

# THE WALL STREET JOURNAL.

## MANSION IN THE SKY

THE MIDDLE SEAT | D1



## Trump Is Deserting His Own Supporters

DANIEL HENNINGER  
OPINION | A9

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## What's News

### Business & Finance

Wal-Mart is in talks to buy online discount retailer Jet.com, escalating its costly quest to compete head-on with Amazon. **A1**

◆ Goldman agreed to pay \$36.3 million to settle allegations it misused confidential regulatory materials leaked from the Fed. **C1**

◆ Tesla's loss widened amid higher costs, but the firm is sticking to an ambitious plan that calls for building nearly 80,000 cars in 2016. **B1**

◆ Singapore's Grab plans to raise about \$1 billion in fresh capital to challenge Uber in Southeast Asia. **B1**

◆ Firms that use nonstandard earnings metrics are more likely to see accounting problems, a study found. **C1**

◆ New Jersey agreed to pull billions from hedge funds, joining other major investors that have retreated. **C1**

◆ Time Warner paid \$583 million for a 10% stake in Hulu, which is set to launch an online pay-TV service. **B3**

◆ The Dow rose 41.23 points to 18355.00, ending a seven-day losing streak, as energy and financial shares rallied. **C4**

◆ Ailes's departure from Fox News won't result in a big change in its tone or direction, the network's parent said. **B3**

◆ Moon Express became the first commercial venture cleared by the U.S. for a mission beyond Earth's orbit. **B2**

### World-Wide

◆ The State Department overruled Justice Department objections to sending \$400 million in cash to Iran in January as four Americans were freed. **A1, A6**

◆ Pence endorsed Ryan in his primary race, a day after Trump sparked a new GOP firestorm by withholding support from the speaker. **A1**

◆ Clinton jabbed at Trump's practice of making his firms' products overseas, as she campaigned in Colorado. **A4**

◆ India's upper house approved an overhaul of the nation's convoluted tax system, in a victory for Modi. **A5**

◆ Officials plan aerial spraying to kill mosquitoes in a Miami area where people have been infected with Zika. **A3**

◆ Islamic State said it named a new Boko Haram leader, a sign of its sway over the Nigerian insurgency. **A6**

◆ A transit police officer in Washington, D.C., was arrested on charges of trying to help Islamic State. **A3**

◆ Attacks in Germany have spurred debate about using the military at home to help police fight terrorism. **A5**

◆ A woman was killed and as many as five other people were wounded in a knife attack in central London. **A5**

◆ Obama commuted the sentences of 214 federal inmates, in his largest grant of clemency to date. **A3**

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## 'I'm just not quite there yet'

DONALD TRUMP on Tuesday, when the Washington Post asked if he would endorse Speaker Paul Ryan

JOE RAEDLE/GETTY IMAGES



## 'I strongly support Paul Ryan'

MIKE PENCE on Wednesday in a phone interview with Fox News

BRENNAN LINSLEY/ASSOCIATED PRESS

## As Party Reels, Pence Backs Ryan After Trump's Snub

BY JANET HOOK  
AND KRISTINA PETERSON

whom Mr. Pence had served in the House.

The conflicting messaging at the top of the GOP ticket came as the Trump campaign sought to keep Republicans from abandoning their party's nominee after a week of miscues and

### ★ ELECTION 2016 ★

- ◆ Senate races take a more centrist tone..... A4
- ◆ Clinton again knocks Trump over foreign products..... A4
- ◆ Kansas loss shakes tea party movement..... A4

sliding poll numbers.

A Fox News survey released Wednesday found Democratic nominee Hillary Clinton 10 percentage points ahead of Mr. Trump, 49% to 39%. A month ago, Mrs. Clinton's lead was 6 points, Fox News said. The Fox News poll is in line with several other surveys taken after the two parties' conventions. A CNN/ORC poll found Mrs. Clinton with a 9-point lead, while a CBS News poll found her ahead by 6 percentage points.

"Let's not waste time arguing with Republicans; you end up

Please see GOP page A4

## THE RICE COOKER, A TEST OF CHINA'S ECONOMY

As low-cost exports wane, country struggles to make high-quality goods for rising middle class

BY TE-PING CHEN

FOSHAN, China—In a steamy room full of small appliances, Zhao Guoyao frowned over a pot of rice.

Mr. Zhao, a product manager at appliance giant Midea Group, wants to make a better rice cooker. It is one small part of a nationwide push to make quality goods for a burgeoning middle class, a process that will help determine whether China can build a mature and enduring economy.

He bent his head slightly, inhaling the bowl's scent, and pointed inside. "These grains are plump, but these are hard and dry," he said.

For decades, China's economy blossomed through low-cost exports built on inexpensive labor. That era is coming to an end, because of rising wages, overproduction and competition from Vietnam and Bangladesh.

In a bid for new growth,

China hopes to produce more high-end goods to sell domestically, and that is where Mr. Zhao and his rice cooker come in.

"The question is whether the Chinese economy can meet the needs of its citizens by providing goods that aren't so much just about low quality and low-price manufacturing," said Eswar Prasad, former IMF China head.

Until now, Chinese manufacturers generally focused on the vast lower end of the domestic market. China may be the world's second-largest economy, but none of Forbes's top 100 most valuable global brands are Chinese.

The rice cooker is a staple in many Chinese homes. Basic models produced in the country cost about \$20 and use rudimentary technology to heat grains from the bottom. The cheapest are prone to

Please see RICE page A8

## Mobbed Parks: America's Mall Of the Wild

\* \* \*

Crammed buses,  
fraying tempers;

'like the 405'

BY JIM CARLTON

YOSEMITE NATIONAL PARK, Calif.—When Christine Romalewski imagined her first trip to this national idyll, the New Orleans resident pictured remote lodges in a majestic wilderness. Deer and squirrels would be the only other creatures she and her husband, Rob, might encounter.

"We didn't realize we were going to see folks in bathing suits, tubing, and people walking through meadows and people walking along the sides of the highway," said Mrs. Romalewski, 67 years old, surrounded by throngs of picture-taking tourists in late June. "It was like, 'Wow, there are a ton of people here.'

Those seeking serenity this year at national parks are finding a major obstacle instead: some 300 million others looking for the same thing.

This year, as part of the great migration of touris

Please see PARKS page A8

## Cash Flown To Iran Over DOJ Doubts

BY DEVLIN BARRETT

WASHINGTON—Senior Justice Department officials balked at sending a plane loaded with cash to Tehran at the same time Iran released four imprisoned Americans, but their objections were overruled by the State Department, according to people familiar with the discussions.

After announcing the release of the Americans in January, President Barack Obama said the U.S. would pay \$1.7 billion to Iran to settle a failed 1979 arms deal. What wasn't disclosed then was that the first payment would be \$400 million in cash, flown in at the same time, as The Wall Street Journal reported Tuesday.

The timing and manner of the payment raised alarms at the Justice Department, accord-

ing to those familiar with the discussions. "People knew what it was going to look like, and there was concern the Iranians probably did consider it a ransom payment," said one of the people.

The disclosures reignited a furor over the Iran deal in Washington that could complicate White House efforts to fortify it before Mr. Obama's term ends. Three top Republicans who have been feuding in recent weeks—presidential candidate Donald Trump, Sen. John McCain and House Speaker Paul Ryan—were united Wednesday in blasting the administration.

Senior U.S. officials denied the payment was anything like Please see IRAN page A6

◆ Cash payment reignites political furor on Iran deal... A6

## Wal-Mart Makes Play for Jet.com

BY GREG BENINGER  
AND SARAH NASSAUER

Wal-Mart Stores Inc. is in talks to buy online discount retailer Jet.com Inc., according to people familiar with the matter, escalating its costly quest to compete head-on with Amazon.com Inc.

