

THE WALL STREET JOURNAL.

What's News

Business & Finance

- ◆ **Tesla CEO Musk** sought to assuage Wall Street's concerns about the company's strategic direction by underscoring the automaker's commitment to making less-expensive electric cars. **A1**
- ◆ **The FTC banned** employers from using noncompete contracts to prevent most workers from joining rival firms, achieving a policy goal that is popular with labor but faces an imminent court challenge from business groups. **A1**
- ◆ **Major U.S. stock indexes** increased ahead of a spate of big earnings reports, with the S&P 500, Nasdaq and Dow gaining 1.2%, 1.6% and 0.7%, respectively. **B1**
- ◆ **GM lifted its profit** outlook for the year as the automaker reported a 24% rise in first-quarter earnings driven by solid U.S. sales of pickup trucks. **B1**
- ◆ **Shares of Spotify** surged more than 11% after the audiostreaming company swung to a first-quarter profit. **B4**
- ◆ **Starbucks asked** the Supreme Court to limit the NLRB, a government labor board that has been eager to support union drives. **A2**
- ◆ **IBM is nearing an** acquisition of cloud-software provider HashiCorp, people familiar with the matter said. **B4**
- ◆ **AI companies** including OpenAI, Meta and Google agreed to incorporate new measures to protect children from exploitation and plug holes in their existing defenses. **B1**
- ◆ **Country singer-songwriter** Miranda Lambert announced a partnership with Universal Music Group's Republic Records. **B1**

World-Wide

- ◆ **The Senate passed** a long-delayed \$95.3 billion foreign-aid package sending ammunition and military equipment to Ukraine and fortifying Israel's missile defense systems, while also forcing the sale of Chinese-controlled TikTok in the U.S. **A4**
- ◆ **The U.S. is drafting** sanctions that threaten to cut some Chinese banks off from the global financial system for their role in commercially supporting Russia's military production, people familiar with the matter said. **A1**
- ◆ **Tabloid publisher** David Pecker told a Manhattan jury that nearly a decade ago he reached a deal with then-candidate Donald Trump and his lawyer Michael Cohen to bury stories that could be politically harmful to the contender. **A4**
- ◆ **The Supreme Court** was scheduled to consider under what circumstances women with serious pregnancy complications can obtain abortions in states where the procedure is banned. **A5**
- ◆ **Fighting between Israel** and Hamas intensified in northern Gaza, where 200 days into the conflict territory is still heavily contested and Israel says thousands of militants remain. **A8**
- ◆ **Columbia's president** faced mounting discontent as the university grapples with protests over the Israel-Hamas war, prompting administrators to switch to hybrid classes for the rest of the semester. **A3**
- ◆ **Police in Germany** arrested a prominent far-right politician's parliamentary assistant on suspicion of spying for China. **A10**

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Gershkovich Keeps Spirits High Despite Rebuff



APPEAL DENIED: Wall Street Journal reporter Evan Gershkovich shapes a heart with his hands after a hearing in Moscow Tuesday. The court rejected the appeal against his detention. The State Department has declared him wrongfully detained. **A9**

FTC Bans Noncompete Clauses, Setting Up Clash With Business

By **DAVE MICHAELS** AND **LINDSAY ELLIS**

WASHINGTON—The Federal Trade Commission on Tuesday banned employers from using noncompete contracts to prevent most workers from joining rival firms, achieving a policy goal that is popular with labor but faces an imminent court challenge from business groups.

The measure, approved by the agency's Democratic majority on a 3-to-2 vote, marks the first time in more than 50 years that FTC officials have

issued a regulation to mandate an economywide change in how companies compete. The commission has historically operated like a law-enforcement agency, investigating and suing individual companies over practices or deals deemed to violate the law.

The rule prohibits companies from enforcing existing noncompete agreements on anyone other than senior executives. It also bans employers from imposing new noncompete contracts on senior executives in the future. FTC Chair Lina Khan said

the rule restores rights to Americans that corporations have taken by imposing noncompete clauses in the workplace. "Robbing people of their economic liberty also robs them of all sorts of other freedoms," she said.

The Biden administration pushed for a regulatory assault on noncompetes in 2021, when the White House issued a blueprint for stricter enforcement of the antitrust laws. The rule is the capstone of a larger set of moves at the FTC that have elevated the interests of workers in antitrust

enforcement.

Noncompete clauses violate a 110-year-old law that prohibits unfair methods of competition, the FTC says. The restrictions hamper competition for labor, the agency says, and result in lower pay and benefits for workers.

The practice has grown more prevalent and now affects nearly 1 in 5 American workers. Even lower-wage workers such as restaurant employees and hair stylists, who lack access to intellectual property or trade secrets, *Please turn to page A2*

Tesla to Speed Up Rollout Of Latest Models

EV maker's profit drops sharply, but shares rise after news of launch plans

By **REBECCA ELLIOTT**

Tesla Chief Executive Elon Musk sought to assuage Wall Street's concerns about the company's strategic direction by underscoring the automaker's commitment to making less-expensive electric cars.

On the company's earnings call Tuesday, Musk said Tesla was accelerating the launch of new models, including vehicles that would sell at more-affordable prices.

His comments cap a dismal start to the year for the world's most valuable automaker, which saw its first-quarter profit plunge to its lowest level since 2021. Tesla's operating margin also narrowed significantly, dropping to 5.5% in the first three months from 11.4% a year earlier.

Musk also emphasized the importance of Tesla achieving its longstanding—and thus far elusive—goal of developing an autonomous car.

He shared new details about the company's plans for a dedicated robotaxi model and ride-hailing network, saying Tesla would operate its own fleet and allow customers to deploy their vehicles for the service, which he compared to Airbnb. Musk also floated a possible name for the robotaxi, which is set to be unveiled in August. In an offhand remark, he referred to the model as the "Cybercab."

"If somebody doesn't believe Tesla is going to solve *Please turn to page A6*

◆ **GM raises its 2024 profit outlook**..... **B1**

Wood's Popular ARK Funds Sink, Investors Withdraw \$2.2 Billion

By **JACK PITCHER**

Cathie Wood's investors are jumping ship.

They rushed into her funds and won big during the pandemic, when the star fund manager became a social-media sensation by making bold bets on disruptive technology stocks such as Tesla, Zoom Video Communications and Roku. They largely stuck with her when the funds' fortunes reversed after the Federal Reserve raised interest rates. Now, after years of bruising losses, many of them have had enough.

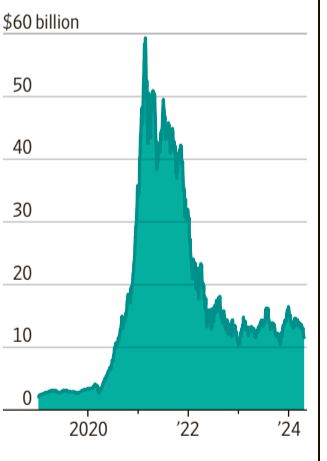
Investors have pulled a net \$2.2 billion from the six ac-

tively managed exchange-traded funds at her ARK Investment Management this year, a withdrawal that dwarfs the outflows in all of 2023. Total assets in those funds have dropped 30% in less than four months to \$11.1 billion—after peaking at \$59 billion in early 2021, when ARK was the world's largest active ETF manager.

"The loyal shareholders have become frustrated," said Todd Rosenbluth, head of research at data provider VettaFi. "This should be a better *Please turn to page A6*

◆ **Tech shares lead stock indexes higher**..... **B1**

Assets under management, actively managed ARK ETFs



Source: FactSet

U.S. Weighs Penalties On Chinese Banks Over Russia War Aid

By **IAN TALLEY** AND **ALAN CULLISON**

The U.S. is drafting sanctions that threaten to cut some Chinese banks off from the global financial system, arming Washington's top envoy with diplomatic leverage officials hope will stop Beijing's commercial support of Russia's military production, people familiar with the matter said.

But as Secretary of State Antony Blinken headed to Beijing on Tuesday, the question is whether even the threat of

the U.S. using one of its most potent tools of financial coercion can put a dent in complex and burgeoning trade between Beijing and Moscow that has allowed the Kremlin to replenish a military badly mauled by more than two years of fighting in Ukraine.

China has heeded Western warnings not to send arms to Russia since the beginning of the war, but since Blinken's trip to Beijing last year, China's exports of commercial goods that also have military *Please turn to page A9*

INSIDE



Those 'I Am Not a Robot' Tests Are Getting Harder

Captchas that aim to distinguish humans from bots are demanding more brain power

By **KATIE DEIGHTON**

Scott Nover was trying to log in to a website on his laptop when he found himself staring at a bizarre portrait of a woodland creature wearing a jacket and vest with flowers and watermelon slices floating about.

"Please click on the raccoon's bow tie," came the instruction.

Nover, a freelance journalist, wasn't dreaming. He had entered the strange new world of Captchas—those annoying computer quizzes cooked up by web security experts to distinguish humans from nefarious bots.

For years, people trying to shop online or log into social-media accounts might be pressed to complete bothersome but largely simple tasks—deciphering words in distorted type, clicking on pictures of buses, adding up numbers. Now those tasks are getting odder and require a few notches more brain power.

"Select two objects that are the same shape." "Match the number of rocks with the number on the left." "Click on the *Please turn to page A12*

How Citigroup Kept Running in Ukraine

The only U.S. bank around navigates a sometimes treacherous landscape

By **DAVID BENOIT**

A piece of shrapnel from a Russian missile hangs on the wall of Citigroup banker Alexander McWhorter's office in Kyiv. He got it from a client whose factory was struck early in the war, a token of their long relationship and their plans to rebuild.

Two years into the Ukrainian war, Citigroup is the only U.S. bank around, navigating a sometimes treacherous landscape. McWhorter, the bank's top executive in the country, juggles keeping Citi's staff alive with the role of helping giant companies

such as McDonald's and Unilever stay open.

Citigroup's identity is based on being a global bank. The world's biggest companies turn to it to store money and pay employees across their empires. Few rivals can match *Please turn to page A10*

Aid Package Is Approved

Senate passes long-delayed measure to boost Kyiv in war with Russia..... **A4**

U.S. NEWS

Starbucks Presses Justices to Limit NLRB

High-court case on union drives comes as other companies air their own disputes

By ERIN MULVANEY

Starbucks asked the Supreme Court on Tuesday to limit a government labor board that has been eager to support union drives, a case that comes as other top companies mount aggressive defenses against the agency.

In the Biden era, the National Labor Relations Board has pursued a bold enforcement agenda to bolster worker protections. The board, which referees disputes between employers and workers, has expanded pathways for forming a union and made it easier for employees to challenge workplace practices. It also has broadened the types of remedial compensation workers can receive if an employer treats them unfairly.

The NLRB has brought a dozen cases seeking injunctions against Starbucks alone, challenging the chain's responses to unionization efforts.

With an aggressive board, union organizing has increased across the U.S. In

2023, more than 100,000 workers organized in NLRB-conducted elections, the largest in a single year since 2000.

The organizing push has expanded into the technology sector, retail and other areas.

"The amount of union activity is surging where you would not expect to see it," said Steven Sufias, who practices employment law at Holland & Hart. "And some of the companies suing have acrimonious relationships with the NLRB these days."

The Starbucks case at the Supreme Court is an outgrowth of a unionizing campaign in Memphis, Tenn. The union alleged the company engaged in unlawful tactics, culminating with the firing of seven union activists. The NLRB filed a complaint alleging unfair labor practices and asked a federal court to issue a temporary injunction. A judge ordered the interim reinstatement of the terminated employees, among other things. An appeals court affirmed that order.

Starbucks said the fired employees broke several company policies, including by allowing a news crew into the store after hours to promote the unionization drive. The company petitioned the Su-

preme Court to hear the case on the grounds that some lower courts—including the judges in this litigation—have followed a legal standard that makes it too easy for the NLRB to win injunctions.

William Gould, a former NLRB chair and law professor at Stanford University, said the specific legal question before the court—whether a two-part or four-part legal test should be used—may not have a huge impact, but he said the justices' interest in the case has broader significance.

"The fact that they took this case indicates they are listening to Starbucks, and they think the board should somehow be reined in," he said.

During Tuesday's oral arguments, several conservative justices questioned whether the NLRB-friendly standard used by some courts is legally sound. Justice Neil Gorsuch asked why the board should be treated better than other government litigants seeking injunctions.

Voicing more support for the board, Justice Ketanji Brown Jackson said the NLRB's cases were different than other litigation, and that legal rules should take into account the board's role in policing unfair labor practices.



Memphis Starbucks workers on strike last November.

Starbucks recently agreed to resume collective-bargaining talks with the union this week. Workers at hundreds of stores have voted to unionize.

Some companies are making arguments against the NLRB in litigation, including that the board's entire structure is unconstitutional. SpaceX, which faces a board complaint for allegedly firing workers who criticized Elon Musk, is pressing this claim in

a federal lawsuit against the board, a five-member body that currently has three Democrats and one Republican, with one seat vacant. Most initial labor complaints and election petitions are handled by regional administrative law judges. The company said this structure violates its right to a jury trial and that there should be more executive oversight of board members.

In defending labor-board

complaints against them, Amazon.com, Trader Joe's and Starbucks are also making this argument.

The NLRB has said those claims are meritless. It also points to a 1937 Supreme Court decision that upheld the constitutionality of the board.

In other recent litigation, the board has had its share of both wins and losses. It beat Starbucks in a case in March over its stopping workers from distributing union buttons. It lost against Tesla over its barring employees from wearing union T-shirts instead of company-issued uniforms.

The NLRB's policies and enforcement can vary considerably between administrations. The pendulum swing has been particularly pronounced since President Biden's nominees replaced the leadership team put in place by former President Donald Trump.

"We are in a critical moment," NLRB General Counsel Jennifer Abruzzo said in an interview, citing workers' interest in organizing. "You're seeing deep-pocketed, low-road employers who are breaking the law, and then trying to prevent us from enforcing the statute. And unfortunately, they are doing it because they have money."

U.S. WATCH



The 'Devil's Comet' will be visible to the naked eye in the Northern Hemisphere over the next few days.

ASTRONOMY

Comet Returns After 71 Years

An icy comet with a demonic sobriquet is now visible to the naked eye for the first time in 71 years.

Look for the "Devil Comet" in the hour after sunset in the Northern Hemisphere. The fuzzy blob can be glimpsed in the western sky, down and left from Jupiter's bright orb. Using binoculars or a telescope will make it easier to spot.

"You've got a chance for the next couple of days," said Jonti Horner, a professor of astrophysics at the University of Southern Queensland.

The comet is brightest in the sky this week, having just made its closest approach to the sun. With each passing day, it gets lower on the horizon and will soon disappear from view for skywatchers north of the equator.

The comet—sometimes called the "Mother of Dragons"—got its nickname after astronomers observed a few volcanic-like eruptions that, temporarily, resembled a pair of horns. It will next return to our night skies in 2095.

—Aylin Woodward

MICHIGAN

U.S. Settles Nassar Cases With Victims

The U.S. Justice Department announced a \$138.7 million settlement Tuesday of the 139 claims from people who accused the FBI of grossly mishandling allegations of sexual assault against Larry Nassar in 2015 and 2016, a critical time gap that allowed the sports doctor to continue to prey on victims before his arrest.

Nassar worked at Michigan State University and also served as a team doctor at USA Gymnastics. He is serving decades in prison for assaulting female athletes, including medal-winning Olympic gymnasts.

Acting Associate Attorney General Benjamin Mizer said Nassar betrayed the trust of those in his care for decades, and that the "allegations should have been taken seriously from the outset."

For more than a year, FBI agents in Indianapolis and Los Angeles had knowledge of allegations against him but apparently took no action, an internal investigation found.

—Associated Press

BALTIMORE

Port Set to Allow Some Shipping

Officials in Baltimore plan to open a deeper channel for commercial ships to access the city's port starting on Thursday, marking a significant step toward reopening the major maritime shipping hub that has remained closed to most traffic since the Francis Scott Key Bridge collapsed last month after being struck by a cargo ship.

The new channel will have a controlling depth of 35 feet, which is a substantial increase over the three other temporary channels established in recent weeks. It puts the cleanup effort slightly ahead of schedule as officials previously said they hoped to open a channel of that depth by the end of April.

Officials said crews have cleared enough wreckage to open the new channel to "commercially essential vessels" from Thursday until the following Monday or Tuesday.

Starting early next week, the channel will be closed again until roughly May 10 to accommodate "critical and highly dynamic salvage operations," port officials have said.

—Associated Press

OKLAHOMA

Father Kills Family, Self; Spares Son, 10

A 10-year-old boy awoke to find his parents and three brothers dead in their southwest Oklahoma City home, all fatally shot by his father, police said Tuesday.

On Monday morning, "(the boy) woke up and discovered what had happened," said Sgt. Gary Knight, describing the scene as "carnage."

"Make no mistake about it, what happened in that residence was nothing short of a massacre," Knight said.

Police believe Jonathan Candy, 42, killed his wife, 39-year-old Lindsay Candy, and sons 18-year-old Dylan Candy, 14-year-old Ethan Candy and 12-year-old Lucas Candy, Knight said. He said Jonathan Candy then turned the gun on himself.

Knight said investigators believe the shooting began after an argument between the parents late Sunday night or early Monday morning.

Knight said it isn't known why the fourth child was spared or a motive for the shootings. Police had no previous contact with the family.

—Associated Press

Noncompete Clauses Banned

Continued from Page One

have been subject to them.

Sales staff, engineers, doctors and salon workers are among the most common types of workers affected by companies' enforcement of noncompete clauses, according to research published by Cornell University professor Matt Marx in 2022.

Businesses that use noncompete agreements say they are an effective way to protect their intellectual property and other investments.

The FTC's final rule becomes effective in four months. The U.S. Chamber of Commerce plans to sue the FTC as soon as Wednesday over the rule. The suit would argue that the FTC lacks the legal authority to issue the rule and would ask a federal court to invalidate it, Chamber officials said this week.

"If they can issue regulations with respect to unfair methods of competition, then there's really no aspect of the U.S. economy they couldn't regulate," said Neil Bradley, head of strategic advocacy for the Chamber.

States have traditionally regulated noncompete agreements, with some states banning them completely. In California, the

lack of noncompete restrictions has allowed talented engineers and other tech workers to easily switch employers or start their own companies.

New York Gov. Kathy Hochul last year vetoed legislation that would have banned them in her state, including on Wall Street. Hochul said then that legislation should preserve noncompetes for some higher-compensated employees.

One of Wall Street's biggest trade groups, the Securities Industry and Financial Markets Association, told the FTC last year that noncompetes help brokerage firms and asset managers protect trade secrets and other sensitive information from leaking to rivals.

Sifma warned that banks and credit unions are exempt from FTC regulation and would be able to keep using noncompetes, giving them an advantage over other financial firms subject to the restriction. Nonprofit healthcare employers also are exempt from the rule's reach.

Outlawing noncompetes is hugely popular with many workers, and the FTC estimates that its rule would boost their earnings by \$400 billion or more over 10 years.

Sabrina Parris, a tax con-

sultant in Hickory, N.C., signed a noncompete agreement early in her career that blocked her from working with former clients if she left her then-employer, an accounting firm. When she departed, hoping to start her own business, the employer reminded her of that contract, she said.

After she started the company, which helped small businesses with tax compliance, she turned down former clients when they reached out.

"I told them I couldn't work with them, and that they were in good hands and should stay where they were," said Parris, who said she also was an Uber driver on nights and weekends to supplement her income. "The noncompete scared me a little."

The FTC hasn't traditionally behaved like a regulator, at least with respect to its antitrust enforcement mission.

Regulatory agencies write rules that try to shape business practices by, for example, requiring truthful disclosures or forbidding certain conflicts of interest. But the FTC and the Justice Department, which share antitrust authority, have used enforcement actions—mainly civil lawsuits—to stop conduct they believe violates the antitrust laws.

Before taking over the FTC, Khan wrote that approach

hadn't served consumers well. Courts had become too timid, she argued, about strictly enforcing the antitrust laws and had allowed monopolies to flourish across the economy.

The measure approved on Tuesday only permits current noncompete agreements with senior executives, which the FTC defined as people earning more than \$151,164 annually who have policymaking responsibilities at an organization.

In dissent, the FTC's two Republican commissioners said the agency seized power that it doesn't have to invalidate noncompete contracts across the U.S. Commissioner Melissa Holyoak said the FTC could use enforcement actions to punish certain anticompetitive noncompete agreements but lacked clear permission from Congress to regulate the practice out of existence.

The practice has increased and now affects nearly 1 in 5 U.S. workers.

CORRECTIONS & AMPLIFICATIONS

A Smithfield hog-processing plant in Tar Heel, N.C., was unionized in 2008. A U.S. News article on Monday about unions in Southern states incorrectly said it was in South Carolina.

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



FTC Chair Lina Khan

THE WALL STREET JOURNAL

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

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, N.Y. 10036

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

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

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U.S. NEWS



Columbia President Minouche Shafik has been criticized for calling in police last week to shut down an encampment of pro-Palestinian protesters. Students have re-pitched tents. Others fault her for not doing enough to quash protests.

At Columbia, Discontent Rises Over Handling of Protests

By MELISSA KORN AND ALYSSA LUKPAT

Columbia University President Minouche Shafik is facing mounting discontent as the school grapples with intense protests over the Israel-Hamas war, with the latest round prompting administrators to switch to hybrid classes for the remainder of the semester.

Late Monday, the university said students could choose to attend classes in person or online for the final few weeks of the term, a sign that leaders don't expect an immediate end to the tensions on campus.

Criticism of Shafik has taken a variety of forms in recent days.

Some faculty and student groups have called on her to step down, citing her statements to a congressional committee last week that seemed to set limits on what is acceptable for professors to say in academic settings. Others say she trampled on students' free-speech rights by calling in police last week to shut down a demonstration. Still others say they are disappointed by how little Shafik has done to quash protests. Meanwhile, other professors and alumni say changing leadership now would throw the campus into further chaos.

The Columbia and Barnard College chapter of the American Association of University Professors has drafted a resolution censuring Shafik, and is seeking to put it before the University Senate for a discussion later this week.

The group of professors is also petitioning to have the resolution be considered by the Faculty of Arts & Sciences, among other schools within Columbia, according to Marcel

Agüeros, an association professor of astronomy and secretary of the AAUP chapter. The censure criticizes Shafik's leadership, but doesn't call for her ouster.

"President Shafik is focused on deescalating the rancor on Columbia's campus," said Ben Chang, a spokesman for the school. "She is working across campus with members of the faculty, administration, and Board of Trustees, and with state, city, and community leaders."

Tensions are also flaring at other schools around the country.

The University of Minnesota said nine protesters on the Twin Cities campus were arrested Tuesday after refusing to take down an encampment. California State Polytechnic University, Humboldt, said it would be closed through Wednesday as protesters continue to occupy a campus building. The New York City Police Department said it took 120 people into custody Monday at the request of New York Uni-

versity officials. Police in New Haven, Conn., arrested about 50 student protesters at Yale.

On Tuesday, more than two dozen Senate Republicans sent a letter urging Attorney General Merrick Garland and Education Secretary Miguel Cardona to intervene.

"You need to take action to restore order and protect Jewish students on our college campuses," the senators said. Others, including Sens. Josh Hawley (R., Mo.) and Tom Cotton (R., Ark.) have called for the National Guard to intervene.

Columbia has been the center of the movement in recent days, making its president, who took the helm in July, particularly vulnerable.

Last Wednesday, Shafik testified before a House committee alongside two trustees and a co-chair of the university's antisemitism task force to discuss whether the school has done enough to protect Jewish students. Elizabeth Magill and Claudine Gay resigned as presidents of the University of

Pennsylvania and Harvard University, respectively, after being grilled by the same committee in December.

Shafik didn't repeat their errors, such as saying context was needed to determine whether calls for the genocide of Jews would violate campus policies. But some Columbia professors and free-speech advocates say she disregarded the protections generally afforded to faculty members, and unfairly maligned certain professors who have expressed support for Hamas.

Opposition to Shafik's leadership escalated after she asked the NYPD to help break down a protest encampment on Thursday, resulting in the arrests of about 100 students. The students re-pitched the tents late last week, and have remained there since.

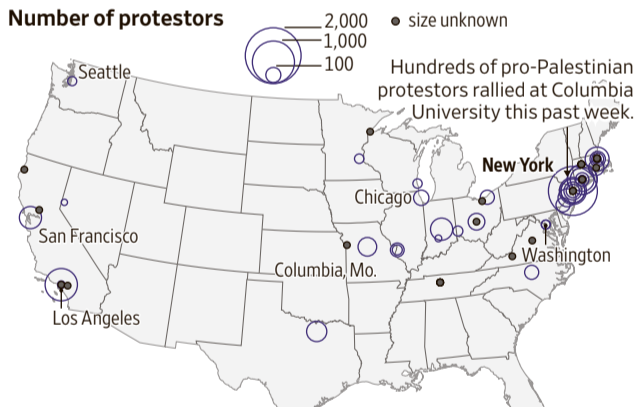
A group of faculty walked out Monday to protest the use of police force and what they said were excessive disciplinary measures against students.

Meanwhile, an open letter to Shafik, Columbia's board of trustees and deans of its schools—signed by more than 3,000 faculty, students, parents and alums—detailed concerns about the escalating situation on campus and called for the school to pursue disciplinary action as needed, while still supporting free speech.

—Erin Ailworth, Miles Kruppa, Tarini Parti and Jon Kamp contributed to this article.

◆ Israelis return to towns Hamas attacked..... AB

Higher education pro-Israeli and pro-Palestinian protests since last Tuesday



Note: As of April 21. Number of protesters indicates the average number of demonstrators recorded at each protest event. Source: Crowd Counting Consortium. Carl Churchill and Max Rust/THE WALL STREET JOURNAL

Colleges Rethink Graduation Plans

By MELISSA KORN

Ezra Dayanim anticipates his commencement ceremony at Columbia University next month will be interrupted by hisses and boos, especially when the university's president addresses the crowd.

He is just hoping the disruption doesn't go beyond that.

Dayanim, who is graduating this spring with a joint degree from Columbia and the Jewish Theological Seminary, plans to bring his parents and fiancée to the ceremony. He has generally felt safe around school, he said, and none of his guests have expressed reservations about attending.

But in light of what he described as a more hostile mood on campus in recent days because of confrontations over the Israel-Hamas war, he is relieved his grandparents aren't making the trip like they did when his sister graduated from Barnard College a few years ago.

"I can't imagine my grandparents being able to walk around on campus peacefully," he said. "All it takes is one person to say something, knock them over."

With a fresh round of pro-Palestinian protests sweeping

campuses nationwide, university administrators are rethinking their plans for celebrating spring graduation with an eye toward safeguarding students and guests, and their own reputations, from potentially ugly and violent political disputes.

"We cannot have one group dictate terms and attempt to disrupt important milestones like graduation to advance their point of view," Columbia President Minouche Shafik said in a letter to the school community Monday.

Concerned about bad optics during an extremely public moment, as well as the physical safety of the tens of thousands of campus visitors, schools are taking a range of steps to head off problems at commencement—though some of those efforts are backfiring.

The University of Southern California caused an uproar last week after scrapping a planned speech from its valedictorian, a Muslim student who has advocated for Palestinians.

The school cited safety concerns amid increasingly heated conversations over the original selection; demonstrators criticized the move with a wave of protests.

Days later, USC said it also wouldn't have outside speak-

ers and honorees at its May 10 commencement ceremony, which draws 65,000 people to campus.

USC said on Friday that it would provide more updates this week.

The University of Michigan, which will hold its commencement ceremony on May 4, is setting up designated areas for protests outside venues at many of its ceremonies, according to an update posted to the school's website.

"Commencement ceremonies have been the site of free expression and peaceful protest for decades and will likely continue to be," the school said, adding that it doesn't try to prevent peaceful protests or other protected speech and leadership "will generally be patient" with lawful disruptions.

However, Michigan will prohibit banners and flags at commencement events and said it aimed to keep the focus on celebrating graduates' successes.

"If protests significantly impede the program, leadership will take steps to de-escalate and address the interruption," the school said.

Many in this year's graduating class missed their high-school ceremonies four years ago, during the early days of

the Covid-19 pandemic.

University leaders say they are trying to avoid having a major life moment marred a second time for those students.

On Monday, a team of workers in navy blue was covering the grass on a portion of Columbia's main lawn with a layer of turf, to be topped by folding chairs closer to the May 15 event.

Across a brick walkway, the other lawn was covered with an encampment of tents, Palestinian flags and signs declaring the space a "liberated zone."

A coalition of faculty and staff at Columbia, Barnard and the Teachers College called for faculty to boycott commencement activities unless the school meets a number of demands articulated by those in the encampment since last week.

The list includes removing city police from campus, reinstating student groups that have lost official recognition because of prior protest activity, divesting itself from companies tied to weapons manufacturing and offering amnesty for students and faculty disciplined for their recent protest actions.

—Erin Ailworth contributed to this article.

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SENTIENT JET

U.S. NEWS

Senate Passes Ukraine, Israel Aid Package

By KATY STECH FERREK AND LINDSAY WISE

WASHINGTON—The Senate passed a long-delayed \$95.3 billion foreign-aid package sending much-needed ammunition and military equipment to beleaguered Ukrainian soldiers and fortifying Israel's missile defense systems, while also forcing the sale of Chinese-controlled TikTok in the U.S.

The 79-18 vote Tuesday night brought to a close months of wrenching debate over Ukraine that sharply split the Republican Party, with rank-and-file members openly rebelling against their leaders. The fight also called into question both how far the U.S. would go to defend the country, now in the third year of trying to repel Russia's invasion, as well as America's leadership role in the world.

The measure passed the House on Saturday and now goes to President Biden's desk. Biden, who has been pushing for a big foreign-aid package since the fall, said he would sign the measure into law on Wednesday.

The measure contains money for Ukraine, Israel and Taiwan, as well as humanitarian aid for Gaza—largely matching an earlier Senate bill—plus additions made by the House, such as sanctions on Russia and Iran and the TikTok provision. Leaders in the GOP-controlled House also changed roughly \$9.5 billion in economic aid to Ukraine into forgivable loans rather than grants, to make it more politically palatable to Republicans.

Senate Majority Leader Chuck Schumer (D., N.Y.) credited the White House as well as Republicans who backed Ukraine for advancing the

measure, noting that House Speaker Mike Johnson (R., La.) put his political future on the line when he moved forward with the package.

"In a resounding bipartisan vote, the relentless work of six long months has paid off," Schumer said on the Senate floor.

In a statement, Biden thanked lawmakers of both parties, saying they answered "history's call at this critical inflection point" by sending a message to allies and foes about American power.

The bill had broad support in the Senate, with backing from almost all Democrats and a majority of Republicans. Several Republicans who had opposed an earlier iteration of the package, which came after a failed push to attach it to a border-policy overhaul, switched their vote to support Tuesday's bill.

The package has roughly \$60 billion for Ukraine, most of which would flow to the U.S. defense industry for additional weapons such as ammunition and rocket launchers. The new aid comes on top of the more than \$100 billion spent on Kyiv since Russia invaded in February 2022.

"This sends a strong signal that after a lot of debate and discussion here in the Capitol and around the country, we still want to be America. We still want to be a trustworthy and reliable ally," said Sen. Chris Coons (D., Del.).

The foreign-aid package had split Republicans in the House, which passed the measure Saturday over loud objections from some GOP lawmakers. A handful of members have pushed for Johnson to step down as speaker, citing the Ukraine vote as well as recent spending deals struck



Ukrainian troops fired toward Russian lines this week in the Donetsk region. The package has roughly \$60 billion for Ukraine.

with Democrats and a foreign-surveillance law extension.

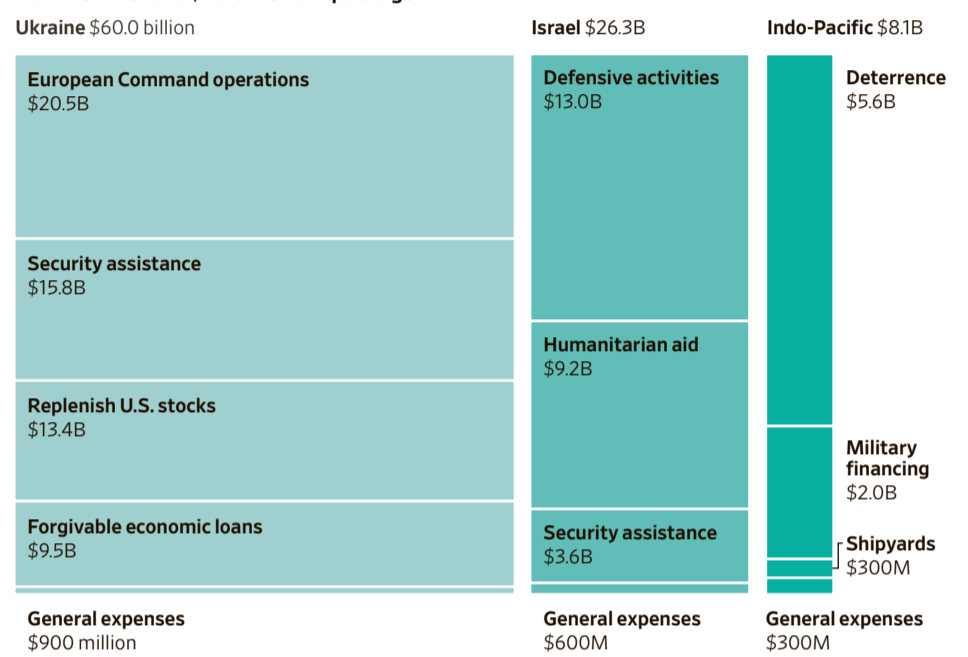
A similar but more muted dynamic played out in the Senate. A pro-Ukraine wing led by Senate Minority Leader Mitch McConnell (R., Ky.) emerged victorious after vying with lawmakers who opposed more money for Ukraine.

"This has been a historic line of division between Americans—those who see anything that we do overseas as somehow neglecting our responsibilities at home," said Sen. John Cornyn (R., Texas), who supported the package. "The truth is, we need to be able to do both."

