made, mid-engine supercar rivaling European exotics like Ferrari and Lamborghini SpA, but with a much lower price tag.

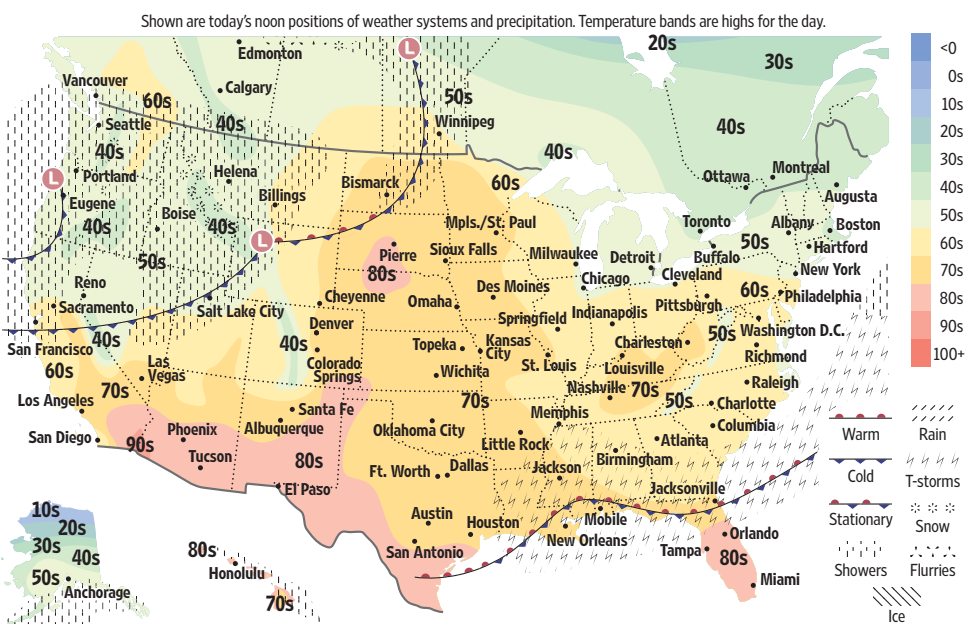
Early in its production run, demand was strong with the car selling over its \$150,000 list price. Sales cooled, however after the initial rush.

Several years later, however, the GT is considered a favorite among collectors. Prices for low-mileage used models began to soar in late 2012, and today the average 2005-06 Ford GT is worth more than \$250,000, according to Hagerty.

Karl Brauer, a 2005 Ford GT owner and senior analyst for car-research firm Kelley Blue Book, wasted no time putting in his application for the new one.

"[Ford is] trying to prevent them from becoming objects of the super wealthy to be stored away," Mr. Brauer said. "It's not a statement car if it sits under a cover."

Weather



U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	50	36	pc	52	36	pc
Atlanta	61	48	c	58	49	c
Austin	77	55	pc	81	57	pc
Baltimore	62	37	s	62	37	s
Boise	55	38	c	60	38	pc
Boston	48	38	s	50	40	s
Burlington	50	29	s	56	34	s
Charlotte	66	44	pc	62	43	c
Chicago	58	39	s	65	46	s
Cleveland	56	40	s	65	43	s
Dallas	76	55	pc	79	60	pc
Denver	75	46	pc	59	34	t
Detroit	56	35	s	64	42	s
Honolulu	84	72	sh	85	70	sh
Houston	78	59	c	80	62	pc
Indianapolis	65	42	s	70	46	s
Kansas City	72	50	s	74	52	pc
Las Vegas	78	57	pc	70	57	pc
Little Rock	74	55	c	72	57	pc
Los Angeles	73	54	pc	75	58	s
Miami	84	72	pc	84	71	t
Milwaukee	51	38	s	54	42	s
Minneapolis	71	48	s	71	55	s
Nashville	70	51	c	70	48	pc
New Orleans	77	64	r	76	64	pc
New York City	58	42	s	61	44	s
Oklahoma City	73	50	pc	76	53	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Omaha	75	49	s	77	54	pc
Orlando	84	66	t	81	66	t
Philadelphia	62	40	s	64	42	s
Phoenix	88	63	s	80	58	pc
Pittsburgh	63	40	s	69	42	s
Portland, Maine	51	32	s	53	34	s
Portland, Ore.	58	44	r	62	44	c
Sacramento	67	47	pc	74	54	s
St. Louis	70	52	pc	76	54	pc
Salt Lake City	53	39	sh	56	44	sh
San Francisco	62	50	pc	67	55	s
Santa Fe	73	43	pc	68	37	pc
Seattle	59	45	c	61	45	c
Sioux Falls	75	48	s	74	54	c
Wash., D.C.	64	43	s	64	42	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	60	47	c	55	44	t
Athens	80	62	pc	79	59	s
Bangkok	102	83	s	101	85	s
Beijing	74	43	s	75	57	pc
Berlin	54	39	r	59	45	t
Brussels	61	49	c	58	45	t
Buenos Aires	73	65	pc	76	66	r
Calgary	50	30	r	55	33	pc
Dubai	95	79	c	91	74	pc
Dublin	50	41	pc	49	34	sh
Edinburgh	49	38	pc	44	31	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	61	45	pc	60	48	c
Geneva	62	44	c	60	49	t
Havana	89	65	s	88	67	pc
Hong Kong	82	74	c	81	76	t
Istanbul	74	58	s	68	55	pc
Jakarta	91	77	t	88	78	t
Jerusalem	61	49	s	69	54	s
Johannesburg	79	52	s	78	52	s
London	61	46	r	58	41	t
Madrid	66	47	c	69	50	pc
Manila	97	83	s	96	83	s
Melbourne	76	58	pc	79	58	s
Mexico City	83	55	pc	82	52	pc
Milan	74	47	s	68	51	pc
Moscow	63	47	c	53	38	c
Mumbai	95	77	pc	94	80	pc
Paris	63	49	c	62	47	t
Rio de Janeiro	92	78	s	92	78	t
Riyadh	83	55	s	84	57	s
Rome	70	48	s	69	52	s
San Juan	84	71	pc	84	72	pc
Seoul	69	42	pc	70	45	s
Shanghai	79	59	pc	71	62	c
Singapore	90	82	c	92	80	c
Sydney	73	61	pc	75	62	pc
Taipei	76	69	r	78	70	c
Tokyo	69	58	r	69	54	s
Toronto	48	30	s	54	34	s
Vancouver	57	43	c	57	43	pc
Warsaw	61	40	c	61	46	c
Zurich	59	40	c	57	45	t

The WSJ Daily Crossword | Edited by Mike Shenk

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E-FILING | By Harold Jones

Across	26 House coverage offerer	49 Enterprise subsidiary
1 Sounds from pounds	28 High pitch	51 Fowl territory?
5 "Moneytalks" band	32 George W. got one in 1975	54 Sestina section
9 Make a mess of	34 Eric of "Pulp Fiction"	57 Distressed jeans, e.g.?
14 Harbor, say	37 Provide with startup capital	61 Certain to experience
15 Lackluster	38 Role for Fonda, Lancaster, Russell and Costner	62 "A New Argentina" show
16 It has a 45-mile border with Canada		63 Sight in the unrated version of "Gladiator"?
17 Courted in a rom-com, maybe?	40 By means of	65 Player nicknamed "the King of Clay"
19 Fugu worry	41 Made like a rat	66 Fuego extinguisher
20 Like the Islamic calendar	42 Bleacher feature	67 Brand with "Did you pivot today?" ads
21 Rosary recitation, to an atheist?	43 Autos with SkyActiv Technology	68 Works hard
23 Hamper	46 Feigning modesty	
25 Pitcher's delivery	47 Getup	

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

69 Aid consideration	30 Comedian with a car collection
70 Storms of the 1990s	31 Provocatively stylish
Down	32 Trendily self-referential
1 Kin of ketches	33 Prepare to switch
2 Near	35 Tina's "30 Rock" role
3 Editor's mark in the list "...pansy, periwinkle, petunia..."?	36 Unveiling exclamation
4 Prepares pilaf	39 Source of shock, at times
5 "Castle" carrier	43 Burmese greeting
6 Iron, e.g.	44 Capp, Pacino and others
7 History exam fodder	45 "Dances Gothiques" composer
8 Hardly high-end	48 2015 World Series champs
9 Full of resentment	50 Satchel's cousin
10 Like argon and oxygen	52 Praline morsel
11 Its business is picking up	53 Drill leader
12 Pot unit	55 "The fox so cunning and free"
13 Improve	56 Some have codes
18 Stalagmite contributions	57 51-Across denizens
22 Scatterbrained sort	58 Track
24 Cook's invitation	59 Public swimming site
27 Astronomer's find	60 Womanizing sort
29 To be turned off, when the lighthouse is retired?	64 Bankroll

Previous Puzzle's Solution

SELF	M	E	A	R	A	P	A	D
OPAL	T	A	X	I	P	A	P	A
DEMOCRATIC	P	A	R	T	P	A	R	T
SEETH	S	T	E	E	L	E	R	S
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JURASSIC	P	A	R	K				
ITEMS	S	O	A	K	E	T	O	N
GAP	B	E	R	L	E	E	V	E
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	A	C	R	Y	L	I	C	
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C	A	S	T	E	R			

BUSINESS NEWS

Cigarette Output Halts in India

Tobacco companies stop production over regulations requiring larger health warnings

By Preetika Rana

NEW DELHI—Tobacco companies in India halted cigarette production amid government regulations requiring larger and more graphic health warnings on packages.

The decision represents a sharp escalation in the conflict between the industry and Indian authorities over rules that require 85% of a pack to be covered with pictorial public-health messages that show diseased lungs and other problems caused by smoking.

ITC Ltd., VST Industries Ltd. and Godfrey Phillips India Ltd. said they paused manufacturing on April 1 due to confusion over the new requirements. British American Tobacco PLC owns roughly a third of ITC and VST, while Philip Morris International Inc. owns a quarter of Godfrey Phillips India.

Antismoking activists said the move was an attempt to put pressure on regulators by raising the economic stakes. The companies employ thousands of workers and buy tobacco from millions of farmers. Cigarette sales also are an important source of tax revenue. It is unclear if the halt led to worker furloughs.

A Health Ministry spokeswoman said changes to the new regulations weren't being considered.

"The rule is very clear," said a senior Health Ministry official, who declined to be named. "If they don't want to produce, let them not produce."

Governments world-wide have ordered changes to cigarette packaging in an effort to discourage smoking. These range from mandating grisly images on warning labels to barring manufacturers from using their own logos.



A shop in Mumbai. A cigarette production halt hasn't led to shortages in India, where three big firms say they have adequate stockpiles.

The tobacco industry has fought back fiercely. Philip Morris mounted a costly, yearslong—and ultimately unsuccessful—legal battle against Australia's so-called plain-packaging rule, which prohibits the use of brand imagery, colors and logos.

In India, where tobacco-related illnesses kill nearly a million people a year, the government first ordered pictorial warnings in 2009. The warnings had to cover 40% of the front of a cigarette pack.

In late 2014, the Health Ministry changed the rules to require tobacco makers to cover 85% of their packs—front and back—with such warnings. The government delayed the implementation of the new rules until April 1 of this year, pending a parliamentary study.

The tobacco industry took the government to court, filing at least half a dozen lawsuits challenging the rules. The industry argued that the enhanced warnings would destroy the livelihoods of people connected to tobacco sales and would encourage smuggling.

The Karnataka High Court, where the suits were filed, said this year it didn't have the power to strike down the health regulations or impose a stay. The cases are pending.

Meanwhile, the parliamentary committee that studied the new rules issued nonbinding recommendations last month urging the government to reduce the size of warning labels to 50% from 85%. One of the members of the committee was a lawmaker who owns a tobacco company.

"The proposed graphic

health warnings have the potential of severely affecting the Indian farmers and Indian companies with gains to the unscrupulous elements who manufacture and sell illicit tobacco products," according to the report, a copy of which was reviewed by The Wall Street Journal. It concluded the new rules "will be too harsh."

Committee chairman Dilipkumar Mansukhlal Gandhi defended the report as "fair and unbiased."

The Health Ministry reviewed the committee's findings but decided to stick with the significantly larger warning labels, the senior official there said.

Government officials say they would have notified the companies if their stance had changed.

"It's commendable how In-

dia has stood firm," said New Delhi-based tobacco-control activist Bhavna Mukhopadhyay, who was a member of a panel the government consulted before drafting the new rules.

The production halt hasn't resulted in any shortages. All three firms say they have adequate stockpiles for now but declined to elaborate.

ITC and VST both said production would cease until there was greater certainty in how to proceed. Godfrey Phillips said "preparatory work for implementation of new graphical health warnings is currently in progress." It wouldn't say when it planned to resume output.

In comments earlier submitted to the parliamentary committee, Godfrey Phillips had said the new health warnings were too disturbing.

Valeant's CEO Plans Deposition

By Austen Hufford

Michael Pearson, the outgoing chief executive of **Valeant Pharmaceuticals International Inc.**, will cooperate with a Senate committee investigating increases in the prices of certain prescription drugs by agreeing to appear at a deposition next week, according to the committee.

Mr. Pearson previously had refused to appear at a deposition, saying the committee had not provided enough information on what subjects would be covered. In response, Sens. Susan Collins and Claire McCaskill, the leading members of the committee, said they planned to initiate contempt proceedings against Mr. Pearson unless he cooperated.

Wednesday, the committee said the contempt procedures would be postponed, pending his deposition with the panel. The deposition is scheduled for Monday and a full Senate committee hearing is set for April 27.

"Following discussions between the committee's staff and his lawyers, Mr. Pearson looks forward to testifying at a deposition and the hearing," a spokesman for Mr. Pearson said in a statement.

A representative for Valeant didn't immediately respond to a request for comment. On Monday, Valeant had publicly asked for Mr. Pearson's cooperation with the committee.

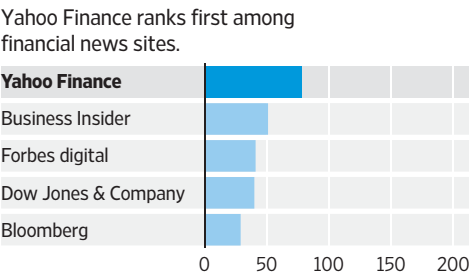
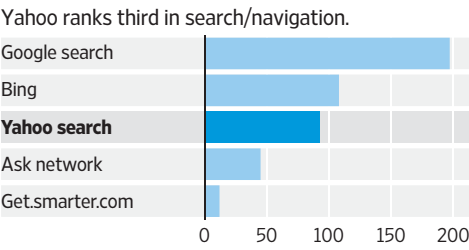
Valeant has become a poster child for criticism of high drug prices and a target of congressional inquiries after The Wall Street Journal reported last year that the company was buying the rights to certain treatments and quickly raising their prices.

Last month, Valeant said it was looking to replace Mr. Pearson. He will stay on as CEO and director until his successor is appointed.

THE SHORT ANSWER by Willa Plank and Joe Shoulak

How popular are Yahoo's products?

Potential acquirers are circling Yahoo in part because its websites still bring in heavy traffic. Yahoo's digital properties together garnered 204.4 million U.S. unique visitors in February, behind only Google and Facebook sites. Here's a look at traffic to Yahoo:



Source: comScore Photos: Shutterstock (stack of money); iStock

THE WALL STREET JOURNAL

An advertisement for NTT Communications. The top half features a large blue globe with the text 'YOUR GROWTH.' and 'OUR CLOUD.' on banners. Below the globe, the text 'SEAMLESS CLOUD FOR THE WORLD Hosts Enterprise' is displayed. The bottom half contains a map of the world with 15 locations marked, including the United Kingdom, United States (Virginia and California), Spain, France, Germany, Japan (Tokyo and Osaka), China (Hong Kong), Singapore, Australia, India, Thailand, and Malaysia. The text 'Our global enterprise cloud footprint has 15 locations worldwide' is above the map. At the bottom, there are two award logos: 'wca 2014 Winner' and 'Global Carrier Awards 2014 Winner'. The NTT Communications logo and 'Global ICT Partner' text are at the bottom right.

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MONEY & INVESTING



Pulling Pensions

New York may scrap hedge-fund holdings **PENSIONS | C2**



IMF Warns of Spreading Risk **IN THE MARKETS | C4**

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* * *

THE WALL STREET JOURNAL.

Thursday, April 14, 2016 | **C1**

DJIA 17908.28 ▲187.03 1.06% **S&P** 2082.42 ▲1.00% **NASDAQ** 4947.42 ▲1.55% **10-YR. TREAS.** ▲6/32, yield 1.760% **OIL** \$41.76 ▼\$0.41 **EURO** \$1.1274 **YEN** 109.32 **See more at WSJMarkets.com**

OPEC Trims View For Oil Production

By **Benoit Faucon**

OPEC said global oil production outside the cartel is falling more sharply than expected, as producers continue to retrench almost two years after crude prices started what has been their sharp descent.