A deal could give Wal-Mart's e-commerce efforts a much-needed jolt as the

### Falling Behind

Market capitalization, in billions



Source: Thomson Reuters  
THE WALL STREET JOURNAL.

world's largest retailer seeks to grow beyond its brick-and-mortar storefronts with speedy home delivery from a network of massive suburban warehouses.

It isn't clear how much Wal-Mart would pay for the unprofitable startup, but a person familiar with the matter said Jet could be valued at up to \$3 billion. That would be Wal-Mart's biggest acquisition since buying South African retailer Massmart Holdings Ltd. for \$2.3 billion in 2010, a sign that executives at the retail behemoth are willing to spend big to catch up with Amazon.

"Wal-Mart could certainly use some energy" around its online efforts, said Bryan Gildeberg, an analyst at Kantar Retail. "I'm struggling with the math of why you would pay this much money for this [business] model at this particular time."

Jet, barely a year old, has sought to underprice Amazon with a vast marketplace that would require billions of dollars.

Please see TALKS page A2

◆ Heard on the Street: Risks in Wal-Mart's Jet.com bid.... C10

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# U.S. NEWS

## Older Demographic Poses Double Whammy for Economy

Planning to retire in the next few years? Please reconsider: The economy needs you more than you know.

Economists have long expected an aging population to hamper growth for the simple reason that it means a smaller labor force. But new research has identified a potentially

more powerful impact: rapid retirements deprive companies of critical experience and knowledge, which undermines productivity across the entire economy.

Demographics may thus be a critical factor in why the current economic expansion, which began as the first baby boomers qualified for Social Security, is the weakest on record.

The findings are in a new paper by Nicole Maestas of Harvard University with Kathleen Mullen and David Powell of the Rand Corp., a think tank. Because the 50 states are aging at different rates, they were able to tease out the impact of aging on economic growth. Their conclusion: on average, every 10% rise in the share of a state's population over the age of 60 cut per capita growth in gross domestic product by 5.5%.

This came through two ef-

fects. First, as more workers retire, the labor force grows more slowly. This, they reckon, explains one-third of the 5.5% growth hit.

But the bigger effect was through reduced productivity—that is, output per hour of the remaining workers. The authors found that this couldn't be explained by emigration, mortality or an influx of younger, inexperienced workers. Rather, they found that everyone became less productive in an aging state.

So what explains this impact?

The authors note: "An older worker's experience increases not only his own productivity but also the productivity of those who work with him." All else equal, experienced workers are more productive. One study found that productivity peaks at age 50, when productivity is 60% higher than for the average 20 year old.

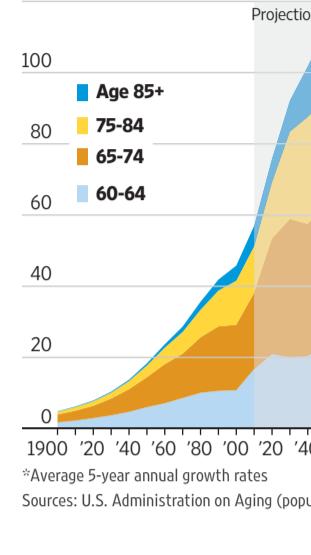
A journeyman carpenter doesn't just work faster than an apprentice; he also helps the apprentice learn the tricks of the trade. New doctors diagnose patients more accurately under the tutelage of experienced practitioners.

Of course, aging can also cut in the opposite direction. Older workers may be slower to adapt to new technology. If laid off from a dying industry, their experience may be irrele-

### The Hidden Impact of Aging

The aging of the U.S. population may be weighing on both the labor force and productivity

#### As the ranks of Americans over 60 swell...

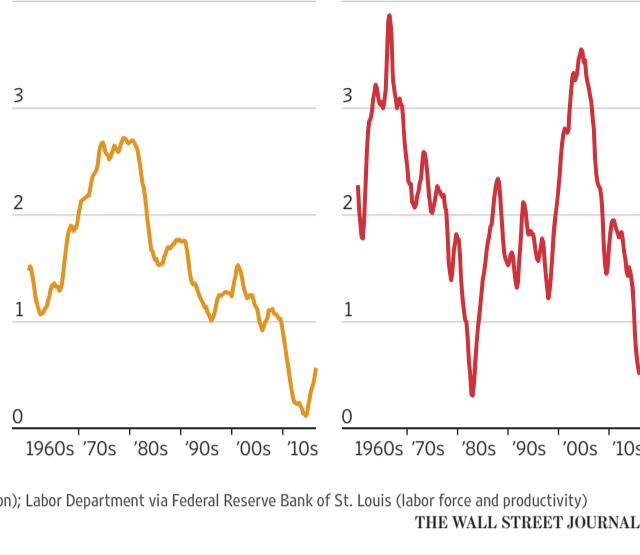


\*Average 5-year annual growth rates

Sources: U.S. Administration on Aging (population); Labor Department via Federal Reserve Bank of St. Louis (labor force and productivity)

#### ...the labor force has grown more slowly\*

#### ...and so has productivity\*



THE WALL STREET JOURNAL.

vant to a new one. Older workers are more likely to suffer from injury or illness and less likely to have a college degree. But these disadvantages have shrunk: The average 60-year-old in the 2000s was as healthy as the average 55-year-old in the 1970s, and in many occupations, cognitive skill matters more than physical stamina.

Since college enrollment began climbing in the 1980s, older workers are increasingly likely to have a degree.

So how much has aging hurt overall growth? In the past five years, the labor force grew just 0.6% per year, half the rate of a decade earlier, much of it due to retiring boomers. Meanwhile, productivity grew just 0.5% per year, the second-weakest such stretch since the 1950s. The productivity slowdown is a puzzle. Businesses appear reluctant to invest due to financing constraints, a dim sales outlook or a paucity of exciting new innovations. The new

research suggests retirements could be part of the story. By applying their state-level findings to the whole country, the authors estimate that aging will reduce growth by 1.2 percentage points between 2010 and 2020, with two-thirds of the effect attributable to reduced productivity.

This could also explain the weakness of wages. When experienced workers retire, their younger, less-productive replacements earn less. Hourly wages are up just 2.6% in the

past year, but up 3.6% when adjusted for the shifting demographic makeup of the workforce, according to the Federal Reserve Bank of Atlanta.

To be sure, the precise magnitude can be debated; most countries, regardless of demographic profile, have suffered a productivity slump. Nonetheless, anecdotal evidence is supportive.

"As your employees who have been working in manufacturing start to retire, you're not just losing people, but that knowledge and experience is walking out the door," says Jenny Stupica of SSP Fittings Corp., human resources manager at SSP Fittings Corp., a Twinsburg, Ohio supplier of hydraulic fittings and a board member of ConexusNEO, a regional workforce development group. She said people with basic skills and aptitude for math and mechanical learning can be trained to do manufacturing work, but what her company really missed was experience.

This all adds to the urgency of overhauling the private and public pension systems to encourage later retirement, by shifting benefits to favor later retirement and reducing tax penalties on earnings for those who are already collecting Social Security. The payoff: a more solvent pension system and a more productive economy.

weren't disclosed, but it appears to stem from the prosecution of Wegelin & Co. The Swiss bank closed after it pleaded guilty in 2013 to conspiring with U.S. taxpayers to hide money from the Internal Revenue Service.

The case removes a worry for potential whistleblowers that the IRS could pursue a criminal case based on their information and they wouldn't collect as much as they could if the case were pursued purely to collect owed taxes.