Sen. Eric Schmitt (R., Mo.), who voted against the measure, called the support for Ukraine to defend its borders "an insult to the American people" while the U.S. struggles with an influx of migrants at its own border with Mexico.

Republican "no" votes tended to come from newer members of the Senate who have aligned themselves with the isolationist foreign policies of former President Donald Trump. Trump didn't endorse the proposal but also declined to actively oppose it, after House lawmakers em-

Breakdown of the \$95 billion aid package



Note: Parts don't add to their totals due to rounding
Source: House Committee on Appropriations

James Benedict/THE WALL STREET JOURNAL

braced his suggestion and turned part of the Ukraine aid package into a loan.

Defense hawks in Congress have supported additional aid as a way to counter Russian aggression without committing U.S. troops to the fight.

Skeptics have said they want a more clear strategy for winning the war and have also questioned whether the U.S. can afford to participate in another overseas conflict.

The measure also contains \$26 billion for Israel, which in-

cludes direct aid, money for replenishing U.S. stockpiles and supporting U.S. operations in the region, and humanitarian aid for Gaza and other war-torn regions. The proposal allocates about \$8 billion to support Taiwan and the Indo-Pacific.

Tabloid Publisher Testifies on Trump Catch-and-Kill Deal

By CORINNE RAMEY AND ERIN MULVANEY

Tabloid publisher David Pecker told a Manhattan jury that nearly a decade ago, he reached an unusual deal with then-candidate Donald Trump and his lawyer Michael Cohen: The trio pledged to bury stories that could be politically harmful to Trump.

They wrote nothing down at that August 2015 meeting at Trump Tower, testified Pecker, to keep the arrangement confidential. "It was just an agreement among friends," said Pecker, 72 years old.

Prosecutors say that agreement constitutes a criminal conspiracy.

Pecker's testimony came on the second day of Trump's first criminal trial. During opening statements, a prosecutor told jurors that Trump directed a criminal conspiracy—comprising the former president, Cohen and Pecker—to influence the 2016 election by buying the silence of people with salacious stories about Trump through a tabloid practice known as "catch and kill." Trump and Cohen then covered up their crimes by lying in New York business records, including about reimbursements for a payment to porn star Stormy Daniels, the prosecutor said.

The testimony of Pecker, who served as chief executive of American Media, then the publisher of the National Enquirer, will likely be key to prosecutors' case because it could corroborate Cohen's account.

On the stand Tuesday, Pecker said he had been friends with Trump since the 1980s. Their mutual interests aligned decades later as Trump's fame, driven by the reality show "The Apprentice," bolstered tabloid sales.

Pecker told jurors that after the 2015 meeting at Trump Tower, he told the National Enquirer editors about the arrangement, and encouraged them to run negative stories about Trump's presi-

dential opponents. A prosecutor showed slides with the resulting tabloid headlines, including "Bungling Surgeon Ben Carson Left Sponge In Patient's Brain!"

Pecker made good on his promise to buy negative stories, he said. In one instance, Pecker called Cohen to tell him about Trump doorman Dino Sajudin, who had approached the National Enquirer with a story about Trump fathering a love child with his housekeeper. Pecker said he told Cohen he would pay for it, despite the fact he couldn't corroborate the story.

Pecker said Cohen thanked him. "He said, 'The boss will be very pleased,'" Pecker said. Then, in 2016, former Play-



Former President Donald Trump sat at the defense table in a Manhattan courtroom on Tuesday.

boy Playmate Karen McDougal came forward with a story of an affair with Trump, Pecker said. The publisher said he spoke first to Cohen—who insisted they use the encrypted Signal application—then to Trump himself.

Trump balked and told Pecker he didn't plan on paying McDougal off, saying, "Anytime you do anything like this, it always gets out." Pecker said he advised him to buy the story this time. The then-candidate told him he would think about it and that Cohen would let him know.

Pecker is slated on Thursday to continue his testimony, which is likely to detail discussions around the hush-money

payment to Daniels. Then, Trump's lawyers will have a chance to question Pecker. Trump has denied affairs with McDougal and Daniels.

Earlier Tuesday, Justice Juan Merchan weighed whether Trump had violated a gag order that bars the former president from threatening witnesses involved in the trial. Trump glowered and whispered to his lawyer as the hearing became increasingly heated.

Merchan issued the gag order in March to prohibit the former president from making statements about likely witnesses, in addition to the prosecutors, court staff and their families. The judge subsequently tightened it after Trump posted about the judge's adult daughter.

Prosecutors had asked Merchan to fine Trump \$1,000 per violation, or the maximum under the law, for at least 10 on-line posts attacking witnesses including Cohen and Daniels.

"By calling them sleazebags and going after their credibility, I think that is all part of the plan for this trial," said prosecutor Christopher Conroy of Trump's comments on social media.

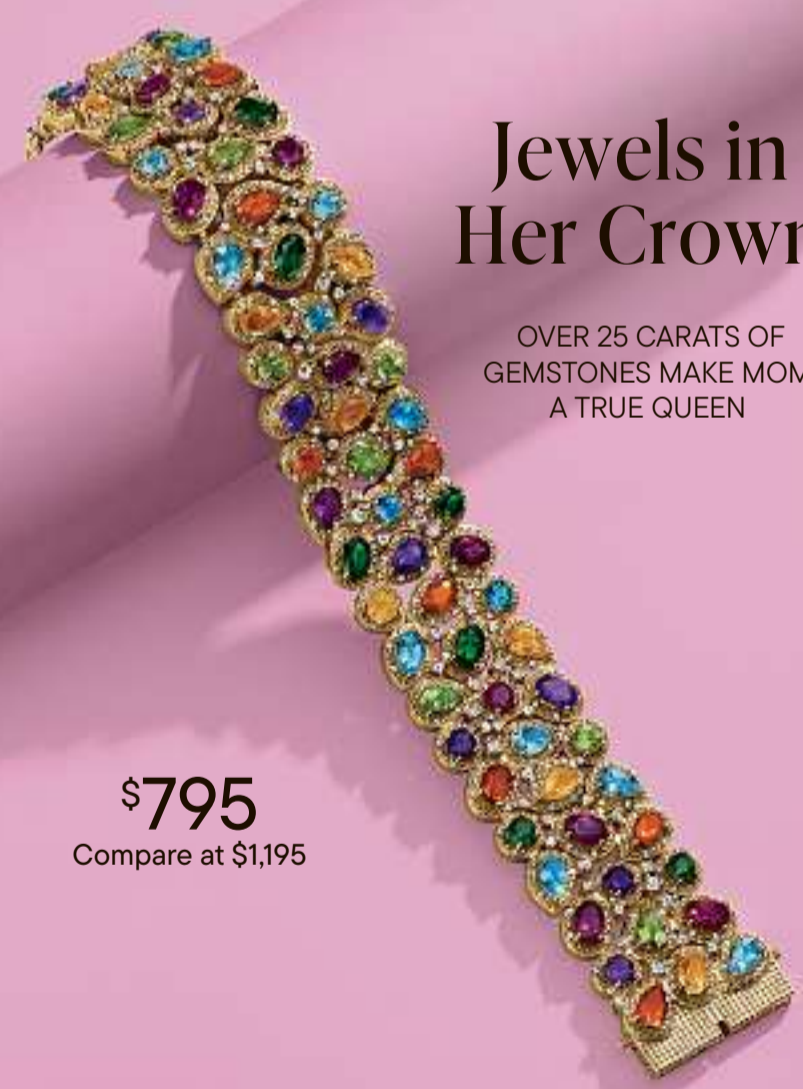
Trump lawyer Todd Blanche argued that the former president made the posts in response to Cohen and Daniels ramping up political attacks, not the trial.

"He's running for president," Blanche said. "He has to be able to respond to that." After proceedings wrapped up for the day, Trump railed against what he called the "totally unconstitutional" gag order and blamed the trial on President Biden.

"They're keeping me in a courtroom, that's freezing by the way, in a courtroom all day long while he's out campaigning," he said.

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U.S. NEWS

Abortion Returns to the Supreme Court

Issue is whether federal law supersedes state bans in dire cases

By LAURA KUSISTO AND STEPHANIE ARMOUR

Dr. Alison Edelman, an obstetrician in Portland, Ore., said her hospital receives pregnant patients sent from Idaho with dangerously high blood pressure and other serious conditions that can deteriorate in a matter of minutes. Idaho doctors, she said, seek to make such transfers because they are unable to provide the patients an abor-

tion if they need one, in light of a state ban on the procedure—punishable by two to five years in prison—with narrow exceptions, including if a woman’s life is in danger. Many doctors say that exception isn’t easy to apply. “It is incredibly scary,” Edelman said. “When there’s any delay, that really impacts the outcome for the patient.” Her team has reported some of the incidents as apparent violations of a federal law that in most circumstances prohibits transferring patients to another hospital if their condition is unstable. The law will be in the spotlight at the Supreme Court on Wednesday, when the justices

consider one of the most pressing questions to emerge since they eliminated the federal constitutional right to an abortion two years ago: Under what circumstances can women with serious pregnancy complications obtain abortions in states where the procedure is banned? The case centers on a Biden administration lawsuit that argues Idaho’s ban failed to provide adequate legal cover to doctors who provide abortions in medical emergencies. The high court is hearing an appeal by Idaho after lower courts blocked the state ban to the extent it prevented emergency abortions. More than a dozen states

have imposed near-total bans on abortion since the Supreme Court overruled *Roe v. Wade*. Stories of women unable to obtain abortions until they were septic or on life support have reverberated with many Americans, shifting popular opinion on abortion and helping Democrats win political races. “One thing we have seen move the needle post-Dobbs is the story of pregnancy complications,” said David S. Cohen, a law professor at Drexel University. Still, the Biden administration might face challenges in the case. States are given wide latitude to regulate the practice of medicine. In a separate case from Texas, an appeals

court ruled the federal emergency-care law “does not mandate any specific type of medical treatment, let alone abortion.” The law defines an emergency medical condition as acute symptoms that would jeopardize “health or result in serious impairment to bodily functions or dysfunction to bodily organs or parts” without immediate attention—broader than language in some state abortion bans that allow the procedure only when a woman is at risk of death. There have been rare cases where the federal government has found that hospitals have violated the law by not providing abortions in medical

emergencies. Antiabortion advocates hope the Supreme Court will hold that the act contains legal protections for fetal life. They point to a provision of the emergency-care law prohibiting hospitals from jeopardizing the life of a pregnant woman or her “unborn child,” arguing this requires hospitals to consider both interests. “They are both patients so you need to do everything you can to save them both,” said John Bursch, an attorney with the Alliance Defending Freedom, which is representing Idaho in the case, along with the state attorney general. A decision is expected by the end of June.

Biden Visits Florida Just Before Ban Takes Hold

By CATHERINE LUCEY

TAMPA, Fla.—President Biden took his push for abortion rights to Florida, where he blamed rival Donald Trump for a looming six-week ban in the Republican’s home state as he seeks to keep the issue at the forefront for voters. Biden spoke in Tampa on Tuesday, a week before the state’s ban is set to take effect, looking to harness the momentum on an issue that has energized Democrats since the Supreme Court eliminated the right to the procedure in 2022. While the state isn’t considered a top presidential battleground, it provides a powerful backdrop as Democrats assail the ban and campaign for a November ballot initiative that would restore broad abortion access in the state.

“Let’s be real clear. There’s one person responsible for this nightmare, and he’s acknowledged and he’s bragged about it: Donald Trump,” Biden said. “He bragged about overturning *Roe v. Wade*.”

While polls show Republicans with an edge on the economy and immigration, abortion is the issue where Democrats have the greatest advantage over Republicans. Biden, who previously espoused more moderate abortion views and at times has been a reluctant messenger, devoted his first rally of the year to abortion and is leaning into the issue with this visit. Biden tied Trump, the presumptive Republican presidential nominee, to bans in Florida and other states, stressing that his predecessor appointed three justices to the court that overturned the *Roe* decision. Biden pledged to restore federal protection for abortion and argued that other freedoms could be at risk, like access to contraception and same-sex marriage. “Today in 2024, women have fewer rights than their mothers and grandmothers because of Donald Trump,” said Biden. “I don’t think we’re going to let him get away with it, do you?” Trump now makes his



President Biden spoke at a campaign stop on Tuesday in Tampa, Fla.

home in Florida, but he will be stuck for the next few weeks at his trial in a Manhattan courtroom. Trump beat Biden in 2020 in Florida by 3.4 percentage points, and recent Florida polls show Trump leading Biden by a wider margin in the state this year. Trump spokesman Steven Cheung said that “Florida is Trump country.” In a statement, Florida Republican Party Chairman Evan Power said: “Floridians’ top issues are immigration, the economy, and inflation, in all three areas Joe Biden has failed. Instead of coming to talk to Floridians about manufactured issues, he should get to work solving the real issues that he has failed to lead on.” Trump has struggled to find his footing on abortion and has offered conflicting positions over the years. He has taken credit for appointing the justices who overturned *Roe* but has also said abortion should be left to the states, avoiding a position on a national ban. After Arizona revived a Civil War-era ban on most abortions, he said the state’s high court had gone too far. On the Florida law, Trump has mostly avoided giving a clear answer. But he recently said “Florida’s probably, maybe, going to change,” adding “it’s the will of the people.” The Florida law was signed last year by Gov. Ron DeSantis. It has limited exceptions, including for rape and incest and for certain medical emergencies. But the state’s voters will have the chance to weigh in on abortion in November, on a ballot measure that if successful would restore the broad abortion access the state had before the Supreme Court overturned *Roe v. Wade*.

President Gains Ground Among Grassroots Donors

By TARINI PARTI AND JACK GILLUM

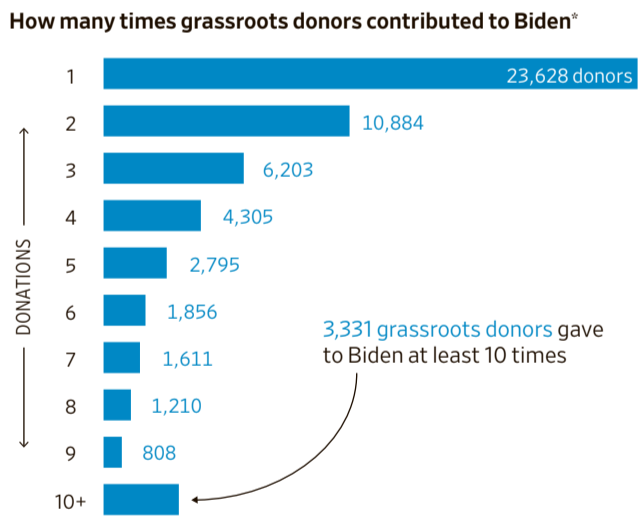
“He says he will be a dictator on Day One,” read an ominous subject line of an email sent by President Biden’s campaign to his supporters earlier this month. “The choice before us is clear,” the text said, adding that Donald Trump would “dismantle our democracy, and rip away our hard-fought and fundamental freedoms.”

It isn’t clear whether that message is helping him in the polls, which show him essentially tied with Trump at the national level and trailing narrowly in several swing states. But it’s working for grassroots Democratic donors, who make contributions of \$200 or less—some of them over and over again.

Focusing on the threat to democracy and freedoms, including abortion access, posed by another Trump term has helped Biden—through his campaign committee and a joint-fundraising committee—bring in more than \$89 million from small-dollar donors for the 2024 election, according to a Wall Street Journal analysis of Federal Election Commission reports that adds up each committee’s small-dollar fundraising through the end of March. The funds are shared by the campaign and other party committees.

Many of those low-dollar Biden contributors aren’t just donating once or twice, but giving dozens of times.

These donors have helped neutralize Trump’s dominance over grassroots fundraising in recent elections. So far, Trump’s campaign and main joint-fundraising committee have raised more than \$84 million from low-dollar donors. In the 2020 election cycle, Trump’s campaign and joint fundraising committee raised \$260 million more from small-dollar donors than Biden’s fundraising entities, though they also spent much more on fundraising costs. With less than seven



*Through the end of March. Note: Includes Biden’s main presidential committee and joint-fundraising committees. Grassroots donors contribute \$200 or less each time. Source: Federal Election Commission

months left before the election, Biden’s closing the gap with small-dollar donors has served as a bright spot for the campaign. It has helped his team make eight-figure ad buys and set up offices and staff across the country, and his campaign and related committees started April with at least \$80 million more in the bank than Trump’s.

“The voters who are tuning in to donate right now are the ones who feel most passionately about the stakes in this election,” said Rob Flaherty, deputy campaign manager to Biden’s campaign.

Karoline Leavitt, national press secretary for the Trump campaign, said the former president would have the necessary resources to win the election, adding he has “built the most robust small-dollar fundraising operation in history.”

In recent days, Trump has tried to rally small-dollar GOP donors by fundraising off his hush-money trial. A campaign official said Trump’s fundraising committees raised \$1.6 million on the first day of the trial last week and have raised \$1 million on average daily since the start of the trial.

Trump’s recent efforts come after he saw a signifi-

cant drop in small-dollar giving. His primary fundraising committee raised nearly \$17 million more in the first quarter of 2020 than it did in the first quarter of this year.

Democrats, meanwhile, have focused heavily on abortion in their appeals.

Brian Chin, 66, a retired resident of Brooklyn, N.Y., has contributed to Biden’s campaign at least 26 times, with \$20 being the highest amount, according to Federal Election Commission records.

Chin said he views the Supreme Court’s overturning of *Roe v. Wade* as a warning sign. “I consider it to be a tax that I have to pay to make sure the Republicans don’t take power and erase my rights as a citizen,” he said, noting that he is gay.

Overall in 2023, Biden’s re-election efforts lagged behind Trump’s in small-dollar fundraising by roughly \$7 million, though the incumbent didn’t launch his re-election campaign until April and his pace picked up later in the year.

As of the end of March, Biden had pulled in 1.6 million donors—40% of whom were new donors, campaign officials said.

—Anthony DeBarros contributed to this article.



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A dominant figure in the original Impressionist exhibitions, Zandomenighi helped shape art history. His painting, *Les Deux Sœurs*, exquisitely captures sisterly affection with its use of vibrant light and rich texture. Today, the works of “Zando,” as he was known by his friend Edgar Degas, are held in prestigious museums around the world. Signed “Zandomenighi” (lower left). Oil on canvas. Dated 1895. Canvas: 19 1/4”h x 15 3/8”w. Frame: 27 1/4”h x 23 1/2”w. #31-5730



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U.S. NEWS

Tesla to Accelerate Rollout

Continued from Page One
autonomy, they should not be an investor in the company," Musk said.

The Texas-based carmaker reported net income of \$1.1 billion for the January-to-March period, down 55% from the year prior. Revenue fell 9% year over year to \$21.3 billion, reflecting a decline in both vehicle prices and deliveries.

The stock was up 13% in after-hours trading Tuesday, following the release of the earnings report. Tesla shares have fallen 42% in 2024, closing Tuesday at \$144.68.

Tesla is in a more precarious place than it has been in years, with its vehicle sales falling, demand cooling for electric vehicles industrywide and Musk's placing greater emphasis on developing a fully autonomous car, a project many investors view as risky.

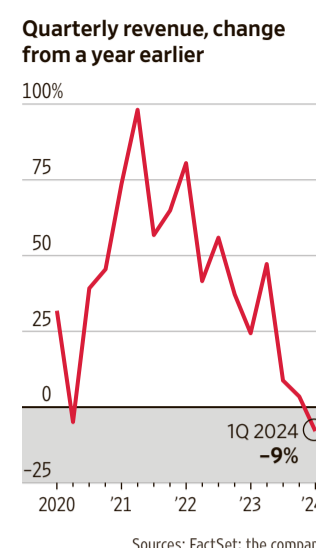
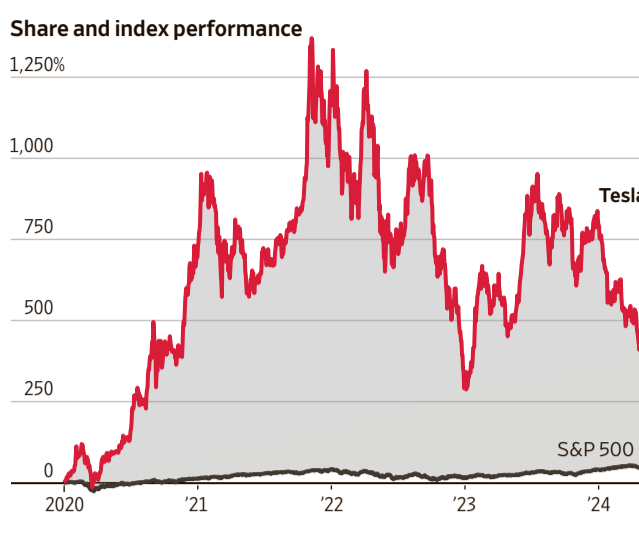
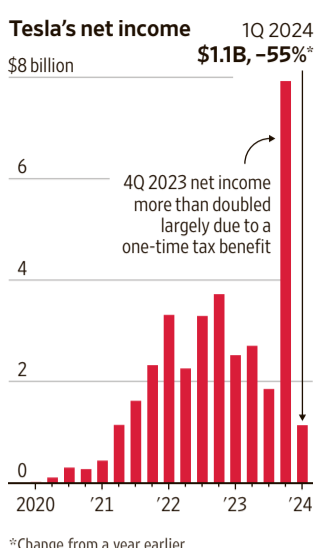
The company's earnings call was Musk's first formal audience with investors since initiating a restructuring that is expected to reduce the company's global workforce by more than 10%.

There have been other changes, too. Two top executives said this month they were leaving the company, and employees were told to focus on a robotaxi, a reshuffling of priorities that took the market by surprise. Martin Viecha, Tesla's longtime head of investor relations, ended Tuesday's earnings call by saying he, too, would be leaving his role.

Many investors had been expecting Tesla to release a more-affordable electric car next year that could extend the company's reach into the mass market. Tesla sells five passenger models—fewer than many other automakers—and earlier this month reported an 8.5% decline in first-quarter deliveries.

Musk declined to share details about the new models Tesla has in the works, which he said are likely to launch sooner than late 2025, when he previously said a low-cost car would enter production.

When asked if Tesla



planned to make "tweaks" to existing offerings or release entirely new models, the CEO demurred. "I think we've said all we will on that front," Musk said.

Tesla attributed some of its performance in the first quarter to the "gradual" production ramp of its updated Model 3 car in California.

On Wall Street, analysts have been coming to terms with the idea that Tesla—long valued for its growth poten-

tial—might not increase deliveries at all this year.

Tesla reiterated Tuesday that growth in 2024 may be "notably lower" than it was the previous year. Executives have described Tesla as being between two growth waves: the first driven by its popular Model Y crossover and Model 3 car, and the next to come with the launch of a new generation of vehicles.

The company's newest model, the difficult-to-make

Cybertruck pickup, has gotten off to a slow start since hitting the market late last year.

Tesla cut prices again in recent days, knocking \$2,000 off several models in the U.S., as it confronts stiffening competition in the EV market.

"Tesla's aging vehicle lineup is already facing considerable demand weakness and price pressure so far, and our sense is that Tesla has now moved into cash preservation mode," Deutsche Bank

analyst Emmanuel Rosner wrote in a note ahead of the earnings report. The bank downgraded Tesla's stock and reduced its price target to \$123 a share from \$189.

Tesla's free cash flow turned negative in the first quarter, with the company bleeding about \$2.5 billion as it invested in artificial-intelligence infrastructure and unsold vehicle inventory climbed to 28 days' worth of supply from 15 days the prior year.

Musk Knocks Australia's Ban of Video

X owner says order to pull footage of bishop's stabbing globally goes too far

By Mike Cherney

SYDNEY—Elon Musk criticized an order by Australian authorities to remove a video of the stabbing of a religious leader, with the billionaire owner of social-media platform X arguing it sets a dangerous precedent that effectively allows one country to control the entire internet.

The row has intensified in recent days, with eSafety Commissioner Julie Inman Grant—a former Twitter and Microsoft executive in charge of monitoring social media for harmful content—taking X to court for not doing enough to remove the content after it received a formal notice to take it down. Australian Prime Minister Anthony Albanese has also weighed in.

"This guy is showing his arrogance," Albanese said. "He's a billionaire over there in the United States who thinks he's above Australian law."

At issue is whether X's move to geoblock, rather than delete, the content is sufficient, the Australian Broadcasting Corp. reported. Geoblocking hides the video from users in Australia, but can be circumvented by use of a virtual private network, which obscures a user's location.

The video that circulated online shows a person in a black hoodie walking up to



Above, police at the Australian church where the bishop was stabbed. Above right, Elon Musk.



ETIENNE LAURENT/FACEFRANCE-PRESS/GETTY IMAGES

Bishop Mar Mari Emmanuel—speaking at a lectern during an April 15 livestream from Christ the Good Shepherd Church—and appearing to stab him several times, including in the face. The bishop falls to the ground as congregants rush to his aid.

Authorities have since charged a 16-year-old boy with the assault and have deemed the incident a terrorist attack.

On Monday night, an Australian judge issued a temporary injunction compelling X to hide the video content, but there will be more hearings on whether to extend the injunction, make it permanent and hit X with a civil penalty. The maximum penalty is about

\$500,000 per contravention, according to the eSafety commissioner's office.

On X, Musk said the platform had censored the content for Australian users and stores it only on U.S. servers. He said he worries that if any country is allowed to censor content globally, which he said is what Australian authorities seek, then any country could control the entire internet.

"Should the eSafety commissar (an unelected official) in Australia have authority over all countries on Earth?" he posted, using a disapproving nickname to refer to the eSafety commissioner.

On X, Musk posted an image showing the X logo over-

laid on a sunny castle with the words "free speech" and "truth," next to a stormy castle with the words "censorship" and "propaganda" and the logos of some other social-media companies that complied with Australia's requests.

A representative for the eSafety commissioner declined to comment on Musk's interpretation of the order, saying the matter is pending in court.

A representative for X said Tuesday that the company is in compliance with Australian law, has restricted all the relevant content in Australia and is removing any content that praises or celebrates the attacks. In a post a few days ago, the company's global gov-

ernment affairs said that while X respects a country's power to enforce its laws within its jurisdiction, the eSafety commissioner doesn't have the authority to dictate what X users can see globally. "Global takedown orders go against the very principles of a free and open internet and threaten free speech everywhere," the post said.

Musk has been embroiled in similar disputes elsewhere since taking over X, formerly known as Twitter, in 2022. In Brazil, he vowed to fight an order to remove several X accounts, which came as part of a broader clampdown on social-media accounts that were deemed to be propagating hate speech and false information.

Other tech companies have also had to contend with increased government scrutiny of what appears online. Authorities in Hong Kong sought to ban online dissemination of "Glory to Hong Kong," a song

that became popular in the pro-democracy protest movement and appeared in videos on Google's YouTube, though a judge ultimately rejected the ban. The government is appealing the decision.

In Australia, the eSafety commissioner worked cooperatively with other companies, including Google, Microsoft, Snap and TikTok to remove the stabbing video.

But authorities weren't satisfied with the responses by Facebook owner Meta and X, and issued formal notices to both seeking removal of the content. Meta eventually complied but the commissioner still wasn't satisfied with X, which was given specific URLs where the material was located.

"eSafety's removal notice doesn't relate to commentary, public debate or other posts about this event, even those which may link to extreme violent content," a spokesperson for the eSafety commissioner said. "It only concerns the video of the violent stabbing attack on Bishop Mar Mari Emmanuel."

Meta said in a blog post that when it received the removal notice from Australia's eSafety commissioner regarding the attack on the bishop, it responded to confirm that it had already been taking action in relation to the content.

The Australian Parliament beefed up the eSafety commissioner's powers after an Australian-born man livestreamed his 2019 terrorist attacks on mosques in the New Zealand city of Christchurch in which he killed 51 people.

Wood's ARK Funds Are Sinking

Continued from Page One
year for the ARK style of investing in growth and disruptive technology, but they are concentrated in companies that have underperformed."

Hopes that the Fed will eventually pivot to cutting interest rates, along with excitement over generative artificial-intelligence technology, have pushed the S&P 500 up 6.3% in 2024. Those bets should benefit the ARK funds, too. Instead, shares of the flagship ARK Innovation fund have slumped 16%.

That is largely because Wood's funds are so heavily concentrated in a handful of stocks. Seven stocks, for instance, make up about half of the innovation fund. Shares of Tesla, the largest holding, are down more than 40% this year and trading around \$144. Wood has been buying the dip and reiterated her moonshot five-year price target of \$2,000 in a CNBC appearance earlier this month.

Other top holdings such as Roku, down 33%, and Unity Software, down 44%, have also dragged the fund lower.

Mark Hadden, a 63-year-old corporate accountant in Virginia Beach, Va., is one of the

investors who recently sold out of two ARK funds at a steep loss.

Hadden bought 200 shares in summer 2021 after hearing about Wood from a friend. He said he primarily invests in cheap index funds but was intrigued by ARK and put some of his "speculative" money into a position representing a small fraction of his portfolio.

"It had a lot of promise, I thought. But the funds were just losing money. A lot of money," Hadden said.

ARK became a near-overnight sensation in 2020, when the innovation fund posted eye-catching returns and Wood made frequent TV appearances to offer bullish predictions about her top holdings. ARK's active funds took in \$20 billion of new investor money that year, a staggering sum for a small asset manager that made it a darling of the asset-management industry.

Investors closely watched ARK's daily trade disclosures to mimic Wood's bets. She won millions of followers on social media, some of whom nicknamed her "Mamma Cathie" or sold T-shirts with her picture in the style of the Barack Obama "Hope" poster. Analysts said the funds were always risky. They soared with other speculative bets when interest rates were near zero—and then fell spectacularly when rates went up. Higher rates reduce the value that Wall Street attributes to companies that might not make money until far in the

future, crushing the price of many of the unprofitable stocks Wood favors.

By the end of last year, ARK funds had destroyed more wealth than any other asset manager over the previous de-

Nvidia's absence in ARK's flagship fund has been a pain point.

A spokeswoman said ARK's value creation is evidenced by the flagship fund's 109% return since its 2014 inception.

Investing forums on Reddit are littered with stories from

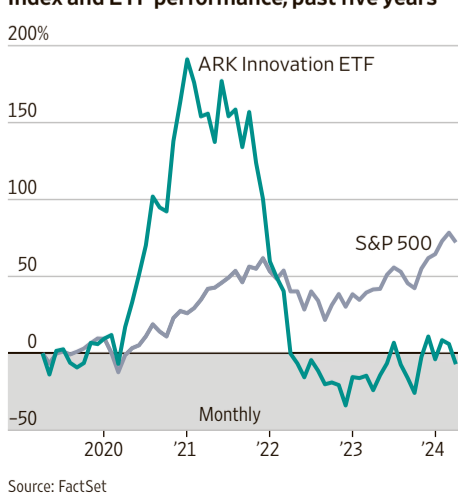
people who invested in ARK during its heyday and are agonizing over whether to realize a huge loss or wait things out. One entry from u/pigeon_playing_pong described moving his 401(k) and Roth

IRA retirement accounts into ARK during the pandemic after seeing huge gains on his ARK funds in another account. "I am now down about 50-60% in all my accounts,"

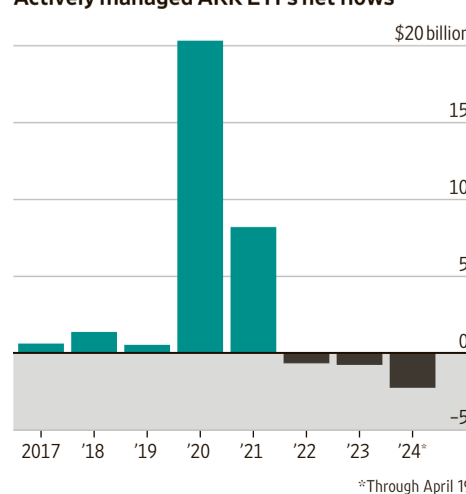
he wrote. "I'm not sure how to move on three years later."

Within the asset management industry, some critics said ARK funds are too reliant on Wood's intuition. Now 68 years old, she founded ARK in

Index and ETF performance, past five years



Actively managed ARK ETFs net flows



Source: FactSet

*Through April 19

U.S. NEWS

Chinese-Americans Flex Local Power

Key San Francisco bloc tilts against the left and is courted in fall's mayoral race

By JIM CARLTON AND CHRISTINE MAI-DUC

SAN FRANCISCO—Phil Wong used to reliably back incumbents in this liberal city. But in 2022, he voted to recall three left-wing school board members and a progressive district attorney, and in November he plans to cast his ballot for a tough-on-crime challenger to the current mayor.

"I have a deep love for this city, what it was," said the 46-year-old son of a Chinese immigrant. "I want to see what it can be again."

Long a reliable voting bloc for the left, Chinese-Americans have been important drivers of a recent backlash against progressive policies in San Francisco, which has grown in support and been backed by tech industry money.

In San Francisco, Chinese-Americans make up a fifth of the population.

Members of the Chinese community, who make up one-fifth of this city of 810,000 and a slightly smaller percentage of registered voters, say they have been particularly incensed by incidents of anti-Asian violence, school policies they believe have emphasized equity over merit, and street homelessness. Many are also upset that property crime has long been higher in San Francisco than most other major cities, though it has dropped this year.

Chinese-Americans were among the most emphatic

backers of ballot measures passed last month mandating drug screening for public welfare recipients and expanding police powers, as well as the 2022 recall of the three school board members and the district attorney, Chesa Boudin.

Their margin of support for those efforts was 10 to 30 percentage points higher than the overall San Francisco voting population, according to an analysis of publicly available data by research firm Data Second. The firm is run by the husband of Marjan Philhour, a candidate for San Francisco Board of Supervisors running on a moderate platform.

Now, the Chinese-American community is being heavily courted by incumbent Mayor London Breed and her three most-prominent challengers in November's election, which political analysts say will be one of the toughest mayoral races here in decades and could push the city further to the center.