The Organization of the Petroleum Exporting Countries, a group of some of the world's biggest producers, forecast on Wednesday that a long-expected contraction in non-OPEC oil supply was shaping up to be steeper than expected. In March, it forecast non-OPEC output would fall by 700,000 barrels a day this year. It now estimates the drop will be 730,000 barrels.

The downgrade was due to lower expectations for oil production from China's onshore mature fields and further declines in the U.S. and the U.K.,

where projects have been deferred because of lower oil prices.

The new estimate doesn't represent a drastic revision to the group's non-OPEC output expectations. But oil traders have been fixated recently on how today's lower prices are affecting output. Many producers have been retrenching sharply, leading to growing expectations of a potentially sharp cutback in global supply that could help balance markets and buoy prices.

While the steeper-than-expected drop could be bullish for oil prices, OPEC also warned of rising uncertainties over global oil demand. It also said Iran is fast ramping up its output.

The new forecast comes as oil producers such as Russia and Saudi Arabia prepare to meet on Sunday in Doha, Qatar, to debate a possible output freeze—which has been rejected.

Please see OPEC page C2

Financial Stocks Lead Dow to New 2016 High

By **Saumya Vaishampayan** and **Riva Gold**

The Dow Jones Industrial Average rose tantalizingly close to 18000, boosted by a rally in the banking sector that has trailed the broader market this year.

The blue-chip index advanced 1.1%, or 187.03, to 17908.28, its highest level since November. That is a sharp turnaround from February, when the Dow closed at a two-year low.

The Dow is now roughly 2% away from its record close of 18312.39 hit last May. The index rose late last year following a sharp drop in August, but failed to match that record.

"You don't need financials to lead a bull market, but for the market to go up a bit, they have to be at least OK," said John Manley, chief equity strategist at Wells Fargo Funds Management. The financial sector is the second-largest in the S&P 500, behind the technology sector, according to data from S&P Dow Jones Indices.

Better-than-expected earnings from J.P. Morgan Chase, the largest U.S. bank by assets, ignited gains in financial shares Wednesday. J.P. Morgan was the biggest gainer in the Dow, jumping \$2.51, or 4.2%, to \$61.79. The KBW Nasdaq Bank Index of large U.S. commercial lenders advanced 3.9%, paring the index's 2016 decline to 9.2%.

Regulators on Wednesday ordered five major U.S. banks to revise their plans for a potential bankruptcy under the

Please see STOCKS page C4

Striking Distance



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.



Citigroup, under CEO Michael Corbat, was the only one of eight big banks to avoid a rebuke on regulators' 'living wills' test for navigating a potential bankruptcy. Wells Fargo, led by CEO John Stumpf, was flagged for 'material errors' in its submission.

Banks Swap Bad-Boy Role

Citi has stumbled in recent years; Wells's rebuke was a surprise

The roles reversed Wednesday for the banking industry's star pupil and a problem child.

Citigroup Inc. was tapped as the surprise winner in the preliminary verdicts on "living

wills," in which regulators weighed in on banks' plans for navigating a potential bank-

By **Christina Rexrode**, **Ryan Tracy** and **Emily Glazer**

rupty. Citigroup, which has endured a number of regulatory stumbles in recent years, was the only bank whose plan

wasn't rejected by either the Federal Reserve or the Federal Deposit Insurance Corp.

Meanwhile, Wells Fargo & Co. was the only bank flagged for "material errors" in its submission, leading regulators to say the San Francisco firm needs to significantly revise its plan.

The rebuke was a surprise, in part because the last time

regulators tackled this issue, they said Wells Fargo was the only bank to lay out a viable bankruptcy path.

Wednesday's result reinforces a strong message that regulators have been sending to Wall Street: The government

Please see ROLE page C2

◆ **Heard on the Street:** Citi shows path forward..... C8

Why China Makes Investors Anxious

By **Ken Brown**

It has been a calm couple of months in China's financial markets. That is unlikely to last, and the turmoil is more likely than ever to spill over into the world's still-fragile financial system. Until last summer, most of the world didn't care much about China's markets or banks. What mattered a lot was how much its factories produced and how much copper or iron ore it imported.

That changed in August when Beijing botched a currency devaluation. That was followed in January by a stock-market selloff that rippled across the globe.

"We are likely to see much more of that," said Gaston Gelos, who oversaw the International Monetary Fund's Global Financial Stability Analysis Report, which came out last week. The IMF

expects China's connections to the global financial system to grow substantially in the coming years.

What is most worrisome is investors' short memories of the havoc China played on

the world's markets. The idea that China is still an engine of growth, and that there are big profits to be made there, is dangerous for investors.

During the recent calm in Chinese markets, the country expanded its influence on the global financial system via deal making and the opening of its huge domestic bond market.

Investors also have grown interested again in China's wild stock market. Meanwhile, China's crucial economic-overhaul program has lagged behind, making it increasingly likely the country will struggle with more financial upheaval, in particular with its currency.

On the deals front, Chi-

Please see BROWN page C4



A poster showed a new 100 yuan bank note in Beijing in January.

BlackRock Still Leads the Pack

By **Steven Russolillo**

Professional stock pickers have done a pretty poor job in this market. Shares of companies that employ them haven't done much better.

A rare exception: industry stalwart BlackRock Inc. And it looks poised to continue bucking the trend.

With \$4.65 trillion in as-

sets under management, BlackRock is by far the world's largest money manager. As many publicly traded asset managers have struggled with low interest rates, rising competition and a broad shift to cheaper, passively managed investing options, BlackRock has fared better than most.

More than half of its assets are concentrated in index funds and exchange-traded products, making BlackRock one of the biggest beneficiaries of the rise in passive investing. And in a volatile 2015 when many active funds were bleeding assets, BlackRock's improving performance helped active equity products pull in a net \$4.2 billion, the first full-year inflow since 2010.

That is saying a lot. Over the past decade, some 80% of large-cap U.S. equity mutual funds underperformed the S&P 500, according to S&P Dow Jones Indices. This trend continued in the first quarter.

That will put BlackRock's

resilience to the test once again. When it reports first-quarter results Thursday, earnings per share are forecast at \$4.30, down 12% from a year earlier. Revenue is expected to be unchanged at \$2.7 billion. Yet in volatile markets, BlackRock has been known to maintain fairly stable operating margins.

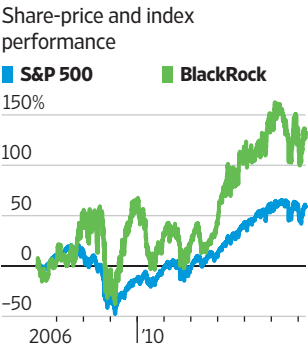
The stock is roughly unchanged this year after falling slightly in 2015. By comparison, publicly traded U.S. asset-management firms fell 18% on average last year, according to Morningstar.

Furthermore, BlackRock has outperformed the industry on three-, five- and 10-year time horizons. And fetching roughly 16 times projected earnings, it trades at a premium to its peers but a discount to the S&P 500. Plus, it sports a 2.7% dividend yield, higher than the S&P.

BlackRock remains a good investment when the rest of its peers are in a hard place.

Email: tape@wsj.com

Passive Aggressive



Source: FactSet

THE WALL STREET JOURNAL.

INDEX	Credit Markets..... C6	Exchange-Traded Funds..... C8	Heard on the Street..... C8	Mutual Funds..... C8
Cash Prices..... C8	Currency Trading..... C5	Finance Watch..... C3	IPO Scorecard..... C7	New Highs & Lows..... C7
Commodities..... C6	Dividend News..... C8	Global Finance..... C3	Money Rates..... C7	Stock Listings..... C7

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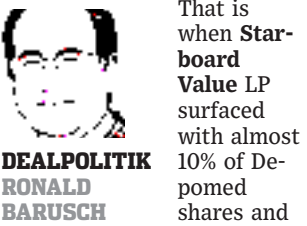
Morningstar Rating for the Institutional Class Shares; other classes may have different performance characteristics. Fund ratings are out of 5 Stars: PIMIX: Overall 5 Stars (231 funds rated); 3 Yrs. 5 Stars (169 funds rated); 5 Yrs. 5 Stars (169 funds rated). For funds with at least a 3-yr history, Morningstar calculates a Morningstar Rating based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees) with an emphasis on downward variations and consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating is a weighted average of the performance figures for its 3-, 5- and 10-yr (if applicable) Morningstar Rating metrics. Morningstar, Inc. © 2016. All rights reserved. The information contained herein; (1) is proprietary to Morningstar and/or its affiliates; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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MONEY & INVESTING

Depomed Faces an Uphill Slog on Starboard Campaign

Until last Thursday, **Depomed** Inc. probably thought a hoped-for move to Delaware would cure its vulnerability to a hostile takeover.



That is when **Starboard Value LP** surfaced with almost 10% of Depomed shares and a plan to force a special shareholder meeting to remove and replace the entire board.

Depomed's takeover vulnerability, which **Horizon Pharma PLC** tried (unsuccessfully) to exploit last year, stems from its incorporation in California. Holders of 10%

of the shares of a California corporation can call a special meeting to replace directors.

Early last week, Depomed said in a regulatory filing that at its May annual meeting it would propose to move its incorporation to Delaware. Depomed said the primary reason was "the prominence and predictability of Delaware corporate law." Such a move would eliminate the possibility of a midyear replacement of the board.

Delaware law gives corporations more flexibility; after the migration, the threshold to call a special meeting would be increased to 25% of the shares. More important, shareholders wouldn't in any event be able to call a special meeting to remove di-

rectors, effectively limiting board challenges to annual meetings.

Depomed's timing turned out to be bad. It said last week that the move to Delaware wasn't "a response to any specific attempt to acquire control known to our board."

But it turns out Starboard already had accumulated almost 10% of Depomed's stock, which the activist investor announced in a regulatory filing last Thursday, along with a broadside against the proposed move and a number of other business and governance issues. Plus, it started the process to call a special meeting under Depomed's California governance documents to remove and replace the cur-

rent board. (The deadline to nominate directors for the 2016 Depomed annual meeting already had passed.)

Depomed responded in a statement Friday welcoming "open communications with

Unless there is a quick settlement, a lengthy board fight seems inevitable.

its shareholders" but adding that Starboard "has not attempted to hold any discussions with the company."

Unless there is a quick settlement, a lengthy fight over the Depomed board seems inevitable. But regardless of which side the com-

pany's shareholders back, the proposal to move to Delaware, at least as currently formulated, seems likely to be doomed. That is thanks in part to the Securities and Exchange Commission.

The SEC requires that matters put to shareholders be "unbundled." That means if a single corporate action involves several substantive changes, each one needs a shareholder vote.

Under the unbundling policy, the SEC could ask Depomed to separately seek approval for the increase in the threshold for shareholders to call a meeting and for the elimination of the right to call a meeting to replace directors, in addition to asking them to bless the move.

The SEC hasn't consis-

tently applied the unbundling policy, partly because it is subject to interpretation, and indeed Depomed had aimed to seek approval as a package.

But with Starboard's complaints spotlighting the governance changes, in my view, the SEC is likely to push for separate votes. That would turn a boring proposal on an arcane question of incorporation into a vote on fundamental governance issues.

And in the current environment, with activists ascendant, it seems unlikely shareholders will vote to limit their rights.

—*Mr. Barusch is a retired M&A lawyer who writes about deal making for the Journal's MoneyBeat blog at wsj.com/moneybeat.*



New York Police Department officers worked in Manhattan's Times Square after a suspicious-package call on March 28.

Pension May Exit From Hedge Funds

BY MIKE VILENSKY
AND BRODY MULLINS

New York City's biggest public employee pension fund is poised to vote Thursday to begin pulling its investments from hedge funds, the latest move by a large pension plan to scrap an investment path that once promised big returns.

The move by the New York City Employees' Retirement System, which says it is the nation's largest pension fund for municipal employees, is expected to be approved in a majority vote by its trustees, according to people familiar with the internal discussions.

"Hedge funds are charging exorbitant fees for high-risk and opaque investments," said Letitia James, the city's public advocate, and one of the trustees of the pension fund.

"As financial stewards of public employees' money, we

must invest in responsible and secure assets," she said in a statement.

The vote comes after other large public pension funds in California and Illinois have taken similar steps. A large pension fund in Ohio recently took testimony on the topic.

New York City's other four pension funds have for several months been undergoing a review of their asset allocation. Those funds represent teachers, police, firefighters and the board of education.

"This is not the end of hedge funds, but it would cloud their future and ability to hold stakes," said John Coffee Jr., a professor at Columbia University's School of Law and a hedge-fund expert.

Any step toward divesting from hedge funds—which can take years—would be a big win for their opponents, including the leaders of some labor unions, who say hedge funds are charging large

fees and have produced tepid returns.

The New York City Employees' Retirement System has roughly \$55 billion in assets for more than 300,000 individuals. Of that total, about \$1.4 billion is invested in hedge funds. Among the hedge

\$55 billion
Assets of the New York City Employees' Retirement System

funds that have managed their money are D.E. Shaw & Co. and Fir Tree Partners.

The move in New York City requires authorization by a vote of the 11-member board of trustees. The board includes a representative of New York Mayor Bill de Blasio, the city's comptroller and others. The city's comptroller is the investment adviser to the fund.

A spokeswoman for Mr. de

Blasio said "our votes are based on our fiduciary responsibility to members. Analysis shows that our pension funds have not seen better risk-adjusted returns despite the high cost of management fees in portfolios that include hedge funds."

The vote comes a few months after the American Federation of Teachers concluded an analysis of 11 public pension plans, including the one in New York City, that found the funds paid an average of \$81 million in annual fees.

The report also found that for each of the pension plans, the portion of their portfolio invested in hedge funds fared worse than the portion of their investments not invested in hedge funds.

Representatives of the teachers union presented their findings to the staff and some trustees of the New York City pension plan.

The Art and Science Of Bank Regulation

BY JACOB M. SCHLESINGER

When two sets of regulators pored over the books of two Wall Street titans, they reached very different conclusions.

Federal Reserve officials felt **Morgan Stanley** had flunked the assignment to shed its "too big to fail" label, but said **Goldman Sachs Group Inc.** passed. Federal Deposit Insurance Corp. officials cleared Morgan Stanley, but failed Goldman.

The split shows an important point about the "living wills" drills facing eight of America's largest banks, ordered to show they have a contingency plan allowing them to go bankrupt without repeating the 2008 trauma of taxpayer bailouts. Despite thousands of pages of plans and analysis, this exercise is as much art as science, as much about discretion, interpretation and emphasis as it is about precise calculations.

While the spotlight shone Wednesday on how the banks fared under the regulatory grading system, the back story was that regulators also were struggling to fulfill their own difficult assignment, one even harder to score.

This was the second time regulators offered banks feedback on their living-wills process, created by the 2010 Dodd-Frank Act as part of their new mandate to bullet-proof the financial system from another meltdown. The 2014 round saw an even bigger split between the two agencies. Back then, the FDIC was willing to flunk nearly every bank, while the Fed didn't brand a single plan "not credible," the official jargon for a blueprint so flawed it triggers a process that could lead to sanctions.

This time, the central bank issued five not-credible edicts. Two years ago, the Fed felt it was too soon to deliver that extreme conclusion. But officials now seemed to feel it was appropriate, even as they went out of their way to highlight what they had considered progress. Any different conclusion would also almost cer-

tainly have sparked a political backlash from lawmakers who felt the central bank went too easy on the megabanks last time around.

One challenge for regulators issuing these grades is how they themselves define success. Nobody can know until the next crisis whether they did enough. Even within the FDIC, fissures appeared, with the top two officials striking a different tone.

Thomas Hoenig, the FDIC vice chairman, is inside the living wills process yet often critiques it like an outsider. He took office four years ago, insisting the only real answer was breaking up the biggest banks.

While he has failed to persuade policy makers to go that far, he keeps trying to push the debate in that direction. He issued his own critical ver-

One challenge for regulators is how they themselves define success.

dict on the verdicts, saying he didn't feel they went far enough. "The goal to end too big to fail...remains just that: only a goal," Mr. Hoenig said.

Martin Gruenberg, the FDIC chairman, said "today's action is a significant step toward achieving that goal."

The living-wills process is just the first round of regulatory grading the big banks face this spring. By the end of June, the Fed is supposed to issue its assessment of how banks this year have fared under the annual "stress test," another strand in the Dodd-Frank safety net. The stress tests are intended to force banks to show their business plans are strong enough to withstand severe economic shock.

If officials were confident the stress tests really worked, then living wills wouldn't be necessary. But in the postcrisis world, the default mode is more protection, just as deregulation and trusting markets to police themselves were the guiding principles before.