—Richard Rubin

#### ECONOMY

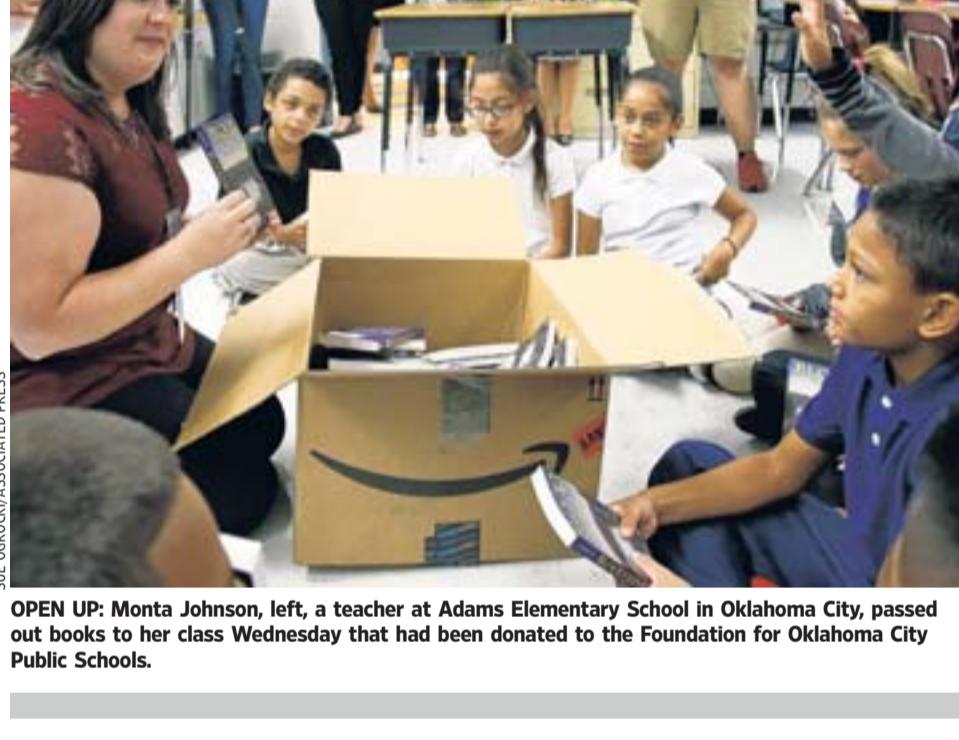
### Growth Continues In Service Sector

The U.S. service sector remains on a growth path headed into the second half of 2016.

The Institute for Supply Management said its nonmanufacturing index declined to 55.5 in July from 56.5 in June. A reading above 50 signals expansion while a reading below 50 indicates contraction. The headline index has now run above the 50 threshold for 78 straight months.

—Ben Leubsdorf

## Fifth-Grade Students Get a Care Package



OPEN UP: Monta Johnson, left, a teacher at Adams Elementary School in Oklahoma City, passed out books to her class Wednesday that had been donated to the Foundation for Oklahoma City Public Schools.

## U.S. Watch

### MAINE

#### Man Arrested Over Threats to Kill Police

Authorities in Portland, Maine, arrested a 28-year-old Norwegian traveler on allegations he threatened to kill local police.

The threats emerged early Wednesday in emails and on social media, according to the police chief in Maine's largest city.

A message sent to police and local media said, "Time for more police to die," and that an unspecified number of assailants planned to "shoot and kill as many police officers as they can" at Portland's police headquarters.

Police said they arrested a man named Espen Brungodt in connection with the threats. The threats included explosives planted at a local parking garage, but police found none.

A Facebook page for Mr. Brungodt, verified by police, showed a bearded white man who said he is from Bergen, Norway. He faces federal charges linked to transmitting threatening communications, police said. It wasn't immediately clear if Mr. Brungodt had an attorney.

—Jon Kamp

#### WHISTLEBLOWING

#### Scope of Awards in Tax Cases Expanded

The U.S. Tax Court awarded \$17.8 million to a pair of whistleblowers in a decision that expands the scope of what can be claimed in such cases.

The ruling allowed the whistleblowers to get a portion of the taxes the government recouped because of information they provided, as well as a portion of criminal fines and civil forfeitures.

"This opens the door to much larger whistleblower payments in offshore-account cases," said Bryan Skarlatos, a tax lawyer at Kostelanetz & Fink LLP in New York not involved in the case.

The parties in the case

weren't disclosed, but it appears to stem from the prosecution of Wegelin & Co. The Swiss bank closed after it pleaded guilty in 2013 to conspiring with U.S. taxpayers to hide money from the Internal Revenue Service.

The case removes a worry for potential whistleblowers that the IRS could pursue a criminal case based on their information and they wouldn't collect as much as they could if the case were pursued purely to collect owed taxes.

—Richard Rubin

## TALKS

Continued from Page One  
lars in funding and a plan to rely more on suppliers than warehouse inventory. A part of its growth strategy early on relied on taking orders for products it didn't sell and placing orders on behalf of its customers on other sites, often selling the items below what it paid while absorbing steep shipping costs. Jet has curtailed the practice.

Wal-Mart has scrambled to keep pace with Amazon, which overtook Wal-Mart by market capitalization a year ago and now sports a market value that is 50% larger. Wal-Mart's e-commerce sales reached nearly \$14 billion, or 3% of its

\$482 billion in annual revenue last year. Amazon's revenue was \$107 billion last year, including its Web-services business.

The Bentonville, Ark.-based retailer has pledged \$2 billion to boost e-commerce sales, building new fulfillment centers and supporting a two-day free shipping service that targets Amazon's popular Prime service. It has also tried to goose sales with local grocery delivery and curbside pickup services. But online growth has slowed for nine straight quarters.

In an earnings conference call in May, Wal-Mart Chief Executive Doug McMillon acknowledged his company's e-commerce growth "is too slow" and that the company needed to expand the number

of products sold on its site and give third parties more access to its website.

For Jet, a takeover by an old-line retailer would demonstrate the challenges of attempting to go it alone in the hypercompetitive e-commerce market. Started and led by Diapers.com founder Marc Lore, Jet is challenging Amazon and Wal-Mart by offering lower prices based on a formula that takes into account basket size and the proximity of the merchandise to buyers.

Jet has drawn more than \$500 million in capital from the likes of venture firms New Enterprise Associates and Accel Partners, mutual-fund company Fidelity Investments and bank Goldman Sachs Group Inc. The funding, and a valuation over \$1 billion, are

massive sums for a company facing the prospect of years of losses and an uphill climb to draw loyal users. Jet projected it would burn through hundreds of millions of dollars in its first few years, spending much of that money on marketing.

Mr. Lore won over investors in part because of his success running Diapers.com parent Quidsi, which was sold to Amazon for about \$550 million in 2010.

Wal-Mart would gain Jet's sophisticated pricing software, as well as warehouses and customer data. The retailer also would get a brand that can appeal to higher-income shoppers, something Wal-Mart has struggled to do. Walmart.com shoppers' mean annual household income was

\$58,000 in 2015, while Amazon shoppers made \$68,000, according to data from Kantar Retail. Laura Kennedy, director of retail insights at Kantar, said Jet.com so far has been attracting a more affluent shopper base than Amazon.

Jet has yet to prove that its unique pricing and supply chain model is sustainable. The Hoboken, N.J., company had originally set out to charge customers a \$50 annual membership fee, which it said would be its sole source of profits.

But Jet abandoned the business model in October after determining customers would resist the fee. As a result, Mr. Lore said prices that were originally 15% less than competitors would be about 5% less.

Shortly after its launch, Jet also ranked dozens of large retailers including Wal-Mart, Macy's Inc. and Home Depot Inc. after it placed links to their sites without permission, promising its own members cash back for making purchases after clicking the links. Jet swiftly removed the logos and links of many of the retailers after The Wall Street Journal made inquiries.

Following the snafus, Jet scaled back its funding plans after originally talking to investors about a \$2 billion valuation. Jet settled in November with investors at a value of \$1.35 billion, becoming one of the fastest startups to ever cross the billion-dollar mark.

—Rolle Winkler

and Telis Demos contributed to this article.

## Sale Would Mark End of Ambitious Experiment

Jet.com Inc. told investors last summer that the company would be worth \$40 billion in five years.

Now the e-commerce startup that had aspired to rival Amazon.com Inc. is in talks to sell itself to Wal-Mart Stores Inc. for far less, the latest sign that Jet couldn't live up to founder Marc Lore's grandest ambitions.