"It is a community that can determine the outcome of elections," said Jason McDaniel, associate professor of political science at San Francisco State University.

In the past, Chinese-Americans often voted for representatives from their own community, in which political activists had close ties to left-wing political movements. That was particularly true in Chinatown, the oldest enclave of Chinese immigrants in the U.S., dating to the 1850s.

As Chinese residents climbed the socioeconomic ladder, however, they increasingly moved to the city's western, more suburban neighborhoods and began vot-

ing for reasons other than ethnic representation, political analysts and community leaders said.

Nancy Tung, a county prosecutor, was recently elected to the governing board of the local Democratic Party as part of a moderate-leaning slate of candidates called "SF Democrats for Change." A third of those who ran on the slate were Chinese-American.

"Really, what people wanted was government that works and a city that works. Less ideological chest-thumping and more concrete action," Tung said.

In a city where nearly two in three voters is a registered Democrat, Tung said, more moderates on the city's Democratic County Central Committee means they can wield immense power in their role endorsing candidates for local races.

Jade Tu, a Boudin recall leader and safety-patrol member, is working as campaign manager for moderate mayoral candidate Mark Farrell, a former interim mayor and supervisor in the city.

"I voted for London Breed. I loved her story, but at some point I have to take a look at the state of her city," Tu said. "There is a lot wrong with this city."

Breed said in an interview that she has put more low-income Chinese-Americans in homes and reduced anti-Asian crime.

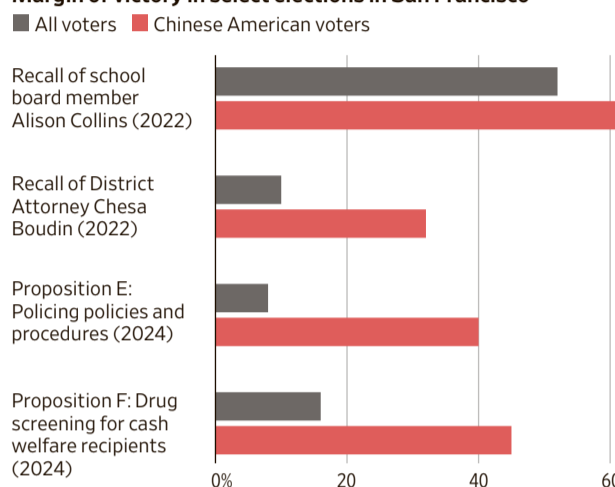
The mayor recently led a trade delegation to China, where she and Chinese officials announced that the San Francisco Zoo would receive a pair of giant pandas next year.

The fight for Chinese-American voters was apparent earlier in April when two other mayoral candidates—moderate philanthropist Daniel Lurie and progressive Board of Supervisors Presi-



Marjan Philhour, left, a candidate for San Francisco's Board of Supervisors, recently visited 76-year-old May Yu accompanied by Forrest Liu, right, an organizer for Stop Asian Hate.

Margin of victory in select elections in San Francisco



Note: Data on Chinese voters are estimates with a margin of error of +/- 5 to 10 pct. pts. Source: Analysis of U.S. Census Bureau and San Francisco Department of Elections data by Data Second

Covid Trends Fueled Unease

Many Chinese-American voters grew angry at the political establishment during the pandemic, when prolonged school closures and a move away from merit-based admissions at one elite high school incensed families who put an emphasis on education.

Anti-Asian hate crimes also rose substantially, to 60 reported in 2021 from 10 in 2020, according to San Francisco police. In 2023, there were 14 reported anti-Asian hate crimes in San Francisco, according to the police.

Young Chinese-American activists formed community safety patrols and joined the recall campaigns against both Chesa Boudin, the district attorney, and left-leaning school board members, including one who made controversial remarks about Asian people. Now some are trying to leverage the success of those campaigns to become more politically active.

dent Aaron Peskin—made the rounds at a monthly night market in Chinatown, and Farrell held a rally there.

A longtime representative of the Chinatown neighborhood, Peskin is known affectionately in Cantonese as "the bearded man" for his salt-and-pepper facial hair.

Allan Low, an attorney supporting both Lurie and Peskin, said voters in Chinatown, where the share of seniors and low-income renters is higher, often have different interests than Chinese-American homeowners on the city's

more-affluent west side.

"They are not a monolith," said Low.

Many Chinese-American voters still appear to be undecided in the race, including elderly residents like Sabrina Chiang, an 82-year-old who speaks only Cantonese.

Standing on a recent morning outside the 22nd & Irving Market, a popular shopping destination for Asian-Americans, Chiang said she is afraid to walk outside at night and is only sure of one thing in the election: "I want to see a safe city."



I asked what kind of family Amina wanted. She said, 'A family like yours.' That's when I knew I had to adopt her.

Denise, adopted 17-year-old Amina

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WORLD NEWS

Israelis Return to Towns Hamas Attacked

More than 80% of residents are back in Sderot, less than a mile from Gaza

By DOV LIEBER

SDEROT, Israel—On Oct. 7, as rockets streamed overhead and Gazan militants rampaged through her town of Sderot, Keren Elkobi hid with her three sons and husband all day in their home's bomb shelter, fearing for their lives. The next morning, as the fighting continued, they packed the children in the car and sped away as fast as they could.

Five months later, despite lingering anxiety, they are living in Sderot again, less than a mile from the Gaza border.

"Once you build a community, and it becomes like a family, it's hard to be anywhere else," Elkobi said.

The Elkobis are among the tens of thousands of people who have recently returned to Sderot—part of a revival of small Israeli communities near the Gaza border that constitutes a tactical victory for Israel's government, even as it speaks to the pull of ordinary life.

Sderot was the largest Israeli community invaded by Gazan militants. The attackers arrived in white Toyota pickup trucks and gunned down passersby on the streets as part of the deadliest terrorist attack in Israel's history. At least 45 people were killed in the city, a spokesperson for the local government said.

Now the city, which for months was populated almost exclusively by soldiers and police, is coming back to life. Traffic has returned. Malls have reopened, and some restaurants are once again packed with customers. Homes damaged by rockets are wreathed in scaffolding to repair the holes.

That revival is a relief to the Israeli government, which worried residents wouldn't feel safe enough to return to communities near Gaza, effectively shrinking the borders of a country the size of New Jersey. The government has offered financial subsidies amounting to thousands of dollars a month to encourage families to move back.



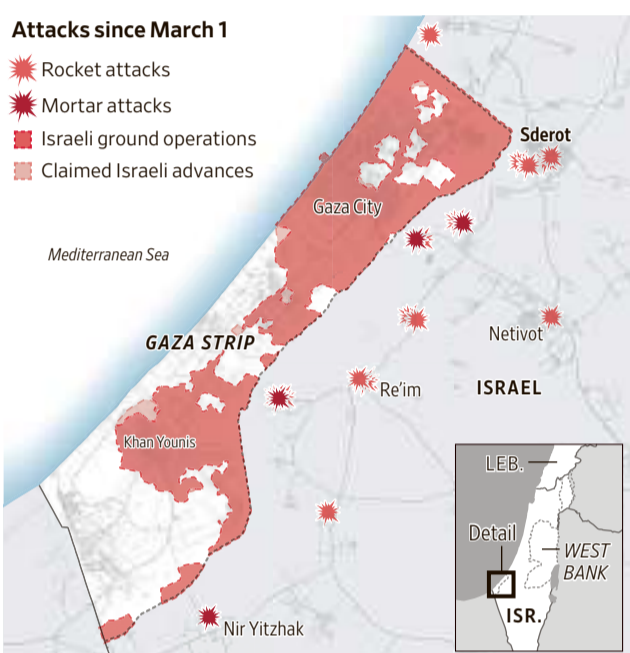
The Elkobi family hid all night during the Oct. 7 Hamas attack, but have returned to their home in Sderot after months away.

Risks remain, though. On Tuesday, Israel's Home Front Command, a unit of the Israeli military, said missiles had been fired from Gaza toward Sderot and other areas close to the enclave. The military said the four rockets fired were intercepted and that the resulting shrapnel caused a warehouse fire in Sderot.

The communities most affected by the Oct. 7 attack and closest to Gaza, where many homes were destroyed, remain empty and closed to the public. There are also still 60,000 Israelis displaced from their homes in northern Israel because of attacks from the Lebanese militant group Hezbollah.

The displacement in Israel pales in comparison to Gaza, where 1.7 million Palestinians have fled their homes to escape the destruction wrought on the territory by half a year of devastating combat.

More than 70% of Israelis evacuated from communities



on the border with Gaza have returned. The number is 80% in Sderot. Residents there said they were lured back in part by the subsidies, which are set

to continue until July. But far more important, they said, was the desire to return to the routines and structure of home, especially for their children.

The Elkobi family, like many others, said they hadn't been certain of when or if they would be able to go back. Camped out in temporary housing near Jerusalem, they watched as their home became a war zone and a daily target for rocket attacks.

When The Wall Street Journal visited in October, Sderot felt like a ghost town. The streets were empty except for patrolling soldiers and the charred shells of vehicles. Drones and jet fighters flew constantly overhead.

For many Sderot residents, the prospect of living with their children in limbo in government-subsidized hotel rooms has outweighed the potential drawbacks of returning.

The main trigger for most families to return was the reopening of schools in early March, residents and city officials said.

Children at Sderot's largest school, which has around 1,200 middle- and high-school students, said they were happy to be back home, though life had changed. The bursts of ar-

tillery fire scare them, they said, and they don't travel around at night anymore.

Reminders of the war abound. A large new mural names the alumni who were among those who were killed on Oct. 7. Desks and walls are decorated with stickers of the pictures of soldiers killed in Gaza.

Targeted by periodic rocket fire from Gaza for more than two decades, Sderot isn't a place that gets rattled easily. Bomb shelters grace the corner of every street, every bus stop and every children's park.

But the sense of fear is much higher than before, residents said. Shira Shechtman, a social worker with three children, said she is torn over the decision of whether to return to Sderot despite having lived there for 20 years. She called the October bloodshed "a deal breaker."

Shechtman's family is renting an apartment near the city of Beersheba, roughly 25 miles east of the Gaza border, and her children were put in a local school. "The state isn't keeping its part of the contract—to ensure that there will be minimum safety," she said.

But for others, including some of the city's political outliers, the lure of home is too strong to resist.

Unlike Sderot's right-leaning population, which overwhelmingly voted for Israel's current government, Gali Bessudo has always opposed Prime Minister Benjamin Netanyahu.

A few months ago, she vowed at a protest in Tel Aviv that she wouldn't return home until all of Israel's hostages in Gaza had been freed, the war was concluded and quiet restored.

None of those things have happened. But she, her teenage son and husband all missed their lives in the city. They moved back in late March.

"I'm frustrated that periodically Qassam rockets are fired at us," she said, referring to short-range rockets used by Hamas. "I'm frustrated that I don't know when the war will end, and that I don't see any horizon for a better future."

"But I'm happy to return because I love my home and I love the city," she said.

Forces Confront Renewed Fighting in Northern Gaza

By MARGHERITA STANCATI AND ABEER AYYOUB

Fighting between Israel and Hamas intensified in northern Gaza, the first battleground in the war, where 200 days into the conflict territory is still heavily contested and Israel says thousands of militants remain.

The renewed violence, in areas Israeli forces had previously largely cleared of Hamas, serves as a sobering example of the difficulty of consolidating gains as they prepare an offensive in the southern city of Rafah, the militant group's last major bastion.

Stabilizing northern Gaza will take time, said Amir Avivi, a former deputy commander in the Israeli military who oversaw operations in Gaza. "A huge challenge is not the first part, when you go full-scale and control an area: It's maintaining and deepening that control," said Avivi. "It's

a different kind of warfare."

Intense clashes have occurred in recent days in the towns of Beit Hanoun and Beit Lahia, close to the fence with Israel, and in Gaza City, which before the war was the enclave's most populous locale. Residents of the city reported multiple strikes in the Zeitoun neighborhood.

Israeli forces launched operations in Beit Lahia and Gaza City in response to the firing of five rockets toward Israeli territory on Tuesday morning, the Israeli military said. Four of those rockets were aimed at the Israeli town of Sderot. The rockets, all of which were intercepted, are a reminder of the enduring ability of militants to target Israeli territory.

Ahead of the operations, the Israeli military's Arabic-language spokesman in a message on X instructed people in the Beit Lahia area to immediately evacuate for their own safety, saying: "You are in a

dangerous combat zone."

The Israeli Air Force carried out strikes against the rocket-launch posts and other targets in northern Gaza, including tunnel shafts, the military said.

Northern Gaza was the site of Israel's first major operations against Hamas in the wake of attacks by the militants on Oct. 7 that killed 1,200 people, according to Israeli authorities.

Israel considered northern Gaza the heart of the militant group's intelligence and operational activities. Most Palestinians at the time fled south for safety at the direction of the Israeli military.

But even as the focus of the fighting gradually shifted south in Israel's hunt for Hamas militants, northern Gaza remained a stubborn flashpoint in the war. Israeli forces largely dismantled Hamas's combat battalions operating in northern Gaza, but



People rush to where humanitarian aid packages were being dropped in northern Gaza Strip.

Hamas fighters regrouped in smaller units, shifting to urban guerrilla-warfare tactics. There are still several thousand militants in northern Gaza, an Israeli defense official said.

Ghassan Hisham, 43, a resident of Zeitoun, said artillery shelling in the area started on Monday evening and continued into Tuesday. Many of his neighbors fled. "I choose not

to because we have a lot of children and adults, and we have nowhere else to go," Hisham said. The violence was some of the worst he had witnessed since the early months of the war, he said.

Khalil Kahlout, a resident of the Jabalia neighborhood in northern Gaza City, said there have been frequent airstrikes and shelling in nearby Beit Lahia and Beit Hanoun since

Monday morning and that the intensity of the violence has picked up. "Some residents of Beit Lahia have fled to shelters in Jabalia because of the shelling," he said. "The bombardment continues."

The clashes in the north come as Israeli forces have temporarily scaled back the number of troops and the intensity of their operations in the Gaza Strip.

Military Struggles to Quell Rising West Bank Violence

RAMALLAH, West Bank—As it battles on several fronts with its fiercest enemies, the Israeli military is pressured to address one of its thorniest challenges: Jewish settlers in the West Bank and their violent attacks on Palestinians.

By Omar Abdel-Baqi, Fatima AbdulKarim and Anat Peled

The Israeli military said it recently sent several battalions to parts of the West Bank to restore order amid an intense bout of violence after the disappearance of a 14-year-old Israeli teenager who was later found dead. The effort is draining military resources stretched by the war in Gaza,

the need to defend its border with Lebanon and a continuing fight with Iran and its proxies.

The focus on the West Bank will again test Israel's commitment to address settler violence against Palestinians, a part of its mandate that rights groups say the military consistently falls short of executing. That the military is juggling multiple fronts makes the task even more complicated, analysts said.

"The military has generally chosen to ignore settler violence in the past, but right now, it cannot afford to have the West Bank explode during a multifront war," said Yossi Meikelberg, a Middle East analyst at London-based think tank Chatham House.

The Israeli military said it

is prepared in all arenas and is building up its forces.

Israeli settlers have attacked more than 17 Palestinian villages since last Friday, burning homes and cars and shooting residents, after the disappearance and death of the Jewish teenager, who Israeli authorities said was killed in an attack. At least five Palestinians were killed, Palestinian authorities said, and dozens of Palestinians were displaced and injured.

A Palestinian paramedic was killed by settlers on Saturday while treating gunshot victims, said a spokeswoman at the Palestine Red Crescent Society. The Israeli military said it is investigating the incident. Israelis were also injured in confrontations this

past week, the military said.

The European Union has announced new sanctions against violent settlers in the West Bank for what it called serious human-rights abuses against Palestinians, subjecting them to asset freezes and prohibiting them from entering countries in the European Union. The Biden administration also has announced new sanctions on groups that fund violent settlers in the West Bank.

The military stations many troops in the West Bank to quell militancy and maintain security for the more than 500,000 Israeli settlers living among three million Palestinians, Israeli analysts say. The military doesn't openly disclose troop levels, but analysts said there are about

20,000 troops in the West Bank.

Kobi Michael, a senior research fellow at Tel Aviv's Institute for National Security Studies and an ex-Israeli military intelligence officer said that, with the military stretched, its troops are less likely to effectively respond to settler violence in the West Bank.

In addition to settler attacks, violent clashes between Israeli troops and Palestinians also have raised tensions in the West Bank. Palestinian health officials on Sunday said at least 14 Palestinians were killed in an Israeli military raid in Tulkarem, which straddles the wall separating Palestinian communities in the West Bank and Israel.

The Israeli military said those killed in Tulkarem were

combatants, and that it arrested another 15 people and seized weapons.

Israeli forces have killed more than 435 Palestinians in the West Bank and East Jerusalem since Oct. 7, according to the U.N. The military says roughly 80% were armed; Palestinian officials say many were civilian bystanders or killed for throwing rocks.

Settler attacks against Palestinians have been on the rise since at least 2017, says the United Nations.

Officials from the Palestinian Authority said its security forces avoid responding to settler attacks because of the risk of engaging in firefighting with Israeli soldiers, which could widen the regional conflict.

WORLD NEWS

Gershkovich's Court Appeal Is Rejected

By ANN M. SIMMONS

A Moscow court rejected an appeal by Wall Street Journal reporter Evan Gershkovich against his detention, meaning the U.S. citizen, awaiting trial for over a year, will remain behind bars until at least June 30.

Gershkovich, who appeared in court on Tuesday, is being held on an allegation of espionage that he, the Journal and the U.S. government vehemently deny. The State Department has declared him wrongfully detained, a designation that commits the government to work for his release.

The judge addressed the 32-year-old Gershkovich after a closed-door hearing at the First Appeals Court of General Jurisdiction in Moscow, which upheld a lower court's decision.

"Evan Gershkovich, do you understand the decision made by the court and the procedure and deadline for appealing it?" the judge asked.

"All clear," answered Gershkovich, who appeared in a see-through defendant's box.

Russia's Federal Security Service detained Gershkovich, who was accredited by Russia's Foreign Ministry to work there as a journalist, in March 2023.

"It continues to be outrageous that Evan has been wrongfully detained by the Russian government for more than a year," the Journal said after the ruling. "Evan's freedom is long overdue, and we urge the administration to do everything in their power to secure his release."

Stephanie Holmes, deputy chief of mission at the U.S. Embassy in Moscow, attended the hearing, the embassy said on the social-media platform X.

"The courts continue to prolong Evan's ordeal without trial," the embassy said. "We reiterate the U.S. government's call for his immediate release."

Senior Russian government officials have said that Moscow and Washington have employed a confidential channel to discuss prisoner exchanges that could include Gershkovich. The U.S. hasn't commented on such a channel but has said it is preparing a new proposal for the reporter's release.

Russian investigators haven't publicly presented evidence to support their allegation against Gershkovich, who is being held at Moscow's notorious Lefortovo prison. Russian officials have said Moscow is acting in accordance with its laws.



Evan Gershkovich spoke with his lawyers in a Moscow courtroom on Tuesday, when his pretrial detention was further extended.

Over the past year several appeals by Gershkovich's lawyers have been rejected, at least one of which requested that he either be transferred to house arrest, agree to constraints on his movements or be granted bail. The reporter's initial pretrial detention has been extended a number of times.

Russian law allows investigators up to a year to prepare for trial in what it calls "particularly complex" criminal cases, but grants further extensions in exceptional circumstances.

Gershkovich is the first American journalist to be held in Russia on an allegation of espionage since the end of the Cold War. The State Depart-

ment has said he isn't a spy and has never worked for the government, and has called for his immediate release.

Last week, the U.S. Senate Foreign Relations Committee passed a bipartisan resolution calling for Gershkovich—a "trailblazing and intrepid journalist"—to be let go. President Biden has said the U.S. is working "around the clock" to bring home him and other Americans "unjustly detained all around the world."

This month, Roger Carstens, the U.S.'s special presidential envoy for hostage affairs, said a new U.S. proposal to Moscow was in the works to secure the release of

Gershkovich and Paul Whelan, the only other American deemed by the U.S. to be wrongfully detained in Russia.

Whelan, a former Marine and corporate-security executive, is serving a 16-year sentence on an espionage charge that he, his family and the U.S. government deny.

Among the Americans who have been detained by Russia is journalist Alsu Kurmasheva, who holds dual U.S.-Russian citizenship and works for Prague-based Radio Free Europe/Radio Liberty. She was taken into custody in October on a charge of failing to register as a foreign agent, before also being charged with spread-

ing false information about Russia's military because of a book she helped edit about the war in Ukraine. Kurmasheva has denied wrongdoing, and State Department officials have said the charges against her are baseless.

The Kremlin has denied that Russia is intentionally victimizing U.S. nationals.

—Kate Vtorygina
contributed to this article.

Watch a video



Scan the code for a video of reporter Evan Gershkovich in court.

Greece's Capital Engulfed in Dust Cloud From North Africa



HAZY DAYS: A couple sat on Tourkovounia hill in Athens on Tuesday as southerly winds carried waves of dust from the Sahara. The skies over southern Greece turned an orange hue from the dust clouds blown across the Mediterranean Sea from North Africa, which engulfed the Acropolis and other Athens landmarks.

ECB Will Watch Fed's Progress on Rate Cuts

By PAUL HANNON

The European Central Bank will take account of the Federal Reserve's progress in lowering inflation when it decides the pace of cuts to its key interest rate after a first move in June, its vice president said in an interview published Tuesday.

The ECB has signaled that it will lower its key rate in June, but the Federal Reserve recently indicated that it is likely to move later in the year as U.S. inflation remains higher than anticipated. That divergence could weaken the euro and push prices of imported goods and services higher, feeding inflation in the eurozone.

In an interview with France's Le Monde newspaper, Luis De Guindos said the ECB is still on course for a June cut.

ECB President Christine Lagarde has said that when setting its key rate, the central bank is data dependent and "not Fed-dependent." But De Guindos said developments in the U.S. will play a part in the ECB's decisions about the pace and scale of subsequent rate cuts.

U.S. Weighs Curbs on China Banks

Continued from Page One
uses have surged. With China now the primary supplier of circuitry, aircraft parts, machines and machine tools, U.S. officials say Beijing's aid has allowed Moscow to rebuild its military industrial capacity.

The West now worries Russia could win against Ukraine in a war of attrition, particularly if allies don't mobilize their own industries to match Russian production.

Blinken and other top cabinet officials have been sounding the alarm among Western allies, including last week at a meeting of the Group of Seven industrialized nations in Capri, Italy.

But this time as he heads to China, officials are counting on the threat of Chinese banks losing access to the dollar and the risk of roiling trade ties with Europe persuading Beijing to change tack. The banks serve as key intermediaries for



Russian President Vladimir Putin and Chinese leader Xi Jinping spent years laying the groundwork for closer trade ties.

the commercial exports to Russia, handling payments and providing client companies credit for trade transactions.

"China can't have it both ways," Blinken said in Capri. "It can't purport to want to have positive friendly relations with countries in Europe, and at the same time be fueling the biggest threat to European security since the end of the Cold War."

A spokesperson for the Chinese Embassy in Washington described the exports as lawful trade, and said the U.S. was making groundless accusations.

"China's right to conduct normal trade and economic exchanges with Russia and other countries in the world on the basis of equality and mutual benefit should not be interfered with or disrupted," the spokesperson told the Journal. "The United States should immediately stop imposing unilateral sanctions on Chinese companies and individuals."

U.S. officials said targeting banks with sanctions is an escalatory option in case the diplomatic overtures fail to persuade Beijing to curb its exports. U.S. officials have

ramped up pressure on Beijing in recent weeks in private meetings and calls, warning that Washington is ready to take action against Chinese financial institutions handling trade in such dual-use goods.

"Any banks that facilitate significant transactions that channel military or dual-use goods to Russia's defense industrial base expose themselves to the risk of U.S. sanctions," Treasury Secretary Janet Yellen said this month amid meetings with counterparts in Beijing.

Officials said they hope the combined Western diplomatic pressure will avert the need to take an action that could break a fragile detente between the two powers. Cutting banks off from access to the dollar—the denomination of most of global trade—has much broader implications than normal sanctions targeting individuals and firms, and so are often reserved as a last resort. Such sanctions often force banks into failure, affecting their entire customer and client base, and represent a particular risk for China as the country grapples with growing credit problems.

In the past, however, the mere threat to target banks

has had short-lived results. In December, President Biden signed an executive order that gave the Treasury Department authority to impose sanctions on banks that aid Russia's military-industrial complex.

That created bottlenecks in China-Russia trade transactions as major Chinese banks backed out of any roles in facilitating the deals, said Alexandra Prokopenko, a fellow at the Carnegie Russia Eurasia Center think tank and a former employee of Russia's central bank.

But, she said, those banks have gradually been replaced by more-obscure regional Chinese banks with little work in the dollar-denominated economy, and hence less to fear from U.S. sanctions. "Payment chains are slowly being rebuilt," Prokopenko said. "Both Russians and Chinese are constantly adapting to the new conditions."

Trade in some of the most critical dual-use goods for Russia's military surged after Chinese leader Xi Jinping's meeting with President Vladimir Putin of Russia in March 2023, according to a recent analysis published by the Center for Strategic and International Studies, a Washington-based think tank. CSIS said the number of shipments of

key dual-use goods, including helicopter parts, navigational equipment and the machines used to craft precision parts for weapons and aircraft jumped to nearly 30,000 a month from a few thousand.

"This has ultimately enabled the Kremlin to speed up its weapons production, including armor, artillery, missiles, and drones, and put up an effective defense against Ukraine's 2023 counteroffensive," said Max Bergmann, a senior fellow at CSIS.

Part of the challenge the U.S. faces is that the trade isn't just a strategic investment for Putin, but also for Xi, the diplomat said. The two men, who have met dozens of times, spent years laying the groundwork for closer trade ties before the invasion of Ukraine, including by fostering more trade in ruble and yuan as a way to insulate their economies from Western sanctions, the official said.

"I don't think Putin would have had the courage to start the war without understanding that the Chinese would support him technologically," the diplomat said.

—Lingling Wei
contributed to this article.

WORLD WATCH



FAIR DEAL: Artificial flowers at the second phase of the 135th Canton Fair in Guangzhou, China, which devotes about 515,000 square meters to products in categories including decoration.

GERMANY

Parliamentary Aide Arrested for Spying

Germany arrested a prominent far-right politician's parliamentary assistant on suspicion of spying for China.

Prosecutors said police in Dresden had detained a German national on Monday, the same day three other German nationals were detained in a separate China spying investigation. The man had been working as an assistant to Maximilian Krah, a member of the European Parliament for the AfD party. Krah said he learned of the aide's arrest Tuesday, and that if the allegations prove true, "this would lead to the immediate termination of his employment."

—Bertrand Benoit

CHINA

U.S. Admiral Doubts Beijing's Numbers

Adm. John Aquilino, the U.S. military commander in the Indo-Pacific, said China's report of 5.3% economic growth in the first quarter compared with a year earlier is "not real," saying its economy "has drastically been reduced" by a real-estate crash.

He said he also doesn't believe Chinese military spending this year will rise 7.2%, the figure given in a draft budget report issued in March. "I think it's drastically more than that," Aquilino said.

"Despite a failing economy, there's a conscious decision to fund military capability," he said. "That's concerning to me."

—Peter Landers

UNITED KINGDOM

Rate Cut Not Near, BOE Official Says

A first cut in the Bank of England's key interest rate remains some way off, its chief economist said Tuesday.

In a speech, Huw Pill said there had been little news on the U.K. economy since March, when he laid out his case for leaving the key rate at a 16-year high for now.

"While we are making satisfactory progress in returning inflation to target, in my baseline scenario the time for cutting [the] bank rate remained some way off," Pill said. "The combination of little news and the passage of time have brought a bank rate cut somewhat closer."

—Paul Hannon

FROM PAGE ONE

How Citi Stays Open In Ukraine

Continued from Page One

the number of countries where Citi can operate (some 160), and the reach is at the center of Chief Executive Jane Fraser's plans to strengthen the bank.

That footprint also sometimes puts Citigroup in the way of war and turmoil, dictators and disasters, economic booms and busts.

Today, Ukraine is in a perilous spot, and so is Citigroup. The bank staff have all survived but face a constant risk of Russian attacks and regularly hunker down in a bank vault in Kyiv. Its loans are to companies that could be blown up or forced to flee tanks. Its profits are trapped inside the country by martial law. American support has turned into a political debate, but Congress has passed a bill to send \$60 billion in fresh aid.

Ukraine's chances of pushing Russia out have been sliding, and the aid is crucial for its defense. Russia is making advances and a victory could see the whole Citigroup operation lost, forcing the bank to write off exposures and leave the country as it did in Russia.

At the same time, a post-war Ukraine would need an estimated \$1 trillion to rebuild, and Citigroup would be the international pipeline. If Ukraine succeeds in joining the European Union and the North Atlantic Treaty Organization, global investment might pile in to a newly protected fresh land of opportunity. There is a renewed Ukrainian vigor to clean up a reputation for corruption that slowed global investment before the war.

To Citigroup executives, there was little choice but to stay and help their clients.

"There was never 'get everyone out, shut the door and hand the keys back,'" said David Livingstone, who was Citi's head of all of Europe when Russia invaded in February 2022. "Not even for a second."

Other foreign banks including Deutsche Bank, Crédit Agricole and BNP Paribas have operations in Ukraine, the latter two including consumer banks, that Citi doesn't run. All of them have remained open as well.

Citi's executives are hesitant to make predictions and, like many Ukrainians, are preparing for the war to grind on indefinitely. But they say clients are laying the groundwork to invest in Ukraine. A flood of nongovernment organizations and charities have opened new accounts to enter Ukraine and help it rebuild, including World Vision International, a Christian relief organization focused on children, the bankers say.

"There's a large interest in postwar Ukraine," McWhorter said. "We believe that we should be the largest private player in the reconstruction."

Troop movements

Ukraine is a relatively tiny country for Citigroup. The bank has no consumer operations there and only serves big corporate clients and public entities, many of which are foreign-based.

Before the war, it had about \$1 billion in total exposure, not much in the grand scheme of a \$2.4 trillion bank. (Citi had about \$8 billion in Rus-

sian exposures which is being wound down.)

In late 2021, Citi's security executives grew nervous watching Russian troop movements, especially when they noticed medical supplies being stockpiled at the border. Amy-Anne Fairhurst, who runs Citi's Global Crisis Management Program, and Livingstone, the CEO for Europe, the Middle East and Africa, opened their crisis playbooks.

An early step was simply studying maps. They noticed their contingency plans weren't good enough. Citigroup had backup offices for natural disasters but they were too close to Kyiv if Russia invaded.

The maps guided them west to Lviv, near the Polish border. Citi has a large Polish presence, so there would be nearby infrastructure and help. Plus, they hoped, being near a NATO country would cause Russia to pause before firing too many missiles at Lviv.

The bank paid a Lviv hotel an upfront fee for the right to reserve half the rooms and the conference rooms for a full month. At the time, the hotel appeared to be getting a great deal.

"One of my jobs, really, is to ask the absolute unreasonable of people," Fairhurst said. "This is that kind of thing."

In December 2021, Citi gave each employee in Ukraine a \$5,000 bonus in cash. McWhorter told them to hold on to it but said they could spend it on a family vacation if nothing happened.

The bank started stockpiling supplies such as blankets, satellite phones and power sources. Foreigners and their families left. McWhorter, an American, sent his family back to the U.S. but stayed himself. Livingstone warned that he would not allow McWhorter, the country head, to be put at risk.

"I had a conversation with Alex and said 'Alex, I will call you one day and I'll tell you to leave,'" Livingstone said. "And I said 'When I do make that call...it's not a discussion. It'll be a decision and you will just say yes.'"

When Livingstone made that call in February, McWhorter wasn't happy.

"I wanted to at least go to Lviv, to be with the team there," McWhorter said. "In hindsight, given the situation, it was the right call."

McWhorter currently divides his time between Kyiv, his base in Warsaw and his family, now in London.

When Russia invaded in February 2022, McWhorter and Fairhurst were both woken in the middle of the night.

Their first priority was the staff. They realized they had to ensure the safety of more people than they were planning for.

While they knew how many



'There's a large interest in postwar Ukraine...We believe that we should be the largest private player in the reconstruction.'

Alexander McWhorter, Citigroup's head of Ukraine

employees they had, about 240, Citi suddenly felt responsible for wider families, support staff who weren't direct employees and others. The count ballooned to 850.

Then they weren't sure where they all were.

Employees around the world took shifts monitoring and messaging staff on the ground 24 hours a day. They tracked the Ukraine team and their families, guiding them through traffic to Lviv and border crossings while delivering real-time warnings of troop movements and bombardments. They sent information about where to find food and fuel and diapers.

One helpful surprise: Citi had expected to lose all communications with staff, but Ukraine managed to keep cell phones and the internet working.

Citi ran convoys of employees to Lviv and to the Polish border. The trips were arduous and some convoys had to turn back, faced with fuel shortages, traffic and breakdowns.

Employees from Warsaw drove to the border and slept

in their cars to bring their Ukrainian colleagues to safety in the Polish capital.

'Don't worry'

In Warsaw, McWhorter tried to manage the people and the business. Within hours, he had approval from top executives to pause collecting loan payments from clients, and forgo interest that accumulated.

"Look, don't worry about paying us," McWhorter told clients. "Worry about your own employees and your own operations."

Clients called wanting to rush cash into employee accounts, others needed bigger credit lines.

Some clients worried about accounts in Russian-held territory where the signers couldn't be reached. Could Russia or those employees get access to the money? Could Citi freeze the accounts or get new authorizations?

McWhorter said he told staff to focus on their families and safety, but they kept logging in to work anyway.

At the top of his work con-

cerns was Citigroup's own stability if its Kyiv office were hit in an attack. Russian troops got within a few kilometers of a backup site, forcing Citi to shut it down and leaving the bank exposed.

"If we lost control or those locations were damaged, we would be, essentially, out of business," McWhorter said.