ROLE

Continued from the prior page
will reward banks that shrink and simplify. It also signals that regulators believe it is possible for a large, complex bank to develop a credible bankruptcy plan as required under the 2010 Dodd-Frank law.

Citigroup, the inventor of the financial supermarket and known for its sprawling operations, has cut more than 26% of its assets since its peak in 2007. Once the largest U.S. bank, it is now fourth as ranked by assets.

Wells Fargo, on the other hand, has expanded more than 37% since it bought Wachovia in 2008, taking on assets and adding new businesses to its core Main Street franchise of lending and deposits. It is the third-biggest U.S. bank by assets now.

Investors have largely endorsed the strategy: As its share price has climbed in recent years—and some of its peers have stalled—Wells Fargo has become the coun-

try's biggest bank by market capitalization.

Citigroup has "been much more aggressive in simplifying their structure" compared with other banks, said Charles Peabody, an analyst at research firm Portales Partners. "Wells has been getting more complex."

While regulators didn't cite Wells Fargo's size as the reason for its failure, in their assessment they said the mistakes in the submission "call into question the extent to which there was appropriate internal review and coordination."

Analysts and others who closely watch the regulatory process say that sort of language suggests another message: Don't get complacent. In addition to the errors in Wells Fargo's plan, regulators also cited other deficiencies and broadly judged that it had previously laid out a path to a viable bankruptcy plan but then failed to follow it in multiple respects.

Regulators were especially frustrated by the flaws in Wells Fargo's plan because the favor-



Regulators were especially frustrated by the flaws in Wells Fargo's plan after giving the bank a favorable verdict in 2014.

able verdict they gave the bank in 2014 was partly based on the understanding that the firm would continue to make progress, people familiar with the matter said. The Fed and FDIC said they have worked closely with the banks to explain their expectations for the plans.

Wells Fargo said the firm was disappointed in the results and will address regulators' concerns.

Regulators "acknowledged the continued steps Wells Fargo has taken in enhancing its resolution plan and we view the feedback as construc-

tive and valuable to our resolution planning process," the bank said.

Overall, five of the eight big U.S. banks that were required to submit living wills were ordered to make significant revisions. That group is **J.P. Morgan Chase & Co.**, **Bank of America Corp.**, **Bank of New York Mellon Corp.** and **State Street Corp.**, in addition to Wells Fargo.

Regulators said those firms had until October to present plans regulators find acceptable, or the agencies or regulators could impose higher

capital requirements, restrictions on growth or activities, or other sanctions.

Two other firms, **Goldman Sachs Group Inc.** and **Morgan Stanley**, received split decisions from the two agencies.

At Citigroup, CEO Michael Corbat said the result reflected "a rigorous, firmwide process" across the bank, and that the bank would address the regulators' feedback.

"Citi has become a simpler, smaller, safer and stronger institution since the financial crisis and it is critical that Citi can be resolved without the use of taxpayer funds and without adverse systemic impact," Mr. Corbat said.

While Citigroup's plan fared best among the eight, regulators said that, among other things, it needs to develop a more detailed playbook outlining how it would go through various stages of the bankruptcy process or it could end up in the same spot as Wells Fargo next year.

On Wednesday, Citigroup's shares rose 5.6%, to \$44.25, and Wells Fargo gained 2.6%, to \$49.03.

OPEC

Continued from the prior page
jected so far by Iran—in an effort to revive flagging crude prices.

In its closely watched monthly report, OPEC cut its forecast for 2016 oil-demand growth by 50,000 barrels a day. Demand for the commodity now will rise by 1.20 million barrels a day to 94.18 million barrels a day, according to its projections.

The downgrade is underpinned by slower economic momentum in Latin America and uncertainties in Chinese growth, OPEC said.

"There is great uncertainty as to whether weakening economic activity in Latin America and signals of a slowdown in China will be reflected in oil-demand data, especially for China," the organization said.

In particular, the Brazilian economy, the seventh largest in the world, has been hit by a bribery scandal involving state-owned oil giant Petrobras.

GLOBAL FINANCE

India's Banks Frustrate Investors

Billionaire Hinduja brothers want to buy distressed assets but say they hit obstacles

By SHEFALI ANAND
AND DEBIPRASAD NAYAK

MUMBAI—Two of the billionaire brothers who run U.K. conglomerate **Hinduja Group** say they want to buy distressed assets in India but find that banks and founders holding the projects are reluctant to let go.

"I would have loved to invest more and more in India," said London-based Gopichand Hinduja, one of the four brothers who run the group, which has \$25 billion in annual revenue and controls more than 30 companies, mainly in India, Europe and Africa.

"[Our] grievance is only one: Whether it is stressed projects, whether it is in infrastructure, it's very difficult" to invest, he said in an interview with The Wall Street Journal,

which also included his Mumbai-based brother, Ashok Hinduja.

India has a bad-debt problem. The country's banks are stuck with record levels of nonperforming loans after lending money to project developers for power and infrastructure projects that stalled partly because of delays in government approvals. Meanwhile, commodity companies also are struggling to repay their loans after a plunge in global commodity prices.

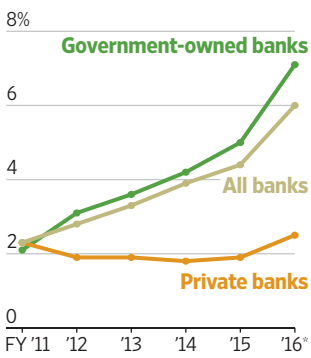
Nonperforming assets at Indian banks at the end of December were 6% of total loans, almost doubling in the past three years, rating firm ICRA Ltd. estimates.

Indian banks are holding about \$200 billion in stressed assets, analysts at the Indian unit of Nomura Group estimate.

Bad debt is "the biggest challenge faced by the current government," Arvind Panagariya, vice chairman of Niti Aayog, a federal economic planning agency, said at a recent industry event.

Heading Higher

Nonperforming assets at Indian banks



*Fiscal years end in March. Figures for FY 2016 up to Dec. 31.

Sources: Banks, ICRA research

THE WALL STREET JOURNAL.

Investors such as Gopichand Hinduja, 75 years old, and Ashok Hinduja, 65, want to buy these stressed assets and projects and turn them around for a profit.

However, the elder Mr. Hinduja said they find lenders and founders of Indian companies unwilling to sell at prices

low enough to generate attractive returns, partly because of fears of a backlash.

When projects are overburdened with interest repayments, approval issues and economic pressures, lenders and founders must decide how much of a "haircut" they can take, Ashok Hinduja said.

Bankers worry that if the poorly performing projects recover, the media and government investigators will say, "you've made a bad decision in the past," said Adarsh Parasrampur, an analyst at Nomura.

The Hinduja brothers say the government should tell bankers that there would be no repercussions. "Policy has to be improved...so that the management of the bank also feels comfortable," Gopichand Hinduja said.

Banks also don't want to sell their loans cheaply because it would erode their net worth, analysts say. "State-owned banks don't have enough capital to absorb the losses," said Vishal Goel, a banking analyst at UBS in In-

dia. Mr. Goel said many banks hope the global economy will pick up, allowing borrowers to afford repayments.

Gopichand Hinduja said, "Destination-wise, India is today the best place to make investments," given that countries such as China are facing economic challenges.

He said Prime Minister Narendra Modi, who came to power in 2014, has raised India's profile among global investors but hasn't been able to deliver on all of his promises, such as making it easier to do business. India came in 130th of 189 countries ranked by ease of doing business, in a recent World Bank study.

The elder Mr. Hinduja said getting a business project approved requires a lot of luck in India. "I will consider it is easy to do a business if, [when] I send a letter for any good proposal, I should get the answer in a week or 15 days," rather than having to run around to different ministries, he said.

—Gabriele Parussini
contributed to this article.

Caspersen Is Likely To Settle Case Soon

By CHRISTOPHER M. MATTHEWS

Andrew W.W. Caspersen, a former Wall Street executive charged with masterminding a \$95 million fraud, is likely to settle his criminal case in the next 60 days, his lawyer said Wednesday.

"It's not the most triable case," attorney Paul Shechtman said.

The Wall Street Journal reported last week that Mr. Caspersen is cooperating with the Manhattan U.S. attorney's office, which filed the criminal charges. Mr. Shechtman said Wednesday the case was unlikely to go to trial but stopped short of saying his client would plead guilty.

In charges filed in late March, the Justice Department and Securities and Exchange Commission accused the former Park Hill Group partner of trying to solicit about \$95 million with a sham investment opportunity and then losing nearly \$15 million in aggressive stock options trading.

Andrew Caspersen hasn't entered a plea to the federal charges.

Mr. Caspersen has been checked into the secure unit at New York Hospital in Manhattan since being released from custody on March 28, according to an order on Monday that modified Mr. Caspersen's bail conditions. The order didn't specify how long he has been hospitalized or the reasons for his hospitalization.

Mr. Shechtman, a well-known New York defense attorney, appeared at a short court hearing Wednesday morning in Manhattan federal court to discuss the SEC case against his client. During the hearing, he told U.S. District Judge Richard Berman that his client was unlikely to go to trial on either the civil or criminal charges against him.

Mr. Caspersen hasn't entered a plea to the federal charges or commented publicly since his March 26 arrest.

His former employer, PJT Partners, which owns Park Hill, said in a securities filing late Friday that its internal review of Mr. Caspersen's dealings found he conducted a number of unauthorized and unlawful transactions beginning in late 2014 through March 2016.

The company said no clients of Park Hill were parties in those deals, but a "small number" of apparent victims, consisting of Mr. Caspersen's friends and relatives, invested a total of \$14 million, in addition to the \$25 million contributed by a charity backed by Moore Capital founder Louis Bacon.

Mr. Caspersen's alleged victims included college friends, his brothers and mother. The Journal has reported that other investors were contacted about the sham deal but backed out and that authorities suspect the magnitude of the alleged scam may be considerably larger.

China Stock Listings Draw Takeover Plays

SHANGHAI—One of China's best-performing stocks during the past year was struggling **Chongqing New Century Cruise Co.**—and that speaks volumes about the challenges facing the world's second-largest equities market.

Shares of the riverboat operator have gained nearly 300% over the past 12 months—versus a 9% fall for its exchange's benchmark index—even though New Century estimates it lost 31.6 million yuan (\$4.9 million) last year as river cruising fell out of favor.

What turned the stock into a winner, and its father-and-son management team into billionaires, was a takeover bid from a game maker that wanted its stock listing—not its seven ships.

Other unlikely winners during the past year include chemical-products maker **Weifang Yaxing Chemical Co.** and commodities trader **Jilin Chengcheng Group Co.**, whose shares have climbed 81% and 93%, respectively, even though both firms lost money for two years in a row.

Weifang Yaxing didn't respond to requests for comment. Jilin Chengcheng declined to comment.

The odd outperformance of shares of often-struggling companies is the latest quirk in China's markets, whose combined capitalization was around \$7.8 trillion in April, the second-biggest pool of stocks after the U.S.

Such companies are central to a minimerger trend that has taken hold as Chinese companies reckon with multiyear waits to go public in the traditional way. That has increased the popularity of "backdoor" listings, by which private companies clamber onto markets by combining with already listed firms—often those whose operational woes have pushed down share prices to affordable levels.

The trend is expected to accelerate after the Chinese government last month signaled



A bridge in Shanghai displays figures for the Shanghai, top, and Shenzhen stock exchanges.

that it had postponed two measures supposed to make listing easier: a revamp of initial public offering rules and a new board that some Chinese companies delisting from the U.S. markets had hoped to join.

So strong is the demand for such takeover candidates these days that some investors are pouring money into poorly performing companies they hope will be snapped up as listing vehicles and get stock pops.

Jiang Bingbing, a 37-year-old legal compliance officer at an asset-management firm in the northern city of Jinan, said she watches regulatory notices from the smallest companies for signs they might be distressed and in need of a lifeline. One recent investment, which she declined to name, "may turn out to be a real deal, because the firm just suspended trading," she said.

Although every market has its share of backdoor listings, in China they have long helped companies sidestep a particularly challenging IPO system, where the government strictly controls the number and pricing of companies going public.

Shanghai data provider Wind Information has a 73-stock roster of such backdoor-listing prospects, including announced deals like New Century. Those stocks are up an average 34% since August, compared with a 5% gain for the Shanghai Composite Index and 16% for the Shenzhen benchmark.

Demand extends to a group of companies that failed to turn a profit two or three years in a row, putting some at risk of delisting. Those 50 "special treatment," or "ST," stocks have risen an average 14% since August, according to Wind data.

Enthusiasm for shells picked up last month, after measures that would make listing easier appeared to be delayed.

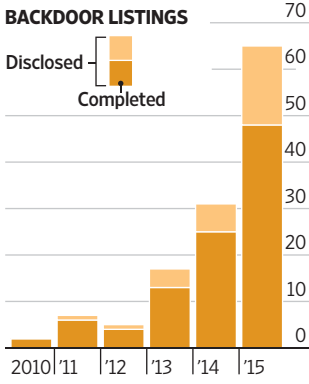
China Premier Li Keqiang didn't mention a long-awaited IPO overhaul in his two-hour state of the union address on March 16, widely taken as a sign the measures were on the back burner. A few days later, China's important five-year plan also didn't include either IPO changes or a new Shanghai exchange that many companies had been counting on to host a flood of startups as well as companies moving from U.S. exchanges to home markets, where valuations tend to be higher.

Within days, several Chinese brokers made lists of potential shells and advised clients to move money into them.

Onetime tour guide Peng Jihan founded New Century in

Shell Shock

More firms are going public in China by merging with already-listed companies, what is called a "backdoor" listing.



Source: Wind Info

THE WALL STREET JOURNAL.

1994 as a bet on tourist demand to see the Yangtze River's famed Three Gorges. He expanded it to a fleet of seven luxury cruisers, but company reports show its revenue topped out as the river got crowded with competitors. The company suspended trading in its shares in October 2014 pending a "major asset restructuring."

New Century flagged a quarterly loss last October. Days later, it announced a reverse takeover by former New York Stock Exchange-listed game maker **Giant Interactive Group Inc.**, which valued the combined company at 13.1 billion yuan. When its shares resumed trading for the first time in more than a year, they rocketed the maximum 10% per session for three weeks.

New Century will dump its cruise business after the merger and will benefit by switching from a struggling sector to one with much bigger growth potential, said New Century securities department representative Xiang Kaiquan.

Mr. Peng and his son, who control around two-thirds of the company, now hold stock worth 5.99 billion yuan.

—Yifan Xie
and James T. Areddy

Finance Watch

MORTGAGES

Fannie, Freddie Ready Principal-Cut Plan

Fannie Mae and **Freddie Mac** could forgive mortgage principal for thousands of borrowers under a new plan to be rolled out by their regulator, the Federal Housing Finance Agency, as soon as Thursday, according to people familiar with the matter.

The plan is likely to draw ire from consumer advocates who will say it is too small to address the problem, as well as from some taxpayer advocates frustrated that the bailouts keep coming years after the housing crisis ebbed.

In all, about 4.3 million borrowers owed more than their

homes were worth at the end of 2015, according to real-estate data firm CoreLogic, down from 12 million in 2009.

Under the plan, which was reported previously in The Wall Street Journal, borrowers would be eligible to have some of their mortgage principal forgiven if they have a loan whose balance is less than \$250,000, the people said. Borrowers would need to owe more than their homes are worth and already be at least 90 days delinquent on mortgage payments. After the reduction in principal, they still would owe 15% more than their homes are worth, the people said.

The strict parameters of the program are likely to make it much smaller than some consumer advocates, who have called for principal reduction for years, had hoped for and likely limit the number eligible for the program to fewer than 40,000 borrowers, the people said.

FHFA Director Melvin Watt in the past has said that the deci-

sion on whether to reduce borrower principal is "the most challenging evaluation the agency has undertaken during my time as director."

—Joe Light

REGULATION

Acting Chief to Leave U.K.'s FCA on July 1

Tracey McDermott, acting chief executive of the U.K.'s Financial Conduct Authority, is set to leave the regulator when its new permanent head starts on July 1.

Ms. McDermott, a former director of enforcement and financial crime for the FCA, became acting head of the markets regulator following the departure of Martin Wheatley in September 2015 and had been considered a strong internal candidate for the permanent position.

It was announced in January that she had withdrawn her candidacy the previous month but would remain acting head until a new CEO was in the post.



Tracey McDermott oversaw many of the U.K. regulator's high-profile cases against banks and brokers.

Andrew Bailey was named new FCA CEO on Jan. 26.

Ms. McDermott is a lawyer who specialized in commercial litigation.

After joining the FCA's predecessor, the Financial Services

Authority, in 2001, she became the permanent director of enforcement and financial crime in 2012.

She oversaw many of the regulator's high-profile punishments of banks and brokers, in-

cluding the large fines meted out for fixing the London interbank offered rate.

A spokeswoman for the FCA said Ms. McDermott didn't have any immediate plans.