A sale would mark a premature end to what was one of the most audacious e-commerce experiments since the dot-com boom: underpricing mighty Amazon on millions of items, all from a standing start.

Jet declined to comment.

In a series of interviews in July 2015 for a Wall Street Journal profile of Jet as it prepared to launch its website last July, Mr. Lore was adamant the strategy would work. "I have 100%

confidence that these prices you're getting now are fully sustainable. Forever," he said.

Jet couldn't sustain the prices for three months. In October, it dumped its original plan to charge a \$50 annual membership fee for access to low prices and said it would make up the difference with higher prices.

Early on, customer sign-ups lagged behind projections. A Jet executive said last spring that the company had signed up 420,000 people for free trial memberships. But weeks before the July launch, Mr. Lore said in an interview that the figure was just 100,000.

Meanwhile Jet hadn't secured deals to sell many of the items it was featuring, either directly via suppliers or through partners. But Jet gave the impression it offered a wider selection

by taking orders for products it didn't sell and placing orders on behalf of its customers on other sites, often selling the items below what it paid.

The Journal's profile illustrated the buy-high, sell-low strategy by placing 22 orders, 12 of which came from third-party retailers including Wal-Mart. Jet charged \$276 for those items, but paid \$518 to buy and ship them, losing about \$242.

A financial forecast from last October reviewed by the Journal showed Jet would burn \$40 million that month, including \$25 million of marketing expenses. With \$63 million of cash left at the end of October, Jet was on pace to deplete its bank account by year-end. The company avoided a cash crunch when it raised \$350 million in November.

—Rolle Winkler

## CORRECTIONS & AMPLIFICATIONS

The Center for Responsive Politics says hedge funds and private-equity firms have given \$276 million in support of Democratic presidential nominee Hillary Clinton. A Wall Street Journal analysis of the data using a broader category than the center's found seven financial firms have given \$47.6 million for Mrs. Clinton. An Election 2016 article Saturday about financial firms' political donations incorrectly gave the analysis total as \$48.5 million. The contribution figure of about \$19,000 from hedge funds and private-equity firms arrived at by the Journal for Republican nominee Donald Trump was the same as the center's figure.

Ellis Park Stadium was incorrectly called Ellis Par Stadium in the caption of a photo with a World News article Monday on South African elections.

The name of the city of Zaria, Nigeria, was misspelled as Xaria in a July 26 Sports profile of Will Voigt, the coach of the Nigerian men's basketball team.

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

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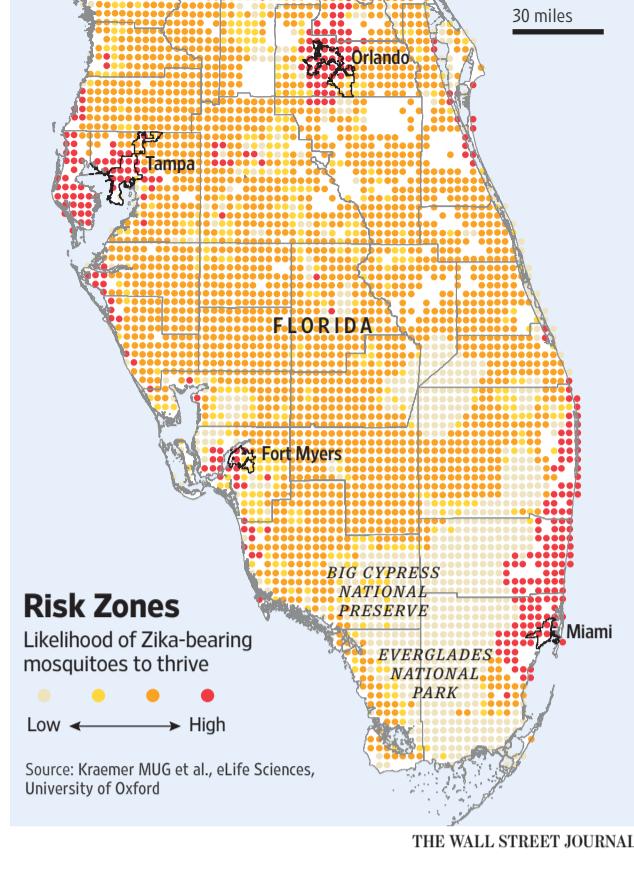
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## U.S. NEWS



Nurse practitioner Jessica Ardente, in her first trimester of pregnancy, looks out from her balcony facing Miami's Wynwood neighborhood.



### Risk Zones

Likelihood of Zika-bearing mosquitoes to thrive  
Low → High

Source: Kraemer MUG et al., eLife Sciences, University of Oxford

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# Zika Fight in Florida County Intensifies

MIAMI—County officials plan to begin aerial spraying of insecticides on Thursday morning in an effort to kill mosquitoes in and around a section of Miami that is home to the continental U.S.'s first known cases of Zika virus transmitted by mosquitoes.

By Cameron McWhirter, Melanie Evans and Betsy McKay

The arrival of the virus, which can cause birth defects, to the U.S. mainland has intensified concern among health officials, politicians and the public in a large swath of the country where mosquitoes could become Zika carriers.

The Florida Department of Health confirmed the number of people known to be infected with Zika through local transmission by mosquitoes in Miami is currently 15. The department had reported a total of 14 cases on Monday: 12 men and two women. The department said it believes active transmission of Zika is still limited to a 1 square-mile area of Miami. Officials aren't sure where the latest person was infected, according to a statement.

Zika—mostly passed to humans by mosquitoes—has spread across Latin America and the Caribbean, including Puerto Rico.

Florida Gov. Rick Scott tweeted Wednesday afternoon that he had directed health officials to provide free Zika testing for pregnant women at county health departments throughout the state.

As of July 27, before the Florida announcement, the Centers for Disease Control and Prevention had confirmed 1,658 cases of Zika in U.S. states, all but one tied to travel to Zika-infected areas. One person acquired Zika in a lab. The totals include 433 pregnant women who have tested positive for Zika. Thirteen have given birth to infants with birth defects, and six more have miscarried or terminated their pregnancies.

Fifty-five pregnant women are among the 391 people in Florida infected with Zika, state health officials said. The state has the second-highest number of infected people after New York, which had 449 cases as of July 27, according to the CDC.

Health officials are targeting the area where they believe transmission occurred, which sits mostly in a traditionally Puerto Rican neighborhood called Wynwood. The primary mosquito to carry Zika, Aedes aegypti, is a day-time biter that lives in many parts of the U.S., including Florida. The insect lives close to human homes and its larvae can thrive in tiny pools of water, so combating it can be extremely difficult.

Aerial spraying is considered

a last-resort measure, not as effective as rooting out mosquitoes in backyards but good for reaching large areas quickly. Wind conditions on Wednesday caused officials to postpone spraying of insecticides by plane, according to Gayle Love, a spokeswoman for the Miami-Dade Department of Solid Waste Management.

Miami-Dade County plans to use the insecticide Naled, which has been widely used in the U.S. Plans to use Naled in Puerto Rico were scuttled recently after several groups protested, concerned about the chemical's potential effects on health and the environment.

The CDC said Monday that other measures in recent weeks haven't reduced the mosquito population significantly in Wynwood.

Ms. Love said her department was launching the aerial spraying on the recommendation of the CDC and the Florida Department of Health. The CDC has sent an emergency-response team, and state health officials are going door-to-door in the area to see if more people have been infected.

The CDC has recommended that women who are pregnant postpone traveling to the area, the first time it has ever advised people to avoid an area of the continental U.S.

The CDC awarded more than \$16 million this week to 40

states and territories for surveillance systems to detect cases of microcephaly and other birth defects linked to Zika infection. The money comes from existing funds for other public health programs and are to be used as a "stopgap" until Congress approves new Zika funding, the CDC said.

The agency said it has disbursed more than half of the \$222 million in public health funds that were repurposed in April to prepare for Zika cases.