Ukraine, like other countries, restricts banks from moving servers and information across borders. The National Bank of Ukraine needed to pass emergency measures to let Citi and others move to cloud servers. That approval came and Citi moved to European data centers.

"Once our systems were no longer fully dependent on Kyiv, we knew we were going to survive as a bank," McWhorter said. "At that point, it was a little less existential for us."

Hiding in the vault

Citigroup staff have settled into a difficult existence.

No Citigroup employee has been killed in the war. Some are living as refugees in Poland; family members are on the front line; homes have been hit by missiles.

Bankers were deemed essential workers by the government and exempted from the first mobilizations. Those exceptions have been pared back, but so far none of the employees have been called up.

Every holiday since the invasion has been canceled. They have turned to work as their part of the resistance.

Staffers rotate in and out of Kyiv on

shifts. When the air-raid sirens ring, they hunker down in the bank vault in the basement of the headquarters.

The bank has removed the contents of the vault and moved in desks and tables and some more comfortable seating options such as beanbag chairs. The bank limits the number of people in the office to how many could safely hide in the vault.

"It's not always the most comfortable thing, but we try to make it as comfortable as we can," McWhorter said.

He said life goes on inside Kyiv, he even saw a new Italian restaurant open recently. But people remain on edge and all plans include determining access to bomb shelters.

The bank is building a more permanent setting in Lviv, but a nearby missile strike now has it behind schedule.

'Not giving up'

Business results are mixed. The Ukrainian economy fell 30% in the first year of the war, though it has risen from those lows. Investments are rare as long as bombs are still flying.

Lending is down and the loans on the books are more problematic. Citigroup said in 2022 it no longer expected to collect on 16% of loans, about \$28 million, and the bank's filings warn more losses could occur if the war worsens.

Keeping the bank open is racking up costs, including the millions of dollars a year the bank is paying for employee shelter.

Ukraine's central bank imposed strict constraints on moving money out of the country, part of enforcing martial law. That means clients are sitting flush with cash they normally would have sent abroad, so have little need to borrow funds from the bank.

But all that trapped money has flooded Citi's coffers: deposits are up 90% since the start of the war. And the bank has built new teams to advise clients on complying with the capital rules.

Profits rose by more than 50% in 2022. But the Ukrainian government has passed a bill to take 50% of bank profits, which are being inflated by the capital controls. And the rules mean the income is stuck inside the country instead of being paid to Citigroup.

McWhorter said most of the big international clients with operations in Ukraine are trying to remain in the country. Of Citi's 500 corporate clients, McWhorter said only two have closed and that is because their entire operations are in Russian-held territory.

McWhorter said client relationships are different now. Meetings start with war stories and hugs.

Coca-Cola Hellenic, a global bottler for the soda giant and longtime client, operates a plant on the outskirts of Kyiv that was hit early in the war by Russian missiles. The company had to pause production while Russia briefly occupied the town.

After rebuilding, they sent McWhorter the piece of the rocket. They told him they wanted it to be history but they were moving forward.

"Not everyone is doing well, but they're all up and running," McWhorter said. "They're not giving up. They're not trying to walk away from their businesses. They are trying to make it work."



During an air-raid alert in Kyiv in March, Citigroup staff worked from the bank vault.



CARRY ON
DAWN
GILBERTSON

Ken McLain is no detective but he plays one every time he checks into a hotel. The case: figuring out how to turn on the lights in his room. At his hotel in Boise, Idaho, this week, the switch by the door only turned on a small minibar light. So the regional bank president stumbled his way in the dark to a floor lamp near the couch, eventually finding a tiny toggle on the lamp far from the lightbulb.

"I guess they're trying for style points to hide that switch," he says. Forget wonky digital keys and hotel showers that ought to come with an instruction manual. For many frequent travelers, the most maddening thing about hotel rooms—aside from rising nightly rates—is lighting. Too much, too little, too scattered, too complicated, an afterthought or overwrought.

It's frustrating anytime but particularly for the weary tourist coming into their rooms after a long trip late at night and the business traveler staying at a new hotel every week.

"Nothing else drives me nuts quite like the lighting," says Steve McDuffie, a Washington scientist who travels frequently for his job in nuclear waste management.

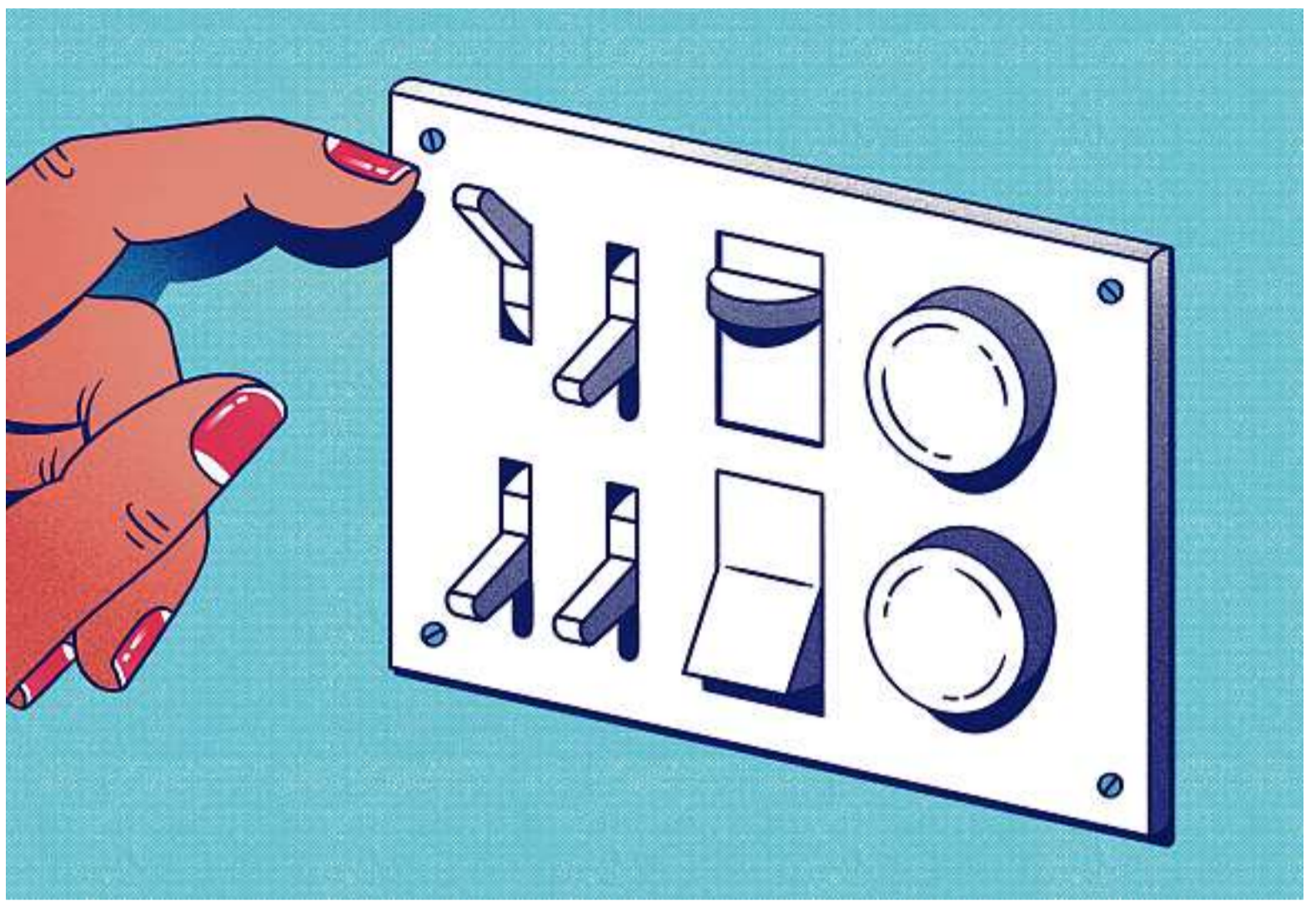
There are many reasons for the complicated lighting. Often hotels are attempting to give us features we like at home—such as reading lights or overhead lighting—while facing the economic realities of running a hotel.

Complicating matters is the fact that many big city hotels are in old buildings. Adding master switches and headboard panels, popular hotel room lighting trends of the past few years, can be a costly undertaking because it requires digging into walls and re-wiring the whole place.

"It's harder to get the same functionality as you can if you were doing a new construction project," says Sarah Churchill, director of business development for Benjamin West, a Colorado company that purchases furniture, fixtures and equipment for hotels.

Fancy toggle
Even top hotel executives get flustered by in-room lighting. **Marriott International** Chief Executive Tony Capuano estimates

► **Seattle wellness coach Jill Consor Beck is among the legions of travelers who struggle with hotel room lighting and wonder why it has to be so complicated.**



The Latest Traveler Kvetch: Hotel Lights Are Confusing

Too bright, too dark, too complicated—even hotel executives are bewildered by in-room lighting

he's stayed at least 15 times at the London Edition hotel, the chain's Ian Schrager-designed luxury boutique hotel. Capuano says he still can't figure out how the fancy toggle switches work.

"They are charming, but we chose form over function," he says. Kellie Sirna designs hotels as founder and principal of Studio 11 Design in Dallas. She ranks lighting in the top three guest priorities in a room, up there with a good mattress and a functional space.

"A room that's too dark or too bright is always kind of a bit of a mood kill and can kill an experience," she says.

Sirna's also encountered another problem in trendy hotels: not enough wattage to get ready for work.

"I was trying to use my [smartphone] flashlight to do makeup," she says. "It was that bad."

She says hotels have to strike a balance between lighting features we're used to in our homes and lighting that is affordable, durable and not too hard to use. No one wants to have to call the front desk to ask how

to turn the lights on and off. And most hotels don't have the staff to send someone to your room every time there's an issue.

Room-lighting schemes vary from hotel to hotel, even within the same chain. You might have to turn off several different lamps before going to bed at one Marriott or Hilton and find a master switch built into the headboard at others.

A new challenge

In rooms with multiple lamps and switches, there's always the one you can't figure out.

In New York City last fall, Churchill had to ask her boss to show her where the rocker switch was on the desk lamp. The one in his room was on the front of the lamp, hers was in the back.

On a business trip in Salt Lake City this month, Churchill's colleague couldn't figure out how to turn off the headboard light.

"She slept the entire night with a washcloth over her head to block out the light," she says.

Then there's the problem of rolling over and accidentally hit-

ting the master switch on the headboard and lighting up the room.

Some hotels have added automatic sensors and nightlights so you or your traveling companions aren't blasted awake during a middle-of-the night bathroom visit. Hilton is making nightlights a brand standard by the end of this year.

Bathroom lighting during the day is also an issue, especially for female travelers. We've all suffered that fluorescent lighting that showcases every flaw and can lead to embarrassing makeup overapplication.

Seattle wellness coach Jill Consor Beck counsels her clients on the importance of a good night's sleep. That's a challenge for her and other business travelers in rooms with lighting issues.

At a Westin in New York City last week she wanted a dimmer switch in the bathroom. The only option was on or off.

"You don't want a bright light at 3 o'clock in the morning," she says. "That's totally going to screw up your sleep."

IRA Advisers Come Under New Rules

BY ANNE TERGESEN

Americans will get new protections for the trillions of dollars that moved out of their 401(k)s and into individual retirement accounts, under Labor Department regulations released Tuesday.

Savers move close to \$1 trillion each year out of their 401(k) employer-sponsored plans into IRAs. The number has grown as more people retire or change jobs. While 401(k) workplace retirement plans have strict rules requiring any financial advice to be in the best interest of individual savers under a 1974 law called Erisa, those rules haven't historically applied to individual retirement accounts.

The new regulation would extend Erisa's fiduciary requirements to all advisers, brokers and insurance agents who provide advice on IRAs, including rollovers. The change starts going into effect on Sept. 23, though it may face legal challenges. The industry will then have another year to fully comply, the Labor Department said.

Proponents of extending the fiduciary rule to IRAs contend that many savers aren't fluent in finance and don't necessarily understand

the incentives and potential conflicts of interest different types of advisers have when pushing particular products. Insurance agents, for example, can earn hefty commissions for selling annuities.

"The Labor Department is concerned that when a person is moving what might be their entire 401(k) account into an IRA they should be receiving advice that's in their best interest," said Fred Reish, an attorney who specializes in employee benefits.

Among other things, the new regulation will require advisory firms to have policies and procedures to manage conflicts of interest and ensure they are receiving reasonable compensation.

With the peak of the baby-boom generation in or approaching retirement, rollovers of money from 401(k)s to IRAs are a big business for financial-services companies, which make money on the products and services they recommend. In 2022, investors moved \$770 billion into IRAs from 401(k)-type retirement accounts, up from \$404 billion in 2013, according to research and consulting firm Cerulli Associates.

When it proposed the regulation in October, the White House said the measure would increase retire-



20,000 comments it received on the proposal from industry groups and individuals.

The new regulation is likely to have the greatest impact on insurance agents, especially those who work independently, said Micah Hauptman, director of investor protection at the advocacy group Consumer Federation of America.

The current standard for insurance agents is generally weaker than what the Securities and Exchange Commission imposes on brokers and investment advisers when handling sales of mutual funds and other securities in rollovers, he said. Insurance agents are regulated under state insurance laws.

The rule might prompt insurers to introduce annuities with lower costs and commissions and shorter surrender periods that should produce higher returns, Hauptman predicts. He said insurers will have to scrap sales incentives, including trips and dinners, for agents selling annuities as part of a rollover recommendation.

The Labor Department regulation allows brokers and insurance agents to receive commissions on IRA investments they recommend, provided they adhere to conditions including a fiduciary standard and acknowledge their responsibilities to act in a client's best interest in writing. The new regulation would require insurance agents to adhere to a similar standard, Reish said.

ment savers' returns by between 0.2% and 1.2% a year, potentially boosting retirement savings by up to 20% over a lifetime.

Detractors in the financial industry have argued the rules will make it more burdensome and risky for financial-advisory firms to work with retirement savers and could reduce the number of advisers willing to work with investors.

The Biden administration's rule follows failed attempts by prior administrations to impose Erisa's fiduciary standard on a wider range of transactions by financial advisers dealing with IRAs. Earlier versions were struck down in court or narrowed.

There might be another wave of lawsuits to block the effort, said Alison Itami, an attorney specializing in employee-benefit programs at

▲ The regulations released by the Labor Department will govern advice on moving nest eggs into individual retirement accounts.

Groom Law Group.

The deadline to impose the changes might not give the industry enough time to comply, some in the financial-services industry said.

"It will require extensive work to get into compliance, including technology system updates, record-keeping, training and disclosure practices, and other policies and procedures," said Jason Berkowitz, chief legal and regulatory affairs officer at the Insured Retirement Institute, an association for the annuities industry that has been critical of the proposal.

The Labor Department responds that it took into account the nearly

PERSONAL JOURNAL.

A Decision That Can Protect Women's Health as They Age

Removing ovaries during a hysterectomy may increase risk of heart disease, stroke and dementia



The health risks associated with the removal of ovaries are significant.

Rocca was co-author of a 2021 Jama Network Open study that found that women under 46 who removed both of their ovaries with or without a hysterectomy had an increased risk of mild cognitive impairment and performed worse on cognitive tests 30 years later compared with women who didn't undergo the procedure.

Another study Rocca co-wrote found that women who had ovaries removed before age 50 faced higher risks for several conditions years later, including heart disease and osteoporosis.

Other studies have linked the procedures to an increased risk of dementia, Parkinson's disease and accelerated aging.

Sometimes, patients push to have their ovaries out at a younger age to help with symptoms such as pelvic pain or to avoid a subsequent surgery, says Dr. Daniel Breitkopf, chair of OB-GYN at the Mayo Clinic and a member of ACOG's board of directors. He usually advises waiting.

"I would rather do an oophorectomy five or 10 years later so then we have five to 10 years of benefit of those ovaries on your health," he says.

Dr. Rebecca Rogers, chair of the OB-GYN department at Albany Medical Center and secretary-treasurer of the Society of Gynecologic Surgeons, says there is some debate over whether the cutoff should be age 50 or 65.

"For very young patients, it's clear that removal of the ovaries at a young age puts people directly into menopause and puts them at risk for all the things that happen with that," she says.

The guidance

There is some evidence that estrogen replacement therapy can attenuate the harmful effects of removing the ovaries and starting menopause prematurely, says Rocca. That evidence isn't conclusive, however, he adds.

Lisa Mosconi, an associate professor in the neurology department at Weill Cornell Medicine, where she is also director of the Alzheimer's Prevention Program and Women's Brain Initiative, says she has received many emails from women who are alarmed because they were unaware of the potential risks when their ovaries were removed during their hysterectomies.

Many of them had the surgeries when it was routine to also remove the ovaries.

"There are women in their 60s and 70s who are quite shocked, in retrospect," she says. "It's a more streamlined surgery and your risk of ovarian cancer is significantly reduced, so a lot of people just said, 'Sure.'"



YOUR HEALTH
SUMATHI REDDY

A reader recently pinged me with an important question: Are women who had their ovaries removed during hysterectomies more prone to dementia?

For this reader, like millions of older Americans, the issue hit close to home. Several women in her circle have developed dementia later in life, and the number of people with Alzheimer's disease and other forms of dementia is rising.

Though menopause and women's health are getting more attention from doctors and researchers after being understudied for decades, the hysterectomy question remains particularly difficult.

I did some research and here's

the bad news: Women under 50 whose hysterectomies involve removing both their uterus and ovaries—prompting surgical menopause—face increased risk for myriad health issues, including heart disease, stroke and dementia.

Now the good news: More women are preserving their ovaries after hysterectomies, reversing longstanding medical practice.

But some doctors and researchers say it is likely that there are too many women undergoing removal of their ovaries when they don't need to. Doctors say the only women who should undergo an oophorectomy are those with, or at high risk of, ovarian cancer, which affects about 1% of women.

Women with pain from endometriosis that can't be controlled in other ways might also opt to have their ovaries removed, but experts' opinions are divided.

"A removal of the ovaries before menopause and before age 46 years may cause an acceleration of the

aging processes across many organs, for example, the brain, and many tissues of the body, for example, the bones," says Dr. Walter Rocca, who is a professor of epidemiology and neurology at the Mayo Clinic in Rochester, Minn., and has written studies on the topic.

Poorer health

There are no recent studies or nationwide databases on the percentage of hysterectomies that include a bilateral oophorectomy, or removal of both ovaries, according to the federal Centers for Disease Control and Prevention and doctors. Removal had been standard practice for decades up until 2008.

In that year, the American College of Obstetricians and Gynecologists recommended retention of both ovaries in premenopausal

It is likely there are too many women having their ovaries removed.

women at usual risk of ovarian cancer. Yet the translation of this recommendation into clinical practice has been slow and varied, says Rocca.

"It takes time for scientific evidence to translate into changes in clinical practice," he says. "Gynecologists may resist changes in practice because of their training, their preferences and beliefs, and because of financial incentives."

A 2013 study in the journal *Obstetrics and Gynecology* found that among more than 750,000 women, about 46% removed their ovaries at the time of hysterectomy whereas 54% didn't. Even premenopausal women who preserve their ovaries during a hysterectomy are at increased risk of dementia and heart disease but less so, according to multiple studies.

'I'm Not a Robot' Tests Get Harder

Continued from Page One

one that can NOT live underwater." "Please click on the red object in front of the object that appears once."

"I was trying to log in and it gave me this insane-looking fruit, like a [bowl of] fruit that would be sitting on a table, but it's growing off a tree," said Mustafa Al-Hassani, 38, a Houston-based game developer. The Captcha asked him to "click each image containing an apple on a tree," he said. "It looked realistic, but also so wrong—it was like, hurting my brain."

Captcha is the acronym of Completely Automated Public Turing test to tell Computers and Humans Apart. It was developed at the turn of millennium as a way to prevent bots from disrupting websites and their databases by pretending to be well-intentioned human users. It places the burden of proof on people by posing challenges that only humans can solve.

Companies used them to protect against bot attacks that can crash their websites and compromise user security. Bots aim to mimic human behavior, but faster—meaning those Taylor Swift concert tickets you were waiting to purchase might get scooped up in less than a second by a tech-savvy scalper.

Early Captchas asked users to type out words rendered in distorted letters that automated programs couldn't decipher. Before long, users got used to searching for fire hydrants and bridges, and getting irritated when they failed the simple tests.

Eventually they began sounding off in expletive-ridden Reddit posts, in a website called "The Museum of Annoying Experiences," in rants on



TikTok. In 2020, Bedposts, an emo band based in the Netherlands and the U.K., released an album called "songs to get it out of my system." Track three: "I F—ing Hate Captchas!"

Such frustrations have caught the eye of comedians.

"Is it just me, or have those 'I am not a robot' tests started getting harder?" asked British comedian Jack Whitehall in his most recent Netflix special, before launching into an account of how they once tipped him into an existential crisis. "Has anyone had that moment recently where you have failed the I-am-not-a-robot test so many times that you have

► **Arkose Labs concluded that this Captcha it developed was too tricky for human users.**

that moment where you stop and go...Maybe I am a robot?" he said. "I haven't been able to spot 10 [stop]lights in a row. I'm either a robot or a cyclist!"

The companies and cybersecurity experts who design Captchas have been doing all they can to stay one step ahead of the bad actors figuring out how to crack them. A cottage industry of third-party Captcha-solving firms—essentially, humans hired to

solve the puzzles all day—has emerged. More alarmingly, so has technology that can automatically solve the more rudimentary tests, such as identifying photos of motorcycles and reading distorted text.

"Software has gotten really good at labeling photos," said Kevin Gosschalk, the founder and CEO of Arkose Labs, which designs what it calls "fraud and abuse prevention solutions," including Captchas. "So now enters a new era of Captcha—logic based."

That shift explains why Captchas have started to both annoy and perplex. Users no longer have to simply identify things. They need to identify things and do something with that information—move a puzzle piece, rotate an object, find the specter of a number hidden in a roomscape.

Compounding this bewilderment is the addition to the mix of generative AI images, which creates new objects difficult for robots to identify but baffles humans who just want to log in.

"Things are going to get even stranger, to be honest, because now you have to do something that's nonsensical," Gosschalk said. "Otherwise, large multimodal models will be able to understand."

Arkose Labs employs a staff of artists, former game designers and cybersecurity experts to craft some of



▲ Game developer Mustafa Al-Hassani was puzzled recently by a fruit-related Captcha.

the weirder tasks popping up during logins. Arkose says that even its hardest challenges—presented to users deemed, often erroneously, to present a "high threat"—have a first-time solve rate of 94.6%.

Not all of its ideas make the cut. The team once developed a Space Invaders-style game for users to get through, but it was too hard for humans to complete on their first try.

Every Captcha on the internet right now will one day be solvable by a bot, Gosschalk said.

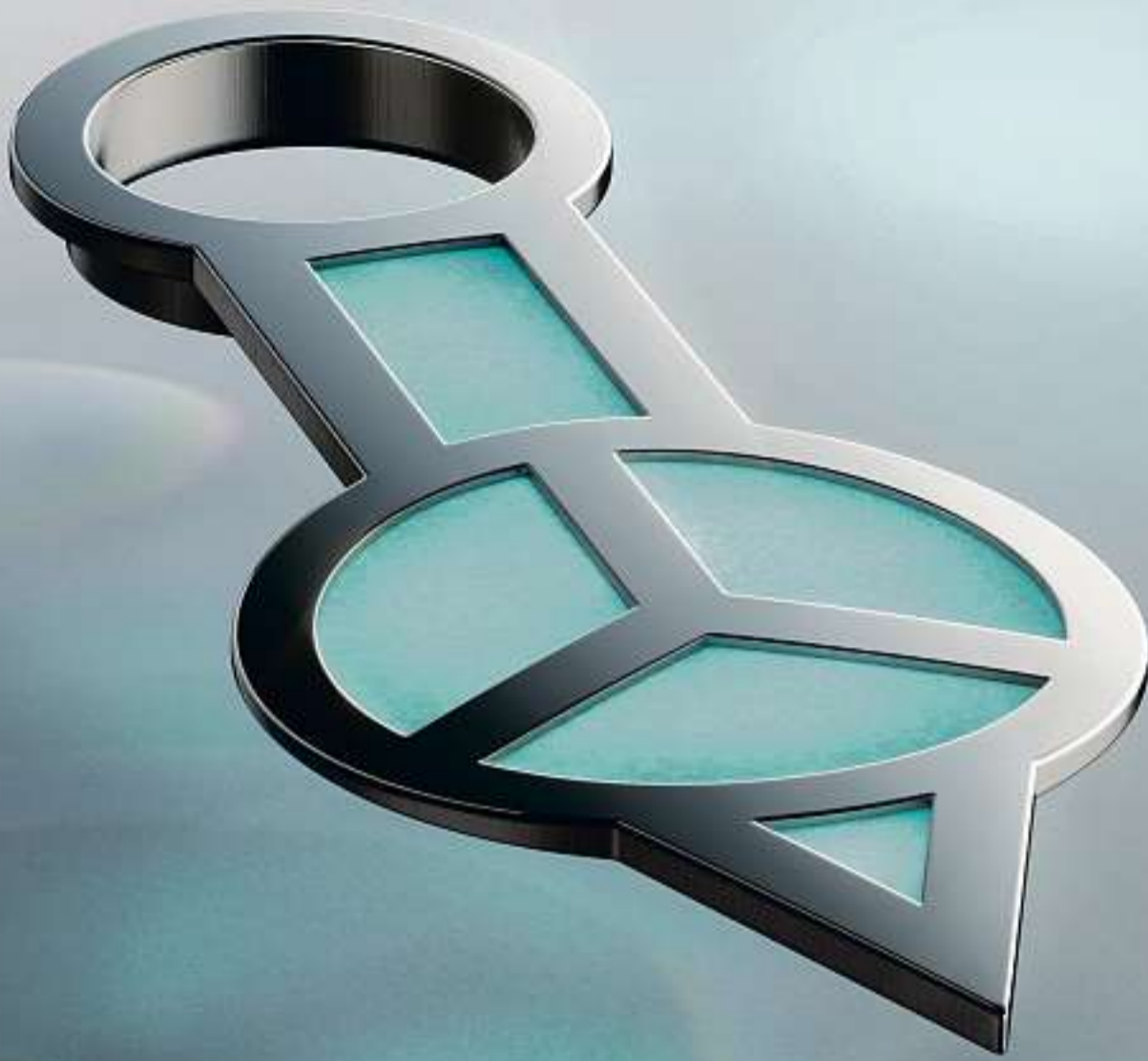
"But the intention isn't to design something that machines can't do," he said. "The intention is to design something that's really expensive for developers to try and train software to do."

As for the humans, some are charmed by the new style of Captchas floating around the internet. Alyssa DeHayes, a senior marketing manager, recently was asked to click on a cow's nose. "It was pretty cute!" she said.

Never considers the bizarre challenges a welcome change.

"I have such a long history of being frustrated by the traditional ones that I'm happy to see a different kind of prompt," he said. "I'd rather do that than identify stoplights."

FRANZISKA BARCZYK (TOP LEFT); ILLUSTRATION: THE WALL STREET JOURNAL; ISTOCK (B); MUSTAFA AL-HASSANI; ARKOSE LABS



BRING ON THE NIGHT

This is our Chromalight display. Unveiled in 2008, it offers optimal and long-lasting legibility in the darkest of surroundings thanks to a luminescent substance developed by Rolex and patented. White under the light of day, it glows blue in darkness and makes it possible to read the time in all lighting conditions. Composed of aluminum, strontium, dysprosium and europium, it has the ability to store

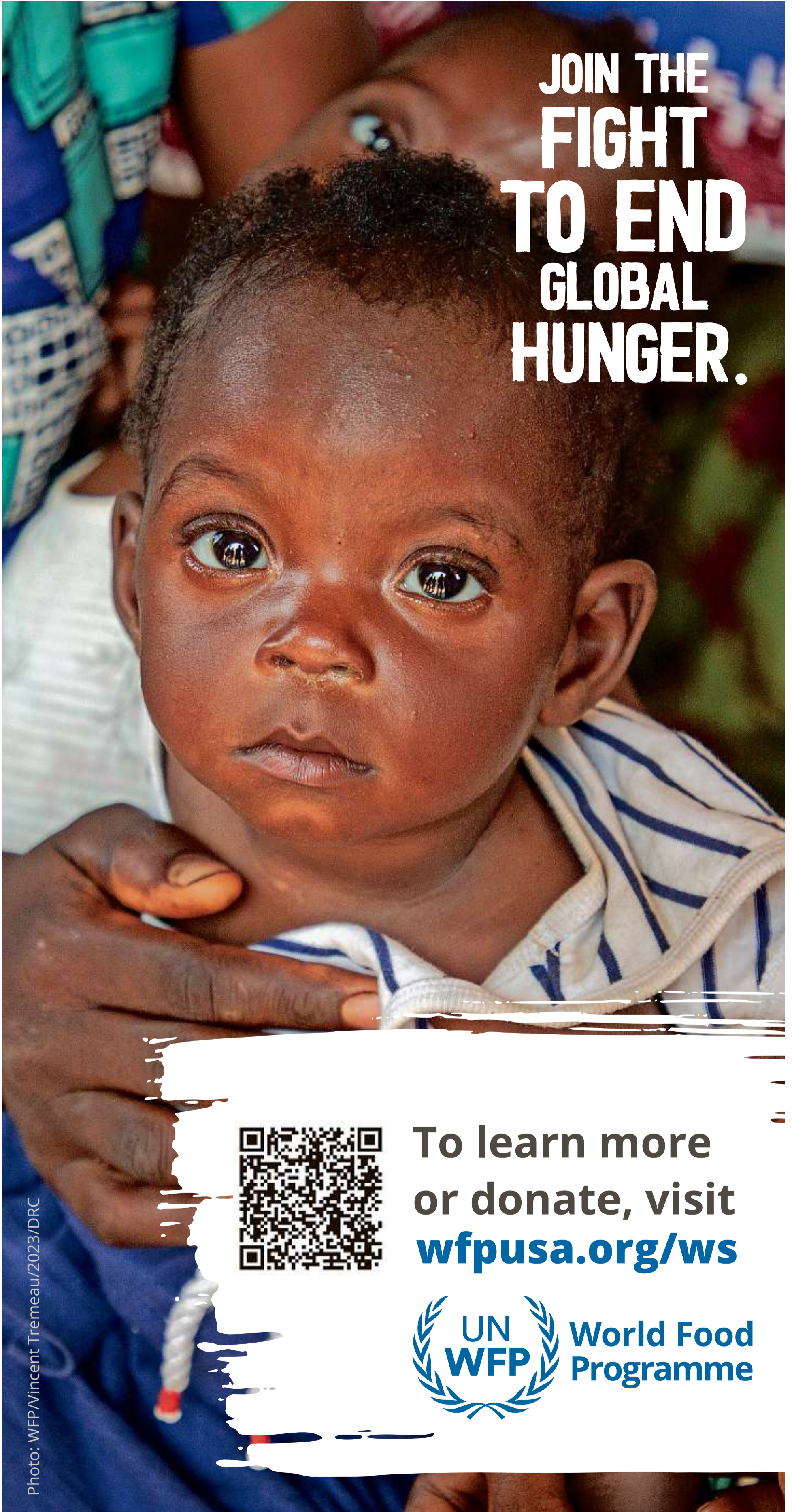
ambient light's energy only to better release it, gradually, whenever it may wane. First obtained in powder form, it is then heated to a very high temperature and mixed with a resin, before being applied manually to the hands and indexes. Its characteristic blue hue is a most reliable ally to repel the reach of darkness. A most precious glow in even the darkest of nights.

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ARTS IN REVIEW

Since the 2020 release of her album “Folklore,” everything about Taylor Swift and her career has pointed up. She has won awards, shattered records with her Eras tour, sold millions of LPs and CDs while also breaking streaming records. She re-recorded her old albums to gain control of her masters and a new version of an old song topped the Hot 100. She released a massively popular concert film and her boyfriend is a star football player who won the most recent Super Bowl. She also became a billionaire.

The explosive growth is reflected in the singer’s recorded output during this period. Her 11th studio album, “The Tortured Poets Department” (Republic), came out Friday. It was supposed to be a 16-track LP, but hours after it had been posted to streaming, she dropped an additional 15, for an extended “Anthology” version of the record that stretches for over two hours. This Costco-sized clutch of music means she’s released about 85 new songs since 2020, with roughly another couple of dozen that wound up as bonus tracks on her re-recorded albums. It’s an astonishing level of production. And yet, even as everything about Ms. Swift’s career has gotten bigger over the past five years, the world inside her songs has shrunk.

Like her previous record, “Midnights,” this new collection sees her turning her gaze inward. “The Tortured Poets Department” is a breakup album, well-trod terrain for Ms. Swift, and a number of songs seem to point to her relationship with Matty Healy, the lead singer of the English rock band the 1975.

After the so-so opening synth-pop ballad “Fortnight,” featuring Post Malone, lyrical Easter eggs are hidden throughout the title track. It’s about a doomed relationship between two people who seem to take themselves too seriously—“You’re not Dylan Thomas, I’m not Patti Smith” goes a line in the chorus—but it’s filled with clues that hint at a story only the most online Taylor Swift fans would know. “You told Lucy you’d kill yourself if I ever leave,” she sings at one point. Online speculation suggests that this refers to Lucy Dacus, a member of the indie rock band Boygenius, whose friendship with Mr. Healy included a certain amount of social-media drama. On “Guilty as Sin?,” later in the album, Ms. Swift sings “Drownin’ in the Blue Nile / He sent me ‘Downtown Lights’ / I hadn’t heard it in a while,” referring to a track from a cult band that Mr. Healy has called his favorite group. Inside information like this is all over the record, which is nothing new in pop or in Ms. Swift’s oeuvre. But what was once a sprinkling of lore to occupy rabid fans now seems to be the whole point.

Ms. Swift built her brand on the self-referential, but her song-

MUSIC REVIEW | MARK RICHARDSON

Taylor Swift’s Songs of the Self

‘The Tortured Poets Department’ is a logorrheic account of the pop superstar’s personal dramas



Taylor Swift, above; her 11th studio album, released in two parts with a total of 31 tracks, is out now.

of hyper-productivity, both are running low on new ideas. Song structures seem recycled, melodic turns are overly familiar, and the arrangements highlight the words while ignoring musicality.