—Darren Lazarus

IN THE MARKETS

For J.P. Morgan, Being Big Isn't So Bad

Sometimes, the best defense is indeed a good offense. Amid rising calls for big banks to be broken up, and extreme market anxiety over the health of U.S. lenders just weeks ago, **J.P. Morgan Chase** struck back Wednesday with solid first-quarter results.

The bank, the biggest U.S. lender by assets, said net income of \$5.5 billion fell 7% from a year earlier—which was substantially better than expected. The results bolster the argument that investors were overly pessimistic about big banks early on in 2016, fearing that a crisis was brewing and that the firms would be slammed by it. Shares of all the big

banks, save for Wells Fargo, have traded below book value. That glass-half-empty view started to reverse in recent weeks. J.P. Morgan's results rightly add to the positive momentum. Granted, investors shouldn't get carried away. Banks still must contend with superlow interest rates and flagging global growth. Regulation also remains an issue. Although J.P. Morgan last year shrunk its balance sheet to lessen a capital-surge burden, it still must carry a heavy load. And investors have to be mindful that this can grow if there are any missteps. The release Wednesday of regulators' reactions to the banks' "living wills" underscored this. J.P. Morgan's plan was found to be not credible. It now has until Oct. 1 to address some deficiencies. Failure to do so



J.P. Morgan Chase posted solid first-quarter results that sent its stock higher.

could result in higher capital surcharges among other, even more-onerous potential outcomes. The result of all this is that J.P. Morgan's first-quarter return on equity still was only 9%, which is below its

theoretical cost of capital. Over the past six quarters, the bank's return has averaged just 10.2%. That doesn't justify a large premium. It does, though, justify the bump up in J.P. Morgan's shares Wednesday, and sug-

gests that there could be some more room for them to run. Adding to the case for the stock was the way the bank managed to offset weakness in some areas with strength elsewhere. First-quarter investment-

banking revenue fell by 24% from a year earlier, as equity and debt underwriting plummeted amid global market turmoil. Fixed-income trading revenue fell by 13%. That wasn't so bad given tough conditions and was somewhat better than expected. But plain-vanilla banking operations performed admirably. Total loans grew by 11% from a year earlier. Commercial and industrial loans were up 9%. Consumer-loan growth accelerated to 12%. Even if there are no further rate increases this year, J.P. Morgan figures that net interest income still will rise by \$2 billion due to lending growth. That shows the bank continues to manage its way through tough times, controlling what it can. J.P. Morgan can't, and shouldn't, swing for the fences in this kind of environment. Getting on base is enough.

Emerging Markets' Risk May Spread

By WILLIAM MAULDIN

Debt burdens of big companies in China and other emerging markets could spread trouble across borders and weigh on the global financial system, the International Monetary Fund warned on Wednesday. The ballooning debt of giant companies in fast-growing economies is of particular concern because of their close ties to banks in those countries, as well as the national governments likely on the hook to bail them out. In China, fully \$1.3 trillion of corporate loans, or one-seventh of the total, are owed by companies whose profits don't cover their interest payments, a problem that could trigger bank losses equal to 7% of gross domestic product if the issue isn't addressed, the IMF said in a report on global financial stability. "Despite progress on economic rebalancing, corporate health in China is declining due to slowing growth and lower profitability," said José Viñals, the IMF's top financial counselor. Meanwhile, in Brazil and Russia, national champions have been hit by falling commodities prices and economic contractions. "The sharp fall in commodity prices has exacerbated both corporate and sovereign vulnerabilities, keeping economic and financial risks elevated," Mr. Viñals said. The rising debt and slower growth in developing economies have helped boost the



The global financial system could be pressured by emerging-market woes, says the IMF's José Viñals.

IMF's measure of emerging-market risks nearly to the peak level of the 2008-2009 financial crisis, while the total risk to global financial stability is estimated to be the highest in seven years. In advanced economies, banks are coming under strain from low profitability because of problems with their business models, low or negative interest rates and rock-bottom valuations that could hurt their ability to raise capital, the IMF said. Banks with impaired business models, especially in Europe, account for 15% of total banking assets in developed economies, the fund said. Sharply lower commodities prices are weighing on parts of advanced economies, but the effect is more pronounced in less diversified emerging markets that are dominated by

oil producers and miners. "Commodity-related firms are cutting capital expenditures sharply as high private debt burdens reinforce risks to credit and banks," the IMF said. Many economists blame the weakness in commodities on China, a top consumer of raw materials that is seeking to shift from a manufacturing powerhouse to an economy driven more by technology, services and consumerism. But as souring loans started accumulating at Chinese banks in the past couple of years, regulators sought to shift credit risk to the stock and bond markets. Then, cracks in the stock markets appeared last summer, exposing deep regulatory flaws in the country's markets, and now the bond market appears strained as well amid a flood

of new issues. "Debt issuance has been substantial in sectors suffering from price pressures, overcapacity and rising balance-sheet weakness, namely the real-estate, mining and manufacturing sectors," the IMF said. The bonds in turn may be spreading risk back to financial firms. Data from clearinghouse Chinabond indicate commercial banks, insurers and funds accounted for two-thirds of outstanding corporate-bond holdings at the end of last year. "The Chinese authorities are aware of these vulnerabilities and are putting in place measures to deal with the over-indebted corporates," Mr. Viñals said. "Yet the magnitude of these vulnerabilities calls for an ambitious policy agenda."

STOCKS

Continued from page C1 2010 Dodd-Frank law or face possible regulatory sanctions, though the move did little to dent shares. The bank-fueled gains reflect one issue the broader market faces as it climbs. Projections for first-quarter earnings are bleak, so results that beat expectations could propel stocks. But even if earnings clear a lowered bar, the results are expected to be far from rosy, which could create headwinds for a rally that is stretching into its third month. "Expectations are lowered,

2%

The Dow Jones Industrial Average's distance from its record close of 18312.39

and then they are met. That's a short-term game in my mind," said Anwiti Bahuguna, senior portfolio manager at Columbia Threadneedle Investments, which oversees \$472 billion. For stocks to rally over the longer run, it would take more optimistic corporate guidance, including a sense of when companies expect their earnings to rise, as well as better economic data, Ms. Bahuguna said. **Alcoa** kicked off first-quarter results in the U.S. on Monday with gloomy results. The aluminum producer said earnings fell 92% and it could cut as many as 2,000 jobs as it struggles with weak aluminum prices. The S&P 500 advanced 20.70 points, or 1%, to 2082.42 on Wednesday, and the Nasdaq Composite rose 75.33, or 1.5%, to 4947.42. The Stoxx Europe 600 jumped 2.5%. Bank stocks in the pan-European index surged 6.3%. In commodity markets, U.S. crude oil slipped 1% to \$41.76 a barrel, a day after settling at

its highest level since November amid speculation about a potential agreement on a production freeze at a meeting of producers in Qatar on Sunday. Chinese exports expanded in March for the first time in nine months, data from the General Administration of Customs showed, helping soothe concerns about the world's second-largest economy. But global growth concerns linger. "Oil and China have stabilized markets at the moment...but I still expect quite a bit of volatility," said Philippe Gijssels, chief strategist at BNP Paribas Fortis. "It only takes a couple pieces of bad news from China to make people worry again." The Wall Street Journal Dollar Index, which measures the greenback against a basket of 16 currencies, rose 0.7%, snapping a three-day losing streak. Stocks in the eurozone got a lift as the euro fell. The common currency declined 1% against the dollar to \$1.1274. Japan's Nikkei Stock Average, which ended 2.8% higher on Wednesday as the dollar rose against the yen, rose a further 2.6% early Thursday. The dollar rose 0.7% against the yen to ¥109.3240 on Wednesday. Gains in other Asian markets were less sharp early Thursday. South Korea's Kospi was up 1.2%, Hong Kong's Hang Seng Index was up 0.9%, Australia's S&P ASX 200 was up 0.7% and the Shanghai Composite was up 0.1%. Treasury prices rose, with the 10-year yield falling to 1.760% from 1.781%.

AUCTION RESULTS

Here are the results of Wednesday'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.

NINE-YEAR, 10-MONTH NOTES

Applications	\$55,106,602,900
Accepted bids	\$20,140,758,900
* noncompetitively	\$7,636,900
* foreign noncompetitively	\$0
Auction price (rate)	98.739410 (1.625%)
Interest rate	1.625%
Bids at clearing yield accepted	98.52%
Cusip number	912828P46

The notes, dated April 15, 2016, mature on Feb. 15, 2026.

BROWN

Continued from page C1 nese companies already have committed to spending \$96.7 billion this year on overseas acquisitions, just behind last year's total of \$106.9 billion. For a while, the biggest deal was an ill-fated attempt by a Chinese provincial car insurer turned acquisition machine to buy Starwood Hotels & Resorts Worldwide Inc. There isn't much risk to a Chinese company buying a hotel chain. But Anbang Insurance Group Co. has snapped up insurers, which can cause more than a bad night's sleep if things go wrong. One stumbling block on the Starwood deal was lack of transparency about Anbang's finances, and rating firms have expressed the same concerns. Anbang last week picked up a Korean insurer and in November agreed to buy Fidelity & Guaranty Life, one of the biggest sellers of fixed indexed annuities in the U.S., for \$1.57 billion. Anbang replaced **Fosun**

Group as China's overseas buyer of the moment. Fosun stepped back from deal making this year after a \$10 billion, two-year buying spree, in part because its chairman disappeared briefly for questioning by Chinese authorities. His disappearance knocked down the prices of Fosun's bonds and stock, and Fosun terminated two foreign deals soon after.

The idea that China is still an engine of growth is dangerous for investors.

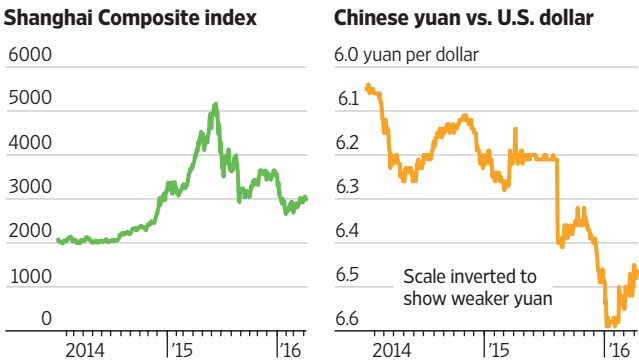
It isn't hard to imagine investors losing confidence in a financial firm whose executives have disappeared into government custody. For years, China's domestic stock, bond and currency markets have been largely closed to foreign investors, providing a global firewall that protected the rest of the world from China's ups and downs. That, too, is eroding. China is opening its \$6.7 trillion bond market, the world's third-largest, as

it tries to spread the risk from its credit binge. While credit ratings and bankruptcy protection aren't to be relied on in China, many yield-seeking Western investors say they will buy when given the chance. There likely will be plenty more to buy: The Chinese bond market has grown 22% a year for the past five years, according to the IMF. The opening of the bond market comes after China has allowed foreigners to buy its stocks and trade its currency, though always on Beijing's terms. Both of those markets were opened as part of China's efforts to liberalize its capital markets. China is opening its bond market for a different reason: to get foreigners to help deal with its huge debt load. That is the problem with China getting more deeply involved in the global financial system. In China, stability and political goals have long overshadowed financial realities. China wants to spread the risk of its markets to the world. But its markets aren't truly markets as we understand them—they are but another politi-

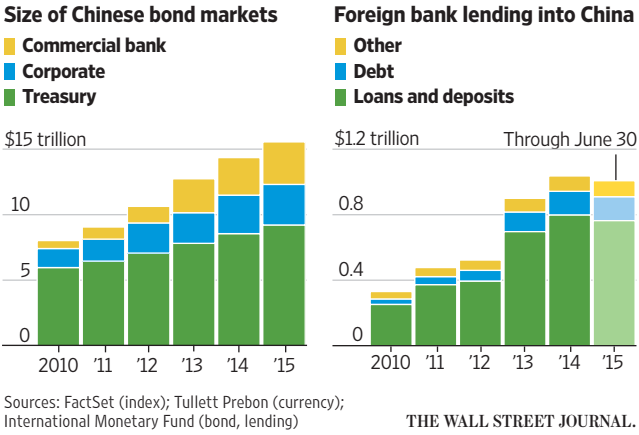
cal tool to be used by the central government. Even without the markets, the global financial system is heavily exposed to China via the banks. Bank lending into China grew five times from 2010 to 2015 to \$1 trillion, according to the IMF. With that much exposure, turmoil in the Chinese economy could cause big losses at the world's banks. Big banks have a unique talent for spreading contagion. Then there is the yuan. When the Chinese currency was appreciating, investors piled into yuan-denominated bonds and businesses increasingly used the yuan for trade. That ended when the yuan tumbled. China knows it needs to keep its economy growing, but so far the only way that has worked is by borrowing more. That poses risks to the bond market, to companies that have invested abroad and to banks that have lent in China. One solution to boost growth would be to devalue the yuan. If Beijing decides another devaluation is China's best hope, expect a rerun of last summer.

Spreading Volatility

As China's markets have opened up to global investors, trading has grown more volatile.



Now China is opening its bond market as its debt has soared. Overseas banks are already heavily exposed to Chinese companies.



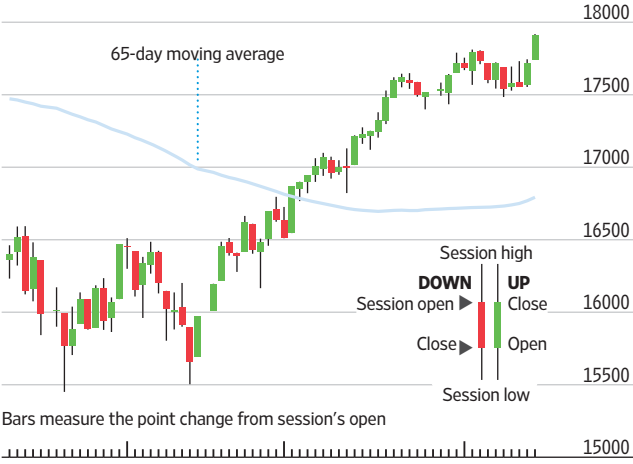
Sources: FactSet (index); Tullett Prebon (currency); International Monetary Fund (bond, lending)

MARKETS DIGEST

Dow Jones Industrial Average

17908.28 ▲187.03, or 1.06%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio *	18.30 16.53
	P/E estimate *	16.70 16.28
	Dividend yield	2.54 2.24
	All-time high	18312.39, 05/19/15

Current divisor 0.14602128057775



*P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg
Dow Jones					
Industrial Average	17918.35	17741.66	17908.28	187.03	1.06
Transportation Avg	7968.30	7784.70	7960.74	202.05	2.60
Utility Average	663.98	654.94	658.22	-4.55	-0.69
Total Stock Market	21434.18	21229.10	21428.65	245.48	1.16
Barron's 400	524.87	513.22	524.59	11.38	2.22

Nasdaq Stock Market					
Nasdaq Composite	4951.91	4903.60	4947.42	75.33	1.55
Nasdaq 100	4560.11	4524.26	4554.72	58.68	1.31

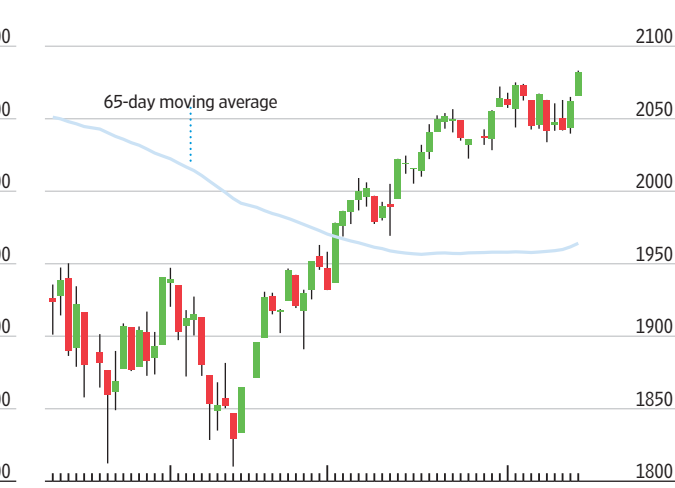
Standard & Poor's					
500 Index	2083.18	2065.92	2082.42	20.70	1.00
MidCap 400	1464.07	1439.75	1463.98	24.23	1.68
SmallCap 600	692.90	680.29	692.90	14.96	2.21

Other Indexes					
Russell 2000	1129.93	1106.48	1129.93	24.21	2.19
NYSE Composite	10362.13	10271.66	10359.51	120.82	1.18
Value Line	459.13	450.77	459.11	8.34	1.85
NYSE Arca Biotech	3200.06	3126.17	3195.62	69.44	2.22
NYSE Arca Pharma	511.45	505.35	511.03	3.94	0.78
KBW Bank	66.57	64.43	66.38	2.47	3.86
PHLX ^S Gold/Silver	80.36	78.24	78.43	-1.48	-1.86
PHLX ^S Oil Service	165.13	160.51	163.79	2.02	1.25
PHLX ^S Semiconductor	685.41	673.23	685.15	15.41	2.30
CBOE Volatility	14.53	13.60	13.84	-1.01	-6.80