State and local organizations had been hoping for an injection of additional federal

dollars to cope with Zika outbreaks, but in June Congress failed to agree on a package before going on recess until after Labor Day. President Barack Obama requested \$1.9 billion but Senate Democrats blocked an alternative Republican-backed bill that included \$1.1 billion to target Zika.

They argued the measure would unreasonably exclude women's health providers such as Planned Parenthood Federation of America from receiving money to treat Zika.

Congressional appropriators received a letter Wednes-

day from Health and Human Services Secretary Sylvia Mathews Burwell saying her agency was constrained in its ability to act because of a lack of funding.

"The need for additional resources is critical," Ms. Burwell wrote. "Without additional funding as requested in the President's request for an emergency supplemental, our nation's ability to effectively respond to Zika will be impaired."

—Louise Radnofsky and Jason Bellini contributed to this article.

## In Miami's Wynwood, Varying Degrees of Caution

MIAMI—In the city's Wynwood neighborhood, the center of the current Zika outbreak, business owners opened their doors on Wednesday to another humid day in the spotlight, as local officials declared the area "open for business" and pregnant women across the city worried about their risk.

Jessica Ardente, 36 years old, walked her dog Wednesday morning. Ms. Ardente is in her first trimester of pregnancy and lives in Edgewood at the edge of the affected zone. She donned mosquito repellent, long pants and long-sleeved shirts to walk her dog, a routine she hasn't changed, she said.

But the emergence of Zika where she lives and near her

job has spurred her to abandon visits to her favorite restaurants in Wynwood. As she leaves work at the University of Miami, where she is a nurse practitioner, she stops to reapply mosquito repellent for the trip to the car.

Ms. Ardente was tested on Tuesday for Zika and expects to have the results in seven to 10 days. She says she is trying to be practical and cautious. "I am changing enough to keep myself safe," she said.

Others are being more cautious. Tiffany Anderson, 31, is expecting her first child in October. The attorney lives about 4 miles from Wynwood and visited there frequently before the outbreak to run errands or

eat out. Now she will avoid Wynwood, and she plans to spend more time indoors. Her husband walks their two dogs.

Zak Stern, who opened his bakery in Wynwood two years ago, said he called his doctor on Tuesday to ask about the outbreak risk to his wife, who is seven months pregnant.

"He was pretty calming," said Mr. Stern.

His doctor said the couple should be cautious and follow the Centers for Disease Control and Prevention recommendations. He and his wife will be tested, he said.

"I am trying to understand what is a reasonable response right now," he said.

—Melanie Evans

# D.C. Officer Charged on ISIS Aid

BY DEVLIN BARRETT

A longtime police officer for the Washington, D.C., transit system was arrested on charges he tried to help Islamic State communicate with recruits, the first time a U.S. law-enforcement officer has been charged with supporting terrorism, officials said.

Nicholas Young, 36 years old, who joined the Metro Transit Police Department in 2003, was arrested by the Federal Bureau of Investigation as a result of a sting operation in which he thought he was helping the terror group, but had actually been communicating with an undercover officer, officials said.

Mr. Young was in custody as of Wednesday morning and couldn't immediately be reached for comment. He appeared briefly Wednesday in federal court in Alexandria, Va., but didn't enter a plea to the charge. He is due back in

court on Friday.

He was charged with attempting to provide material support to Islamic State, a designated terror group. Court papers say that last month, Mr. Young sent 22 gift card codes worth a total of \$245 on mobile messaging accounts to someone he thought was active with Islamic State.

Officials said Mr. Young wasn't plotting any violence against the transit system.

The court papers lay out instances in which Mr. Young appeared to be drawing on his knowledge of police procedures to evade investigators—from the use of disposable cellphones to a method of smuggling guns into a courthouse, to destroying communication devices to try to thwart agents.

The head of the D.C. mass-transit system, known as Metro, said Wednesday that his officers first alerted the FBI about Mr. Young.

"Obviously, the allegations in this case are profoundly disturbing," said Metro General Manager and CEO Paul Wiedefeld.

He added that the agency has "worked hand-in-glove in the interest of public safety and to ensure that this individual would be brought to justice."

The FBI long feared Mr. Young was secretly planning to help terrorists. In 2010, he was interviewed by investigators about a friend, Zachary Chesser, who eventually pleaded guilty to attempting to provide material support to terrorists, officials said.

A year later, he met with another friend, Amine El Khalifi, who was later charged with planning a suicide attack at the U.S. Capitol building in 2012, FBI officials said. Mr. El Khalifi ultimately pleaded guilty to charges stemming from that case.

In 2011, according to authorities, Mr. Young traveled

to Libya. Court documents say Mr. Young later told FBI agents he had been with a rebel group while there, and a check of his bags at the time found he was carrying body armor, a Kevlar helmet and other military gear.

An FBI affidavit in the case said that in 2015, when police were investigating a possible domestic violence incident involving Mr. Young, he told police he was interested in Nazi memorabilia, said he had dressed up like a Nazi before, and showed them a tattoo of a German eagle on his neck.

According to the affidavit, Mr. Young repeatedly told associates he was worried about FBI surveillance and its use of informants.

At one point in 2011, Mr. Young told an undercover officer that if he was ever betrayed, his betrayer's head would end up in a cinder block at the bottom of Lake Braddock, according to the FBI.



Law-enforcement officers outside the home of Nicholas Young, Washington, D.C., transit officer arrested by the FBI.

# President Steps Up Clemency Effort

BY BYRON TAU

WASHINGTON—President Barack Obama commuted the sentences of 214 federal inmates on Wednesday in his largest grant of clemency to date.

The White House announced that the prisoners receiving shortened sentences included 67 serving a life sentence, with many eligible for release this year. That brings Mr. Obama to a total of more than 500 commutations, more than the previous nine presidents combined, according to the White House.

"Today's 214 grants of commutation also represent the most grants in a single day since at least 1900," White House counsel Neil Eggleston wrote in a blog post. "That being said, our work is far from finished. I expect the president will continue to grant clemency in a historic and inspiring fashion."

Nearly all of the offenders granted a commutation by Mr. Obama were serving time for nonviolent drug-related offenses, though a number also had been convicted of firearms

violations in addition to drug charges.

"All of the individuals receiving commutation today, incarcerated under outdated and unduly harsh sentencing laws, embody the president's belief that 'America is a nation of second chances,'" Mr. Eggleston wrote.

Mr. Obama has embarked on a major clemency initiative in his second term, as part of an effort to reduce the nation's prison population and reform its sentencing laws.

Despite Mr. Obama's expan-

sive use of his clemency powers, he has been far more reluctant to use his pardon powers.

The Constitution grants the president the power either to shorten sentences through a commutation or grant a pardon that entirely expunges the initial offense from the convict's record.

Pardoned individuals are usually able to vote, obtain gun licenses and apply for jobs without the burden of a criminal record. Commuted offenders aren't.

# High Court Signals Review Of Transgender Case Likely

BY JESS BRAVIN

The Supreme Court temporarily blocked a Virginia transgender student who identifies as male from using the boys' bathroom at his high school, giving local officials time to file a full appeal of a lower-court ruling that sided with the high-school junior.

The case was the first involving transgender bathroom use to reach the high court, after the Fourth U.S. Circuit Court of Appeals in Richmond

ruled in favor of Gavin Grimm, 17. Lawyers for Gavin said U.S. antidiscrimination law entitled him to use the boys' facility despite a Gloucester County School Board policy limiting facilities to those of the corresponding biological sex.

The high court's move signals it is likely to take up the issue once an appeal reaches the justices. The four conservative justices and liberal Justice Stephen Breyer agreed to grant the stay, with three liberals dissenting.