About those words: Ms. Swift is a celebrated lyricist, for good reason, who occasionally—playfully—overstuffs her lyrics. This album takes this tendency to an unwelcome extreme. On the chorus of “But Daddy I Love Him,” an attempt at a big power ballad that doesn’t quite land, a head-scratching line like “I don’t cater to all these vipers dressed in empath’s clothing” takes you out of the song completely, as does a clumsy passage like “When your impres-

sionist paintings of heaven / Turned out to be fakes / Well, you took me to hell, too” on “loml.”

The latter is ostensibly a spare, darkly shaded ballad, but Ms. Swift can’t help but cram every line with as many words as possible, killing the vibe. It’s also one of too many songs that begin with Mr. Dessner’s solemn, sepia-toned piano. The third or fourth time a track on “Tortured Poets” begins with a terse Satie-like progression on wispy keys, you can’t help but wonder if there might be a Fender Rhodes lying around somewhere to spice things up a little.

There are some good songs here. “Who’s Afraid of Little Old Me?” is knowing and funny coming from one of the most powerful entertainers in the world, and the chorus is appropriately over the top. “So High School” exhibits touches of guitar-saturated dream-

pop, evoking bands like the Primitives and the Sundays, and it serves as a temporary respite from the word-drunk confessionals that dominate the record (a few clunky phrases on the bridge break the spell, but only a little). A handful of others merit repeat plays, but that’s a low batting average when we’re talking 31 tracks.

Ironically, given the sheer glut of material, the defining quality of “The Tortured Poets Department” is its lack of generosity. These creations don’t allow listeners to shape their own narratives and map the songs onto their own lives. All roads to meaning lead to Ms. Swift, a boon to those obsessed with her celebrity that leaves the rest of us behind.

Mr. Richardson is the Journal’s rock and pop music critic. Follow him on X @MarkRichardson.



writing gifts and ear for melody resulted in catchy, powerful singles that didn’t require a cheat-sheet. Singalong hooks and memorable tunes are in short supply on this record, however. She again collaborates with Jack Antonoff and Aaron Dessner, the co-producers and co-writers behind almost all of her new work this decade. The material created with Mr. Antonoff favors gurgling ’80s synthesizers and is lighter and occasionally sillier, while Mr. Dessner, of the National, brings a more somber mood to bear. But after years

TELEVISION REVIEW | JOHN ANDERSON

An Unwieldy Look at Modern Life

The thesis question in the fourth episode of writer-director Andrew Morgan’s six-part PBS series “A Brief History of the Future” is “What does it mean to be human in the 21st century?” What follows is scattered, digressive, overscheduled and so full of contradictions that in a kind of modernist-structuralist manner the episode answers its own query, and in dryly humorous fashion.

That “Human” bites off more than it can healthily digest is something we can see coming, but given the ambitious, audacious, attention-getting title of the series, it is hard not to anticipate overload. A viewer might expect “Human” and its host, the futurist Ari Wallach, to be homing in on artificial intelligence, which is usually addressed as a threat to human supremacy on this planet (and maybe others). They do, although AI amounts to only one aspect of the hourlong program, which attempts to explore cutting-edge tweaks to the human experience involving everything from emotional interactions to art to death to hardware: A segment con-

cerning the development of a second thumb—an extra opposable digit operated with the foot—is fascinating, intended as a window into body modification and augmentation, and how a new appendage might affect brain function. Still, it seems slightly superfluous. Even offhanded.

Mr. Wallach’s presumptions may not be meant to provoke, but do.

“Why do we feel so disconnected from each other?” he asks. “And from ourselves?” Do we? Right off, the show uses such phenomena as single-family homes, school buildings, assisted living facilities and even of office cubicles as examples of the boxes

that separate and isolate human animals from the time they are infants, but these are such gross generalizations they are difficult to take seriously, especially since they ignore—or worse, compartmentalize—the variety of human experience. When Mr. Wallach, who is an ingratiating host, visits a senior community and talks to the residents, they express how age and a sense of togetherness have enriched their lives.



▲ Futurist Ari Wallach hosts ‘Human,’ an episode of ‘A Brief History of the Future’ on PBS.

of empathy—and whether it can be taught. This seems one of the more human-defining aspects of the show’s study, as is dementia: As we are told by Jannette Spiering of the Hogeweyk, a “dementia village” near Amsterdam, one in three people to-

day will die in a state of mental incapacity and “you cannot segregate all these people from society.”

Given this, and for all the show’s good intentions, one might wish that “Human” had explored whether increasing longevity is actually diminishing the quality of life for many of our species. It is common for humans to quip that old age is not as bad as the alternative, but we also joke at funerals and avoid the realities of mortality. Why is this? Mr. Wallach tries to intellectualize the issue, but the most eloquent source on the subject might be Alua Arthur, a “death doula” who helps usher people into the afterlife through her practice in Arizona. One of the problems people have facing their own demise, she says, is that each of us imagines him or herself the “main character in the story,” and can’t imagine how the story can go on without us. It seems so true. And one of the critical things that make us human.

Human
Wednesday, 9 p.m., PBS

Mr. Anderson is the Journal’s TV critic.

SPORTS

JASON GAY

It's the Most Important Decision An NFL Team Makes. Don't Mess It Up!

Selecting a reliable quarterback can change a football team's fate. Why is it so hard to get it right?



The NFL draft is Thursday. How is your quarterback-anoia? "Quarterback-anoia" is not a goofy term I made up for today's column—it's a legitimate medical condition, serious though not usually fatal, peer-reviewed, and formally recognized by the U.S. Surgeon General, Dr. Aaron Rodgers.

It specifically affects fans of miserable football teams, terrified their team is about to draft the incorrect signal-caller to entrust with their future.

Symptoms include: Anxiety your harebrained team will pick the wrong quarterback. Anxiety your harebrained team will pick the wrong quarterback—for the second time in four years. Anxiety that a nemesis opponent will pick the right quarterback, and then lord it over your harebrained team for the next 20 years.

General irritability and late-night snacking. Are you—or anyone you love—expressing any of these symptoms? Are you petrified that your team is about to bungle a golden opportunity?

Are you yelling at your family about the differences between LSU's Jayden Daniels and North Carolina's Drake Maye?

Have you woken up at 3:30 a.m., made yourself an Elvis (a bacon, banana and peanut butter sandwich), and wondered out loud:

Shouldn't we just take J.J. McCarthy? Dude is a winner.

If so, the wisest course of action is to unplug, abandon the NFL and follow a mellower activity, like congressional politics.

At the moment, the fan bases with the clearest cases of pre-draft quarterbackanoia are Chicago (first overall pick), Washington (second), New England (third), and Minnesota (11th pick). Those



From left to right: USC quarterback Caleb Williams, LSU's Jayden Daniels and North Carolina's Drake Maye.

teams have desperate quarterback openings—but it's also possible that the festering Giants, Raiders and Broncos (new home of ex-Jet Zach Wilson, reportedly) will move up to grab themselves an untested collegian, too.

All of this QB need—and the accompanying unknowns about the QB field—makes this year's draft an especially nervous affair. Held this time in Detroit, home of the mighty playoff Lions, the draft is always a stressful oddity, in which dreams are realized, fans cheer and agonize, and you sit on the couch for two hours until you realize you are basically watching a series of front office phone calls.

Quarterback—by far the most important job in football—is the

night's most fraught selection. Despite oodles of modern analytics to determine the right attributes for success, despite the fact that these guys have been playing before our eyes for many years, despite groovy management mystics whispering to general managers, it often comes down to a gut decision, and just plain old luck.

It doesn't help that the draft format—designed to help the worst teams first—is perilous to quarterback talent. It seems obviously better for a young QB to apprentice a season or two behind an experienced professional, and learn the ropes in a stable environment.

Instead we throw them into chaos with bumbling teams which have little choice other than play

them right away.

In fact, if NFL history has taught us anything, it's that being a top pick is no guarantee of QB success. Some of the very best in the game (GOAT Tom Brady, 2023 MVP runner up Brock Purdy) have been scooped off the ocean floor of the later rounds, turning their draft day humiliations into fuel.

At the moment, everybody is confident that the Bears are going to pick Caleb Williams of USC with the first selection. Williams may have underachieved as a Trojan, but he's considered the fullest package in the draft, and he's already expressed interest in going to a cold-weather team with one winning season in the past decade.

Williams seems like a Top

Guy—so much so the Bears unloaded the previous guy, Justin Fields, and intend to use a pick acquired last year from Carolina, which traded for Chicago's No. 1 pick in 2023 to select Alabama quarterback Bryce Young, who was...not great. It's unfair to cross him off, of course, but Young had the extra misfortune of being selected ahead of Ohio State quarterback C.J. Stroud, who was...quite great, leading Houston to the playoffs and instantly changing the outlook of the lowly Texans.

That's the draft nightmare: the big swing and miss, followed by someone else's smashing choice.

It's what makes this year's second and third quarterback selections so nerve-racking: disagreement among the draft know-it-alls over Maye and Daniels. Both are clear talents, with the sort of upside that makes coaches drool—but also nagging questions that make you think that *maaaaybe* you should take the other guy.

They're both going somewhere. Depending on the hour, and who you are talking to, Daniels is going to Washington, Maye is headed to New England—or flip it over, vice versa. The Patriots, under new management since the Grumpy Lobster Boat Captain's exile, have also signaled openness to trading the No. 3 pick, a common pre-draft tactic which may mean zero.

Who do you want? Don't get it wrong!

Deeper down there's the "winner" category, a field headed by Michigan's McCarthy, Oregon's Bo Nix, and Washington's Michael Penix Jr. These quarterbacks won a lot of games, but aren't considered consensus slam dunks, even if Jim Harbaugh predicted McCarthy would be the first QB selected, which is exactly what his former coach should say, especially since he already has a franchise quarterback. Penix, who dealt with multiple injuries before a dream Washington season, went so far as to write an open letter to NFL general managers pleading his case.

Answers arrive Thursday evening, in Motown. Then come more questions. As soon as those players cross the stage to squeeze Roger Goodell, familiar worries will return. Nobody knows. In the NFL, quarterbackanoia is a resting state.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with numbers 1-64 indicating starting positions for clues.

- 24 2028 Olympics host nat.
26 Rage
27 Star loved by multitudes
28 Doesn't down
29 Can't abide
30 "Hells Bells" band
31 Plane, for one
32 Times long gone
36 Bond, e.g.
37 Fuss
38 Lively merrymaking
41 California roll component
42 Greedy desire
43 Country admitted to the United Nations the same day as Monaco
45 Changes chemically
46 Enticement, figuratively
47 Imposes
50 Subjects of most John Hughes films
51 Relaxes
52 In need of a Swiffer
53 Wine region
54 Always
55 Hurdle for jrs.
56 Large amount
58 Store in a barrel, say

PLANTS WITH PERSONALITY | By Kelly Richardson

Word puzzle grid with clues for plants and personalities. Clues include: 30 "Right back ___!", 33 Distinct time, 34 Word after mass or social, 35 Sound in a park, 36 Had something, 37 Word sometimes reduced to its middle letter in texts, 39 Choose, 40 Head accessory with Black cultural significance, 42 Summer refresher, 43 Otherwise, 44 Crop known for its shrewdness?, 48 Lakers legend Shaquille, 49 Left the stage.

Previous Puzzle's Solution

Grid showing the solution to the previous puzzle, with words like EPISCOPAL, BALLERINA, BROADCAST, LEAFIEST, OTTOS, LOUISIENS, WHAM, LLOYD, ONEL, FEER, REED, ALDER, AHOUSE, DIVIDED, STERN, LIAR, MIS, AREA, BUYIN, BIER, TELLSON, MACRO, ANCESTOR, REMAN, ORIENTALS, ALIIST, OILSTONES, MOCHA, CEXTINGIN.

They Were a Bad NBA Team, So Knicks Became a College One

By ROBERT O'CONNELL

PUTTING TOGETHER AN NBA team is tricky business. The New York Knicks spent years mixing and matching in pursuit of a winning blend, only to fall flat on their faces again and again. Then the Knicks tried something different.

They simply looked at one of the most dominant champions in the recent history of college basketball and said, *We'll take those guys.*

In key ways, the Knicks are simply a reprise of the Villanova Wildcats, a team that cruised to two national titles in three seasons. And now the 2024 Knicks, a No. 2 seed in the playoffs, lead the Philadelphia 76ers two games to none in their first-round series. Their star was the leader of the 2018 Villanova champions, the burly point guard Jalen Brunson. New York's top 3-point shooter is the Wildcats' old marksman, Donte DiVincenzo.

The Knicks' soul and hustle, meanwhile, comes from Josh Hart, the do-everything guard who helped pace Villanova to the 2016 title.

And the three former Wildcats were impossible to miss late in the Knicks' comeback—behind win in Monday's Game 2, when 3-pointers from Brunson and DiVincenzo—either side of a Hart steal—turned the tide.

"Every now and then I think about all of us back at school, competing in practice, getting after it, having little mini-fights," Brunson said in January. "To see where we are now, it's really special."

If having a nightly college reunion in the Knicks' starting lineup is a great time for the trio, it causes more complicated feelings in Villanova fans. The university is located in a Philadelphia suburb that falls squarely on Sixers turf.

Tom Leibig, a former backup forward with the Wildcats who now works for a financial firm in Philadelphia, has an even tougher dilemma than most. He grew up a die-hard Sixers fan,

which means that following his heart this playoff season involves betraying his old loyalties.

"When you see your college friends out there, it's hard not to root for them, so as much as it pains me to say it, I'm 100% on board with the Knicks right now," Leibig said. "My friends are all Philly fans, and they hate watching the games with me."

It is rare for college team-

just the type of hardworking grinders Knicks fans and coach Tom Thibodeau adore. As New York has ascended in the Eastern Conference, winning 50 games for the first time in more than a decade, Brunson said that Thibodeau routinely picks his brain about his Wildcats experience.

"Constantly, constantly he talks to me about Villanova," Brunson said. "To the point where I think he wishes he



The Knicks' Donte DiVincenzo, Jalen Brunson and Josh Hart

mates to find success together in the pros, but it is even more remarkable the way the "Nova Knicks" linked up, one bit of happenstance at a time. Brunson arrived ahead of last season, after New York signed him away from the Dallas Mavericks in free agency, and immediately turned into a star. He scampered behind the arc for long-range shots and danced his way past defenders almost a foot taller than him.

But Brunson, just 6-foot-2, needed a bigger backcourt teammate, so New York traded for Hart, a tough defender and ferocious rebounder, midway through last year. Then last offseason, the team needed an influx of shooting. Enter DiVincenzo, who this season made the third-most 3-pointers in the entire NBA.

Under former head coach Jay Wright, Villanova developed a reputation for training ready, steady professionals—

went there." On the court, the trio of Wildcats has the Knicks humming. In Game 1 against Philadelphia, Brunson and Hart led the team with 22 points apiece, while DiVincenzo laced a pair of 3-pointers. In Game 2, they combined for 64 more points.

Off the floor, it's been entertaining as well. Brunson and Hart have launched a podcast, "Roommates Show," that welcomed DiVincenzo as a guest for an episode. The show features the kind of good-natured ribbing common among old college pals—except that these friends are currently working together to bounce the reigning NBA MVP from the playoffs.

"Jalen is just one of those dudes who just pops up in your life and never goes anywhere," DiVincenzo said in his appearance.

"Yeah, you don't know how he got there," Hart agreed. "He just got there."

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](https://www.wsj.com/puzzles).

EMIL LENDOFF/THE WALL STREET JOURNAL; GETTY IMAGES

GAM POLLOCK/WSJ; GETTY IMAGES; ISTOCK

OPINION

The Boeing Just-So Story



BUSINESS WORLD
By Holman W. Jenkins, Jr.

The latest Boeing uproar belies the potted story line. Instead of bringing shame by abandoning the glories of American manufacturing, in its 787 factory Boeing was inventing new manufacturing to build airliners from carbon fibers rather than traditional aluminum.

A whistleblowing engineer testifies that in fitting together these planes, Boeing departed from its estimated tolerances and force limits as it struggled to gain experience in assembling carbon-fiber airliners.

Boeing says the resulting fuselages will stand three times their expected 30-year-life of multiple daily takeoffs and landings. Unless the company fudged its own data and studies to reach this conclusion, this is the kind of decision we pay Boeing to make.

One could also envision an innovative journalism in which facts and narrative don't proceed independently. Exactly the same themes being used today to disparage Boeing were used two decades ago to disparage its decision not to build a 747 successor.

Making and mating aluminum fuselage sections in an established, perhaps obsolescing, discipline. Boeing has since become a more complicated company. Its decision 20 years ago to spin off its 737

fuselage plant, now said to reek of controversy, was actually a sensible way to focus management and shareholders on this narrow art.

In fact, no fatal accidents have stemmed from the 737 factory's well-aided travails. Two fatal 737 MAX crashes are down to Boeing's software design. A 1978 factory mistake did cause the catastrophic failure of a Japan Airlines 747 in 1985, but that was during the period critics now paint as Boeing's golden age.

The romantic critique overlooks that a modern airplane is an amalgamation of complex systems impossible for one company to design and build. Indeed, the decentralized interaction of hundreds of organizations is what makes air travel so safe and cheap. It allows millions of ordinary humans to supply us this service via in-built learning and redundancies without having to be superhuman or transcend the sausage-factory realities of all human endeavors.

In manufacturing, you get the behavior you reward. Boeing needs to get back to rewarding manufacturing teams that are quick and faultless, rather than merely quick.

But a gauzier critique amounts to suggesting that to restore one discipline Boeing must abandon another. It was Boeing that wisely resisted competing with Airbus's giant A380 when market studies showed travelers preferred smaller long-haul jets that bypass crowded international hubs. It was Boeing that re-

sisted (until it didn't) launching the new 737 MAX when Airbus announced an updated A320 despite a five-year backlog for the existing model. (Airbus apparently wanted to spoil the business case for a new plane from Canada's Bombardier, which Airbus then acquired in a fire sale.)

Aviation romantics aren't helping a troubled company get back on track.

Boeing's two problems, fixing its production mess and deciding whether to launch a 737 successor, should be treated separately, not as some combined test of Boeing's moral compass and corporate manhood.

Boeing's outgoing chief put the price tag of a new plane at \$50 billion, pooh-poohed by the romantics as a kiljoy exaggeration. But almost everything from materials and robotics to climate regulation and the global politics of aircraft certification has grown more complicated since the 787 was first noodled in the late '90s.

And Boeing has another business that needs attention, its defense business, which—at least as long as 737 production is slowed by scandals—accounts for half its revenue.

The case for increased defense investment may, ipso facto, be the case against a new civilian jet. Across Asia,

driver of a traffic boom lasting two generations, today's China-related tensions start to make the future look a lot less certain.

Airbus has its challenges too. Hundreds of A320s are grounded owing to what the company calls engine durability rather than reliability issues. In a segue to end all segues, the A320 has also experienced more than 50 cockpit blackout and rebooting episodes, leading to airliners becoming unidentified flying objects on military radars, a quirk antiproliferation expert Jeffrey Lewis used in a scenario for accidental nuclear war involving the U.S. and North Korea. Would Truman or Eisenhower have sought a Korean armistice if they knew 60 years later Kim Il Sung's grandson would threaten to incinerate American cities with nuclear ICBMs?

Boeing is a key contractor for a much-needed upgrade of America's highly iffy mid-course missile defense interceptor. Whooping through a simultaneous big commercial-jet investment would bring risks, some of which are less obvious than others. America has other needs. Boeing and the Air Force cite the same "labor instability," "workforce challenges" and supply-chain strains for delays in meeting Boeing's defense contracts that Boeing and its critics cite for its 737 troubles. How to allocate American industrial capital between civilian and military needs is perhaps a question best not left to the romantics.

BOOKSHELF | By Diane Cole

Paving the Way to Zion

Henrietta Szold

By Francine Klagsbrun
Yale, 256 pages, \$26

Francine Klagsbrun's biography "Henrietta Szold: Hadassah and the Zionist Dream" arrives at a moment when Zionism is once again a flashpoint for protest and provocation worldwide. It's a timely reminder of Szold's vision for a land that Jews and Arabs alike could call home.

Szold remains best known as the founder, in 1912, of Hadassah, the Women's Zionist Organization of America. Under her leadership, the group's mission was to fund and build a public-health and social-welfare framework for the entire population of Palestine. As Ms. Klagsbrun—the author of "Lioness: Golda Meir and the Nation of Israel" and an editorial board member of Hadassah Magazine—tells us, Szold declared that "Zionism would fail if it did not eventually find a solution to the Arab-Jewish problem." It was to further this dream that in 1942 Szold joined Martin Buber and others to form Ihud, a political party that sought to establish a single land shared equally by Arabs



and Jews. David Ben-Gurion, the Mapai party leader and future prime minister of Israel, objected to Ihud's premise, and the only Arab leader who approved of the idea was assassinated over his support.

Szold did not pursue any of these projects until she was over 50. She was already in her 70s when, through the Youth Aliyah program, she helped save thousands of Jewish youngsters brought to Palestine to escape slaughter in Nazi Europe. These monumental

accomplishments were all part of her second act—and all hinged on an unrequited love affair that ended her first act by very nearly breaking her.

Szold was born on Dec. 21, 1860, in Baltimore—at the time a place divided between supporters of the North and those who favored seceding to the South. One of her earliest memories, we are told, was of "being held up high" to view President Lincoln's funeral cortege as it passed by her home in 1865.

Her father, Benjamin, a Hungarian-born rabbi, trained Henrietta in Jewish history, biblical texts and Talmudic law as rigorously as if she were his scholarly heir. Rather than pursue further education after graduating as her high school's valedictorian, however, she followed what she deemed to be the path of duty—helping her mother care for her younger sisters and working for her father as his research aid and secretary.

To earn money for the family, she taught "French, German, Latin, algebra, and a variety of other subjects" at various public, private and religious schools. The work did not engage her strong social conscience, nor did it use the impressive intellectual, administrative and organizational skills she developed as her father's assistant. After meeting numerous newly arrived Jewish immigrants through her father's synagogue, she came up with a plan that would satisfy all these talents.

In 1889 she initiated inexpensive night-school classes to teach language and vocational skills to immigrants. Registration cost 30 cents a month. "Szold would not hear of a charity school," Ms. Klagsbrun writes, because she felt that "paying for learning motivated students." Most of the pupils had been displaced from Russia and Eastern Europe by violent pogroms and persecutory laws, and now had difficulty getting jobs in the United States in part because they couldn't speak English. The classes were so popular that they were opened to immigrants of all ages and national origins, and the model was soon adopted by many cities. New York's Mayor Fiorello La Guardia extolled Szold for her innovation, calling it "that instrument of American democracy, the evening night school for the immigrant."

Henrietta Szold was born in Baltimore, right before the U.S. Civil War. She made her name doing charitable works in another divided land.

In 1902 Szold became the first female admitted to New York's all-male Jewish Theological Seminary of America—but only after promising that she would never serve as a rabbi. While there, she met and became smitten by Rabbi Louis Ginzberg, a scholar and faculty member, despite the fact that she was 42 and he was 29. The two spent so much time together that many of their colleagues assumed they were a couple. Then, in 1908, Ginzberg announced his engagement to a woman he had met on a trip to Berlin. Szold was devastated. Ginzberg claimed cluelessness and suggested she would "get over it."

It was not that simple. The following year, still haunted by Ginzberg's rejection, she traveled to Palestine. Accompanied by her mother, Szold eschewed tourist itineraries in favor of horse-drawn treks to struggling rural villages and visits to the often-impoverished quarters of Jaffa and Jerusalem where Muslims, Jews and Christians lived. Mother and daughter were appalled, Ms. Klagsbrun writes, by the "open-air markets with filthy stalls dense with flies; homes lacking basic sanitary facilities; children blinded by trachoma because of the swarms of flies that flocked against their eyes." They further discovered that even the reputedly best hospitals "lacked a maternity ward and basic laboratory equipment, including microscopes and X-ray machines." Szold's mother exhorted her to do "practical work in Palestine" to alleviate such conditions.

Szold founded Hadassah to do just that, and spent the rest of her life shuttling back and forth between Palestine and the United States. She encouraged the individual Hadassah chapters throughout the U.S. to help raise funds for a viable Palestinian healthcare system that would treat Jews and Arabs alike. That resulted, in 1913, in a nascent visiting-nurse system, which soon expanded to train local midwives in Western techniques. Over the ensuing decades, Szold's fundraising and organizational skills helped found Hadassah University Hospital in Jerusalem, as well as a nursing school and social-work school, and educational institutions to help children orphaned by the Nazis. She died in 1945, three years prior to Israel's founding.

Henrietta Szold had contributed the hope and the tools needed to help build that nation. But the practical work that might bring peace remains as elusive as ever.

Ms. Cole is the author of the memoir "After Great Pain: A New Life Emerges."

When a Nation Loses Its Confidence



POLITICS & IDEAS
By William A. Galston

There's a classic Jewish story: A community council paid a Russian Jew a ruble a month to stand on the outskirts of town so that he could greet the Messiah on his arrival. "But the pay is so low," a friend said to the man. "True," the man replied, "but the work is steady."

Indeed it is. "No people has ever insisted more firmly than the Jews that history has a purpose and humanity a destiny," Paul Johnson wrote in "A History of the Jews" (1987). Reflecting on Passover, the late Rabbi Jonathan Sacks observed that in retelling the saga of the exodus from Egypt, Jews commit themselves to a "momentous proposition: that history has meaning" and that "we are not condemned endlessly to repeat the tragedies of the past."

Judaism isn't the only worldview to embrace this belief, which sustains religious communities, secular philosophies and political movements through difficult times, giving people hope that their sacrifices eventually will be rewarded.

Americans held to their own version of this saga for generations. Puritans saw

themselves as a New Israel. Abraham Lincoln called Americans "the almost-chosen people." Americans in the 19th century viewed their spread across the continent as "Manifest Destiny." During World War I, Woodrow Wilson defined a new mission for America: a safe world where democracy could flourish. Franklin D. Roosevelt expanded on that mission and enshrined it in the Atlantic Charter, which stated the Allies' war aims.

The U.S. emerged from World War II as the uncontested leader of the West and reorganized global diplomatic and economic relations. As the world recovered, nations long dominated by autocrats began what seemed an inexorable move toward liberal democracy.

With the fall of the Berlin Wall and the collapse of the Soviet Union, continued progress toward a more peaceful and prosperous world seemed assured. Americans across the political spectrum persuaded themselves that economic growth would expand the middle class in developing countries, generating stronger demands for civic freedom and democratic self-government. Propelled by this belief, political leaders opened the doors of the World Trade Organization to China on terms that worked to our disadvantage.

As the third millennium

dawned, Americans seemed to have unlimited confidence in the future. Then came a series of blows: the 9/11 attacks, costly wars in the Middle East, the loss of more than five million manufacturing jobs between 2000 and 2010, the financial collapse and the Great Recession, intensified racial strife, the pandemic and the various polarizing responses to it.

America and Israel have both experienced a series of setbacks leading to self-doubt.

As mishaps multiplied, Americans became divided to an extent not seen in generations. Because the sides were closely divided numerically, neither party could gain a lasting governing majority. As gridlock continued, America's confidence in its capacity for self-government plunged. The consequence: Young adults don't believe they will attain the quality of life their parents enjoyed, and citizens' hopes for progress are dashed.

Israelis in recent decades have experienced a similar erosion of confidence. The second *intifada*, between 2000 and 2005, destroyed the false hope created by the Oslo accords for a peaceful settlement

with the Palestinians. When Benjamin Netanyahu regained the prime minister's office in 2009, he offered a new story of hope: Israel would become the region's leading economic and military power. It would marginalize the Palestinian issue by forging agreements with Arab neighbors, culminating in an entente with Saudi Arabia as the leaders of an anti-Iranian alliance. Hamas's Oct. 7 massacre undermined that narrative as well, leaving Israel without a clear path forward. For now, secular grounds for hope are hard to find, and most Israelis don't embrace the messianic hopes of the religious right.

When a nation conceived in hope loses confidence in its future, its people turn on one another, its society loses a collective sense of meaning and purpose, and its challenges come to seem intractable.

Overconfident accounts of meaning in history are vulnerable to the vicissitudes of human events. By contrast, belief in God's providential role in human history is impervious to national setbacks. The belief that God is on our side, however, comes with dangers of its own, including diminished concern for the suffering of our enemies.

As Lincoln remarked during the Civil War, the question isn't whether God is on our side, but rather whether we are on God's side.

Biden Has a 'Very Fine People' Moment

By Alan M. Dershowitz
And Andrew Stein

President Biden opened his campaign-announcement video in 2019 by excoriating Donald Trump for suggesting "a moral equivalence between those spreading hate and those with the courage to stand against it." He was referring to Mr. Trump's remarks following the 2017 Charlottesville, Va., demonstration in which some racists shouted, "Jews will not replace us."

"You had some very bad people in that group, but you also had people that were very fine people on both sides," Mr. Trump said. He later explained that he meant both sides of the debate over whether to remove a Confederate monument and that the antisemitic chanters were the "very bad people" he had in mind. He should have been clearer from the start.

This week Mr. Biden had his own moment of unclarity. Asked on Monday about current events on campus across the country, he said: "I con-

demn the antisemitic protests. That's why I've set up a program to deal with that. I also condemn those who don't understand what's going on with the Palestinians." He then mumbled a few unintelligible words.

Mr. Biden seemed to be saying that pro-Hamas demonstrators are no worse than pro-Israeli demonstrators who believe that "what's going on

He condemns 'the antisemitic protests,' then mumbles words of equivocation.

with Palestinians" is ultimately Hamas's fault for invading Israel, barbarically attacking its people, and using Palestinian civilians as human shields.

Drawing such an equivalence is at best morally obtuse. There is no justification for what Hamas did and what its supporters at Columbia University say they want to

do again a thousand times over. On the other hand, many reasonable people believe that Israel isn't primarily at fault for "what's going on with the Palestinians."

We believe that Mr. Biden has a personal affection for Israel, if not for its prime minister. It's clear, however, that he doesn't want to lose votes among far-left and Arab-American Democrats who strongly oppose Israel's existence. He is trying to strike a political balance under circumstances that call for real leadership.

Mr. Biden should unqualifiedly condemn antisemitism and harassment and violence against Jews. Trying to balance that justified condemnation by suggesting a false moral equivalence is wrong and will hurt him politically. Most Americans understand the difference between the murderers and rapists of Hamas and the defenders of Israel, even if they sometimes fault Israeli actions. If Mr. Biden fails to understand that difference—or, worse, understands but deliberately blurs

it—voters will see through his politicization of a clear moral issue.

Many of these antisemitic rioters are as anti-American as they are anti-Israel. Their chants include "Death to America," "Revolution," and "Genocide Joe." Some openly support Iran.

Those who genuinely care about the Palestinians should hope for Hamas's defeat. Ending the terror group's control over the Gaza Strip would be good for Palestinians and is a necessary condition for peace and for any two-state settlement. It won't be possible if the American president fails to acknowledge the moral difference between good and evil. Mr. Biden needs to demonstrate the same moral clarity he demanded from his predecessor.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of "War Against the Jews: How to End Hamas Barbarism." Mr. Stein, a Democrat, served as New York City Council president, 1986-94.

OPINION

REVIEW & OUTLOOK

The Biden FCC Brakes the Internet

Remember when progressives said the Trump Administration's rollback of net neutrality would break the internet?

Federal Communications Commission Chair Jessica Rosenworcel now concedes this was wrong, yet she plans to reclaim political control over the internet anyway to stop a parade of new and highly doubtful horrors.

The FCC on Thursday is expected to vote to reclassify broadband providers as common carriers under Title II of the 1934 Communications Act. This will let the commission regulate providers like AT&T, including by fixing prices and micro-managing network investment. Why does the FCC need this power?

She concedes that providers don't block, throttle or charge more to speed up sites. Yet this was the justification for the Obama FCC's Title II power grab. Ms. Rosenworcel's new justification is that "loopholes" in FCC oversight have left the internet vulnerable to national-security, cyber-security and privacy threats. This is ridiculous, and she knows it.

The Biden Administration notes in an FCC filing that U.S. security agencies already have and "exercise substantial authorities with respect to the information and communications sectors." The FCC draft order lists the numerous authorities the FCC has to restrict the equipment of such foreign-controlled companies as Huawei in broadband networks.

Title II doesn't grant the commission new national-security authority. Nor does it grant new tools to bolster cyber-security, which is the purview of the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency.

The draft order doesn't argue that the FCC needs Title II to protect Americans, only that it "furthers" and "enhances" the FCC's existing power with "a broad grant of rulemaking authority to 'prescribe such rules and regulations as may be necessary in the public interest to carry out the provisions of this chapter.'"

In other words, Ms. Rosenworcel is reimposing Title II because she wants sweeping political control over the internet. The draft order even floats the possibility that the FCC could

use Title II to ensure "residents of apartment buildings can choose their own broadband providers." Does she plan to intervene in condo disputes? The draft order says the agency will "forebear" from applying most of the hundreds of Title II authorities for now. Yet it leaves the door open to applying them in the future.

Provider practices that interfere with the government's "digital equity" goals could be deemed unlawful. The order reinstates a vague "no-unreasonable interference or disadvantage standard" that lets the FCC "prohibit practices that unreasonably interfere" with and cause "harm to the open Internet."

What are such unreasonable practices? Carriers will find out when the FCC prohibits them using a "case-by-case review" and "multi-faceted enforcement framework comprised of advisory opinions." In other words, the decisions will be up to bureaucratic whim. This will create enormous regulatory uncertainty that will slow innovation and investment. After the Obama FCC imposed Title II, broadband investment fell for the first time outside of a recession.

That changed after the Trump FCC scrapped the Obama rule. Investment and access to high-speed internet surged. By the end of 2019, 94% of Americans had access to high-speed fixed and mobile broadband, up from 77% in 2015. In 2022 broadband builders laid more than 400,000 route miles of fiber, more than 50% more than in 2016.