^SPhiladelphia Stock Exchange

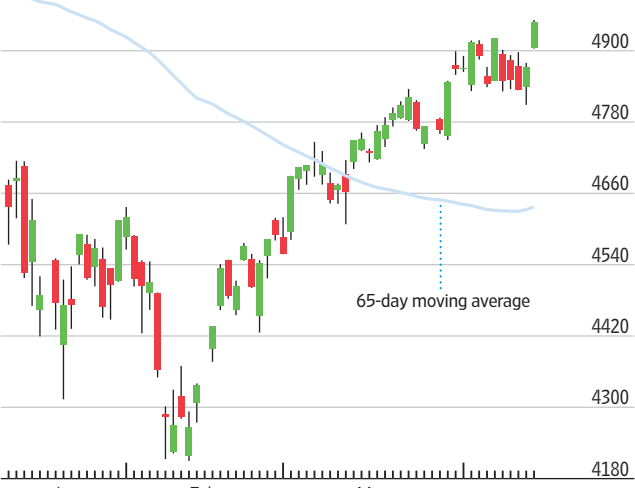
S&P 500 Index

2082.42 ▲20.70, or 1.00%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio *	23.62 20.47
	P/E estimate *	17.41 17.53
	Dividend yield	2.20 1.99
	All-time high	2130.82, 05/21/15



Nasdaq Composite Index

4947.42 ▲75.33, or 1.55%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio *	22.10 22.99
	P/E estimate *	18.46 19.15
	Dividend yield	1.26 1.21
	All-time high	5218.86, 07/20/15



Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE MKT and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Mkt Vectors Gold Miners	GDX	13,533.9	22.29	0.04	0.18	22.88	21.55
SPDR S&P 500	SPY	6,474.9	208.05	0.05	0.02	208.09	203.43
Prestige Brands Holdings	PBH	4,738.0	56.45	0.01	0.02	56.68	50.95
Pfizer	PFE	3,811.2	32.54	...	unch.	32.94	29.63
Bank Of America	BAC	3,190.0	13.75	-0.04	-0.29	14.95	11.87
Mkt Vectors Russia Tr SBI	RSX	2,408.0	17.21	...	unch.	17.35	16.48
iShares MSCI Emg Markets	EEM	2,069.7	34.84	-0.10	-0.29	34.95	33.37
iShares China Large-Cap	FXI	1,998.7	35.18	0.19	0.54	35.18	32.83

Percentage gainers...

Company	Symbol	Last	Net chg	After Hours % chg	High	Low
Pattern Energy Group	PEGI	17.7	21.39	1.83	9.36	21.39 18.05
Emcore	EMKR	23.7	6.44	0.36	5.92	6.45 5.02
BioTime	BTX	8.8	3.20	0.15	4.92	3.20 2.96
Cloud Peak Energy	CLD	29.3	2.21	0.08	3.76	2.21 2.13
InvenSense	INVN	21.5	8.50	0.27	3.28	8.50 7.74

...And losers

Company	Symbol	Last	Net chg	After Hours % chg	High	Low
Ctrip.com Intl ADR	CTRP	26.1	39.37	-9.34	-19.17	51.96 39.37
Duff&PhelpsGblUtilincFd	DPG	30.0	13.34	-3.11	-18.91	13.34 13.34
Vanguard FTSE Europe ETF	VGK	15.8	44.21	-4.96	-10.08	49.21 44.21
BioCryst Pharm	BCRX	15.0	2.65	-0.24	-8.30	2.90 2.65
Dorian LPG	LPG	5.8	9.05	-0.62	-6.41	9.67 8.98

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	1,009,790,681	8,795,310
Adv. volume*	766,808,531	5,022,936
Decl. volume*	230,605,786	3,511,641
Issues traded	3,195	359
Advances	2,414	199
Declines	712	141
Unchanged	69	19
New highs	109	22
New lows	4	...
Closing tick	502	6
Closing Arms¹	1.06	1.13
Block trades*	6,921	91

	Nasdaq	NYSE Arca
Total volume*	1,921,960,886	368,610,515
Adv. volume*	1,540,193,751	243,963,304
Decl. volume*	370,548,157	123,793,840
Issues traded	2,926	1,357
Advances	2,229	1,044
Declines	619	295
Unchanged	78	18
New highs	51	37
New lows	13	19
Closing tick	228	131
Closing Arms¹	0.87	1.69
Block trades*	8,523	1,919

*Primary market NYSE, NYSE MKT NYSE Arca only.

¹(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling.

An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	The Global Dow	2357.38	40.95	1.77	0.9
	The Global Dow Euro	1967.21	49.80	2.60	-2.9
	DJ Global Index	310.70	4.21	1.37	0.9
World	DJ Global ex U.S.	210.31	3.41	1.65	0.1
Americas	DJ Americas	500.50	5.53	1.12	2.7
Brazil	Sao Paulo Bovespa	53149.84	1147.98	2.21	22.6
Canada	S&P/TSX Comp	13671.35	89.93	0.66	5.1
Mexico	IPC All-Share	45411.30	320.63	0.71	5.7
Chile	Santiago IPSA	3143.35	2.82	0.09	6.8
Europe	Stoxx Europe 600	343.06	8.42	2.52	-6.2
Euro zone	Euro Stoxx	324.85	8.88	2.81	-5.9
Belgium	Bel-20	3437.85	67.16	1.99	-7.1
France	CAC 40	4490.31	144.40	3.32	-3.2
Germany	DAX	10026.10	264.63	2.71	-6.7
Israel	Tel Aviv	1467.11	18.81	1.30	-4.0
Italy	FTSE MIB	18165.59	720.79	4.13	-15.2
Netherlands	AEX	450.09	10.59	2.41	1.9
Spain	IBEX 35	8820.70	274.40	3.21	-7.6
Sweden	SX All Share	490.12	7.20	1.49	-3.0
Switzerland	Swiss Market	7934.46	145.68	1.87	-10.0
U.K.	FTSE 100	6362.89	120.50	1.93	1.9
Asia-Pacific	DJ Asia-Pacific TSM	1371.36	22.48	1.67	-1.3
Australia	S&P/ASX 200	5054.70	79.10	1.59	-4.6
China	Shanghai Composite	3066.64	42.99	1.42	-13.4
Hong Kong	Hang Seng	21158.71	654.27	3.19	-3.4
India	S&P BSE Sensex	25626.75	481.16	1.91	-1.9
Japan	Nikkei Stock Avg	16381.22	452.43	2.84	-13.9
Singapore	Straits Times	2890.41	75.76	2.69	0.3
South Korea	Kospi	1981.32	...	Closed	1.0
Taiwan	Weighted	8652.08	120.90	1.42	3.8

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
Voyager Therapeutics	VYGR	13.49	2.51	22.86	30.54	8.12	...
Resonant Inc.	RESN	3.46	0.58	20.28	5.75	1.69	-11.9
Emcore	EMKR	6.08	1.00	19.69	8.52	4.95	6.9
Companhia Siderurgica ADR	SID	3.72	0.60	19.23	3.75	0.73	82.4
GoPro Inc.	GPRO	13.90	2.22	19.01	65.49	9.01	-69.6
Lattice Semiconductor	LSCC	6.36	0.99	18.44	7.07	3.25	-1.7
CyberOptics	CYBE	11.19	1.69	17.79	12.07	4.80	2.3
Xerium Technologies	XRM	5.36	0.78	17.03	18.93	4.15	-70.4
Conn's	CONN	13.00	1.86	16.70	43.95	10.25	-60.1
Argos Therapeutics	ARGS	9.52	1.36	16.61	9.58	1.61	8.0
Joy Global	JOY	18.40	2.62	16.60	44.75	8.35	-54.1
Dimension Therapeutics	DMTX	7.94	1.04	15.07	15.55	5.87	...
Performance Sports Group	PSG	3.85	0.50	14.93	21.72	2.80	-80.4
CryoPort	CYRX	2.52	0.32	14.41	8.74	1.03	-70.5
Ameresco	AMRC	4.61	0.55	13.55	7.98	4.00	-39.1

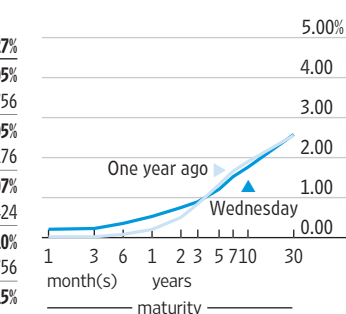
Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Bank Of America	BAC	135,235	-0.9	13.79	3.92	18.48	10.99
Chesapeake Energy	CHK	103,278	138.1	6.06	0.17	16.98	1.50
iShares MSCI Emg Markets	EEM	93,306	33.8	34.94	1.78	44.19	27.61
SPDR S&P 500	SPY	89,584	-35.6	208.00	1.01	213.78	181.02
Facebook CIA	FB	87,661	146.7	110.51	-0.09	117.59	72.00
DXN DLY GLDMNR 3x Br	DUST	74,270	78.6	2.22	7.77	40.00	2.01
Mkt Vectors Gold Miners	GDX	63,490	-24.1	22.25	-2.75	23.06	12.40
Sirius XM Holdings	SIRI	58,279	54.2	3.92	1.55	4.20	3.29
iPath SP 500 VIX Sht Tm	VXX	56,867	-29.3	17.21	-5.02	31.48	15.48
Finl Select Sector SPDR	XLF	55,367	-12.4	22.93	2.27	25.62	18.52

* Volumes of 100,000 shares or more are rounded to the nearest thousand

Treasury yield curve

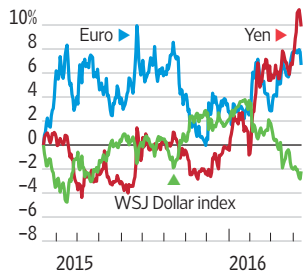
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Corporate Borrowing Rates and Yields

Bond total return index		Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
5	Treasury Ryan ALM	1467.997	1.453	1.441	1.957	1.351	2.498	2.510
1	10-yr Treasury Ryan ALM	1774.855	1.760	1.753	2.480	1.642	-2.091	2.613
9	DJ Corporate	n.a.	n.a.	2.856	3.462	2.648	n.a.	n.a.
3	Aggregate , Barclays Capital	1889.800	2.150	2.160	2.630	2.000	2.122	2.345
8	High Yield 100 , Merrill Lynch	2461.143	6.466	6.835	8.696	5.207	-4.770	1.490
3	Fixed-Rate MBS , Barclays	1948.790	2.330	2.360	2.900	2.260	2.404	2.637
4	Muni Master , Merrill	509.609	1.518	1.539	2.099	1.440	4.087	3.141
1ST	EMBI Global , J.P. Morgan	713.895	5.991	6.143	7.128	5.679	3.394	1.915

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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China Offers Brief Relief From Jitters

At least for now, China is safely sliding down the list of the world's most urgent economic worries.

The Chinese economy remains brittle, but signs of late show a less dire picture. Official trade data Wednesday showed exports rose in value terms in March from a year earlier for the first time in nine months. Imports continue to shrink on a value basis because of weaker commodity prices. On a volume basis, however, imports such as iron ore, copper and oil grew sharply in the first quarter. That should provide further support for the recent commodity price rally.

But the export figures, up 11% in dollar terms in March, deserve caution. The comparative month a year earlier was unusually weak, possibly having to do with seasonal and accounting effects. And for the first quarter as a whole, exports were down 10%.

Other figures lately show Chinese consumer activity holding up. Railroad passenger travel was strong. Car sales in March were up nearly 10%, with sport-utility vehicle sales rising close to 50%. It is yet to be seen how much of that is final demand versus inventory buildup, but the rebound can't be dismissed out of hand. And Beijing finally has gotten a handle on the yuan, seemingly going back to its old playbook of pegging it to the dollar.

So is China out of the woods? Probably not. China's broader slowdown in the past half-decade has been a series of minirecoveries like this, followed by deeper and disconcerting slumps as the economy, stuffed with debt, fails to stabilize.

Investors can breathe for now, but it seems likely China will be gasping for air again before long. —*Alex Frangos*

What Citi's Win Means for Banks

Citigroup earned bragging rights on Wall Street this week by being the only big U.S. bank whose so-called living will wasn't found to be not credible by either the Federal Reserve or the Federal Deposit Insurance Corp.

The fact that Citi succeeded where its rivals, including J.P. Morgan Chase, stumbled will no doubt be a cause for mirth on Wall Street. After all, just two years ago, Citi's "stress test" submissions were found wanting by the Fed.

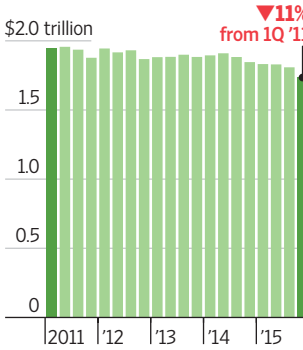
Ironically, in the eyes of many on Wall Street, if regulators wanted to make an example of one bank, Citi was the most likely candidate—just not in a positive way.

Instead, Citi stands tall. By accepting Citi's plan, the Fed and the FDIC have shown that it is possible for a bank often considered too big to fail to earn a passing grade. Which is to say, Citi has convinced regulators that it could credibly be resolved in an orderly manner through bankruptcy rather than bailout.

This is good news for the five banks whose resolution

Shrink to Fit

Citigroup total assets



Source: FactSet
THE WALL STREET JOURNAL.



TIMOTHY A. CLARY/AGENCE FRANCE-PRESSE/GETTY IMAGES

plans were deemed "not credible" by both the Fed and the FDIC. It suggests there is a path forward for them. The crucial point for investors: Regulators aren't rejecting banks simply because of their size.

The snag is that might be tougher than investors anticipate. While regulators rejected the resolution plans of the banks, it is clear that the objections go beyond just paperwork.

The plans of at least some of the banks that failed lack credibility because, as cur-

rently structured, they can't be resolved through bankruptcy. Regulators aren't just asking for better plans. They are demanding better—more resolvable—banks.

That is a big difference. And it is an especially important one given that the living-will process gives regulators extraordinary powers that range from requiring a firm to hold more capital to the ability to effectively force a breakup.

Regulators won't be rash to embrace the nuclear option. But banks and investors

Valeant's Latest Default Notice Isn't So Scary

It is unusual when a notice of default from bondholders doesn't meaningfully change a company's prospects as an investment. But nothing is ever normal when it comes to Valeant Pharmaceuticals International.

Valeant announced Tuesday afternoon that it had received a notice of default from unsecured bondholders over the beleaguered drugmaker's failure to file its audited financial statements in a timely manner. Centerbridge Partners LP sent the notice after it bought \$250 million in face value of Val-

eant bonds due 2023.

But the real surprise would have been if Valeant didn't get such a notice.

This notice came after Valeant reached a deal with its secured lenders last week to push back its deadline for filing its annual results with the Securities and Exchange Commission. The Wall Street Journal reported that due to the new notice of default, Valeant now has until May 27 to file its so-called 10-K. Last week's deal with bank lenders had pushed the deadline to May 31.

As part of that deal,

which didn't include holders of unsecured debt, the secured lenders received a cash fee and a bump up in the interest paid on their debt. So it is only natural that unsecured lenders would now want to try for similar largess. If they didn't, they could be leaving money on the table.

After initially trading lower Wednesday, Valeant shares closed up on the day. Besides the fact that the notice should have been expected, it probably also is because Valeant continues to say it intends to file its 10-K

shouldn't forget that it is, in fact, an option.

More immediately, the resolution process is viewed by regulators as a tool to require changes in real time to the basic structures and operations of the biggest banks. Which means it is likely a mistake to think banks that failed this time just need to spend more money putting together more persuasive or comprehensive plans.

Keep in mind that even Citi didn't exactly pass with flying colors. Regulators cited shortcomings in governance, assumptions about the bank's ability to hedge portfolio risk and estimating liquidity needs during resolution. They officially put Citi on notice that failure to address these shortcomings could land them in the penalty box next time around.

In other words, regulators intend to tighten the screws over time—just as they have with the stress tests. Each year, getting regulatory approval will likely become incrementally more difficult.

Passing now isn't a guarantee of passing forever.

—*John Carney*

by April 29. If that were to happen, unsecured lenders probably wouldn't get any compensation. And while it is quite possible that Centerbridge will seek new concessions from Valeant to cure the notice of default, the notice doesn't accelerate any future debt payments that Valeant owes unless the company fails to file its statements by May 27.

All of which means the strangest story on Wall Street these days shouldn't be reaching its epilogue anytime soon.