## ★ ELECTION 2016 ★

# Senate Races Take a Centrist Tone

Candidates emphasize bipartisanship in key battles likely to decide control of the chamber

BY KRISTINA PETERSON  
AND ALEXANDRA BERZON

LAS VEGAS—While the presidential race has become bitterly divisive, the hard-fought contest for control of the U.S. Senate is unfolding with candidates stressing moderation, bipartisanship and compromise.

The result is an almost alternate political reality, serving as something of a counterweight to the notion that voters this year crave sharp-edge candidates promising to shake up the system.

The different tone is largely because many key Senate races are playing out in centrist states, often with Republican incumbents running in states won by President Barack Obama. It's a departure from 2010, when many of these GOP senators were first elected as part of a conservative wave. And the contrast is heightened by this year's unorthodox and unpredictable nature of the presidential race.

"You look at the top of the ticket, and it's going to be an edgy, negative, ideological clash of titans," said Steven Law, president of One Nation, a nonprofit aimed at keeping the Senate under GOP control. "When you look below that, you've got, at least on the Republican side, candidates talking about solving problems and getting results and working across party lines."

Democrats need five seats to retake the chamber—four if Mrs. Clinton prevails—and analysts generally give them roughly a 50-50 chance of doing so. The map is in their favor: Republicans are defending 24 seats, many in centrist or Democratic-leaning states, compared with only 10 for the Democrats.

"There is almost a complete overlap between the Senate races that will determine con-



Senate candidate Catherine Cortez Masto, a Democrat of Nevada, campaigning in a restaurant in Las Vegas in May.

trol of that body and the presidential swing states this year," said Lanee Erickson Hatalsky, a vice president at Third Way, a centrist Democratic think tank. She added that Senate candidates for months have been "having this fight about purple, swing voters."

Nowhere is this year's tone more visible than Nevada's dead-even contest to succeed retiring Democratic leader Harry Reid. GOP Rep. Joe Heck and his Democratic opponent, Catherine Cortez Masto, have each broken with their parties' orthodoxy in what is considered Republicans' best shot this year to pick up a Senate seat.

At a recent gathering of conservative seniors in Las Vegas, one wanted to know why Mr. Heck hadn't backed Mr. Trump's plan to build a wall along the Southern border. Another asked if the lawmaker would support making English the official language of the U.S.

Mr. Heck replied by appealing to moderation. "You have to have a balanced approach," said Mr. Heck, whose campaign ads trumpet that he comes from "an immigrant family" that got through hard times with the help of "the union and social services."

Meanwhile, Ms. Cortez Masto has clashed with the president, opposing his plan to close the Guantanamo Bay detention facility. And as the state's former attorney general, she has emphasized her tough-on-crime stance, as well as her ability to work across the aisle. Ms. Cortez Masto said at a lunch stop at a Mexican restaurant that her "proudest moment" was watching Republican Gov. Brian Sandoval sign a bill she had drafted against sex trafficking.

The tone in Nevada was much different six years ago, when tea party-backed Republican Sharron Angle, in her un-

successful bid to unseat Mr. Reid, backed privatizing Social Security and ran anti-immigrant ads that many voters said they found incendiary.

Both parties have succeeded this year in orchestrating which candidates win primaries and make it on to the November ballot. The exception occurred for Republicans in Colorado, where conservative county commissioner Darryl Glenn won a crowded GOP primary, making the ouster of Democratic Sen. Michael Bennet more of a long shot.

But other Senate battles have become duels of centrists. Sen. Kelly Ayotte of New Hampshire, who in 2010 campaigned as a "conservative who will cut spending," released an ad last October showing her strolling through the woods and highlighting her support for Mr. Obama's plan to cut carbon emissions from power plants.

"Protecting the environ-

ment is truly a bipartisan issue," she says in the ad.

She is being challenged by Democratic Gov. Maggie Hassan in a race considered a toss-up.

Other GOP incumbents are also stressing their work with Democrats. Sen. Pat Toomey of Pennsylvania has emphasized his bipartisan efforts to expand background checks for gun sales. Ohio Sen. Rob Portman has trumpeted his union endorsements. In Arizona, Sen. John McCain has maintained his support for overhauling immigration laws despite a backlash from many Republicans.

Democrats, meanwhile, have recruited challengers with backgrounds they hope will appeal to centrist voters. In Missouri, former Army Capt. Jason Kander, a Democrat looking to oust Sen. Roy Blunt, stresses on his website his work for veterans and his support of small businesses.

## Primary Is Victory For GOP's Leaders

BY NAFTALI BENDAVID  
AND KRISTINA PETERSON

The defeat of Rep. Tim Huelskamp in his primary race sent a jolt through Washington because it is seen as the Republican establishment's first successful strike against tea-party lawmakers who have spent years sparring with House GOP leaders.

Mr. Huelskamp, of Kansas, had been ejected from the House Agriculture Committee and that ended up being a liability as business groups spent freely to defeat him in Tuesday's primary.

Mr. Huelskamp's opponents said Wednesday they hoped his loss was a warning to other House conservatives. The ouster was intended to "send a message that governing matters," said Scott Reed, senior political director at the U.S. Chamber of Commerce.

Conservatives read the result the same way—as the establishment's revenge. Ken Cuccinelli, president of the Senate Conservatives Fund, sent a note to supporters Wednesday announcing the "bad news" of Mr. Huelskamp's defeat.

Rep. Jim Jordan (R., Ohio), chairman of the House Freedom Caucus, a group of highly conservative members, said Mr. Huelskamp was targeted because he rejected "business as usual."

Mr. Huelskamp was elected in 2010 as part of a fiery class that was suspicious of a Republican leadership. He was a particularly vocal member of this group. John Boehner, when he was speaker in 2012, pushed for Mr. Huelskamp's removal from the Agriculture Committee, a key post for a lawmaker from a rural Midwest district.

Mr. Huelskamp's challenger Roger Marshall, an obstetrician, hit hard with the message that Mr. Huelskamp was no longer able to promote his constituents' farming interests.

# Clinton Again Knocks Trump Over Foreign Products

BY COLLEEN McCAIN NELSON

DENVER—Hillary Clinton on Wednesday jabbed at Donald Trump's practice of manufacturing his companies' products overseas, building on her argument that the Republican rival is focused on enriching himself more than bolstering U.S. businesses.

The Democratic nominee visited a necktie company in the battleground state of Colorado to underscore the point that some businesses produce neckwear in the U.S. while Trump-brand ties are made in China.

Mrs. Clinton stuck largely to her own script and ignored the controversies swirling around Mr. Trump, such as his quarrel with the family of a U.S. soldier killed in Iraq and his unwillingness to endorse top officials in his own party facing re-election.

The turmoil surrounding the Trump campaign has threatened to drown out Mrs. Clin-



Hillary Clinton displays an American-made tie while campaigning in Denver. She criticizes Donald Trump for selling foreign goods.

ton's own message in recent days, but the former secretary of state has continued to focus on outlining her economic vision.

In Colorado, Mrs. Clinton highlighted her job-creation plan and told supporters that as president she would invest in U.S. manufacturing.

Mrs. Clinton visited the Knotty Tie Co. in Denver, which produces made-to-order neckties, pocket squares, scarves and other accessories. It was one of an assortment of factories and manufacturers in battleground states that the former senator from New York has used as backdrops for her jobs tour as she highlights Mr. Trump's record of producing men's suits, picture frames and other items in foreign countries.

At each stop, Mrs. Clinton has criticized Mr. Trump and his oft-repeated campaign slogan, saying that if the New York businessman wants to make America great again, "he could start by actually making things in America again."

At Knotty Tie, where a U.S. flag hung from the ceiling and Hillary-themed ties were on display, Mrs. Clinton offered effusive praise for the

ties and scarves, as well as for the company's policy of hiring refugees.

"I wish Donald Trump could meet all of you and see what you are making here and hear the stories of people who have come together to produce products and create more opportunity for more people," she said. "I really would like him to explain why he paid Chinese workers to make Trump ties."

Mr. Trump has said relatively little about her assertion that he has shipped jobs overseas.