Prices fell with more competition. A study by Casey Mulligan and Phil Kerpen for the Committee to Unleash Prosperity found that, from September 2017 to September 2023, the price index for wired internet services fell 11% compared to the overall consumer-price index. The CPI for wireless fell 21% in real terms. The biggest winners from this price decline were low-income households, which pay a higher share of their earnings on broadband.

There's no legal, economic or equity justification for Ms. Rosenworcel's pending power grab. It will slow the spread of 5G access. This diktat is all about asserting political control over more of the private economy—no matter the consequences.

The agency revives net neutrality to reassert political control.

LETTERS TO THE EDITOR

Columbia's Surrender to Hatred on Campus

As a Jewish Columbia University student walking past chants of "Yahoodi [Jew], f— you," and being threatened that "every day will be Oct. 7," I appreciate President Minouche Shafik's courage in bringing the NYPD to campus last Thursday. She finally took a tangible step supporting her congressional testimony to "forcefully and relentlessly reject" antisemitism. The terrorist-glorifying protesters, far from desiring peace, are the left-wing counterparts to the Charlottesville mob that chanted "Jews will not replace us."

After the initial NYPD action, however, the complete destruction of Columbia's learning environment has again persisted for days ("Columbia Fails to Protect Its Jewish Community" by Michael Oren, op-ed, April 20). More precisely, Columbia has allowed it to persist. No wonder anti-Israel organizers declare victory.

On Thursday, as part of a group of counterprotesters peacefully singing "The Star-Spangled Banner," I was told by an NYPD officer that my safety was at risk and was advised to leave campus immediately. The conditions on campus are dangerous for students who hold other points of view, especially Jews.

The lack of substantial disciplinary consequences over the past six months for breaking Columbia policy has emboldened these campus antisemites to escalate. I implore President Shafik to follow through with campus removals of faculty, students and outside instigators, followed by suspensions, expulsions and terminations, to restore Columbia University's safe campus and reputation.

MICHAEL LIPPMAN
New York

As I watched some protesters at Columbia chant, "We are all Hamas," I wished they knew Arabic, so they would fully understand Hamas declarations. I was born in Baghdad and finished college there before immigrating to the U.S., so I am fluent in Arabic. Hamas has announced that the reason for the Oct. 7 attack is that Jews praying around the Al Aqsa Mosque (on the Temple Mount, Juda-

ism's holiest site) dirty the site. They declare that Jews come from monkeys and pigs and that God will conspire with Hamas-like extremist Muslims to kill all Jews.

The analogy would be someone claiming that blacks shouldn't pray at the Vatican because they will dirty it. How would those students react to such racist remarks?

Palestinians deserve the dignity of self-determination and peace like the rest of us. But Hamas is probably among the worst things that ever happened to them.

N. PETER ANTONI
Farmington Hills, Mich.

As a high-school junior, I am considering where to apply for college. I had found myself drawn to Columbia University, where my father went, but recent events give me pause.

The director of the Jewish Learning Initiative on Campus at Columbia has recommended that Jews return home until campus conditions improve. I can't imagine that I would attend a university that would force me to compromise my identity to obtain an education. I hope that the intimidation taking place at Columbia won't be tolerated any longer, and that Columbia will again become a safe place for Jewish students.

As Columbia doesn't appear committed to protecting people of all faiths at present, I will shy away from applying there. There are other schools with greater tolerance of diversity and respect for all.

ZACHARY KOCHIN
New York

The recent protest at Columbia was organized by students demanding the university divest from financial interests in corporations with ties to Israel. I suggest we take it one step further: Could those students publish their names, so business owners like me and other corporations with ties to Israel (Google, Intel, etc.) don't waste time and make sure never to hire those people who don't share our corporate values?

DANIEL RUBIN
New York

Slavery Reparations in California?

Bad ideas never die. They go to California in the hope they'll eventually become law, and the latest is reparations for slavery. The California Senate's Judiciary Committee voted 8 to 1 this month to create the California American Freedmen Affairs Agency. This would be an agency to implement recommendations from the state's task force on reparations. It would establish a Genealogy Office to determine who would be eligible for a reparations windfall.

Days later the same committee cleared two other reparations bills. They are part of a package of 14 bills introduced in January. One bill approved by the committee would restore or compensate African-Americans for land taken for racially motivated reasons. The other bill would set aside 6% of state budget reserves to fund reparations.

All of this comes on the heels of the task force report last summer calling for a state payment of up to \$1.2 billion for each eligible adult. Private estimates reckon the cost to state taxpayers would be as much as \$800 billion. California's entire annual state budget is roughly \$300 billion.

And that was the frugal proposal. Last year San Francisco's African American Reparations Advisory Committee submitted a plan to pay as much as \$5 billion each.

There are also problems of law and fairness. The Supreme Court has barred government

programs that allocate benefits by race. No doubt that's why the reparation proposals are mostly limited to descendants of slaves. But why should a Chinese-American whose great-great-grandparents were discriminated against by the Chinese Exclusion Acts have to pay for what slavery did to black Americans? What about descendants of those who gave their lives in the Civil War to end the slave system? California wasn't even a slave state.

Some say not to worry, reparations won't pass. Last year Gov. Gavin Newsom said he regarded reparations as "much more than cash payments"—though a spokesman later elaborated that the Governor was "not ruling anything out."

In California, ideas once thought impossible have a way of becoming inevitable. Think free health insurance for millions of illegal migrants. Once the Genealogy Office identifies potential beneficiaries, they will become a political constituency that will lobby for this vast wealth redistribution. No doubt the authors of the legislation know this.

Polls shows that Californians oppose reparation by more than 2 to 1, and not because they are indifferent to the stain of slavery. Taking cash from one group of Americans who had nothing to do with slavery and giving it to the descendants of those who suffered from it would add one injustice to another and further polarize America.

The Green Lobby vs. American Foreign Policy

Regarding your editorial "Biden Piles Sanctions on Alaska" (April 20): President Biden jawbones Republicans that his administration is committed to defeating Russian President Vladimir Putin in Ukraine and meeting the strategic challenges posed by China. Yet Mr. Biden's actions belie his rhetoric.

Title-Insurance Reform Is Waiting for a Good Lawsuit

Regarding Damian Eales's op-ed "What Home Buyers Get for Those Agent Commissions" (April 18): Title insurance—whose premiums, like real-estate commissions, have risen in lockstep with home prices, far outpacing general inflation—needs reform too. The Journal has reported that as much as 80% of the premium goes to a title agent, and that's in addition to charges and fees for every service rendered.

The title industry purports that much of the agency share is expended for risk prevention, but when faced with rigorous investigation by the Government Accountability Office, it pleaded ignorance of where that 80% ultimately alights.

In a typical residential resale, the title agent and agency are captive to one of the participating realtors; or in the case of a new home, captive to the builder. Until the agency-level information stonewall is breached, reform is impossible. But once the wall is breached, public demand will make it inevitable. It is waiting only for a regulator or a litigator to make it happen.

STEVE ADKINS
Fairfax, Va.

Brave New College Athletics

If student athletes are to be considered employees of their universities ("Dartmouth Will Oppose Its Basketball Team Union" by Sian Beilock, op-ed, April 13), will those who don't make the team be eligible for unemployment?

TERRY NORTON
Oconomowoc, Wis.

CORRECTION

Anthony Bale is the author of "A Travel Guide to the Middle Ages." In the April 22 book review "Medieval Migrations," Mr. Bale's name was misspelled.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

The Illusion of Knowledge

In "Why Is the Federal Reserve Always Surprised by Inflation?" (Political Economics, April 19), Joseph Sternberg explains that the Fed is "still getting its inflation forecasts badly wrong" because it relies heavily on a mathematical model of the economy with 500 variables and some 170 equations. This calls to mind a quote variously attributed to Stephen Hawking and Daniel J. Boorstin: "The greatest enemy of knowledge is not ignorance, it is the illusion of knowledge."

JAMES O'CONNELL
Bethesda, Md.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Every time I explore the corners of my mind I have the urge to dust."

Defining Free Speech Down on Campus

Universities are supposed to be places where students and faculty can debate politics and other subjects without fear or censure. As the anti-Israel protests spread at Columbia, Yale, Harvard, New York University and elsewhere, however, progressives are claiming that any restriction on the protesters is a violation of free speech.

That isn't true, and it's important to understand why. Under its "state action doctrine," the Supreme Court has ruled that the First Amendment applies to government actions toward citizens. It doesn't apply to private citizens or institutions except in rare instances when they are acting as government agents.

As University of California, Berkeley law school dean and ardent liberal Erwin Chemerinsky explained recently to anti-Israel students who wanted to protest on his lawn, his property is "not a forum for free speech."

As a private university, Columbia has the right to set its own rules on speech as part of a contract to teach or study at the school. It does so in a way that is consistent with a public institution's obligations under the First Amendment. Here's what Columbia's Rules of University Conduct say about protests: "Every member of our community . . . retains the right to demonstrate, to rally, to picket, to circulate petitions and distribute ideas" and to "express opinions on any subject whatsoever, even when such expression invites controversy and sharp scrutiny." The

code of conduct protects speakers' rights even when "ideas expressed might be thought offensive, immoral, disrespectful, or even dangerous."

Sounds good. But Columbia's code of conduct says a person violates the rules who "engages in conduct that places another in danger of bodily harm," or "uses words that threaten bodily harm in a situation where there is clear and present danger of such bodily harm."

Columbia's anti-Israel encampment and protests have included physical intimidation of Jewish students and antisemitic declarations. In October 2023, 100 Columbia professors signed a letter defending students who had flooded the campus in support of Hamas's "military action" on Oct. 7. Columbia has every right to restrict speech or actions that threaten other students.

Protesters also don't have a "right" to assemble on school property to disrupt the functioning of the university or intimidate students on the way to class. Even at a public university, all these rules would constitute reasonable restrictions on the time, place and manner of speech.

This new progressive embrace of free speech rings especially hollow after years of student and faculty attempts to ban conservative speakers from campus and punish students for alleged micro-aggressions. Those who once claimed speech is violence now claim violence is speech. They don't understand the Constitution any better than they understand the Middle East.

Progressives invoke a First Amendment they don't understand.

OPINION

Who Pays Corporate Taxes? Look in the Mirror

By Phil Gramm
And Mike Solon

In his call for Congress to repeal the 2017 tax cuts and increase corporate tax rates, President Biden asked: "Are we going to continue with an economy where the overwhelming share of the benefits go to big corporations and the very wealthy?" Rep. Richard Neal, ranking Democrat on the House Ways and Means Committee, said that extending the tax cuts will do nothing but fill "the pockets of venture capitalists and some business owners." President Obama's top economist, Austan Goolsbee, said that debates over who pays the corporate tax are "an argument about whether making corporations pay more income taxes would trickle down into lower workers' wages."

Costs are passed on to consumers. If you work for and invest in companies, you get hit three times.

But as John Adams once said, facts are stubborn things. Seven years into the weakest recovery in postwar history, as the economy slumped toward a recession, the 2017 tax cuts and the Trump administration's regulatory relief sent real median household income soaring by \$5,220 in 2019. That's 49% higher than the previous highest annual gain in 2015 and 11 times the average percentage gain over the previous 50 years. Real median income rose more in inflation-adjusted dollars in 2019 alone than during the entire Obama recovery from 2009-16. The poverty level plunged at the fastest rate since 1966, to the lowest level since the Census Bureau started collecting the data in 1959.

The lowest income quintile saw its average real income rise by 9.4% in 2019, the year after the tax cut took effect. The second quintile (7.4%), middle quintile (6.9%) and fourth quintile (7.8%) all experienced the largest annual income growth in more than a half-century, and the top quintile (7.2%) had its second-highest income growth. The poverty rate in 2019 was the lowest ever recorded for every category, including individuals, families, unmarried women, blacks, Hispanics and children.

Since the Census Bureau doesn't count refundable tax credits as income for the recipients or count the effect of any other tax change in measuring household income, none of these income gains and poverty reductions had anything to do with the increased child tax credit. Economic growth was almost entirely responsible. It's still a free country, and critics can say whatever they want about the 2017 tax cuts knowing the mainstream media will let them get away with it. But they can't change the facts. No federal spending or tax policy change in the past 50 years was followed by as large an increase in real median household income or as big a drop in the poverty rate as the Trump tax cuts.

Everyone expected that the owners of American public companies would benefit—and they did. The stock market surged in 2017 in anticipation of the tax cuts and, in 2018 and 2019, in response to them. Who owns American corporations? According to Tax Notes, 72% of the value of all domestically held stocks is owned by pension plans, 401(k)s,



individual retirement accounts and charitable organizations, or held by life insurance companies to fund annuities and death benefits.

Corporate tax rates, which were the driving force behind the permanent part of the 2017 tax cuts, receive less attention than individual income-tax rates only because Americans don't understand that corporations don't pay taxes. A corporate entity is a "pass through" legal structure—a piece of paper in a Delaware filing cabinet. When the corporate tax rate increases, corporations try to pass the cost on to consumers. To the degree that the entire cost of the tax increase can't be passed on to consumers, those costs are borne by employees and investors. Most economic studies conclude that 50% to 70% of a corporate tax increase not passed on in higher prices is borne by workers, while 30% to 50% is borne by investors.

If you consume, you pay the corporate tax. If you consume and work for a corporation, you pay the corporate tax twice. If you consume, work and invest your retirement funds in corporate equities, the corporate tax rate hits you three times. Democrats call up the image of the greedy robber baron as a personification of big corporations, but when you pull back the curtain, it isn't the wizard or the robber baron you see but yourself as a consumer, worker and pensioner.

Many Americans don't pay individual income taxes, but all Americans pay corporate taxes. In fact, a recent Treasury study confirms that 92.6 million families, 49.5% of all American families, pay more in corporate taxes than they do in individual income taxes. Unfortunately Americans consistently underestimate the burden the corporate income tax imposes, especially on middle- and low-income Americans.

President Biden's proposed corporate tax increases would raise taxes on more low- and moderate-income American families than if he raised individual income-tax rates.

Congress should reject Mr. Biden's efforts to raise corporate tax rates, especially his effort to circumvent Congress and the Constitution with the global minimum corporate tax. If Congress refuses to adopt the global minimum corporate tax, Mr. Biden would allow foreign countries to tax U.S. subsidiaries to collect the equivalent of the global minimum tax on their U.S. earnings. Congress should pass a joint resolution rejecting the global minimum corporate tax. Further, it should adopt legislation that mandates retaliation against any country trying to tax American subsidiaries to collect the corporate minimum tax on U.S. earnings.

Mr. Biden and congressional Democrats claim corporations that get tax subsidies don't pay their fair share, but the entire Biden program is festooned with special-interest corporate subsidies. We should eliminate those subsidies and use the savings to reduce corporate tax rates.

We must never forget that the corporate tax is a tax on everything we buy, a tax on our wages and a tax on our retirement nest eggs. By taxing corporations, the Democrats are taxing the American people.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is an adviser to US Policy Metrics. John Early contributed to this article.

With Jews Under Attack, Biden Could Look to Ike's Example

UPWARD
MOBILITY
By Jason L.
Riley

When Columbia University President Minouche Shafik testified before Congress last week, Rep. Burgess Owens (R., Utah) asked her if the "same bigots and racists" targeting Jewish students on college campuses today would be tolerated if they were instead targeting black students. Ms. Shafik answered no, but anyone with a passing knowledge of U.S. history knows that the question wasn't entirely hypothetical.

Next month marks the 70th anniversary of the Supreme Court's landmark 1954 school-desegregation decision, *Brown v. Board of Education*. Resistance from white Southern Democrats in 1964 was such that, a full decade after the ruling, fewer than 3% of black students in the South, where most blacks lived, attended schools with white classmates. In absolute numbers, more Southern black children attended racially segregated schools in 1964 than in 1954.

After Hamas attacked Israel on

Oct. 7, antagonism toward Jewish students on college campuses escalated. It worsened further after Iran, Hamas's state sponsor, fired ballistic missiles at Israel earlier this month. Some activists insist that their top concern is the fate of Palestinian innocents caught in the crossfire and in need of humanitarian assistance. Others want companies and educational institutions to boycott Israel. Some protesters have also voiced support for Hamas while bullying Jewish students and chanting slogans that call for the elimination of Israel and America.

Hundreds of demonstrators have set up encampments at Yale, New York University, the University of Michigan and elsewhere. Last weekend a rabbi affiliated with Columbia advised Jews to leave campus for their own safety, and Ms. Shafik announced that classes would be held remotely while administrators "debate about whether or not we should use the police on campus." If Ms. Shafik can't decide whether the welfare of Jewish students is more important than the welfare of angry mobs assaulting them, she should resign.

The White House issued a state-

ment on Sunday condemning the violence and intimidation as "blatantly antisemitic, unconscionable, and dangerous." It's also illegal. Unauthorized protests violate school policy, while trespassing, blocking traffic, engaging in disorderly conduct, causing a disturbance and refusing police orders to disperse are

Like segregationists in the 1950s, today's antisemitic protesters are violating civil rights and other laws.

all crimes. The Biden administration's statement is welcome, but it isn't enough. If local authorities want to play footsie with racist mobs, the feds should consider intervening.

In 1957, white mobs in Little Rock, Ark., in defiance of the *Brown* rulings, were preventing black students from safely attending school. President Dwight Eisenhower decided to do something about it. In a prime-time television address, the president explained that "demagogic

extremists" and "disorderly mobs" were thwarting the law and that he had an "inescapable" responsibility to respond if Arkansas officials refused to protect black students. "Mob rule cannot be allowed to override the decisions of our courts," he said. Then Eisenhower sent in the 101st Airborne Division.

The particulars then and now may differ, but the same principle is at stake. The federal government was obligated to come to the aid of an ethnic minority group being threatened by mob violence. Jews in 2024 deserve no less protection than blacks in 1957. And if university officials can't handle the situation, or won't let police deal properly with the unrest, Mr. Biden needs to step up.

Eisenhower's job-approval rating over eight years averaged 65%, and 1957 was the first year of his second term, which he won in a landslide. Mr. Biden's job approval is 40%, and he trails Donald Trump in most battleground states. A related problem for Mr. Biden is the Democratic Party's attitude toward law enforcement. Illegal immigration has gone unchecked for the past three years, and concern about the crisis is dis-

missed as racism. Rampant crime is abetted by progressive district attorneys who won't prosecute lawbreakers. Leftists want to defund the police, shutter the prisons and erase the border.

Mr. Biden's response to antisemitism is also tempered by political expediency. The young people acting out on campuses are a crucial voting bloc that Democrats worry about losing to independent candidates such as Robert F. Kennedy Jr. and Cornel West. "I condemn the antisemitic protests," the president said on Monday, before quickly adding: "I also condemn those who don't understand what's going on with the Palestinians." That sounds like someone who knows how badly he needs Michigan, a state with a large Arab-American population that has soured on him for supporting Israel.

Contrary to what Mr. Biden suggested, the outrage over what is happening to Jews isn't the result of ignorance or a misunderstanding. Rather, it stems from yet another viewing of a movie Jews have seen too many times. It's the one where those in a position to do something choose to do nothing.

Leaving Abortion to the States Requires Federal Action

By Rachel N. Morrison
And Eric Kniffin

Leave it to the states. That's Donald Trump's new position on abortion. "My view," he said in an April 8 statement, "is now that we have abortion where everybody wanted it from a legal standpoint, the states will determine by vote or legislation or perhaps both. And whatever they decide must be the law of the land—in this case, the law of the state."

Some pro-life leaders criticized the statement. But setting aside the debate over federal pro-life laws, it's important to note that Mr. Trump's "law of the state" position still requires presidential action. That's because President Biden is using the ex-

ecutive branch unilaterally and unlawfully to impose his radical pro-abortion agenda on the American people, undermining pro-life states' ability to set their own abortion policies. As a federal judge wrote last year, the Biden administration has "openly stated its intention to operate by fiat to find non-legislative workarounds to Supreme Court dictates," which amounts to "a breach of constitutional constraints."

A month after the *Dobbs* decision, the Health and Human Services Department warned hospitals that the federal Emergency Medical Treatment and Labor Act, or Emtala—which requires them to stabilize pregnant mothers and their unborn children—could require physicians to perform and complete abortions. The

following month the Justice Department sued Idaho, claiming Emtala pre-empted the state's pro-life law. Under this theory, many state abortion restrictions would be unenforceable. (On Wednesday the Supreme Court will hear oral arguments in *Moyle v. U.S.*, in which Idaho seeks to stay an injunction against the law's enforcement.)

Two days after its Emtala warning, HHS instructed pharmacies across the U.S. that federal nondiscrimination law requires them to stock and dispense abortion drugs regardless of state laws. HHS retreated after Texas brought a lawsuit in February 2023 in federal court and received a favorable ruling. But we expect HHS to advance a similar theory in Affordable Care Act regulations, which will likely be finalized this spring.

The Veteran Affairs Department recently finalized a rule that allows its hospitals and clinics to provide abortions, even late-term abortions, where such procedures are prohibited by state law. The VA claimed that under the Constitution's Supremacy Clause, it isn't bound by any state abortion regulations, including "timeframe limitations, evidentiary requirements, or prerequisite procedures (such as mandatory waiting periods or required ultrasounds)." In effect, the rule converts the VA's health system—with more than twice as many locations as Planned Parenthood—into the nation's largest network of abortion providers.

The Justice Department's Office of Legal Counsel rubber-stamped the regulation, claiming that the federal

law prohibiting the VA from providing abortion benefits has been "effectively overtaken"—a novel legal theory that has never been endorsed by any court.

On April 22, HHS finalized new privacy regulations for "reproductive healthcare" information that would prohibit the use or disclosure of health information that could be used to sue or prosecute abortion providers. The regulations would also create byzantine new procedures that

Trump would have to undo a series of 'workaround' regulations Biden imposed to evade the law.

doctors and hospitals would have to navigate before complying with subpoenas, court orders and other lawful requests for protected health information even "potentially related to reproductive healthcare." The regulations threaten doctors and hospitals with ruinous fines for cooperating with subpoenas, court orders and other legitimate efforts to enforce state pro-life laws.

Each of these post-*Dobbs* executive actions is a violation of federal law, bedrock principles of federalism, and every pro-life state's right to advance legitimate governmental interests, including those affirmed by the Supreme Court in *Dobbs*: "respect for and preservation of prenatal life at all stages of development; the protec-

tion of maternal health and safety; the elimination of particularly gruesome or barbaric medical procedures; the preservation of the integrity of the medical profession; the mitigation of fetal pain; and the prevention of discrimination on the basis of race, sex, or disability."

Mr. Trump's promise to honor the "law of the state" marks a contrast with Mr. Biden's approach to executive power. Rolling back these Biden administration actions that have elevated abortion access above states' rights would reduce the power of the administrative state and free states to pursue their own abortion policies. Undoing these executive actions is also a necessary step to achieve the pro-life movement's long-term goal of protecting and welcoming every human life.

Mr. Trump's position would—for the first time since *Dobbs*—give states the freedom to foster a culture that respects the inherent dignity of each human life. Freeing states to enforce their pro-life laws without unlawful interference by the federal government, as Mr. Trump's position requires, would be a win for the pro-life cause.

Ms. Morrison directs the Ethics and Public Policy Center's HHS Accountability Project. She served as an attorney adviser at the Equal Employment Opportunity Commission, 2019-21. Mr. Kniffin is a fellow at EPPC and a member of the HHS Accountability Project. He served as an attorney at the Justice Department's Civil Rights Division, 2005-09.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Lachlan Murdoch
Executive Chairman, News CorpRupert Murdoch
Chairman Emeritus, News CorpRobert Thomson
Chief Executive Officer, News CorpEmma Tucker
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Chief Executive Officer and Publisher

Liz Harris, Managing Editor

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#ISTANDWITH EVAN

It has been 392 days since our friend and colleague Evan Gershkovich was wrongfully detained by Russia during a reporting trip and accused of espionage. The Wall Street Journal and the U.S. government vehemently deny the allegation and continue to call for his immediate release.

No journalist should ever be detained for simply doing his job, and the charge against Evan is an outrage. Journalism is not a crime, and any portrayal to the contrary is fiction.

The stakes are high: Without press freedom, there is no free society.

Every day Evan remains detained is a day too long. We will not rest until he's home.

Please continue to share Evan's reporting and the latest updates on his situation by visiting [WSJ.com/Evan](https://www.wsj.com/Evan). Use the hashtag **#IStandWithEvan** to help keep his story front and center.



BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

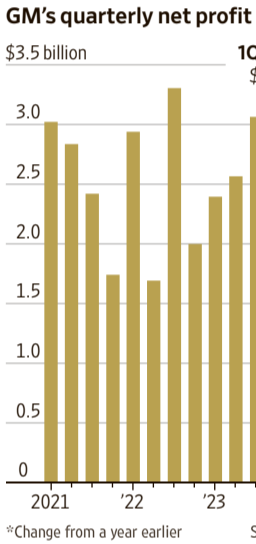
Wednesday, April 24, 2024 | B1

S&P 500 570.55 ▲ 1.20% S&P FIN ▲ 0.68% S&P IT ▲ 1.71% DJ TRANS ▲ 1.39% WSJ \$IDX ▼ 0.32% 2-YR. TREAS. yield 4.922% NIKKEI (Midday) 38329.39 ▲ 2.07% See more at WSJ.com/Markets



Pickup trucks and resilient consumer spending powered GM's 24% increase in quarterly profit, but China is a weak spot.

GM Raises 2024 Profit Outlook After Strong Quarterly Results



By MIKE COLIAS

General Motors lifted its profit outlook for the year, as the automaker leans into strong demand for gas-powered trucks and sport-utility vehicles while trimming investment in future bets such as robotaxis.

The Detroit-based car company on Tuesday reported a 24% rise in first-quarter profit to nearly \$3 billion, driven by solid U.S. sales of pickup trucks, the company's biggest moneymaker. The strength in GM's home market helped offset considerable weakness overseas, including a rare loss in China, long a profit center for the company.

Coming into the year, GM expected the strong pricing that has driven profit in recent years might wane a bit now that dealers have more cars to sell following years of pandemic-era tight supplies. But car shoppers continue to spend, GM Chief Financial Officer Paul Jacobson said.

"Our consumer has been remarkably resilient in this period of higher interest rates," Jacobson said during a media call. "We think, in this environment, we can continue to perform."

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◆ Heard on the Street: Gas guzzlers are hot.....B14

Country Star Miranda Lambert Reveals Partnership With Universal, New Label

By NEIL SHAH

Country superstar Miranda Lambert is taking a major step toward becoming a music mogul, with a new industry partner, a big showcase at one of the world's premier festivals and her very own label.

The Texas singer-songwriter on Tuesday announced a part-

nership with **Universal Music Group's** Republic Records, the No. 1 label in the music business by market share and home to Taylor Swift and Drake.

This weekend, she headlines Stagecoach, the country cousin of the Coachella music festival that also takes place in Indio, Calif., along with Morgan Wallen and Eric Church.

And in November she launched her own label, Big Loud Texas, in partnership with Nashville, Tenn.,-based Big Loud Records, through which she will sign and develop young country acts.

"All of this fell into place at such an important time for me," Lambert said in an interview. "Music is what I want to work

on, but not always my own." Lambert's growing footprint comes amid the biggest country-music boom since the 1990s.

A new wave of stars like the genre-blurring Wallen has conquered streaming, building followings outside country's traditional focus on radio. That's making country the fastest-

Please turn to page B2

AI Giants Sign On To Child-Safety Rules

By DEEPA SEETHARAMAN

Major artificial-intelligence companies including **OpenAI**, **Meta Platforms** and **Alphabet's** Google agreed on Tuesday to incorporate new safety measures to protect children from exploitation and plug several holes in their current defenses.

A host of new generative-AI powered tools have supercharged predators' ability to create sexualized images of children and other exploitative material. The goal of the new alliance is to throttle the creation of such content before these tools can proliferate and hurt more children, according to Thorn, the child-safety group that helped orga-

nize the initiative along with the nonprofit organization All Tech Is Human.

Thorn and several AI companies agreed to implement principles to minimize the risks of their tools. One such principle calls for AI labs to avoid data sets that might contain child sexual content and scrub such material from their own training materials.

It wants companies to invest more in regular red-teaming, or testing to find and fix gaps that allow such material to be generated. Thorn is pushing AI platforms and search engines such as Google to remove links to services that "nudeify" otherwise benign images of children—a

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INSIDE



TECHNOLOGY
Apple's iPhone sales in China sink amid tough competition from local rivals. **B4**

HEARD ON THE STREET
Spotify needs to keep the music hits coming. **B14**

Chinese Villagers Got a Deal Of a Lifetime, Until It Soured

By CAO LI

It seemed to be a great deal: Swap an aging townhouse and a bit of farmland for five apartments and two stores.

Bella Zhao's family grabbed that offer in 2009, when property developers led by Wanda Group moved into their sparse, snow-capped village in China's northeastern Jilin province. Wanda planned to spend \$2.8 billion to turn the area into a high-end resort replete with ski slopes, golf courses, hunting spots and five-star hotels. The developer offered locals a large number of new apartments in town in exchange for their old homes,

creating a village of property tycoons almost overnight.

"I was so happy then," said Zhao, who was a teenager at the time and later inherited the properties.

Now, all five apartments sit empty. Only one store has a tenant. The ambitious development project stalled years ago; the promised tourism boom never happened. Zhao has become so desperate that she has offered to lease the apartments rent-free as long as the tenants agree to pay the bills and management fees.

"But no one wants to live there, even for free," she said. "Everyone who still lives in the town has their own properties."

In the wake of China's real-estate crash, much attention has focused on Chinese property developers—but homeowners, too, are stuck. Many are desperate to sell with no buyers in sight. Others, like Zhao, thought they had a winning lottery ticket, only to find it impossible to cash it in.

Their plight feeds into the uncertainty weighing on China's economy. It holds back attempts to get consumers to spend more, which would lead to higher demand. And so the government is left once again to focus on industrial policy and increased supply.

China's real-estate market

Please turn to page B6

Tech Propels Stocks Before Earnings Blitz

By JACK PITCHER

Technology shares led stock indexes higher Tuesday ahead of a spate of major earnings reports.

The tech-heavy Nasdaq Composite jumped 1.6%, extending its rebound from a recent selloff to a second consecutive day. The S&P 500 rose 1.2%, and the Dow Jones Industrial Average was 0.7% higher.

Investors were encouraged by strong earnings reports before the opening bell from **General Motors**, **United Parcel Service** and **GE Aerospace**, which reported earnings as a stand-alone company for the first time since separating from General Electric's power business.

Investors breathe sigh of relief as prices of Treasuries, crude oil stabilize

bond yields. The S&P 500 fell more than 5% in under a month. Now, oil prices have dropped off their highs and Treasury yields have stabilized, and investors appear more optimistic.

For the year, the S&P 500 is up 6.3%.

"The commotion around Iran and Israel is dissipating and investors have been able to focus on earnings and fundamentals," said Art Hogan, chief market strategist at B Riley Wealth Management.

Brent crude, the international oil benchmark, gained \$1.42, or 1.6%, to \$88.42 a barrel but remained off its recent high of \$91.17 hit this month.

The yield on the benchmark 10-year Treasury note fell to 4.597% from 4.622% Monday. Yields had risen quickly in recent weeks after a string of strong economic data had investors questioning whether the Federal Reserve will cut interest rates this year at all.

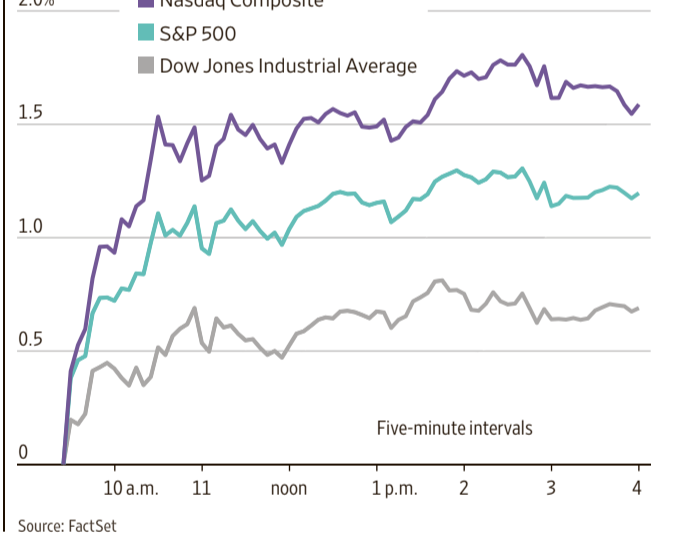
The latest S&P Global PMI survey out Tuesday showed the U.S. private sector growing in April but at a slower pace, an encouraging sign for investors worried that the economy is running too hot.

"Today's data is helping alleviate fears of the central bank staying restrictive for too long," wrote José Torres, senior economist at Interactive Brokers.

Other data out Tuesday showed new-home sales jump-

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Index performance on Tuesday



Source: FactSet

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BUSINESS & FINANCE

Google Delays Cookie Phase-Out Following Regulatory Pushback

By MILES KRUPPA AND PATIENCE HAGGIN

Google will miss its year-end target for changing how advertising is delivered in its Chrome web browser, a setback in its yearslong efforts to improve consumer privacy on the internet.

The Alphabet unit said Tuesday it would no longer be able to eliminate third-party cookies on its original timeline, citing "ongoing challenges related to reconciling divergent feedback from the industry, regulators and developers." The changes have been eagerly anticipated by advertisers because almost two-thirds of internet traffic flows through Chrome, making it an important gateway for reaching consumers.

Third-party cookies are bits of software that follow users around the internet.

Advertisers use them for everything from targeting ads to measuring the effectiveness of marketing campaigns, making them the basis for much of a \$600 billion-a-year industry.

Google's announcement came days before an expected status report from the U.K. Competition and Markets Authority, which is overseeing the company's global efforts to eliminate cookies.