—*Charley Grant*

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes				Data provided by LIPPER			
Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR %RET is trailing three-year return annualized.							
E-Ex-dividend; F-Previous day's quotation; F-Footnotes x and s apply. F-Footnotes e and s apply. R-Recalculated by Lipper, using updated data. P-Distribution costs apply. L2B-L-Redemption charge may apply. S-Stock split or dividend. T-Footnotes p and r apply. V-Footnotes x and e apply. X-Ex-dividend; Z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.							
Wednesday, April 13, 2016							
Fund	NAV	Chg	YTD % Ret	Fund	NAV	Chg	YTD % Ret
A				USLgVa	31.12	+0.47	1.6
American Century Inv	35.17			Dodge & Cox			
Ultra	35.17	+0.49	0.4	Balanced	94.01	+1.23	1.6
American Funds C1 A				Income	13.53	+0.03	2.8
AmCapA p	26.64	+0.34	2.7	Intl Stk	36.26	+1.05	-0.6
AMutIA p	35.31	+0.22	4.9	Stock	159.70	+2.84	0.6
BalA p	24.42	+0.14	2.9	DoubleLine Funds			
BondA p	12.91	+0.01	3.1	TotRetBd	NA	...	NA
CapIBA p	57.96	+0.13	4.7	TotRetBdN	NA	...	NA
CapWGrA	43.98	+0.46	1.9	F			
EupacA p	45.18	+0.67	-0.4	Fidelity Advisor A			
FdInvA p	51.71	+0.54	2.3	NwlnsghtA p	26.06	+0.31	0.7
GwthA p	41.11	+0.04	0.4	Fidelity Advisor I			
HI TR A p	9.60	+0.06	4.5	NwlnsghtI	26.57	+0.31	0.8
ICAA p	34.94	+0.27	5.1	Fidelity Freedom			
InCoA p	20.84	+0.09	3.8	FF2020	14.80	+0.14	1.9
N PerA p	35.83	+0.46	-0.5	FF2025	12.64	+0.12	1.6
NECoA p	35.58	+0.59	-1.1	FF2030	15.41	+0.18	1.3
NwWrdA	51.19	+0.76	2.4	FreedomK2020	14.34	+0.14	1.7
SmCapA p	43.34	+0.60	-0.7	FreedomK2035	14.52	+0.16	1.3
StkA p	13.25	+0.01	2.1	FreedomK2050	14.92	+0.19	1.1
WshA p	39.39	+0.33	3.0	FreedomK2040	14.95	+0.18	1.1
AMG Managers Funds				Fidelity Invest	16.29	+0.12	1.9
YacktmnFnd	22.00	+0.15	5.4	AlmR50%	21.35	+0.18	1.0
B				Balanc	188.52	+2.52	-9.0
Baird Funds	11.16	+0.02	3.5	Bluch	97.94	+1.15	-0.3
CorBdInst	17.16	+0.24	9.2	Contra	97.89	+1.15	-0.2
BlackRock Funds A	17.93	+0.13	0.5	ContraK	9.18	+0.07	1.5
GblAlloC p	10.31	...	0.4	Cplnc r	34.43	+0.41	-1.8
BlackRock Funds C	16.31	+0.12	0.3	DvltIntK r	34.37	+0.41	-1.8
GblAlloC t	16.31	+0.12	0.3	GroCo	131.31	+1.96	-3.8
BlackRock Funds Inst	21.29	+0.11	1.9	GroCoK	131.21	+1.95	-3.8
EqtyDivd	18.04	+0.03	0.6	InvGrBd	11.33	+0.02	3.5
GblAlloC	7.24	+0.05	3.2	LowP r	48.27	+0.52	1.1
HiYlBd	9.69	+0.01	-0.2	LowPriStkK r	88.89	+1.06	-0.6
StratnCoptylns	9.69	+0.01	-0.2	Magln	78.69	+1.45	-5.7
D				PurInt	20.25	+0.15	0.1
Dimensional Fds	11.12	...	2.4	SrslnvGrdF	11.34	+0.02	3.5
5GlbFxdInc	22.73	+0.37	11.7	TotalBond	10.54	+0.02	3.6
EmgMktCorVa	17.16	+0.24	9.2	Fidelity Selects	177.93	+4.10	-22.0
EmMktCorVa	10.31	...	0.4	Biotech r	188.52	+2.52	-9.0
IntlCoreEq	11.41	+0.14	0.6	Health r	73.61	+0.74	2.5
IntSmCo	17.39	+0.13	1.5	Fidelity Sptn	73.63	+0.74	2.5
IntSmVa	18.68	+0.21	0.4	500lndInst	73.63	+0.74	2.5
Dimensional Fds				Fidelity Spartan Adv	73.63	+0.75	2.5
US CoreEq1	17.55	+0.25	2.7	500lndAd	73.63	+0.75	2.5
US CoreEq2	16.70	+0.26	2.6	ExtMktAd r	35.55	+0.94	-1.1
US Small	29.07	+0.64	2.8	IntAd r	59.95	+0.70	2.2
US SmCpVal	31.37	+0.69	3.1	First Eagle Funds			

Fund	NAV	Chg	% Ret	Fund	NAV	Chg	% Ret
Oppenheimer Y							
DevMkty	31.37	+0.57	4.6	InstlCapG	27.46	+0.39	-4.9
IntGrowY	36.35	+0.34	1.3	Intl G&I	13.10	+0.19	0.2
P				IntlStk	15.52	+0.25	1.6
Parnassus Fds	37.82	+0.38	2.6	MCapGro	73.72	+1.10	0.5
ParnEqFd	37.82	+0.38	2.6	MCapVal	27.05	+0.30	8.5
FD T F A p	12.46	...	1.9	N Horiz	41.27	+0.73	-2.8
Growth A p	74.64	+0.95	1.7	N Inc	9.57	+0.01	0.1
IncomeA p	2.14	+0.02	3.9	OverS SF r	9.03	+0.15	0.9
RisDv A p	50.33	+0.41	5.8	R2015	14.08	+0.10	2.4
FrankTemp/Franklin C	2.17	+0.02	4.2	R2020	20.20	+0.18	2.6
Income C t	2.17	+0.02	4.2	R2025	15.30	+0.15	2.3
FrankTemp/Temp A	11.52	+0.11	0.3	R2030	22.26	+0.24	2.1
GblBond A p	22.01	+0.41	0.5	R2035	16.07	+0.19	1.8
FrankTemp/Temp Adv	11.48	+0.11	0.4	R2040	22.92	+0.29	1.5
GblBondAdv p	11.48	+0.11	0.4	SmCapStk	39.01	+0.80	1.0
H				Value	31.75	+0.38	1.6
Harbor Funds	58.35	+0.78	-4.0	S			
IntlInst r	60.94	+1.05	2.5	Schwab Funds	32.35	+0.33	2.5
BiChp	69.40	+0.95	-4.1	S&P Sel	32.35	+0.33	2.5
CapApp	25.82	+0.19	3.1	T			
EmMktS	30.76	+0.58	7.9	TIAA/CREF Funds	15.41	+0.18	2.3
EqInc	29.61	+0.39	4.4	EqdInst	24.29	+0.36	-0.7
EqIndex	56.07	+0.57	2.5	Tweedy Browne Fds	15.41	+0.18	2.3
Growth	51.40	+0.68	-4.2	GblValue	24.29	+0.36	-0.7
HiSci	61.83	+0.66	-10.2				
HiYl	6.32	+0.03	4.1				

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
Wednesday, April 13, 2016				
AlerianMLPETT	AMLP	11.29	-0.09	-6.3
CnsmrDiscSelSector	XLY	79.27	1.41	1.4
CnsStapleSelSector	XLP	52.95	-0.77	4.9
DBGoldDoubleLgETN	DGZ	25.18	-0.87	38.8
DBGoldDoubleShrt	DZZ	6.16	2.50	-30.6
DeutscheMSCIEAFE	DBEF	26.02	2.40	-4.2
FinSelSectorSPDR	XLE	64.26	0.47	6.5
FinSelSectorSPDR	XLF	22.93	2.27	-3.8
GuggenheimSP500EqW	ESLV	79.37	1.26	3.6
HealthCareSelSector	XHS	74.03	0.94	-2.8
IndSelSectorSPDR	XLI	55.87	1.49	5.4
IndSelSectorSPDR	XLS	109.69	0.04	2.2
Intl-3YCreditBond	CIU	105.44	-0.03	0.8
Intl-3YCreditBond	TIP	114.19	0.09	4.1
Intl-3YCreditBond	IEI	125.86	-0.05	2.7
Intl-3YCreditBond	IEFA	54.10	1.52	-0.5
Intl-3YCreditBond	ISHC	42.52	1.65	7.9
Intl-3YCreditBond	IUV	209.10	1.00	2.1
Intl-3YCreditBond	IVV	146.10	1.66	4.9
Intl-3YCreditBond	IVW	113.61	2.17	3.2
Intl-3YCreditBond	AGG	110.83	0.05	2.6
Intl-3YCreditBond	IAU	81.91	0.49	9.0
Intl-3YCreditBond	DIA	12.00	1.07	17.3
Intl-3YCreditBond	GLD	119.14	0.35	4.5
Intl-3YCreditBond	HYG	82.65	0.66	2.6
Intl-3YCreditBond	EMB	111.15	0.42	5.1
Intl-3YCreditBond	MBB	109.35	...	1.5
Intl-3YCreditBond	ACWI	56.91	1.21	2.0
Intl-3YCreditBond	EWJ	67.51	0.60	4.1
Intl-3YCreditBond	SCZ	50.57	0.82	1.2
Intl-3YCreditBond	EFA	58.24	1.59	-0.8
Intl-3YCreditBond	EEM	34.94	1.78	8.5
Intl-3YCreditBond	EZU	34.65	1.67	-1.1
Intl-3YCreditBond	EWJ	11.84	2.78	-2.3
Intl-3YCreditBond	USMV	44.09	0.02	5.4
Intl-3YCreditBond	IBB	28.19	1.91	-16.9
Intl-3YCreditBond	MUB	112.17	0.06	1.3
Intl-3YCreditBond	IWF	100.97	1.00	1.5
Intl-3YCreditBond	IWB	115.47	1.07	1.9
Intl-3YCreditBond	IWD	100.17	1.26	2.4

ETF	Symbol	Closing Price	Chg (%)	YTD (%)
iShrRussell2000Gwth	IWO	135.19	2.42	-2.9%
iShrRussell2000ETF	IWM	112.31	2.16	-0.3%
iShrRussell2000Val	IWN	94.20	1.83	2.5%
iShrRussell3000ETF	IWR	122.37	1.32	2.7%
iShrRussellMid-Cap	IWR	164.48	1.37	2.7%
iShrRussellMCMValue	IWS	71.72	1.07	1.2%
iShrSP500Growth	IWG	117.17	0.87	1.2%
iShrSP500ValueETF	IVE	91.08	1.19	2.9%
iSharesUSPreferred	IPF	38.71	0.21	-0.4%
iShrSilverTr	SLV	15.44	0.91	17.1%
iSh1-3YTreasuryBd	SHY	84.97	-0.05	0.7%
iSh7-10YTreasuryBd	IEF	110.49	0.07	4.6%
iSh20+YTreasuryBd	TLT	131.39	0.58	0.9%
iShRussellMCMGrowth	IWG	92.77	1.35	0.9%
MktVectorsBiotech	BBX	110.81	1.69	12.7%
MktVectorsGoldMin	GDH	22.25	-2.67	-62.2%
MktVectorsOilSVcs	OLV	27.59	1.51	4.2%
MktVectorsPharm	PPH	59.09	0.99	-2.4%
MktVectorsRetail	RTH	76.95	1.05	-1.0%
MktVectorsSemi	SMH	55.62	2.04	-44.4%
PwrShrsQQQ	QQQ	110.91	1.28	-0.8%
SP500LoVolMiniPrt	SPLV	40.30	-0.42	45.5%
SPDRBarclaysHydBd	JNK	34.60	0.70	2.2%
SchwIntEqty	SCHF	27.64	1.54	0.3%
SchwUS BrdMkt	SCSB	49.88	1.20	1.7%
SchwUS LrgCap	SCSX	49.42	1.08	1.7%
SPDR DJIA Tr	DIA	178.92	1.03	2.8%
SPDR GLdTr	GLD	118.77	-1.07	17.7%
SPDR S&PMdCpTr	MDY	266.34	1.66	4.8%
SPDR S&P 500	SPY	208.00	1.01	2.0%
SPDR S&P Div	SDY	80.79	0.82	9.8%
TechSelectSector	XLU	44.52	1.02	3.9%
UtilitiesSelectSector	XLU	48.68	1.60	12.5%
VangIndVtoCh	VIT	116.26	1.57	1.5%
VangDsmCapValue	VBR	103.17	1.75	4.5%
VangDHLthCr	VHT	127.65	1.03	-3.9%
VangDivApp	VIG	81.70	0.55	5.1%
VanguardTSEDevMkt	VEA	36.60	1.58	-0.3%
VanguardTFSEvngMk	VVO	35.50	1.87	8.5%
VanguardTFSEEurope	VEU	49.17	1.19	-1.4%
VangAllWldxUS	VEU	44.10	1.57	1.6%
VangGrowth	VYM	107.79	0.99	1.3%
VangDHidVlyd	VVG	69.66	0.74	4.4%

PERSONAL JOURNAL



A Sentimental Note

Musical bonding over 50 years **TURNING POINTS | D2**

NFL Fiscal
Minicamp
JASON GAY | D6

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THE WALL STREET JOURNAL.

Thursday, April 14, 2016 | **D1**

Online Ads for Night Owls

WHILE YOU WERE SLEEPING...



81% OF WOMEN in a 2016 survey reported keeping their phones near their beds at night, an increase from 62% in 2012



'If you're up at 2 O'CLOCK in the morning because you can't sleep ... you're a bit more of that captive audience.'



CLOCKWISE FROM TOP: LEFT: PEPTO-BISMOL/FACEBOOK; TACO BELL/FACEBOOK; FOLGERS; MCDONALD'S/TWITTER; VENUS/FACEBOOK

TACO BELL sometimes posts meals for breakfast at 1 a.m. Eastern time to tempt people when they wake up and decide on breakfast just a few hours later.



Marketers woo customers on their phones in the wee hours of the night; Craving McDonald's?