The Republican nominee told ABC News in June that China and other countries have "taken us to the cleaners" by devaluing their currency and making it impossible for U.S. companies to compete.

"Unfortunately, my ties are made in China, and I will say this, the hats—"Make America Great Again"—I searched long

and hard to find somebody that made the hats in this country," Mr. Trump said. "It was a very hard thing to do."

The Trump campaign website says that items for sale on the site are "100% made in the USA."

A new Clinton campaign ad that will begin airing in battleground states this week also aims to remind voters of where Trump-label products are made. The ad shows Mr. Trump touting his clothing line during an October 2012 appearance on the "Late Show With David Letterman."

When asked where the ties, shirts and other products are produced, Mr. Trump said, "I don't know where they were made, but they were made someplace."

After Mr. Letterman pointed out that the dress shirts came from Bangladesh, Mr. Trump told him, "It's good. We employ people in Bangladesh."

## Fundraising Tally for Campaigns Get Closer

Republican nominee Donald Trump in July raised \$64 million for his campaign and a joint fund with the Republican National Committee, marking another substantial escalation in his fundraising that draws him far closer to Democratic rival Hillary Clinton.

The majority of the \$64 million will be transferred to Mr. Trump's campaign, which ended the month with \$37 million in the bank, on top of \$37 million held by his two joint funds.

Through a second joint fund with the RNC, called Trump Victory, Mr. Trump raised \$16 million last month. Just a fraction of those funds will be transferred to the Trump campaign.

Mrs. Clinton's campaign ended July with \$58 million in the bank, while joint funds with the Democratic Party had more than \$44 million. She raised \$63 million for her campaign in July, on top of \$26 million for two joint funds with her party.

—Rebecca Ballhaus

# GOP

Continued from Page One

playing right into Hillary Clinton's hands," Rep. Tom Cole (R., Okla.), a Trump supporter, said in an interview. "That's frustrating. Let's get past intramural games. We are in the real season right now."

Mr. Pence's attempt to bridge the gap between Mr. Trump and Mr. Ryan, the party's highest elected official in the nation, marked the third time in two weeks that the low-key vice presidential nominee has had to step into such a breach.

After Mr. Trump last week urged Russia to unearthen Mrs. Clinton's deleted emails from her tenure as Secretary of State, which she has said were personal messages, Mr. Pence quickly released a statement that threatened "serious consequences" if the Federal Bureau of Investigation found evidence of such espionage.

He stepped in again this week when Mr. Trump engaged in an argument with the parents of a Muslim American soldier

killed in Iraq, which provoked a raft of criticism from the veteran community, Democrats and many Republicans.

To calm the waters, Mr. Pence put out a sober statement in which he said the family of Captain Humayun Khan "should be cherished by every American."

In endorsing Mr. Ryan, Mr. Pence said: "I talked to Donald Trump this morning about my support for Paul Ryan, our long-time friendship. He strongly encouraged me to endorse Paul Ryan in next Tuesday's primary. And I'm pleased to do it."

Still, Mr. Trump continued to withhold support for Mr. Ryan, after telling the Washington Post on Tuesday that he wasn't "quite there yet."

"I like Paul, but these are horrible times for our country," Mr. Trump said in the Post interview. "We need very, very strong leadership."

Rep. Adam Kinzinger, an Illinois Republican, became the latest Republican to announce he wouldn't vote for Mr. Trump. But the Trump campaign moved on other fronts Wednesday to get itself back on track and keep

others from leaving the fold.

At a rally in Florida, Mr. Trump insisted that his party is closing ranks heading into the general election.

"We've never been so well united," Mr. Trump said in Daytona Beach.

In an almost one-hour address, he didn't mention the Khan family or Mr. Ryan. Instead, he targeted his criticism at the news media, the Obama administration and Mrs. Clinton, whose policies he blamed for the creation of Islamic State. "She should get an award from ISIS, as the founder of ISIS."

Mr. Trump also boasted about his July fundraising numbers, a rare bit of good news. He raised \$80 million for his campaign and two joint funds with the Republican National Committee; that left his combined accounts at \$74 million in cash compared with Mrs. Clinton's \$102 million.

Meanwhile, Paul Manafort, Mr. Trump's campaign manager, disputed reports that senior Republicans were planning a group meeting, or intervention, to urge Mr. Trump to change course. "This is the first I'm

on Mr. Nehlen this week by sending a complimentary tweet about him.

If Mr. Nehlen were to topple Mr. Ryan in next week's primary, he would rank with Rep. Dave Brat (R., Va.), who stunned national Republicans when he ousted then-House Majority Leader Eric Cantor in a June 2014 GOP primary.

But there had been signs of unrest in Mr. Cantor's district before that primary result, and there is scant evidence of such a high level of discontent in Wisconsin.

On Wednesday, Mr. Ryan appeared to be ready to change the subject himself, releasing a web video showing his meeting with leaders and participants of Beyond the Walls Church in Elyria, Ohio, during the convention.

And one ally of Mr. Trump's, former presidential rival Ben Carson, said on CNN that he expected Mr. Trump would eventually endorse Mr. Ryan too.

"He will be, obviously, on board with Paul Ryan," Mr. Carson said.

—Beth Reinhard

contributed to this article.



Donald Trump spoke in Daytona Beach, Fla., on Wednesday.

hearing about that," he said on Fox News.

Mr. Ryan's Aug. 9 primary election isn't considered a particularly close contest. He is a well-known and popular figure in Wisconsin—where Mr. Trump lost the April GOP primary to rival Sen. Ted Cruz.

Mr. Ryan faces a long-shot challenge from water-filtration company executive and Trump supporter Paul Nehlen. The GOP nominee turned the spotlight

# WORLD NEWS

## Modi Clinches Win on Indian Tax Overhaul

Upper house passes bill to unify markets, in move compared to EU ban on customs duties

By RAYMOND ZHONG

NEW DELHI—After more than a year of gridlock, the upper house of India's Parliament approved a contentious overhaul of the convoluted tax system, an important step in Prime Minister Narendra Modi's campaign to modernize Asia's third-biggest economy.

Lawmakers voted Wednesday to replace India's jumble of federal, state and interstate sales taxes with a nationwide goods-and-services tax, or GST. Parliament's lower house, where Mr. Modi's Bharatiya Janata Party and its allies have a large majority, is expected to pass the measure, a constitutional amendment, without difficulty.

India is a notoriously cumbersome place to do business. In the World Bank's latest survey of the ease of paying taxes in 189 economies, it ranked 157th.

Shifting to a GST would help ease the burdens of double taxation and other distortions caused by the current system. The move, which In-

### Big Takers

Standard rate of goods-and-services tax or value-added tax.

Chile	19.0%
Russia	18.0%
Turkey	18.0%
India*	17.3%
China	17.0%
Mexico	16.0%
South Africa	14.0%
Philippines	12.0%
Indonesia	10.0%
Vietnam	10.0%
Malaysia	6.0%
Nigeria	5.0%

\* India's rate represents the average tax rate, which ranges from 16.9% to 17.7%.

Source: Ernst & Young

THE WALL STREET JOURNAL



CHANDAN KHANNA/AGENCE FRANCE PRESSE/GETTY IMAGES

India is moving to adopt a national goods-and-services tax. Above, a shop in Delhi on Tuesday.

dia's government first proposed a decade ago, would also lower barriers to interstate commerce. Some have compared it to the abolition of customs duties within the European Union.

Krish Iyer, president and chief executive of Wal-Mart Stores Inc. in India, called the GST "a win-win legislative reform for all"—one that will make supply chains more efficient for retailers and, over time, help bring down prices for consumers.

The new tax system "would

convert India into one uniform market" and give a boost to the economy, Finance Minister Arun Jaitley said.

The size of that boost may be limited, however, by some features of the tax introduced to secure political support. Alcoholic beverages, petroleum products, real estate and other items will continue to be taxed separately. That means an airline, for instance, won't be able to get refunded for the tax it pays on fuel and may charge higher fares as a result.