The U.K.'s privacy regulator, the Information Commissioner's Office, has told Google its proposed changes don't go far enough, and it plans to provide the same feedback to the CMA, The Wall Street Journal reported this month.

Google said it now plans to begin phasing out cookies in



The company now plans to begin phasing out cookies in 2025 if it receives approval.

2025 if it receives the CMA and ICO's approval.

A CMA spokeswoman said it welcomed Google's announcement.

"This will allow time to assess the results of industry tests and resolve remaining issues," she said. The ICO didn't respond to a request for comment outside of working hours.

Google has spent years preparing to get rid of cookies following similar moves by Apple and Mozilla, the developer of the Firefox browser.

It has promoted the change as a way to improve consumer privacy and developed an alternative set of technologies known as the Privacy Sandbox

to replace many features.

The plans have encountered several roadblocks from industry participants. Google first announced plans to block cookies in early 2020, targeting the end of 2022 for their elimination.

The delay will benefit the ad industry by giving it more time to get ready for Google's changes, said Paul Bannister, chief strategy officer at media firm Raptive.

"People's privacy is important and so is revenue for publishers who create great content for those people," Bannister said.

The CMA, which opened an investigation into Google's efforts in 2021, has the power to

order changes to Google's plans for eliminating cookies.

In January, Google began restricting cookies for 1% of Chrome users as part of what it called a limited test before moving forward with plans to eliminate them entirely by the end of the year.

Ad-tech companies complained to Google and the CMA that the company's replacement technologies didn't do enough to make up for lost features from cookies. They have also voiced concerns Google's plans would reinforce its dominant position in the digital advertising ecosystem.

Google has called some of the criticisms inaccurate and said some features will be degraded on purpose to improve privacy.

The company has said it won't give preferential treatment to its products during the transition.

Cookies are the basis for much of the \$600 billion ad industry.

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Novartis Surpasses Analysts' Expectations

By JENNIFER CALFAS

Shares of Swiss drugmaker Novartis rallied after the company's first-quarter sales surpassed analysts' expectations, and it raised its full-year guidance.

Novartis executives touted strong sales across major brands on an analyst call on Tuesday.

The pharmaceutical company reported \$11.8 billion in first-quarter net sales—higher than analysts' estimates, and fueled by more than \$1 billion in quarterly sales for both heart-failure drug Entresto and psoriasis drug Cosentyx.

After quelling supply issues for Pluvicto, the cancer drug brought in \$310 million sales—a 47% jump, but under analysts' expectations.

Novartis now expects 2024 net sales to grow in the high-single- to low-double-digit percentage range, up from a

Novartis share price (ADRs)



Source: FactSet

previous outlook in the mid-single-digit range. It also raised guidance for its core operating income.

The company's American depositary receipts rose 2.3% on Tuesday. Its Switzerland-listed shares were up around 2%.

GM Raises Outlook For 2024

Continued from page B1

GM's big pickups, the Chevrolet Silverado and GMC Sierra, gained U.S. market share in the first quarter, while rivals Ford Motor and Stellantis's Ram brand saw declines.

GM raised its guidance for pretax profit before nonrecurring items by \$500 million, to a range of \$12.5 billion to \$14.5 billion.

GM shares rose 4.4% to \$45.10 on Tuesday and are up 26% this year.

China remains a trouble spot: GM lost \$106 million for the quarter in the world's largest car market by sales. GM and other global automakers have been losing market share for

years in China, hurt by the rise of Chinese-branded electric vehicles.

Asked during an earnings call with analysts whether GM would consider exiting from China, GM Chief Executive Mary Barra reiterated her commitment to competing there. She said the company plans several new-model rollouts in the country, including another electric Cadillac SUV.

"Clearly the market is shifting and the landscape has shifted with the capability of the Chinese" brands, she said. "But we still think there is a role and a place for GM to play with luxury premium."

GM's earnings also were hurt by a decline in vehicle production elsewhere in Asia as well as in South America, its third-largest market.

Overall, GM's pretax profit for the period from January to March, excluding one-time items, rose about 2% to \$3.9 billion. Earnings per share of \$2.62 easily surpassed analysts'

forecasts of \$2.13, according to FactSet.

GM shares have rallied since late 2023 after the company initiated plans to buy back \$10 billion in stock and emphasized the strength of its business of selling gasoline trucks and SUVs. These moves have come as early efforts to sell a new generation of EVs have fallen flat.

That focus on the core combustion-engine portfolio—which delivers nearly all of its revenue and profit—is a reversal from earlier in the decade when investors bid up the company's shares on enthusiasm around its electric-vehicle investments.

GM doesn't break out the financial performance of its EVs but has made clear that it is losing money on them. Jacobson said that performance will improve throughout the year as GM builds manufacturing scale, following a few years of setbacks as the company tried to launch new electric models.

Executives outlined progress on GM's EV story. Electric-vehicle production rose 74% from the fourth quarter, as GM eased bottlenecks that have plagued its ability to make large battery packs.

A drop in raw-material costs—including lithium—led to a \$12,000 reduction in costs on the Cadillac Lyriq midsize SUV, which outsold several electrics from German luxury brands.

GM said it is on track to produce 200,000 to 300,000 EVs in North America this year, which would represent a more than 10-fold increase from last year.

A pullback in spending on GM's driverless-car business, Cruise, helped the bottom line by more than \$100 million. The automaker suspended Cruise's commercial robotaxi operations this past year after California regulators pulled its autonomous-driving permit, saying the cars weren't safe for public roads. GM said this month that it has returned Cruise vehicles to public roads in Phoenix, with safety drivers at the wheel.

Lambert, Universal In Deal

Continued from page B1

growing streaming genre in the U.S., according to data tracker Luminate.

Meanwhile, acts like Luke Combs (who recently covered Tracy Chapman's "Fast Car") and the stripped-back, emo-ish Zach Bryan have become live-music juggernauts, while new names like Lainey Wilson and Dasha are playing noncountry festivals such as Lollapalooza and popping off on TikTok.

The broader culture is partaking too: Superstars Beyoncé, Lana Del Rey and Post Malone are dabbling in country sounds. Country events are a hot ticket in cities like Los Angeles with hipsters hitting clubs dressed in cowboy boots and embroidered shirts. "Saturday Night Live" this month had a country-themed skit featuring musical guest Chris Stapleton.

Country has experienced periods of widespread embrace before—rock bands like the Rolling Stones exploring country in the 1960s; the "Urban Cowboy" craze of the late 1970s and early 1980s; Garth Brooks, Shania Twain and the Chicks in the 1990s. But this time the borders between country and other genres are more porous than ever. More listeners, unshackled by genre prejudices,

now listen to Morgan Wallen and Drake, to Miranda Lambert and Beyoncé.

"Country was always the genre that sat in the back seat, and that was frustrating sometimes," Lambert said. "But this all has changed...All of a sudden, everyone's wearing cowboy hats and loving country music."

One of the biggest country stars of the 21st century, Lambert mixes mainstream sounds with aspects of 1970s-style outlaw country, crafting poignant, rollicking hits like "Famous in a Small Town." Over time, her perky approach ("What doesn't kill you only makes you blonder," she jokes on her Grammy-winning 2014 album "Platinum") has mellowed into a more introspective singer-

songwriter style (especially on 2016's double-album "The Weight of These Wings").

Now she is shifting gears in her career, too. Since she isn't grinding as hard on the road—she became tired of intensive touring and recently completed a Las Vegas residency—the 40-year-old has time for other things, like guiding a new generation of talent via her new label. "You sometimes need to call somebody at one in the morning on the bus, and vent, or cry, or freak out, or whatever it is—or celebrate," she said. "I just want to be a mentor, someone that's an ear and a shoulder."

With Big Loud Texas, which she spearheaded with her musical collaborator, Jon Randall, Lambert might sometimes co-

write with artists, if it makes sense. So far, Big Loud Texas has set up offices in Austin and signed its first artist: 25-year-old Austin native Dylan Gossett, whom Lambert checks in on frequently. Lambert said she wanted the label to boast a diverse roster, providing a home for rootsier artists like those making "red dirt" music, a country subgenre associated with Oklahoma and Texas.

When it comes to her own music, Lambert, after spending 20 years at different labels under the Sony umbrella, will now license her music to Republic Records, part of Sony's rival music conglomerate, Universal Music Group. (Licensing her music means Lambert owns her sound recordings and gives Republic the right to distribute them for a certain number of albums or years, as opposed to Republic owning the recordings.) As part of the deal, Big Loud, which collaborates with Republic, will help out with country-radio promotion and other marketing.

Lambert's current focus is on finishing her next album, which is expected this fall. A new song, "Wranglers," about a woman reclaiming her power, arrives May 3. "It's pretty honky-tonk," Lambert said of her album, which she and Randall co-produced in Austin. "It definitely sounds like Texas to me."

Her previous record, 2022's Grammy-nominated "Palomino," "was a traveling record, it was a journey," Lambert said. "This record feels like I made it home."

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This coming weekend, Miranda Lambert headlines Stagecoach, the country cousin of the Coachella music festival.

BUSINESS NEWS

GE Aerospace Gains After Earnings Top Views



GE Aerospace shares jumped after the jet-engine maker's first quarterly report since separating from General Electric's power business topped expectations. Shares of the company climbed more than 8% in Tuesday's trading.

The company's report includes the results of GE Vernova, the unit that finished separating from GE Aerospace on April 2. Revenue rose 11% to \$16.1 billion, beating analysts' projections for \$15.25 billion, according to FactSet. The aero-

space unit's revenue climbed 15% to \$8.1 billion. Earnings came in at \$1.39 a share, down from \$6.71 a share a year earlier. Stripping out one-time items, adjusted earnings were 82 cents a share. Analysts had expected 65 cents a share.

The company forecasts adjusted earnings of \$3.80 to \$4.05 a share this year. It now expects an operating profit of \$6.2 billion to \$6.6 billion, lifting the upper end of its previous forecast by \$100 million.

—Dean Seal

UPS's Income Falls As Its Shipments Of Packages Decline

By DENNY JACOB

United Parcel Service posted another drop in quarterly revenue, after the delivery company shipped fewer packages both domestically and internationally.

Overall revenue fell 5.3% in the first quarter, with shipping volume down 3.2% in the U.S. and 5.8% elsewhere. Adjusted for certain items, UPS's per-share earnings came in ahead of Wall Street's expectations.

UPS shares were up 2.4% to \$148.87 in Tuesday's trading. UPS has been grappling with a protracted slowdown in business. Last quarter, it announced

job cuts in a move to trim costs, eliminate redundant roles and speed decision-making.

Chief Executive Carol Tomé said that the results were in line with expectations and that the company expects to return to volume and revenue growth.

Revenue declined to \$21.71 billion, below the \$21.84 billion forecast by analysts, according to FactSet.

Adjusted net income fell 36% to \$1.22 billion, compared with prior estimates of \$1.14 billion.

Stripping out one-time items, adjusted earnings were \$1.43 a share. Analysts had expected \$1.28 a share.

PepsiCo's Profit Rises Despite Lower Volumes

By DEAN SEAL

PepsiCo earnings jumped last quarter as higher prices offset a drop in volumes, but fell short of analysts' forecasts.

Sales for the maker of Lay's and Doritos were up 2.3% at \$18.25 billion, clearing analysts' projections.

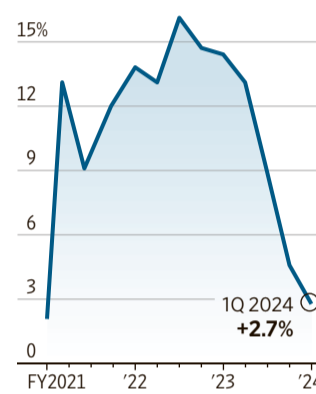
Volumes dropped 2% on an organic basis, largely driven by a slowdown in beverages, plus its Quaker Foods subsidiary's voluntary recall of certain granola bars and cereals.

PepsiCo shares slipped 2.9% to \$171.33 on Tuesday. As of Monday, the stock had risen 3.9% this year.

Revenue rose to \$18.25 billion from \$17.85 billion a year earlier, topping analysts' forecasts for \$18.08 billion, according to FactSet.

Profit climbed to \$2.04 billion from \$1.93 billion a year earlier. Earnings were \$1.48 a share, up from \$1.40 a year before, but below analysts' esti-

PepsiCo's quarterly organic revenue, change from a year earlier



Note: Excludes currency effects, acquisitions and divestitures; fiscal quarter ended March 23. Source: the company

mates for \$1.52.

PepsiCo is sticking by its previous guidance for an increase of at least 4% in organic revenue for the year and an increase of 8% or more in core earnings per share on a constant-currency basis.

Robust Orders Lift Lockheed Results

By DOUG CAMERON

Lockheed Martin said it is investing at maximum capacity to work through a \$159 billion backlog of orders for missiles, air-defense systems and space hardware, driven by conflicts in Ukraine and the Middle East as well as efforts to tackle China's expanding military.

Sales and profit at the world's biggest military contractor beat analysts' expectations in the quarter ended Mar. 31. The industry outlook

has been strengthened by the recent passing of a Pentagon budget and impending approval of extra spending on Ukraine, Israel and Taiwan.

Lockheed's shares edged 0.3% lower in Tuesday's trading.

Lockheed has secured more than \$3 billion in Ukraine-linked Pentagon contracts over the past two years, and billions more from European countries concerned about Russian aggression. These include sales of its F-35 combat jet to Germany, Poland and

Switzerland, with the Czech Republic adding an order in the latest quarter.

Quarterly profit declined 8.5% to \$1.54 billion as margins fell at two of its four business units, the legacy of lingering inflation, supply-chain challenges and a charge on a classified missile program. Per-share profit of \$6.39 topped the \$5.82 consensus view among analysts polled by FactSet.

Sales rose 14% to \$17.2 billion, or by 5% after adjusting for the extra week in the lat-

est quarter. Deliveries of the F-35 have been delayed because of problems with a computer upgrade and aren't expected to resume until the fall after a yearlong pause.

Lockheed left its full-year sales and profit guidance unchanged.

Chief Financial Officer Jay Malave said growth was broad-based, but led by a 25% rise in the unit that makes missiles and air-defense systems. Classified space programs also attracted large orders.

It sickens us to say, "This can't happen again." Again.



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TECHNOLOGY

UnitedHealth Paid Ransom to Hackers

Attackers gained entry to Change's system more than a week before strike

By JAMES RUNDLE

The hackers who attacked UnitedHealth Group's Change Healthcare unit were in the company's networks for more than a week before they launched a ransomware strike that has crippled vital parts of the U.S. healthcare system since February.

The attackers, who represented themselves as the ALPHV ransomware gang or one of its affiliates, gained entry into Change's network on Feb. 12, a person familiar with the

cyber investigation said. They used compromised credentials on an application that allows staff to remotely access systems, the person said.

Multifactor authentication protocols are typically used to guard against such breaches, including the use of text-message codes or access tokens keyed to individual users. MFA wasn't enabled on this particular application, the person said.

The cyberattack on Change, which operates the largest U.S. clearinghouse for medical payments in the U.S., sent healthcare providers scrambling to find ways to bill insurers in the weeks and months following the Feb. 21 attack.

Change's parent, insurer

UnitedHealth Group, eventually paid a ransom to the attackers, the person said, declining to say how much, or if the company has paid a second ransom since another group of hackers began leaking data in recent days. Wired magazine reported on March 4 that UnitedHealth likely paid around \$22 million in bitcoin to the attackers, citing darknet forum posts and analysis of the public blockchain.

Between Feb. 12 and when the ransomware was detonated on Feb. 21, the hackers were moving laterally within Change's network, the person said. The length of time the attackers were in the network suggests they might have been able to steal significant amounts of data from

Change's systems.

Change processes around 15 billion transactions a year, and touches one in three medical records. It shut down more than 100 of its systems in the wake of the attack, and the effects of that outage have left many smaller providers reliant on loans and personal funds to stay afloat while they are unable to take in revenue. Some have contemplated closing.

UnitedHealth said last week the attack has so far cost it \$870 million.

The company has been steadily restoring systems since March, including its pharmacy software, claims management and other platforms. It has also launched financial assistance programs,

although some providers have complained of low amounts offered. Some providers have said they have been pressured by UnitedHealth staff to make positive public comments about the loans.

Lawmakers have raised questions about the cyber risks associated with a handful of healthcare companies holding dominant positions. The U.S. Department of Health and Human Services has also launched a probe into the potential compromise of sensitive patient information. UnitedHealth said it is still investigating the extent of the stolen data and what it contains.

UnitedHealth Chief Executive Andrew Witty is expected to testify about the incident before the House on May 1.



UnitedHealth Group's Chief Executive Andrew Witty

iPhone's China Sales Sink Amid Competition

By JIAHUI HUANG

Apple's smartphone sales in China dropped sharply in the first quarter, hurt by the popularity of local rivals and the return of Huawei Technologies to the high-end segment, data from a closely followed research firm showed.

Apple's iPhone sales fell 19% on year in the world's largest smartphone market, placing the company third overall behind Vivo and Honor, Counterpoint Research said on Tuesday.

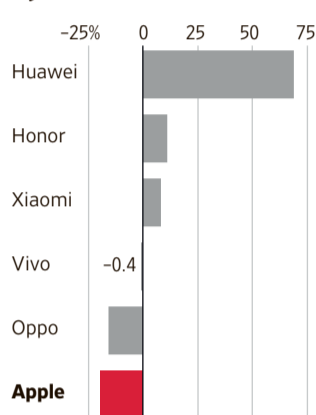
Sales by No. 4 seller Huawei, which had suffered from limited access to advanced chips a year ago, rose 70% on year, helped by the successful launch of its 5G-capable Mate 60 series, Counterpoint said.

Oppo and Xiaomi rounded out the top six places for the quarter.

Counterpoint described the period as "the most competitive quarter ever," with market shares of the top seller and the sixth-best seller differing by less than 3.0 percentage points.

Promotions and holiday de-

Smartphone sales in China for first quarter 2024, change from a year earlier



Source: Counterpoint Research

The iPhone is third by sales in China behind Vivo and Honor.

mand pushed overall smartphone sales 1.5% higher on year in China, marking a second straight quarter of growth, Counterpoint said. For the full year, it forecast growth in the low single-digits, with more Chinese brands integrating artificial intelligence features into their flag-



ship devices.

Apple's iPhone sales accounted for more than half of total revenue in the company's October-to-December quarter, expanding nearly 6% on year to post \$69.70 billion in sales.

Investors have been concerned that growth in a critical segment for the Cupertino, California-based company is under pressure.

Preliminary data from research firm International Data

Corp. showed last week that Apple's global smartphone shipments had fallen 9.6% on year in the first quarter, toppling the iPhone maker from its perch as the world's largest phone maker.

IBM Nears Deal for Provider of Cloud Software

By LAUREN THOMAS AND LAURA COOPER

IBM is nearing an acquisition of cloud-software provider HashiCorp.

A deal for HashiCorp could come together in the coming days, according to people familiar with the matter. It is still possible the talks may not result in a transaction.

A deal for HashiCorp would likely command a premium above where the stock is currently trading. The stock closed up 19% Tuesday after The Wall Street Journal reported on the talks, giving the company a market capitalization of \$5.84 billion. The stock is up 23% so far this year.

San Francisco-based HashiCorp's software helps

companies set up their infrastructure in the cloud. It partners with hundreds of tech companies including Cisco, RedHat—owned by IBM—and Datadog, according to its website.

IBM, a longtime fixture in the U.S. technology landscape, has been in the midst of a makeover, transforming itself into a company focused on the

hybrid-cloud and artificial-intelligence businesses. IBM Chief Executive Arvind Krishna has sharpened the company's focus on areas including quantum computing and blockchain.

Last June, IBM struck a roughly \$5 billion deal for software company Apptio, giving it greater automation capabilities. Later in the year, it

sold the Weather Company assets, including the popular Weather.com platform, to the private-equity firm Francisco Partners.

The deal would be a relatively small bite for IBM, which has a market capitalization of about \$170 billion. But it would come at a time when M&A in the technology sector has been muted.

AI Giants Back Child Safety Rules

Continued from page B1
problem that has popped up at high schools over the past year.

"This project was intended to make abundantly clear that you don't need to throw up your hands," said Rebecca Portnoff, vice president of data science at Thorn. "We want to be able to change the course of this technology to where the existing harms of this technology get cut off at the knees."

Executives at the AI companies involved said they had no desire to allow their tools to create child-exploitation material. Some executives and child-safety advocates said that if these data sets are overly sanitized, AI products can become less useful to consumers.

Last year, the National Center for Missing and Exploited Children, or NCMEC, received 36 million reports of child exploitation. The center is overwhelmed by the volume of reports as it contends with limited funding, outdated technology and legal constraints in handling the sensitive material.

When Thorn approached AI companies, they found that while some companies already had large teams focused on removing child-sexual-abuse material, others were un-



The National Center for Missing and Exploited Children's office in Arlington, Va.

aware of the problem and potential solutions. There is also a tension between the imperative to safeguard these tools and business leaders' push to move quickly to advance new AI technology.

"We did not want to avoid helping progress the technology out of fear," said Justin Maier, founder of open-source AI platform Civitai, which is part of the alliance. "I think rather than running away from that, it's better to think about how we can make that space safer."

Civitai, backed by venture-capital firm Andreessen Horowitz, was criticized for not doing enough to protect children. Tech news platform 404 Media reported in December that some images on the platform could be considered child pornography.

Civitai says it takes the issue seriously and is bolstering its defenses to stamp out exploitative images.

Thorn and other advocates

are worried that new AI tools will "grow the haystack" of potentially violating material, forcing law-enforcement officers to spend more time determining if a child in an image is real.

To help avoid this issue, Thorn and the companies in this alliance have also agreed to add signals that help others determine whether content is generated or enhanced by AI.

Social-media platforms rely on automated image-detection systems that primarily match hashes, or fingerprints of known child-sexual-abuse images, and videos.

AI-generated content is novel, however, and unlikely to include those fingerprints, rendering the current tools less effective.

Many companies already try to weed out AI content that exploits children through filters and prompt engineering. But those defenses can fail.

Oracle Headquarters To Shift to Nashville

By TOM DOTAN

Oracle has unveiled plans to move its headquarters again, this time to Nashville, Tenn., to be closer to healthcare companies.

In a livestreamed interview put on by Oracle's health division, Chief Executive Larry Ellison said Tuesday that the enterprise-software company is moving a huge campus to the southern city, and it will "ultimately be our world headquarters."

"We want to be in a community where our people want to live," he said in the interview that was with former Tennessee Sen. Bill Frist.

In 2020, the company, along with other Silicon Valley tech companies, unveiled its plans to move its headquarters from California to Austin, Texas.

Oracle, which was founded in Santa Clara, Calif., in 1977, later had its headquarters in Redwood City. The software giant, at the time of its move to Texas, said that relocation was part of an effort to have a more flexible approach to its workforce.

This latest move, Ellison said, was to help Oracle better integrate with the medi-

cal industry. "It is the center of the industry we're most concerned about, which is the healthcare industry, so in a sense, it was kind of easy to pick," Ellison said.

Oracle made a big bet on the healthcare industry in its close to \$30 billion acquisition of electronic medical records company Cerner, announced in 2021.

The Cerner deal gave Oracle a major presence in an industry that is one of the top drivers of growth for cloud computing.

Ellison has said that healthcare is one of his company's key focus areas.

Few large corporations have their headquarters in Nashville, although some tech companies, such as Amazon.com, have a significant presence

in the city. Oracle had already purchased riverfront property in the city for an office complex. As part of the construction, the company also committed to building a pedestrian bridge over the river.

Oracle shares, which have risen around 9% so far this year, climbed around 0.5% on Tuesday.

Spotify Records A Profit, Boosting Shares

By ANNE STEELE

Spotify stock surged after the audiostreaming company swung to a first-quarter profit. Its shares ended up 11% on Tuesday.

Spotify is turning 18 this quarter and "topping it off with showing we're a consistently profitable company," Chief Executive Daniel Ek said in an interview.

After years of rapid subscriber growth and efforts to expand beyond music streaming into broader audio offerings including podcasts and audiobooks, the company has been focused on controlling costs and giving priority to profitability.

Spotify reported a quarterly profit of €197 million—equivalent to about \$209 million—or 97 euro cents a share, compared with a year-earlier loss of €225 million. Analysts had expected 62 euro cents a share, according to FactSet.

Monthly active users grew 19% to 615 million, three million shy of Spotify's guidance, amid moderated marketing activity.

The number of premium subscribers to Spotify—the company's most lucrative type of customer—rose 14% to 239 million, in line with guidance.

Average revenue per user for the subscription business climbed 5% to €4.55, helped by recent price increases.

The metric has been pressured as Spotify brings in new subscribers via discounted plans and lower prices in emerging markets.

Ad-supported revenue ticked up 18% to €389 million, equivalent to around \$414 million.

Podcast ad revenue is growing faster than ad revenue from music.

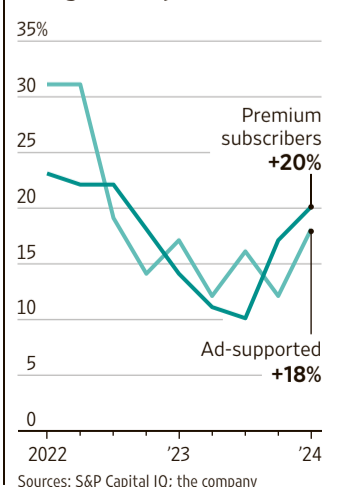
Overall revenue increased 20% to €3.64 billion, in line with guidance.

The company raised prices in five markets this month, and is planning to increase prices in the U.S. this year, in moves that help fund its audiobook initiative.

Ek said audiobooks have contributed over 2.5 hours in increased listening per user in the first 14 days of subscribers' starting a book.

"We're adding a lot of value here to consumers' membership on Spotify," Ek said. "And now we're thinking about the value-to-price ratio."

Spotify's quarterly revenue, change from a year earlier





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THE PROPERTY REPORT

Blackstone Real-Estate Fund Stems Exits

Investor withdrawals from Breit continue to greatly exceed new cash coming in

By PETER GRANT

For signs that the turbulent commercial real-estate market is beginning to stabilize, look at Blackstone's largest real-estate fund, known as Breit.

The firm was able to fulfill all investor redemption requests in February and March for the first time since late 2022, when a flurry of withdrawals compelled it to limit how much it could pay out.

"We believe commercial real estate is at an inflection point, with real estate values bottoming," Blackstone said in an April letter to Breit shareholders, who are mostly individual investors.

But that is only part of the story. Breit fundraising hasn't returned to its previous robust levels. Investor withdrawals continue to greatly exceed new cash coming in, a sign of lingering worries about the backdrop for commercial properties.

Financial advisers who work with individual investors say most of their clients remain wary of commercial real estate, citing recent turbulence in the market and the latest signals from the Federal Reserve that it might not cut interest rates this year. Investors also fret over rising default levels and over supply that is putting downward pressure on apartment rents in some markets.

"People are afraid of real estate," said Rick Kahler, founder of Rapid City, S.D.-based Kahler Financial Group. "There's no good news."

Blackstone's more bullish outlook reflects a number of positive trends its executives think are being masked by negative headlines.

They note that even without rate cuts by the Fed, real-estate borrowing costs have declined. They point to the surge in new commercial mortgage-backed securities issues in the first quarter. Construction of many property

types is also slowing, easing pressure on rents.

"Now is the time to be playing offense," said Nadeem Meghji, global co-head of Blackstone Real Estate. "You can't wait for the all-clear signal."

Blackstone has been the biggest buyer of property this year, and not always through Breit. Its global fund agreed to pay \$10 billion for Apartment Income REIT, which owns 76 rental housing communities. Earlier this year, Breit and another Blackstone fund agreed to acquire Tricon Residential, which owns, operates and develops single-family rental homes, for \$3.5 billion.

But Breit has become a touchstone for the commercial real-estate industry, reflecting both the appetite for owning these kinds of properties and the remaining wariness among some investors.

Blackstone launched the fund—officially called Blackstone Real Estate Income Trust—in 2017. While Blackstone's other real-estate funds were typically geared toward pension funds and other institutions, Blackstone created Breit to give individual investors a chance to own a piece of apartment buildings, warehouses, data centers and other types of commercial real estate.

The fund became one of Blackstone's most successful products. At its peak, it boasted over \$70 billion in net asset value. Rival firms, including Starwood Capital Group, Brookfield Asset Management and KKR, followed with their own versions of real-estate funds aimed at smaller investors.

In all, these commercial property funds for individual investors raised more than \$87 billion between 2017 and the first half of 2022, when interest rates were low and commercial property was booming, according to Robert A. Stanger & Co., an investment bank that specializes in these so-called nontraded REITs. Unlike public REITs, these funds aimed at individuals don't trade on a stock exchange.

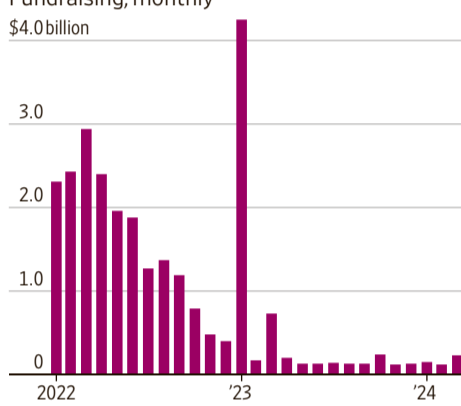
In 2022, the sharp rise in interest rates and falling real-estate prices unnerved some



Breit's returns have been boosted by about \$18 billion of asset sales, including a 22% stake in the Bellagio casino and resort.

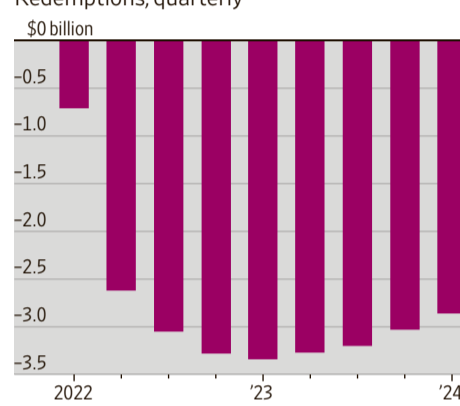
Blackstone Real Estate Income Trust

Fundraising, monthly*



*January 2023 reflects a \$4 billion investment by University of California Investments

Redemptions, quarterly



Source: Robert A. Stanger & Co.

investors in Breit, as well as other funds. Many rushed to pull out their money as the value of Breit's shares declined.

Withdrawal requests spiked so much that in November 2022 Breit enforced a provision that allowed it to limit withdrawals so that the fund wouldn't be pressured to sell assets at discount prices to meet them all. In 2023, Breit paid out more than \$3 billion a quarter in redemptions, ac-

ording to Stanger.

Other real-estate funds also started limiting redemptions when their investors began rushing for doors in 2022 and 2023. Some are still doing that, including funds sponsored by KKR and Starwood Capital.

Breit turned a corner in one respect this year. In February and March, redemption requests declined to \$961 million and \$799 million, respectively, low enough for Breit to

pay all of them. In January 2023, redemption requests exceeded \$5 billion.

Yet fundraising hasn't fully recovered. In the first half of 2022, Breit was raking in \$2 billion to \$3 billion a month. Excluding reinvested dividends by existing investors, the fund took in only \$228 million in March and smaller amounts in both January and February.

Blackstone executives expressed confidence that inves-

tors will return to Breit. The fund has invested in some of the most successful property types, like data centers and student housing. In the first quarter, Breit posted a 1.8% percent return, including dividends, after a total decline of 0.5% last year, the firm said.

Since its inception, Breit's annualized net returns have been 10.5%. Those returns have been boosted by about \$18 billion of asset sales since 2022, including the JW Marriott San Antonio Hill Country Resort & Spa and a 22% stake in the Bellagio, a Las Vegas casino and resort.

Meghji said the current market is comparable to late 2009 and 2010 when most of the news in commercial real estate was awful.

"That was the opportune time for us to be doubling down," he said.

But others say it may take time for investors to buy into Blackstone's vision.

"Investors are saying we want our money back and we're not giving you more," said Kevin Gannon, Stanger chief executive.

Real-Estate Fortunes Now Dust

Continued from page B1

has been in a downturn for three years, since Beijing's attempts to deflate a debt bubble in the sector fueled a panic. At first, home prices remained resilient even as sales declined. But in 2022, home prices began a slide that has erased one-fifth of their value in some of China's most-developed cities, according to property agency Centaline.

"When property prices started to fall, I felt upset," said Zhao, 26. "It felt like my life plans were thrown into disarray."

First-quarter sales of new homes from China's largest 100 developers were down 47% from a year earlier, and are now around their lowest levels on record. The price of existing homes in China's most-developed cities last month was down 7.3% from a year earlier, the biggest decline since the government started releasing data in 2011.

The market is facing a simple economic problem: too many sellers, too few buyers. Making matters worse, villagers who traded their homes with developers, often for several new apartments, are adding to the potential supply, said Liu Yuan, head of property research at Centaline.

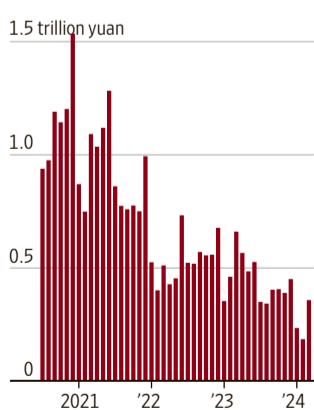
"It is impossible to sell at a decent price," said a homeowner in Nanjing, who with her husband and parents owns eight properties, five of them compensation for relocating.

Data on the ownership of properties by those who traded houses for new apartments is rarely updated. But according to a report published by Nie Riming and Guo Xiaojing from the Shanghai Institute of Finance and Law, a think tank, around 6.8% of existing homes in 2017 were properties that people received



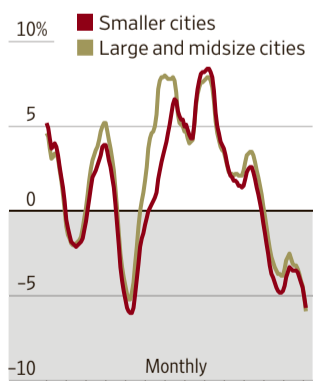
Homes have turned into a hard sell in China in recent years as property values have tumbled.