By CHARLIE WELLS

Mobile and social-media advertising is trying a new frontier: late, late night. Marketers are posting videos, photos and messages after bedtime on Facebook, YouTube, Twitter and Instagram, tailored for phone addicts who wake up in the wee hours and check their social media. The tone is quirky, a chance for companies to be creative without going big-budget. And a drowsy, captive audience can enjoy some slightly off-kilter humor, the thinking goes. “It reminds me a lot of the advertising that you used to get sold on traditional TV on overnight,” says Laura Beaudin, a partner who works in customer strategy and marketing at consulting firm Bain. “If you’re up at 2

o’clock in the morning because you can’t sleep, that is all you’re doing. You’re not doing stuff with your kids at the same time or making dinner at the same time, you’re a bit more of that captive audience.” In a 17-second video on its Facebook page, Pepto-Bismol features the “Peptocopter,” a helicopter that zooms out of an elevator and into a corporate meeting. The Peptocopter then delivers Pepto-Bismol via a parachute to a businessman with an upset stomach. Like many late-night videos, the plot is silly, something a customer might actually want to share with his or her friends on social media. It was most recently posted at 12:01 a.m. Eastern time. Shaaz Nasir, a 27-year-old from Ottawa, Canada, has gotten sucked into late night on-line ad-viewing. The former management consultant who now runs Mindthis Magazine often gets notifications from his staff around the globe, at all hours. “I’ll get a ding at 3 a.m. from someone from Tokyo,” he says. “At

that point, my phone’s open, and I’m going to check Facebook. Then I figure I might as well check my email. Then, a half an hour later, I’m like, ‘Oh my goodness, I need to sleep.’” Mr. Nasir says that occasionally he’ll interact with ads—mostly for airlines—that he sees on his mobile phone at that time. “You’ve got your guard down,” he says. “Really, we’re dreaming. And if an airline wants us to dream of somewhere and of escaping our reality, I can see how that makes sense.” Traditionally, advertisers market to consumers during the day. Online, many companies have tended to follow a predictable marketing pattern, posting to social media in the morning, at noon, and then at night as people are leaving for work. According to Scott Heimes, chief marketing officer at SendGrid, an email-technology company, 70% of clients’ marketing emails are sent during normal hours, and 30% during off-peak hours. *Please see ADS page D2*

New Headaches for the Flier Making Several Stops

By SCOTT MCCARTNEY

American, Delta and United have new pricing rules that could easily raise the cost of many trips. Think of it as making a six-pack of soda twice as expensive as buying six cans individually. The three biggest airlines in the U.S. decided in March to block their cheapest prices on flights from being used on many connecting and multicity trips. Previously, reservation computers would find the lowest price for each flight in an itinerary and add them up to one price for the trip. But now the cheapest prices can’t be combined. To get the absolute lowest prices on a trip with multiple stops, you have to buy each flight separately. For a May 4 trip from Chicago to Des Moines, Iowa, with a May 5 return flight from Kansas City, Mo., back to Chicago, American offers a fare of \$522. But if you buy those flights individually, you’d spend \$107 to get to Des Moines, then \$65 to fly from Kansas City to Chicago, or a total of \$172. United flights from Newark, N.J., to Chicago to San Diego and back the same way can be bought



American, United and Delta have blocked easy access to their cheapest prices on many connecting and multicity trips.

for \$719 individually. But the same flights on one ticket cost \$1,205, or 68% more, for a May 2-6 itinerary. Though the savings can be substantial, there are pitfalls to buying multiple one-way tickets. If plans change, you’ll have to pay a \$200 penalty on each ticket you

have to rebook. And if one flight is delayed and you miss your next flight, you’d be considered a no-show and might be required to pay a higher fare to get on a substitute flight. But travel agents say the savings far outweigh the potential pitfalls, and they’re now scrambling

to adjust to the new airline pricing setup. Frank Dolce, corporate travel manager at OSI Systems Inc., a California tech company, says he disabled the multicity capability on the firm’s booking system. Travelers now must talk to an agent to book trips with multiple

stops. About 15% to 20% of the tickets his company buys fall into that category. He’s also running daily reports to see if people booked tickets that could have been bought at lower prices. “In order to protect ourselves and our pocketbooks, we had to do this,” he says. “Booking travel is complicated enough as it is, and the airlines have thrown a big wrench into it.” Steve Crandall, president of Discount Travel Brokerage Services in Jacksonville, Fla., thinks the change will bite vacationers even more than business travelers because they are booking on their own. “The average guy is just plugging in cities,” he says. Airlines say they’ve been putting lots of deeply discounted fares into markets—some as low as \$39—to counter fast-growing discounters like Spirit Airlines. And some key hubs have seen widespread fare wars, such as Dallas, where American, Southwest, Spirit and Virgin America are all offering supercheap tickets to fill up seats. Since reservation systems look for low prices to cobble together the least expensive tickets, the cheap fares used on connecting flights and multicity trips lowered *Please see PRICING page D2*

STYLE & TRAVEL

50 Years of Music Together Deepen a Trio’s Bonds

Symphony-going ritual brings women together; close to 600 performances

By CLARE ANSBERRY

Lights dim, and the music director strides onto stage of Heinz Hall. In the middle of Row P, three women—sisters Anastasia Savas and Helen Chakeres and their friend Katherine Dickos—settle in their seats for what is close to their 600th Pittsburgh Symphony performance. Their first was more than 50 years ago.

Over the years, dozens of women from their tight-knit Greek community have joined them, but all have since stopped coming, their interests shifting, their health failing. Some moved, and others died. Although it takes more effort with age, these three, now in their 80s, return for each Saturday-night performance—seven this season, and as many as 14 in past seasons.

“We don’t want to stop,” says Anastasia, who goes by Anna. Going out, listening to music and enjoying each other’s company make for an uplifting evening, while surfacing thoughts of earlier times. “It’s a night to remember,” she says.

Music connects people on many levels. “Shared musical preferences can create and strengthen bonds,” says Jeanette Bicknell, author of “Why Music Moves Us.” People tend to feel good about those who like the same music, thinking they have similar personalities or values, says Dr. Bicknell, who researches the philosophy of music.

When listening to music is part of a ritual over time, bonds can strengthen, layered with reminiscences. “Music really does evoke all kinds of images and memories,” says Melia Tourangeau, CEO of the Pittsburgh Symphony Orchestra, which is celebrating its 120th anniversary this year. “It’s more than a visceral response. It’s deeper than that,” she says.

These three women learned a love of music early, from their parents. Katherine, who goes by Tika, had a Crete-born mother who played the mandolin in the orchestra there. Her father, also from Crete, studied chanting with monks. The couple moved to Charleston, S.C., where her father ran a Greek grocery store. On Saturday afternoons, he listened to



FROM TOP: CLARE ANSBERRY/THE WALL STREET JOURNAL; AMY CICCONI

the Metropolitan Opera of New York and Tika, then about 5, would sing to his customers. She remembers crying when, after months of practicing her scales on the piano, she played Beethoven’s Minuet in G. “I don’t cry that easily. Music does that to me.”

Tika and her mother moved to Pittsburgh, after her parents separated, and she met Helen and Anna Savas at the local Greek church.

Their father, born in Greece, owned restaurants and buildings in downtown Pittsburgh. Their mother, Maria, who studied piano in Paris, played for guests when they had dinner parties at home. Both daughters played piano. Anna studied violin. “She wanted to expose us to the arts,” says Anna, the eldest.

Their mother was dear friends with Joanna Chakeres, whose husband owned nightclubs around the city. Helen ended up marrying Mrs. Chakeres’s son, Tony. Anna never married. The elder Mrs. Chakeres and Mrs. Savas loved the arts, especially the symphony, because it was easy to understand. At home, they spoke Greek, their first language. “They could understand music better than the plays,” says Anna.

The two older women bought season tickets. Anna drove. Tika and Helen, then young wives, started coming. The evenings were festive and formal. The women wore jewelry and furs. The conductor wore tails. After performances, they went to top restaurants all over the city for a late-

Con Brio
Left to right, Tika Dickos, Helen Chakeres and Anna Savas attend every Saturday night performance of the Pittsburgh Symphony at Heinz Hall for the Performing Arts, left.

night bite and cocktails. One night, Mrs. Chakeres invited everyone to her house for lobster and elaborate pastries she made herself. Friends from their Greek church and schools joined the group, buying season tickets for several years, and then handing them off to someone else. Anna continued teaching second grade. Helen and Tika raised their families. Their children played in the youth symphonies and sang in the choirs.

The outings provided enjoyment but also constancy in more unsettling times. Their parents died, as did Helen’s husband. Anna was diagnosed with cancer about two years ago. She saw no reason to miss the symphony. Her treatments were in the afternoon, she says, the performances in the evening. “The music makes me relax,” says Anna, who is a 20-year member of the Pittsburgh Symphony Association, having joined after her mother, also a member, died.

The threesome prefers evening performances to matinees. “Who wants to get all dressed up in the afternoon?” asks Anna. Helen usually drives unless it’s snowing. Tika drives in inclement weather.

They park on the 9th level, a practice they adopted so they don’t forget where the car is, which they once did. Downstairs, the parking attendant greets them. He has worked at the garage for years and watches on symphony nights to make sure they get in. “The sign can say ‘Full’ and he would stand outside in the cold and snow waiting for us to make sure we get a space,” says Helen.

This evening, under the direction of conductor Manfred Honeck, the symphony performs Brahms’s Piano Concerto No. 2 in B-flat major, followed by the All University Choir singing Leonard Bernstein’s Chichester Psalms. The women recall the piano soloist, Emanuel Ax, from his performance with the symphony four years ago.

After the concert, the women cross the street to their favorite restaurant and greet the hostess by name. Anna orders Tanqueray with a lemon twist and Tika, Dewar’s with a twist. Helen debates onion soup or a pecan ball and goes with the former.

Over food and drinks, they review the performance. Anna thought the choir was particularly soothing. Tika liked the cello solo in the third movement of Brahms. Helen was amazed by the poise of a young boy soprano. They like Brahms, but Tika’s favorite composer is Bach. Anna and Helen prefer Chopin.

“Tika, hum Chopin’s Polonaise,” Anna says, turning to Tika. She and Helen defer to Tika when trying to come up with a composer, composition or conductor.

They see and hear the symphony differently now that they are older. Tika says she listened superficially when she was younger. “I just liked the way it sounds. As you get older, you get a little more immersed,” she says. “You can hear the Brahms 120 times, and it will be different each time. Every conductor paces it differently.”

For Helen, the symphony has become even more of a welcome tonic. “Just hearing the music, you forget all of your problems,” says Helen. “You go, sit and enjoy.”

With Anna, the music has grown more evocative. As soon as the symphony starts, her mind begins to wander. “It brings back memories of my past life,” she says. It connects her with her mother, the others who have been a part of the group, the places they went. “We had a wonderful time. It was a beautiful event,” she says. “It still is.”

PRICING

Continued from the prior page
ticket prices on routes airlines never intended to discount.

American, Delta and United decided their own low prices had gone too far and they imposed new rules on tickets.

Airlines look at pricing through a different lens from their customers. Instead of adding up the fare from each flight on a trip, airlines look at each starting point-to-destination trip as its own market. Airlines want the ability to set pricing for a Kansas City-Honolulu trip as a unique product, not simply the sum of flights from Kansas City to Los Angeles and Los Angeles to Honolulu.

American said in a statement it restricted its cheapest prices “to ensure that new lower fares we introduced would be available to passengers flying the route for which the fares were intended.” Connections built with the cheap fares “were absorbing some of the seats that were meant for local passengers on the nonstop route,” the airline says. “These changes

mean local passengers will have a better chance to use those fares.”

Delta, which initiated the change that American and United matched within 24 hours, declined to comment. A spokeswoman for United says the Chicago-based carrier made the change because “we intend for passengers to pay the origin-to-destination fare” even if the flights involved are priced lower for other itineraries.

Vicki Rush, owner of A&I Travel Management in Memphis, Tenn., thinks lots of consumers will be stung by the pricing change. Whether booking through an online travel agency or through an airline website, shoppers will see a price for the ticket they want without realizing that, counterintuitively, buying multiple tickets may be a lot cheaper than one ticket.

“Even smart travel managers have a hard time wrapping their head around this,” says Ms. Rush, who thinks the change affects about 10% to 18% of the bookings managed by her company. Her agents are now spot-checking bookings that clients put through and rebooking them if it’s cheaper to buy the trip as separate pur-



ROBERT ALEXANDER/GETTY IMAGES

Flying from Columbia, S.C., to Seattle, then on to Los Angeles and back to Columbia at the end of April costs \$733 on one Delta ticket. Split the trip into three separate one-way tickets and you’d pay \$414 for the same flights.

chases. Airlines have a long history of using arcane rules to keep business travelers and others from making use of their cheapest fares. When discount airlines first took to the skies, airlines matched prices but required advance purchase, sometimes 30 days ahead of time, to get the lowest fares. They imposed Saturday-night stay requirements to discourage business travelers from buying low fares, and made cheap prices nonrefundable. One-way fares used to be higher than round-trip.

Now, due to competition from those lower-fare rivals, Saturday-night stay requirements are virtually nonexistent on the big U.S. airlines. Advance-purchase requirements also have eased dramatically and business travelers routinely buy nonrefundable tickets. Most fares are offered one-way without a round-trip requirement, and round-trip tickets are routinely constructed in reservation computers as the combination of two one-ways.

The Business Travel Coalition, a group of corporate travel manag-

ADS

Continued from the prior page

Meera Patel says she is now surrounded by after-hours digital advertising. The 24-year-old Londoner is in a long-distance relationship with a boyfriend in Toronto, and often burns the midnight oil so the two can have a phone call at the end of the day. Once, late at night, Ms. Patel saw a sponsored tweet for McDonald’s. The post worked so well, she says, that it prompted her to leave home that night and head to a nearby, 24-7 Golden Arches. It was December.

Other food and beverage companies have made similar moves. Folgers Coffee released the “Wakin’ Up Alarm Clock” app in 2013, which acts not just as a digital reveille, but also presents users with inspiring messages, shareable on social media. Last December, Taco Bell posted a Facebook photo that combined tacos, emoji, and a

nudge to use the company’s app. That was around 1 a.m. Eastern time. Other early morning posts by Taco Bell focus on an event several hours away: breakfast.

Taco Bell is testing out late-night messages about breakfast to see if they can tempt people the next morning, possibly breaking into their morning routines, says Jozlynn Rush, social and digital experience manager at Taco Bell.

British clothing retailer Asos has made a habit recently of posting pictures of junk food on Instagram at around 11 p.m. in the U. K.—a branding message that aims to appeal to its 20-something consumer.

Ms. Patel says she also often comes across flash sales late online for beauty products, cheap flights, and inexpensive clothing.

The late-night sweet spot for advertisers involves thinking not just about time of day, but also about what role a consumer is playing on the 24-hour clock, says Kevin Akeroyd, general manager and senior vice president for Ora-



ISTOCK

A drowsy, captive audience can enjoy some slightly off-kilter humor, marketers think.

cle Marketing Cloud. Companies can do this by picking up on a consumer’s “digital body language,” he says, by discerning how people are using their phones, social media, video platforms, and Web browsers. Then, firms can target messages that might be more rele-

vant for a person’s role. A consumer “could be a soccer mom at noon, the CEO of her business at 5, and in ‘just me time’ at midnight,” he says.

Women having that sort of “just me time” late in the evenings seem to be forming a key demographic for late-night advertisers. According to a 2016 online survey of 500 women by consumer-research firm Influence Central, 81% reported keeping their phones near their beds at night, an increase from 62% in 2012.

Many Procter & Gamble Co. products that cater to women have begun posting on social media in the early morning hours. On the Facebook page for skin-care brand Olay, a video that received over 6,000 views and time-stamped at 12:18 a.m. Eastern time in January shows two women leaving a yoga class comparing weekend schedules. The caption: “Your social calendar might show your age. With Olay, your skin never will.”

Gillette Venus razors often posts to Facebook at midnight

Eastern time, with one GIF-like video featuring a woman’s legs and a flowing dress that logged over 8 million views. Gillette’s Facebook page for men doesn’t show a late-night video.

Late-night online advertising may catch consumers at a time when they are more prone to spend, says Klodiana Lanaj, an assistant professor at the University of Florida Warrington College of Business who has studied the effects of late-night work-related emails on quality and quantity of sleep.

“Being approached by a company might hurt your sleep because you’re thinking about what to buy and whether you should buy it,” she says. “On the other hand, you might also be more likely to buy because you don’t have the inhibitions you had not to spend money.”

According to Dr. Lanaj, the pool of mental resources we have to make decisions shrinks as we use them throughout the course of the day.

ARTS IN REVIEW

PHOTOGRAPHY

Lusting After Fame and Fortune

Robert Mapplethorpe: The Perfect Medium
Los Angeles County Museum of Art and the Getty Center
Through July 31

By RICHARD B. WOODWARD

‘But will they write about it?’

That’s the question Robert Mapplethorpe would ask his art dealers in the 1980s if they got squeamish about exhibiting a sexually provoking photograph of a large penis. As he assessed matters, scandals fueled by the press could only boost his sales.

Critics can hardly avoid writing about Mapplethorpe again this spring. “The Perfect Medium,” a dual retrospective (with more than 300 photographs and archival objects), opened last month at the Getty Center and the Los Angeles County Museum of Art. A companion two-volume catalog from Getty Publications is thick with commissioned essays. Another tome from Phaidon is devoted to his flower photographs. And this month HBO has been broadcasting a new feature-length documentary.

The rollout, orchestrated by the Robert Mapplethorpe Foundation, is designed to present the entire career of an artist best known for graphic S&M photographs that led to a Cincinnati museum director’s arrest for exhibiting them, and to denunciations of homosexual art on the floor of the U.S. Senate.

This concerted effort is worthwhile and illuminating. Items from his early years suggest he might have been a sculptor with his own twist on Pop or a jewelry designer. His determination to succeed in New York, the relentless energy to make art (and money), can be felt in every room.

More remarkably, the curators, Paul Martineau at the Getty and Britt Salvesen at LACMA, have not bowdlerized Mapplethorpe. Homosexual desire permeated everything he did, from his student days until his death. In both shows, the male body, photographed nude or revealingly clothed, is presented as a gay sexual object.

It’s easy to forget that when first widely exhibited in the 1980s, his photographs of men were brash and disconcerting. His ascent in the art world provided generations of gay artists the courage to examine their own sensibilities without self-censorship.

At the same time, the shows also expose Mapplethorpe’s limitations. What has excited most photographers since the invention of the medium is its versatile realism. He was drawn instead to genres, pornography and fashion,

that trade in fantasy and idealize the human figure in monotonous tropes. His career was a struggle against photography’s bias toward the mundane, which others have seen as one of its unique strengths.

LACMA is the better place to begin the tour of his life. From his late teenage years onward, studying graphic arts at the Pratt Institute and, after 1969, living at the Chelsea Hotel with Patti Smith, he was a provocateur, scavenging images from muscle magazines and stretching underpants and T-shirt on an armature as sculpture. There is a film here of the 22-year-old hav-



Robert Mapplethorpe’s 1988 ‘Parrot Tulips’ (left), and 1988 ‘Self-Portrait’ (below).

torious “X Portfolio” of S&M sessions. The two bodies of work reinforce each other. Mapplethorpe sexualized tulips and orchids, and he liked to introduce danger into benign settings. Emerging from behind the vase in “Flower With Knife” (1985) is a slender steel blade, its glinting surface burning like a flame. The scenes of extreme sex by leather-clad men are still wincing to behold, and there are rare instances where you sense fear that he might have gone too far.