New-home sales from China's top 100 developers, monthly



Note: 1 trillion yuan = \$138 billion
Sources: China Real Estate Information (new home); National Bureau of Statistics (existing home)

Existing-home sales in China, change from a year earlier



in trade for aging homes.

A man in the province of Henan in central China said he is still waiting for the six apartments he was promised in 2018 in exchange for his townhouse and piece of farmland when a developer moved into his town. The apartments were to be delivered in 2021, but the development has stalled.

He said he is optimistic that the apartments will eventually be finished, but he isn't optimistic about much else. Perhaps two of the apartments will be occupied by his relatives, he said. The rest will sit empty.

"It's not possible to sell or

rent out. It's not worth decorating," he said.

The real-estate downturn has had an acute effect on China's smaller towns and villages. Real estate and related sectors accounted for around one-quarter of China's economic output before the crisis, according to widely cited estimates, but the sector was even more important in some poorer areas that didn't have much to offer other than land.

"The economy and job opportunities in these cities haven't been able to sustain the scale of the housing supply and prices," said Tao Ran, a professor at the Chinese University of Hong Kong, Shenzhen.

CoStar Group Fights Extension for WeWork To Restructure Leases

By AKIKO MATSUDA

CoStar Group has joined two other WeWork landlords objecting to the co-working space provider's request to extend the time to reject or assume leases in bankruptcy.

The real-estate data analytics company filed a court paper with the U.S. Bankruptcy Court in Newark, N.J., on Friday asserting that WeWork's request to extend its lease rejection period should be denied because the bankrupt company failed to meet the bankruptcy code's requirements of getting prompt court approval for an extension or having a good reason for not doing so.

WeWork filed for bankruptcy in November and has been negotiating leases with its hundreds of landlords to reduce the cost of operations. The bankruptcy code empowers filers to reject unfavorable leases during the first 120 days of the bankruptcy proceedings, and the period can be extended by 90 days upon court approval.

CoStar became a WeWork landlord in February when it acquired a 552,000-square-foot office building in Arlington, Va. After the sale closed, CoStar told WeWork that it "will not be entertaining any proposed amendment or modification of the lease."

WeWork's 120-day period to examine its pre-existing lease expired in early March. The company is seeking court approval for a 90-day extension, but a hearing to consider the request has been delayed multiple times.

Nearly two months have passed since the expiration of the 120-day period, but WeWork hasn't rejected or assumed the lease, CoStar said. CoStar, which plans to move its headquarters to the Arlington

building, can't use the space for other purposes until WeWork rejects the lease. WeWork owed CoStar more than \$3 million in rent for months and paid only after CoStar petitioned the court to address the problem, CoStar also said.

CoStar said it is joining two other landlords including life-science real-estate developer IQHQ in objecting to the extension. CoStar said it has no confidence in WeWork's ability or willingness to comply with its lease obligations.

WeWork's creditors committee also made a filing on Friday objecting to the 90-day extension. WeWork has "minimal cash on hand," and the bankruptcy proceeding has been "funded, in part, by [its] failure to pay post-petition rent to many of the same landlords from whom [WeWork] is seeking lease concessions," the filing said. "The gamesmanship needs to stop," the creditors committee said in the filing.

A WeWork spokesperson said Monday that the company has made significant progress in its financial restructuring and global lease negotiation efforts, and that it has a "clear line of sight into emerging from chapter 11 as a strong and sustainable company in the coming weeks."

"We intend to continue using the tools available throughout this process to ensure that the company's go-forward footprint supports profitability, while continuing to deliver a best-in-class member experience for the long-term," the spokesperson said.

Earlier this month, WeWork said it has completed lease restructuring talks for 90% of its roughly 500 office locations globally, which will cut future rent expenses by about 35%, or about \$8 billion.

Watch a Video

Scan this code for a video of an abandoned Chinese 'ghost town.'



COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table with columns: Metal & Petroleum Futures, Copper-High (CMX), Gold (CMX), Palladium (NYM), Platinum (NYM), Gasoline-NY RBOB (NYM), Natural Gas (NYM). Includes Open, High, Low, Settle, Chg, and Open interest.

Table with columns: Agriculture Futures, Corn (CBT), Oats (CBT), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT), Rough Rice (CBT), Wheat (CBT), Wheat (KC), Cattle-Feed (CME), Cattle-Live (CME), Hogs-Lean (CME). Includes Open, High, Low, Settle, Chg, and Open interest.

Table with columns: Interest Rate Futures, Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), Treasury Notes (CBT), 5 Yr. Treasury Notes (CBT), 2 Yr. Treasury Notes (CBT), 30 Day Federal Funds (CBT), Three-Month SOFR (CME). Includes Open, High, Low, Settle, Chg, and Open interest.

Table with columns: Currency Futures, Japanese Yen (CME), Canadian Dollar (CME), British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), Mexican Peso (CME), Euro (CME). Includes Open, High, Low, Settle, Chg, and Open interest.

Table with columns: Index Futures, Mini DJ Industrial Average (CME), Mini S&P 500 (CME), Mini S&P Midcap 400 (CME), Mini Nasdaq 100 (CME), Mini Russell 2000 (CME), Mini Russell 1000 (CME), U.S. Dollar Index (ICE-US). Includes Open, High, Low, Settle, Chg, and Open interest.

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Broad Market Bloomberg Fixed Income Indices, U.S. Corporate Indexes Bloomberg Fixed Income Indices, High Yield Bonds ICE BofA, U.S. Agency Bloomberg Fixed Income Indices. Includes YTD total return, Index, and Yield (%) Latest, Low, High.

Table with columns: Global Government J.P. Morgan, Mortgage-Backed Bloomberg Fixed Income Indices. Includes YTD total return, Index, and Yield (%) Latest, Low, High.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table with columns: Country, Maturity, Yield (%), Spread Under/Over U.S. Treasuries. Includes data for U.S., Australia, France, Germany, Italy, Japan, Spain, U.K., and Emerging Markets.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread. Includes Telefonica Emisiones, Teachers Insurance And Annuity Association of America, Westpac Banking, HP, Philip Morris International, Sprint Capital, Verizon Communications, Mitsubishi UFJ Financial.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread. Includes General Motors, Caterpillar Financial Services, Norfolk Southern, Daimler Truck Finance North America, BrightHouse Financial Global Funding, Tapestry, John Deere Capital, Cooperative Rabobank.

High-yield issues with the biggest price increases...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Includes Bausch Health, Carnival, ADT Security, Sealed Air, Rakuten, DISH DBS, Occidental Petroleum.

...And with the biggest price decreases

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Includes Telecom Italia Capital, Bath & Body Works, Embarq, Santander UK Group Holdings, ZF North America Capital, Liberty Interactive, Occidental Petroleum, DISH DBS.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess

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The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Table of stock price movements for Tuesday, April 23, 2024. Columns include Stock, 52-Wk High/Low, and % Change. Top gainers include AGBA Wt, AZZ, and Alpelimmune.

Table of stock price movements for Tuesday, April 23, 2024. Columns include Stock, 52-Wk High/Low, and % Change. Top gainers include H World, Halcob, and HartfordFinancial.

Table of stock price movements for Tuesday, April 23, 2024. Columns include Stock, 52-Wk High/Low, and % Change. Top gainers include Centrex, Cerence, and CERO.

Biggest 1,000 Stocks | WSJ.com/stocks

Table of the 1,000 largest stocks by market cap. Columns include Stock, Sym, Close, and Net Chg. Top stocks include Microsoft, Apple, and Amazon.

Exchange-Traded Portfolios

Largest 100 exchange-traded funds. Preliminary close data as of 4:30 p.m. ET

Table of ETF performance for Tuesday, April 23, 2024. Columns include ETF, Symbol, Price, and % Change.

BANKRATE.COM MMA, Savings and CDs

Table of national average rates for various terms: 1-MO, 2-MO, 3-MO, 6-MO, 1-YR, 2-YR, 2.5YR, 5YR.

Weekly change

Table showing weekly percentage changes for various terms.

Savings

Table showing savings rates for various terms.

High yield savings

Table showing high yield savings rates for various terms.

Money market account

Table showing money market account rates for various terms.

One-month CD

Table showing one-month CD rates for various terms.

Two-month CD

Table showing two-month CD rates for various terms.

Three-month CD

Table showing three-month CD rates for various terms.

Popular Direct

Table showing popular direct rates for various terms.

UF Direct

Table showing UF Direct rates for various terms.

Western State Bank

Table showing Western State Bank rates for various terms.

One-year CD

Table showing one-year CD rates for various terms.

Two-month CD

Table showing two-month CD rates for various terms.

One Star Bank

Table showing One Star Bank rates for various terms.

UF Direct

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Popular Direct

Table showing popular direct rates for various terms.

Banques USA

Table showing Banques USA rates for various terms.

America First FCU

Table showing America First FCU rates for various terms.

Notes: Accounts are federally insured up to \$250,000 per person. Yields are based on method of compounding and rate stated for the lowest required opening deposit to earn interest. CD figures are for fixed rates only. MMA: Allows six (6) third-party transfers per month, three (3) of which may be checks. Rates are subject to change.

Source: Bankrate.com, a publication of Bankrate, Inc., Palm Beach Gardens, FL 33410

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Mutual Funds

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. E-X-distribution. F-Previous day's quotation. G-Footnotes x and s apply. F-Footnotes e and s apply. R-Reallocated by Lipper, using updated data. P-Distribution costs apply. 12b-1-R Redemption charge may apply. S-Stock split or dividend. F-Footnotes p and r apply. V-Footnotes x and e apply. X-Ex-dividend. F-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.

Table of mutual fund performance for Tuesday, April 23, 2024. Columns include Fund, NAV, and % Change.

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BUSINESS & FINANCE

Beneficient Faces Lawsuit Alleging Fraud

The suit accuses the firm's chairman of a 'shell game' scheme to enrich himself

By ALEXANDER GLADSTONE

A trustee representing Beneficient's largest shareholder sued the financial firm and its chairman and chief executive, Brad Heppner, accusing him of enriching himself through an "elaborate shell game" that involved fraud, backdated documents and false statements.

The lawsuit filed by the litigation trust for defunct asset manager **GWG Holdings**, which is Beneficient's former parent company and owns the majority of Beneficient's common shares, alleges that Heppner and other GWG board directors breached their fiduciary duties by funneling roughly \$300 million into his speculative business plan. Heppner then siphoned at least \$140 million from Beneficient into his network of affiliated trusts and business entities, according to the complaint, filed Friday in the bankruptcy court in Houston.

Complex dealings

GWG invested money into Beneficient during a multiyear period in which the companies were in a strategic business relationship, reported consolidated financial statements and had largely overlapping boards of directors, securities filings show. Heppner served as chairman of GWG's board of directors from April 2019 to June 2021, in addition to his role as chairman and CEO of Beneficient.

While GWG had historically sold bonds to individual investors to finance its purchase of life-insurance policies, it accel-



Brad Heppner, left, is accused of siphoning at least \$140 million from Beneficient into his entities.

erated its bond sales with Heppner as chairman to support Beneficient's proposed business model of making loans backed by alternative assets such as stakes in private-equity and venture-capital funds, securities filings show.

Instead of being used to expand Beneficient's business, much of the funds it received from GWG instead went toward Heppner-affiliated entities, while GWG took a nearly total loss on its investment, according to Friday's lawsuit. After the companies separated, GWG filed for chapter 11 in April 2022, owing more than \$2 billion to its creditors.

Beneficient said in a statement that the lawsuit "crafted a deliberately selective reading of complex and permissible business transactions, negotiated at arm's length" and that Beneficient "has robust defenses to these claims."

"Beneficient looks forward to dismantling the Litigation Trustee's allegations in court and providing a clear, factual and complete response to the complaint's narrative," the statement said. Heppner didn't respond to a request for comment.

The key to Heppner's self-enrichment scheme was the creation of a \$141 million debt instrument that Beneficient purportedly owed to a lender called HCLP, the lawsuit alleged. Beneficient took on the debt in a noncash transaction, meaning HCLP didn't advance any funding to the company, according to the lawsuit.

HCLP was "falsely portrayed" to board directors as a hard-bargaining outside lender, when in fact it was "nothing more than a front for various Heppner-affiliated entities and trusts," the lawsuit alleged.

Heppner backdated docu-

ments to make it appear that he didn't control HCLP, yet all along Heppner's affiliates and trusts held substantial indirect equity interests in it, according to the complaint.

A Beneficient spokesman previously said related-party transactions involving Heppner were legal and properly disclosed.

A wave of senior executives and board directors left Beneficient and GWG in 2019 and 2020, largely driven by fears that the business risked catastrophic losses to investors while potentially benefiting Heppner, The Wall Street Journal previously reported. The mass exodus of high-level personnel "was a glaring red flag that something was amiss," the lawsuit alleged.

GWG told its investors in 2020 that Beneficient was increasing revenue by making loans to unaffiliated trusts that

were backed by alternative assets, according to securities filings. Beneficient was actually making loans to its own subsidiaries, then counting the interest and fees it got back as revenue.

That accounting method made it appear that Beneficient was generating growth as a lending business even while its underlying asset portfolio was actually incurring losses, securities filings show. GWG also said in securities filings that Beneficient was worth more than \$2 billion, even though its asset portfolio had declined to roughly one-tenth of that.

Heppner previously said that Beneficient's accounting was a genuinely complex issue and that GWG voluntarily went to the SEC asking for guidance about Beneficient's accounting issues.

SEC warning

The Securities and Exchange Commission's enforcement division in 2020 delivered a subpoena to GWG notifying it of a fact-finding investigation, seeking information about Beneficient's accounting and valuation, as well as its transactions with related parties, securities filings show.

The SEC was "not given a straight answer" when it asked Beneficient and GWG about payments to Heppner and his affiliates, the lawsuit alleged. An SEC representative declined to comment.

In 2021, a different division of the SEC determined that Beneficient's accounting method was incorrect, forcing both GWG and Beneficient to restate their consolidated financial statements and delete certain revenue they previously reported as received.

GWG had to stop selling bonds until it and Beneficient straightened out their books. By

the time the companies completed their restatements in 2021 and GWG tried to relaunch its bond-selling program, the SEC warned the company's broker-dealers that they, too, would be investigated if they continued to sell the bonds.

Bankruptcy filing

Around that time, Heppner and his fellow Beneficient board directors separated Beneficient as an independent firm from GWG, which less than two months later failed to make interest payments on its bonds and subsequently filed chapter 11 as a shell entity with two employees remaining.

The lawsuit alleges that misconduct by Heppner and others amounted to "corporate looting."

During GWG's bankruptcy, a committee of its bondholders accused Heppner in court filings of having orchestrated a fraudulent scheme enabled by other GWG directors to siphon money from GWG in the form of capital contributions to Beneficient. Because of those investments by GWG, it owns a noncontrolling stake in Beneficient.

Beneficient said during the bankruptcy case that the committee's allegations were false and misleading and threatened to damage Beneficient's value—and therefore hurt the bondholders' best chance for getting their money back.

Beneficient went public last June by combining with a special-purpose acquisition company after saying in securities filings and marketing materials that the stock listing would value its business at more than \$3 billion. Its shares have declined by more than 99% from its opening price, leaving the company with a market capitalization of \$17 million as of Monday.

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Kering says new collections in ready-to-wear and shoes categories have been well received.

Gucci's Owner Forecasts Lower First-Half Profit

By ANDREA FIGUERAS

Kering expects sharply lower operating profit in the first half after sales slumped in the first three months as the company grapples with sluggish demand, particularly in China.

The French luxury-goods giant said Tuesday that it anticipates a decline between 40% and 45% in first-half recurring operating income compared with the year-earlier period, while it continues to invest in its fashion houses.

The company booked revenue of €4.5 billion, or about \$4.80 billion, for the first quarter, down 11% in reported terms compared with the year-earlier period. The result came in line with analysts' forecasts of €4.51 billion, according to a poll of estimates compiled by Visible Alpha. On a comparable basis, revenue fell by 10%.

"Kering's performance worsened considerably in the first quarter," Chairman and Chief Executive Francois-Henri Pinault said.

Sales at star brand Gucci—the largest contributor to the group's revenue—dropped 21% in reported terms to €2.08 billion, in line with Visible Alpha consensus. On a comparable basis, Gucci revenue fell 18%, hit particularly by a sharp decline in the Asia-Pacific region.

However, the company pointed out that the brand's new collections, which have gradually become available in stores since mid-February, have been very well received, particularly in the ready-to-wear and shoes categories.

"While we had anticipated a challenging start to the year, sluggish market conditions, notably in China, and the strategic repositioning of certain of our houses, starting with Gucci, exacerbated downward pressures on our topline," the CEO said.

Last month, the company warned that first-quarter sales were expected to decline on year by around 10% at the group level and nearly 20% at Gucci.

Most luxury names are facing a slower-than-expected recovery in China—one of the industry's largest markets—with some analysts saying Kering's warning was a reminder that consumer confidence and discretionary spend in the country remain weak.

investments in its fashion houses, as it seeks to reinvigorate Gucci with Sabato de Sarno as the brand's creative chief. However, some analysts said signs of improvement could take time.

The investments coincide with a normalization of sales-growth trends across the industry after the postpandemic boom gave way to a slowdown in demand due to high interest rates and inflation that have

weighed on less-affluent consumers.

While a sluggish start to the year was already anticipated for luxury-goods firms, first-quarter earnings are expected to show diverging trends between companies.

Those more exposed to high-end customers are expected to achieve better results, since these shoppers are more resilient in times of macroeconomic slowdowns, while names that cater to a status-seeking clientele could face a tougher outlook. The latter represent the majority of Kering's client base, S&P Global Ratings analysts said in a research note.

Kering is grappling with soft demand, in particular from China.

MARKETS

China Bubble Tea Maker Falls in Debut New Offers Suggest Rosier U.S. Sentiment

Hong Kong's biggest listing in 2024 to date underscores fragile sentiment

By JIAHUI HUANG AND BEN OTTO

Shares of Chinese bubble tea maker **Sichuan Baicha Baidao Industrial** slumped in Hong Kong's biggest listing of the year, underscoring fragile sentiment in the Asian financial hub amid an extended downturn in new offerings.

Shares of the rapidly expanding Chinese tea chain closed at 12.80 Hong Kong dollars in their trading debut Tuesday, 27% below their initial public offering pricing of 17.50 Hong Kong dollars.

Baicha Baidao, also known as Chabaidao, had drawn lukewarm response ahead of trading. Individual investors subscribed to half of the shares available to them in the offering, while institutional investors were just 1.1 times oversubscribed in their allocation.

The Sichuan-based company raised 2.46 billion Hong Kong dollars, equivalent to \$313.9 million, in the offering. It plans to use the bulk of proceeds to improve operations of its network of more than 8,000 stores in China, including by investing in automation in warehouses, and to strengthen control over its supply chain both domestically and in areas of overseas expansion such as Southeast Asia.

The lackluster debut, which



Baicha Baidao, also known as Chabaidao, had drawn lukewarm response ahead of trading. A location in Shanghai.

took place ahead of planned listings by tea rivals Mixue Ice Cream & Tea and Guming, comes as Hong Kong is struggling to return to the boom times of several years ago when the city experienced frequent, high-profile offerings that made it among the top centers globally for fundraising.

New listings in Hong Kong fell 56% to 46.3 billion Hong Kong dollars in 2023—its third

straight year of decline—hurt by factors including soft economic growth in China, rising U.S.-China tensions and cautious sentiment worldwide amid macroeconomic uncertainty.

Some of those factors remain on investors' minds in 2024, analysts said.

"There may be some doubts on [Baicha Baidao's] growth prospects" given a combination of still-fragile economic

conditions in China, weak investor interest in Hong Kong and strong competitors that are similarly seeking to expand rapidly, said Yeap Jun Rong, a market strategist at online trading platform at IG.

Baicha Baidao is China's third-largest freshly made tea company, with a market share of 6.8%, according to market-research firm Frost & Sullivan. Its net profit rose 19% in 2023 to 1.14 billion yuan, equivalent

to \$157.4 million, on sales of 5.70 billion yuan, its prospectus showed.

The company's husband-and-wife founders, Wang Xiaokun and Liu Weihong, launched their first store in 2008 and a decade later rolled out a franchise model that spurred on expansion.

Between 2019 and 2021, the company's store network grew roughly tenfold to more than 5,000.

New Offers Suggest Rosier U.S. Sentiment

By CORRIE DRIEBUSCH

Cybersecurity software company **Rubrik** is listing its shares in a long-awaited IPO this week. It is the latest in a string of high-profile initial public offerings, most of which have gone surprisingly smoothly, begging the question: Has investor risk tolerance recovered?

So far this year, traditional IPOs in the U.S. have raised roughly \$10.5 billion, more than triple the total raised in the same period in 2022 and 2023, according to Dealogic. These IPOs have been on average bigger than the past two years and have performed well, Dealogic data show.

That bodes well for the hundreds of private companies waiting in the wings to go public, as well as for their employees, many of whom need to wait for their stock options to be publicly traded to get access to cash.

It is an odd time for IPOs to stage a comeback. Stocks are viewed by investors as one of the riskier asset classes, and IPOs are among the riskiest stocks to own given that they are often shares of newer, untested companies. Still, bankers who underwrite IPOs are optimistic a steady pipeline of companies will keep issuing stock even with rates remaining higher for longer.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

TWO-YEAR NOTES

Applications	\$183,777,750,200
Accepted bids	\$69,328,870,200
* noncompetitively	\$1,032,098,300
* foreign noncompetitively	\$0
Auction price (rate)	99.956684 (4.898%)
Interest rate	4.875%
Bids at clearing yield accepted	77,900
Cusip number	912822KK6

The notes, dated April 30, 2024, mature on April 30, 2026.

Tech Stocks Rise Before Earnings

Continued from page B1

ing in March from the previous month and exceeding economists' expectations. A State

Street ETF tracking homebuilder stocks had its best day of the year, jumping 2.7%.

In single stock moves, General Motors, GE Aerospace and Danaher all jumped after reporting earnings. Stock index compiler MSCI was the day's laggard, dropping 13% after its revenue missed expectations.

The earnings onslaught continues later this week, with

Meta, Microsoft and Google-parent Alphabet all set to report results.

Bitcoin fell \$133.15, or 0.2%, to \$66,468.41.

Overseas, European stocks climbed, lifted by strong Novartis and SAP earnings.

At midday Wednesday, Japan's Nikkei 225 was up 2.1%, Hong Kong's Hang Seng Index was up 1.6% and South Korea's Kospi was up 1.9%. S&P 500 futures were up 0.3%.



Meta Platforms is set to report earnings later this week.

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FINANCIAL ANALYSIS & COMMENTARY

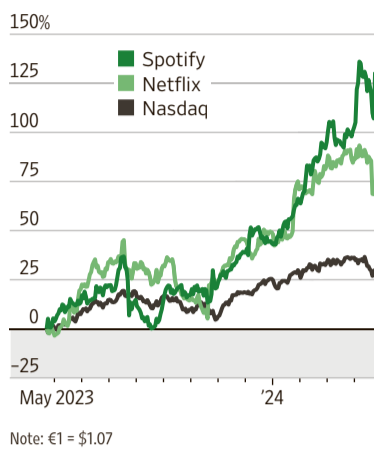
Spotify Needs to Keep the Price Hits Coming

The music streamer's market value has surged on the belief that its money-losing days are over

Wall Street has been loving Spotify's latest tune. The music streamer will need to keep its pitch perfect in the coming year. Spotify's first-quarter results early Tuesday proved to be another hit with investors, sending the stock up more than 11%. That builds on a gain of 80% over the past six months, and more than a fourfold increase from when the company's market value bottomed in late 2022. At the time Spotify was brought low by a surge in spending on efforts like exclusive, celebrity-backed podcasts that didn't appear to move the needle on the company's user metrics. Paid subscriber growth in 2022 was identical to the previous year.

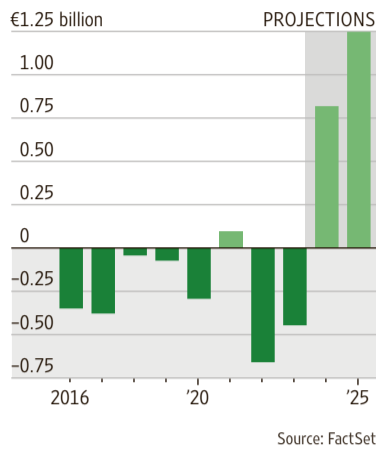
The new Spotify is much more cognizant of both its top and bottom lines. Revenue jumped 20% year over year to €3.64 billion, equivalent to \$3.9 billion, and the company projected 20% growth again for the second quarter—both of which beat Wall Street's estimates. Operating income of €168 million topped analysts' targets by 11%, and Spotify projected a record €250 million on that measure for the second quarter. That would

Share-price and index performance, last 12 months



Note: €1 = \$1.07

Spotify's operating profit/loss



Source: FactSet

equate to operating earnings of €418 million for the first half of this year, which is a sharp reversal from a loss of €403 million in the same period last year.

"In essence, Spotify's monetization pace is accelerating faster than even our previous expectations," wrote Jeff Wlodarczak of Pivotal Research in a note to clients Tuesday morning.

Investors are expecting more—a lot more. Analysts were projecting

full-year operating income of about €819 million before Tuesday's report, which would be a notable turn for a company that has turned an annual operating profit only once before in its history, and a minuscule one at that. Annual revenue growth is also expected to accelerate from the record-low 13% growth reported last year.

Analysts expect at least some of that growth to come from price increases. Bloomberg reported

earlier this month that Spotify is planning such a move in several key markets this year. Spotify confirmed at least part of that report on Tuesday, with Chief Executive Officer Daniel Ek telling analysts on the company's earnings call that Spotify is planning to launch new music-only and audiobook-only tiers, though no timing or price details were given.

In a note to clients earlier this month, Mark Mahaney of Evercore ISI estimates that a \$1-a-month price increase would boost the company's revenue next year by \$1 billion, while creating a separate plan for audiobooks could "potentially alleviate some investor concerns around Audiobook monetization."

But Spotify can't afford to ignore user growth either. The company added only 3 million paid subscribers during the first quarter—its lowest growth in two years—while monthly active users of 615 million fell a bit short of its forecast from three months ago. Ek blamed some of the weakness on a sharp slowdown in marketing, where he noted "we probably pulled back too significantly throughout 2023." Marketing costs

amounted to less than 9% of Spotify's revenue for the recent quarter after averaging 12% of revenue over the previous 12 quarters.

The company expects user growth to pick up later this year. But it will need to strike a delicate balance between attracting new users while keeping its bottom line solidly in the black and growing. Spotify's current plans in the U.S. are now priced at parity with the music-streaming plans offered by Apple, Amazon.com and Google's YouTube. Wlodarczak of Pivotal also noted the risk that Spotify's now-proven ability to raise prices and boost its profits could compel record labels to seek higher royalties from the company. Those royalties still consume the biggest portion of the company's revenue.

But Spotify's growing scale is an important point of leverage with those same labels, which now rely on the company's huge audience. Wlodarczak projects Spotify will hit monthly active users of 900 million by 2028—46% more than today. That would be an audience both Spotify and the music industry need to keep happy.

—Dan Gallagher



Chevrolet vehicles at the 2024 New York International Auto Show in March. GM upgraded its profit guidance for this year on Tuesday.

For FTC, 'Accessible Luxury' Is The Question

Suit on Tapestry bid puts spotlight on label

Coach owner Tapestry's acquisition of Michael Kors owner Capri isn't close to being in the bag.

Late Monday, the Federal Trade Commission sued to block Tapestry's acquisition of Capri. The agency said the deal would eliminate head-to-head competition between the companies' brands and would give Tapestry a dominant share of the "accessible luxury" handbag market. The FTC said the deal eliminates the incentive for the companies to compete for staff.

Going for a narrow market definition makes sense, but "accessible" or "affordable" luxury is a category that will be difficult for the FTC to define. Coach and Michael Kors, the companies' two largest brands, had a combined 53% share of the North American affordable luxury-bag market in 2022, according to Bernstein's analysis of Euromonitor data.

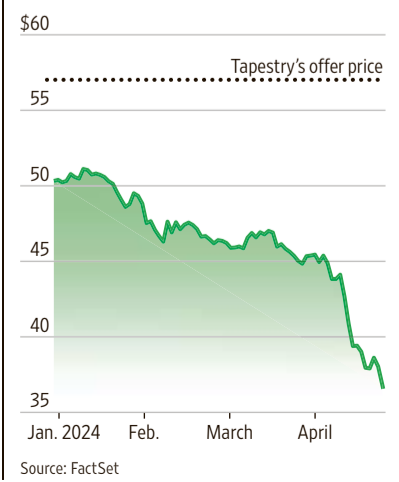
Bernstein's process of arriving at the affordable-luxury definition shows how slippery the term is: It narrowed down luxury-bag brands by manually excluding certain brands such as Hermès. Coach and Michael Kors have bags with prices that overlap with high-end luxury brands and those not considered luxury, such as Cole Haan.

On Monday, Tapestry said it and Capri face competitive pressures from lower- and higher-priced products and that it has "strong legal arguments in defense of this transaction." It said it is working to close the transaction this year.

Capri's shares fell 3.8% Tuesday to \$36.51, a far cry from Tapestry's offer price of \$57 a share. Its poor stock performance reflects worsening prospects for the company, which reported disappointing results in the past two quarters.

—Jinjo Lee

Capri Holdings stock price, year to date



Source: FactSet

Americans Pay Top Dollar for Gas Guzzlers

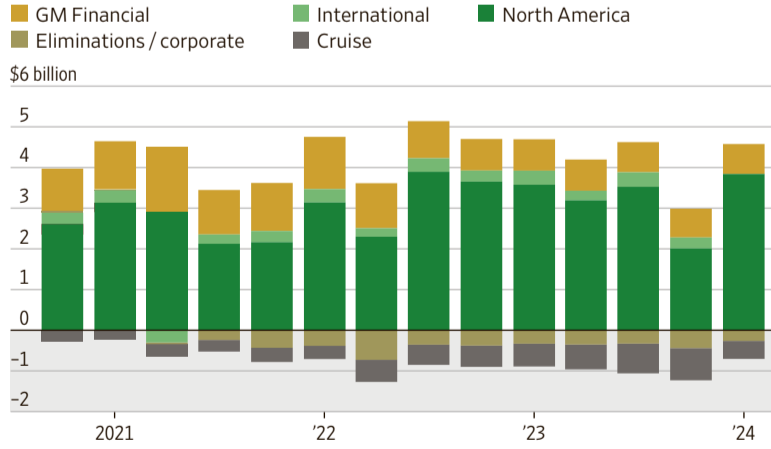
The strong U.S. consumer is the gift that keeps on giving for General Motors.

America's best-selling automaker upgraded its profit guidance for 2024 Tuesday after beating analysts' forecasts for the first quarter. The stock rose 4.4% on Tuesday.

Last year, like many investors, GM prepared for a tougher U.S. economy that never actually arrived. That is leading to strong results as higher-than-expected revenue hits a cost base shrunken by layoffs. At \$3.9 billion, quarterly operating profit was the best since the third quarter of 2022, when vehicle shortages were forcing consumers to pay top dollar to get new wheels.

Now vehicles are easier to get, but Americans are still paying up. On a call with analysts, GM's management team called out pricing as the key reason for its guidance upgrade: Prices are falling, but not as rapidly as they had expected. If the trend continues, they may

GM's quarterly operating profit by division



Source: FactSet

have to increase their forecasts again, said Chief Financial Officer Paul Jacobson.

Consumer demand was so strong that the company diverted vehicles away from the less-lucrative fleet business that sells to companies. While GM's retail sales

grew by 6% year over year in the first quarter, its fleet sales fell by more than 20%.

Moreover, the company has let its products pile up on U.S. dealer lots again, with inventories 30% higher than a year ago. Partly that reflects preparations for downtime

at a plant in Fort Wayne, Ind., that needs to install equipment for assembling next-generation pick-up trucks. Given how commercially toxic high dealer inventories can be, though, GM must also be very confident that the spring selling season will be strong.

With the U.S. business in good shape, it hardly matters that GM's global business posted its first loss since 2021, dragged down by the price war in China. Since the company sold its European arm, its international business has consistently accounted for less than 10% of total operating profit—often much less. This may be a wasted opportunity, but it spares investors some geopolitical headaches.

GM's low stock-market valuation probably won't improve much until it proves it can compete in the new world of electric vehicles. As long as Americans keep spending, though, it will have ample funds for the fight.

—Stephen Wilmot

This Isn't Your Grandfather's Stimulus

How many times have you heard the line "We need a Marshall Plan for (fill in the blank)"?

The Marshall Plan, proposed in 1947 and passed in 1948, was a four-year, \$13.3 billion outlay to rebuild Western Europe's economies as World War II ended and the Cold War began. That sounds quaint in today's dollars, but it was 5% of U.S. gross domestic product

in 1947 says Torsten Slok, Apollo chief economist. Slok points out that defeating communism through such largesse was cheaper than the U.S.'s stimulus spending since the pandemic. The spending bills of the past four years add up to 20% of today's GDP, according to Slok. That includes the Trump administration's \$2.2 trillion Cares Act at 8% plus stimulus bills from the Bi-

den administration to spur clean energy, expand infrastructure and achieve microchip self-sufficiency.

Obviously spending money on ourselves is very different from lavishing it on foreigners. But the Marshall Plan resurrected a market for U.S. goods. The bang for the buck from things like the Inflation Reduction Act is an open question.

More to the point, America's

economy could finance the Marshall Plan. Debt to GDP peaked after the war and it went from 103% in 1947 down to 57% a decade later. Today, we are headed in the other direction. On some very generous assumptions, the Congressional Budget forecasts debt held by the public as a share of GDP to go from 99% at the end of this fiscal year to 116% in a decade.

—Spencer Jakab