One of the bonuses of the Getty show is a chance to view a large selection from the Wagstaff Collection of Photographs. Purchased in secret by the museum in 1984, they haven’t been exhibited in bulk since 1992. These were photographs that

Mapplethorpe would likely have seen at Wagstaff’s New York apartment and they are exhibited here as a seamless extension of his show. Among the more than 100 examples, mainly portraits, is one by Edmund Teske from 1967 of a naked youth submerged in a mineral bath at Big Sur, a homoerotic image in which the boy looks either drowned or surrendering to pleasure.

Mapplethorpe was obsessed with status. Being known as a photographer never brought him the social cachet he desperately sought. Both curators have wisely not exhibited his mid-’80s prints on linen and silk, an ill-conceived attempt to add decorative lushness—and raise the cost—of his photographs.

He loathed imperfection in his photographs and in people. His master printer, Tom Baril, might spend an entire day in the darkroom removing wrinkles on the skin of subjects before his exacting boss was happy. There are almost no fat or old people in his oeuvre. The sole unhealthy person depicted in either show is a self-portrait from 1988 as he was dying of AIDS. Brandishing a cane topped with a silver death’s head, he sits in a chair like Satan on his throne. His most haunting portrait, and one of his most honest, it has a central place in the Getty galleries, a commanding reminder of his pivotal role in the unfinished conversation about fame, sex, money and art.

Mr. Woodward is an arts critic in New York.



with Polaroid photography in the late 1960s. But not until 1972, when he met and attached himself to Samuel J. Wagstaff Jr., a wealthy independent curator and a discerning photography collector, did Mapplethorpe seriously begin to make pictures with a camera. The older man bought his protégé a downtown loft and his first Hasselblad.

Mapplethorpe was never a great portrait photographer except of himself and of his muse, Patti Smith, whose fragile androgyny mirrored his own. He once said that art didn’t interest him unless he could explore the darker, unknown sides of himself. In his performances for the camera, he could try out various personae, angel or street tough. The many wistful photographs he made of Ms. Smith, two of which became classic album covers, and the less-known 13-minute film he did called “Still Moving/Patti Smith” remain cornerstones of his legacy.

The Getty show has fewer surprises and inadvertently spotlights Mapplethorpe’s weaknesses. The nudes in one room—muscular black men, their torsos tightly cropped and placed in shallow recesses—have a cold, glossy perfection, and are a terrific bore. Mapplethorpe rendered flesh as marmoreal rather than as living tissue, and his compositions often fell back on a rigid symmetry, which he mistook for classicism.

Far more inspired is Mr. Martineau’s idea to install a group of flower photographs in the same room with the no-

fied with the devil.

Few artists were so single-minded in their drive for fame and riches. (His only New York equal during his lifetime was young “ruined Cupid” (Fran Lebowitz’s description) identi-

ing his nipple pierced.

His Catholic upbringing is often cited as the source of his attraction to ritual, and to the punishing idea of sin. Several early pieces—including a 1970 combination dressing table and altarpiece made from a

crate, a lampshade, a Jesus figurine, holy water and a hammer—incorporated Christian symbols. In the documentary, friends and sexual partners observe how much this young “ruined Cupid” (Fran Lebowitz’s description) identi-

MUSIC

An Electronic King Goes His Own Way

By MARTIN JOHNSON

In Darkside, a duo with Nicolas Jaar, Dave Harrington, a master of many instruments best known as a guitarist, created some of the most compelling and widely adored electronic music of this decade. “Become Alive”

Dave Harrington’s new album is a showcase of the variety of styles and genres he’s mastered.

Other People) is the new release from the 30-year-old’s first solo project—which is billed as the Dave Harrington Group—since Darkside went on hiatus in the summer of 2014. On the album, Mr. Harrington is wending his way back to his roots: the late-’60s and early-’70s experimental jazz that inspired his musical career.

During its brief existence, Darkside produced moody and dense electronic music that was highlighted by Mr. Harrington’s virtuosic work. The band fused dub, prog rock, electronic dance music

and elements of jazz fusion into a potent mix. The name of the band recalled the 1973 Pink Floyd recording “Dark Side of the Moon,” and in many ways the sound seemed like an updating of it. Darkside was particularly well received. Pitchfork hailed the band’s amalgam of styles and cited its 2013 recording “Psychic” as one of the best albums of the decade. Darkside’s 2013 remix of Daft Punk’s “Random Access Memories” was named one of the best recordings of the year by the New Yorker.

“Become Alive” starts with “White Heat,” a brooding track highlighted by keyboards and guitar. It has a pristine sound and glacial pace; no one will link it to the Velvet Underground clas-

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Dave Harrington’s (left) first solo project since Darkside is ‘Become Alive’ (cover above).

sic “White Light/White Heat” Instead the tone and mood recall the Radiohead recordings “Kid A” and “Amnesiac” minus the vocals. The second track, “Slides,” maintains the mood but is built from stel-

lar, serpentine bass clarinet lines from John Stanesco. The recording’s middle tracks are more atmospheric and cinematic, highlighted by “Steels,” a solo track featuring Mr. Harrington’s excellent pedal steel guitar work. But the final three pieces—the ti-

tle track, “Spectrum” and “All I Can Do”—shift gears. The music is less brooding, more narrative in structure and often up-tempo. The title track features 11 musicians and “All I Can Do” has six. With the muscular bass lines, soaring harmonies, and searing solos, the music is reminiscent of bands like the Tony Williams Lifetime and John McLaughlin’s Mahavishnu Orchestra, which straddled the divide between jazz and rock in the late ’60s and early ’70s.

As is often the case with a musician’s first full length recording, “Become Alive” is a showcase for the variety of styles and subgenres that Mr. Harrington has mastered. He had jammed around New York, then met Mr. Jaar while both men were students at Brown University. Mr. Harrington grew up in the city and studied at the Harlem School of the Arts with great musicians like guitarist Kelvin Bell and bassist Brad Jones. He loved the late-’90s Manhattan downtown, especially the music of Bill Frisell and John Zorn as well as vin-

tage prog-rock groups like King Crimson. With “Become Alive,” Mr. Harrington illustrates the vibrance and diversity of New York music late in the 20th century while smartly updating it.

Mr. Johnson writes about jazz for the Journal.

Pepper ... And Salt

THE WALL STREET JOURNAL



“Any capital gains?”

SPORTS

My Dream Life in the NFL...Accounting

Fort Lauderdale, Fla.

So there I was, in sun-kissed Florida, a surprise invite to an off-season camp featuring some of the elite players in the NFL. Just a few feet away, there was Julius Peppers, nine-time Pro

Bowler for the Green Bay Packers—*Julius Peppers!*

This was going to be so cool. Me and Julius Peppers and a bunch of other NFL dudes, hanging out, listening to coaches, experts, some of them former pros, telling us war stories, getting super excited about, you know, the important stuff, the glamorous stuff, like...

Asset/liability mismatches.

Gross margin percentages.

Compound interest.

Bonds.

Mmmmm...bonds!

OK so it wasn't NFL minicamp. It

was NFL finance camp.

Nobody made a one-handed catch.

But nobody blew out an ACL, either.

Mike Ditka didn't bite the end off a cigar

and give a rowdy pep talk. But University of Miami finance professor Henrik

Cronqvist did deliver a dynamite presentation about the psychology of money.

(And it really was in Florida. In a

first-floor ballroom at the Marriott.

With snacks.)

The camp was hosted by NFL Player

Engagement—the league's branch dedicated to on and off-field lives of its

players—with the help of TD Ameritrade

and the University of Miami School of Business Administration. The idea behind it is pretty straightforward: make

pro football players financially fit, especially midcareer and veteran players

contemplating the road's end. This year's theme: building generational wealth.

"This week is about empowerment,"

Charles Way, the former New York Giant and now vice president of the

NFLPE. "This week is about influence. This week is about impact. I'm asking

you to take advantage of it."

Yes, we have all heard the horror

stories about pro athletes being separated from their money—seven, eight,

sometimes nine-figure earnings wiped out by bad purchases, bad allies, bad

investments. Some of it is youth. Some of it is irresponsibility. A lot of it is human.

If I were a No. 1 draft choice, I would be the guy who bought a Ferrari,

and then a Ferrari for my Ferrari so it didn't get lonely.

That's not the way to do it, of course. Athletic careers can be perilously

short, especially in a workplace like the NFL, with your lifetime earnings

peaking in your 20s, and if you're lucky, 30s. With players bombarded by team



commitments and financial advisers eager

to take their business, it's easy for them to become disconnected from the

day-to-day of their money. Reconnecting is what this camp, now in its second

year, is for. "I actually got a new accountant and new financial adviser after

last year's program," said Josh Martin, a

linebacker for the New York Jets.

The mood in the ballroom was businesslike. A lot of players brought their

spouses (one player, Chicago's Antrel Rolle, would be represented by his

mother). There was animated talk about diversification, rollovers, retirement,

inflation, and what you should really ask a potential financial adviser (any tough

question you want!). Charts were shown detailing how much a player needed to

save to maintain financial comfort into their twilight. Luxury goods were

pooh-poohed as extravagances—OK sometimes, but not as a habit.

The league is happy to show off the responsible side of player life, of

course. Amid the cautionary tales of

bankruptcies and careers cruelly shortened are indeed some savers as obsessive

about budgeting as they are training. Last season, the Journal's Kevin

Clark detailed the frugal competition among the Washington Redskins,

which included quarterback Kirk Cousins driving a dented van to practice.

Stephen Tulloch is another saver. A

veteran linebacker who's earned tens of millions and most recently played

for Detroit, Tulloch told me he comparison shops for cars and took his time

before buying his first house. He said his goal was "not just being rich for

today but having money for my kids' kids' future."

"It can go so fast if you don't take

care of it," Tulloch said. "I try to embed it in the guys now: It's not what you

make, but what you save."

The camp's founder is Pat Kerney,

the 2007 NFC Defensive Player of the Year, who went on to business school

at Columbia, worked in the league's

benefit office, and is now a director for National Fire & Casualty Investments.

Kerney said that as a rookie with Atlanta, the veteran Lester Archambeau,

a Stanford graduate, pulled him aside and handed him a copy of "The

Millionaire Next Door," Thomas Stanley and William Danko's treatise on

building wealth. "When a guy like that

walks by and says, 'Hey rook—read this,' you read it," Kerney told me. (Today, he enjoys reading Warren

Buffett's letters to investors.)

Kerney retired in 2010 after an 11-year career. He's not so far removed

from football and the casual lingua franca of playing life, and his keynote

could have been delivered at midfield in a practice. He talked about the

differences in cost of living in NFL towns (Charlotte's a lot less expensive than

Seattle; Denver's pricier than Dallas) and the common mistakes (max out

that 401(k), people!). He urged players

to view money as "future freedom"—not

just for themselves, but generations.

With the NFL continuing to climb,

Kerney said his goal was to "change the mind-set from funding [kids'] college

educations to, 'How do I someday become a family office, because I am [Houston

star] J.J. Watt and I just grossed \$200 million before my 30th birthday."

Not every NFL attendee had a

mega-contract or was a mogul-in-training, however. Josh Martin, the Jets

linebacker, played for four clubs last year—Kansas City to Tampa to Indianapolis

to New York in the space of three months.

"I bounced around," he said. "I have

to think about life beyond football. Reality hits you quick, so you have to

maximize your money."

That's not NFL talk. That's wise advice for anyone. By now I've accepted

I'm never going to win a Super Bowl. But I can probably do something about

compound interest.

Heard On The Field



Atlético Stuns Barça

MADRID—No trophy in club soccer is harder to defend than the Champions League. In fact, since the tournament entered its modern era in 1992, no team in Europe has done it.

Not the great Ajax side of the mid-1990s, not the Real Madrid galacticos, and, after Wednesday night, not Barcelona.

The defending champions lost 2-0 to Atlético Madrid to crash out of the Champions League in the quarterfinals, 11 months after lifting the trophy in Berlin. At one end of the field, Barça ran headfirst into a brick wall of Atlético defenders. And at the other, the club leaked two goals to Atlético forward Antoine Griezmann (pictured)—a header in the 36th minute and an 88th-minute penalty kick.

"We did not suffer, had the ball, controlled the game," Barcelona manager Luis Enrique said, highlighting his side's 72% possession. "Then they took advantage of our mistake and got ahead."

Across Iberia in Lisbon, Bayern Munich held on for a 2-2 draw at Benfica to progress to by an aggregate score of 3-2. For manager Pep Guardiola, it means a seventh trip to the Champions League's penultimate round in the space of seven years.

Rounding out the final four are Real Madrid and Manchester City, who both punched their tickets on Tuesday. The matchups will be decided by random draw on Friday.

—Joshua Robinson

The Dawn of the American Hockey Revolution

By VIPAL MONGA

President Obama needled Canadian Prime Minister Justin Trudeau last month by suggesting that the United States was better at hockey than its Northern neighbor.

"Where's the Stanley Cup right now?" Obama asked. "I'm sorry, is it in my hometown with the Chicago Blackhawks? In case you Canadians were wondering, where is it?"

Trudeau made a meek reference to the higher number of Canadian born players on the Blackhawks' cup winning team, but it was a feeble comeback. Obama's taunts underline a looming truth: Americans are becoming a stronger force in hockey. In fact, 2016 may go down as the year the U.S. truly began its takeover of the National Hockey League.

Never mind that this year, for the first time since 1970, no Canadian team made the NHL playoffs, which started Wednesday. Forget that no Canadian team has won the cup since 1993. It's everything: Not only did Blackhawks forward Patrick Kane become the top scorer this year, the first time ever an American has done it, there were also more Americans than any other nationality among the league's top 10 scorers.

The No. 1 pick in this year's draft will almost certainly be Auston Matthews. The 18-year old prodigy would become only the seventh American to go first in the draft, but the third in the last 10 years. He'll also be the first No. 1 pick to come from the decidedly untraditional hockey hotbed of Scottsdale, Ariz., instead of the U.S. hockey cradles in the upper Midwest or Northeast.

For the last three years running, roughly a quarter of all NHL players in the league have been American, the highest proportion on record, and there are more players registered with USA Hockey than ever before.

Things look a lot different today than they did about 25 years ago. Mike Modano, the leading American-born goal scorer in NHL history, remembers moving to Dallas with the Minnesota North Stars in 1993.

"At the start, it was really just a novelty," he said, recalling that fans didn't know how to watch the game and the radio and TV broadcasters didn't know how to call the plays.



Chicago Blackhawks forward Patrick Kane became the first American to lead the NHL in scoring.

"There was a little bit of frustration at the beginning. We were starting from scratch."

Back then, there were fewer than 1,000 hockey players in the whole state registered with USA Hockey, and Modano could count on one hand the number of ice rinks in the Dallas/Fort Worth metroplex. As of last year, there were 13,500 registered players in Texas, and there are now nine rinks in the area, including seven that are operated by the first-place Dallas Stars.

Of course, those numbers still pale in comparison with Canada's. There were more players registered with Hockey Canada last year than all the players, coaches and officials combined in the U.S.

Canadians have long rolled their eyes at their neighbors' ambitions. Canadian teams don't often have to rely on miracles to win games. There's also a sense of ownership

over the game up North that some see as arrogance.

Don Cherry, former coach of the Boston Bruins and a longtime NHL commentator, once ridiculed Americans for how little they knew about hockey. He recalls scoffing from the bench when he was a player with the Hershey Bears American Hockey League team in Pennsylvania in 1954. During a game against the Pittsburgh Hornets, he heard fans say players were "dribbling" the puck down the ice, instead of the proper "stickhandling."

But today, it's Canadians who are shifting their approach to the game as the U.S. makes its presence felt.

"It's changing the character of the game," Cherry said. "We used to call them hockey sweaters, but the Americans called them jerseys, so now we all call them jerseys. The jargon has all changed."

There are signs that hockey's pri-

macy up North can't be taken for granted. A survey released in 2013 by Hockey Canada and equipment-maker Bauer Hockey Inc., reported that 90% of Canadian children weren't playing hockey. The findings set off a round of hand-wringing across Canada, which might be the country's second favorite pastime, after playing the sport itself.

Cherry is a big Canada booster and sees no end to the country's hockey supremacy. He points to the last two Olympic gold medals, won by Canada—the last one easily—and the ability of a country with a population one-tenth the size of the U.S. to keep churning out high-end talent.

"You have to realize that the only thing Canadians are noted for really in the world is hockey," he said. "There's really no comparison. No country can touch us."

But if current trends continue, the U.S. might get close.