The degree to which the

GST system makes life simpler for companies also depends on details in the law that will implement it.

That legislation, currently being drafted, will need Parliament's signoff after the constitutional change is approved by at least half of India's 29 state legislatures.

Further partisan deadlock can't be ruled out. P. Chidambaram, a lawmaker in the opposition Congress party and a former finance minister, demanded Wednesday that the

GST law cap the rate on most

products at 18% to prevent "creeping taxation."

The Modi administration didn't accept Congress's calls to enshrine the rate ceiling in the constitution—one reason the amendment had been held up in Parliament for so long.

For businesses, one source of potential complexity in India's GST is that the federal and state governments will jointly administer it.

In industries, such as gold and precious metals, that have long been taxed primarily by states, an extra layer of scrupu-

tiny could reduce evasion.

It could also burden companies with extra paperwork and audits. They will have to register and file separate tax returns in each state in which they do business.

A council of federal and state officials will initially decide on a set of GST rates—potentially three, each hitting different products. But states will likely be free to tweak tax rates unilaterally after that, which could lead to a jumble of disparate rates, as prevails today.

The benefit to India's economy as a whole may not be immediate. The GST could add to inflation at a time when price growth is already picking up. Services will likely be taxed at a higher rate than they are currently, as will clothing and some other products.

That might exacerbate public discontent amid plateauing growth and dismal job creation, said Ritika Mukherjee, an analyst at Ambit Capital. Ahead of several state elections next year, the government was already likely to shift toward boosting subsidies and small-business loans.

"With GST in the picture and the job-creation promise not working out, I think this dynamic becomes even more profound," Ms. Mukherjee said.

## Woman Killed in London Knife Attack

BY ALEXIS FLYNN  
AND MATTHEW WALLS

LONDON—A woman was killed and as many as five others were wounded in a stabbing in central London late Wednesday, hours after more armed police officers were deployed on the city's streets under measures to prepare the country for the types of attacks by Islamic extremists seen elsewhere in Europe.

London's Metropolitan Po-

lice, known as Scotland Yard, said a 19-year-old male suspect was arrested after being subdued with a Taser and was in police custody at a hospital.

The police said they believed mental health was a factor in the case, although they didn't rule out terrorism as a motive.

The woman, who was believed to be in her 60s, died at the scene of the attack, according to the police statement. Two other women and three men were among the injured.

Earlier on Wednesday, Scotland Yard said the deployment of the previously announced extra armed officers would ensure a visible police presence in the city, including at well-known landmarks.

In the U.K., more than 90% of police officers are unarmed, with only specialist firearms teams permitted to carry submachine guns and pistols capable of killing a hostile suspect.

Extremists have launched attacks recently in France, Bel-

gium and Germany. Their methods have included multiple shooters and lone assailants using a variety of weapons.

In January, following the massacre in Paris late last year, authorities said they would add 600 officers trained to handle weapons to the 2,200 already in London. Those are the officers now starting to be deployed.

The U.K. plans to train an additional 900 officers to handle firearms by the end of 2017.



LONDON POLICE OFFICERS INVESTIGATING THE STABBING IN RUSSELL SQUARE. TOLGA AKMEN/ZUMA PRESS

## Germany Considers Using Its Military in Terror Fight

BY RUTH BENDER

BERLIN—As hundreds of police officers hit the streets of Munich last month fearing a terrorist attack, Germany's defense minister broke a national taboo: She ordered soldiers to prepare to step in.

After police found that a lone teenage shooter, not a team of terrorists, had killed nine victims and himself, the 100-strong army unit didn't leave its base. But the minister's unprecedented command, and three other acts of violence that shocked Germany in late July, are spurring debate about a World War II legacy.

Germany's postwar constitution—intended to protect democracy after the Nazi era—forbids the army from deploying at home, except for defense against invasion or in case of natural disasters or extreme emergencies.

Last week, Chancellor Angela Merkel, under pressure to reassure anxious Germans, presented a counterterrorism plan that included training the army to assist police in dealing with a terror attack.

"The time is ripe" for such a step, Ms. Merkel said.

For 60 years, the ban has been taken to mean that only the police can tackle domestic threats such as terrorism. Con-

servative politicians say the heightened threat from Islamic State and other extremists means the military should be able to step in when police need backup or expertise.

Islamic State claimed responsibility for two of the July attacks, including the first Islamist-linked suicide bombing.

"There are scenarios we couldn't imagine before the attacks of Paris or Brussels but that we must address openly and for which we must pre-

**After WWII, the country put strict limits on deploying the army at home.**

pare," Defense Minister Ursula von der Leyen said Wednesday on a visit to a military command center in Berlin.

Authorities are to decide this month what role the army could play. Ms. von der Leyen wants to start training troops and police to work together this fall.

The initiative has split Ms. Merkel's governing coalition in Berlin. Her junior partners, the center-left Social Democrats, say Germany should avoid militarizing its response.

Police unions are skeptical.

They argue that soldiers can't offer what Germany really needs to tackle the terrorist threat: more investigators and intelligence agents.

"Our lives won't be safer because soldiers are hanging around at our railway stations," said Rainer Arnold, a Social Democrat lawmaker and defense specialist, who argues the police should get more staff instead.

World War II left a deep pacifist strain, and many support the idea that the army's role should be limited to national defense and U.N.-approved peacekeeping. Though some see the prospect of heavily armed soldiers patrolling German cities as unsettling, a YouGov poll conducted in the days after the latest attack showed that 57% were in favor of the army helping in counterterrorism operations.

"Our history often gives people a stomachache whenever the role of the army is at stake," said Stefan Hansen, researcher at the Institute for Security Policy at the University of Kiel. "But with the piling-up of violent acts in the past weeks, fear of attacks—and strategic thinking about how to deal with that—has now arrived here, too."

Germany has debated a bigger role at home for its military before. In 2006, the constitutional court struck down a law authorizing jet fighters to shoot down hijacked planes, arguing that such actions would violate the protection of human dignity.

In 2012, the court ruled that armed troops could be deployed at home in peacetime in an "extraordinary emergency situation of catastrophic dimension." Soldiers have been used in rare cases to provide logistical support, such as during last year's inflow of over a million refugees and migrants.

Conservatives in Bavaria, where three of July's attacks took place, want to change the constitution.

Berlin argues the constitution already allows leeway and doesn't need changing.

### Wal-Mart in Talks to Buy Jet.com



**IN A DEAL THAT COULD BE WORTH \$3 BILLION, THE WORLD'S LARGEST RETAILER SEEKS TO BOOST ITS E-COMMERCE BUSINESS.**

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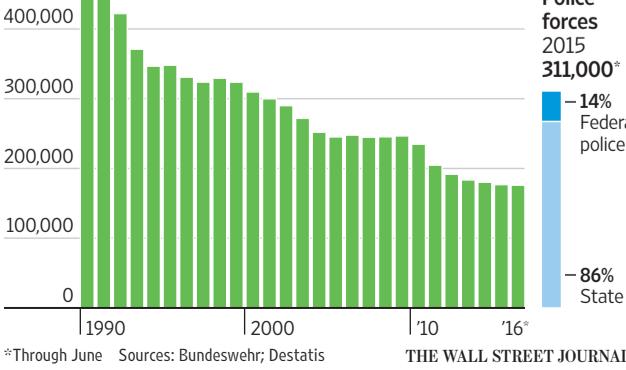
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### Security Balance

Germany's police force outnumbers its military, which has been cut by more than half since reunification.

Armed forces personnel



\*Through June. Sources: Bundeswehr; Destatis

## WORLD NEWS

# Islamic State Names Boko Haram Leader

Announcement shows Mideast terror group's growing sway over Nigerian counterpart

BY DREW HINSHAW  
AND GBENGA AKINGBULE

Islamic State said it appointed a new leader for Boko Haram, in a sign that the Nigerian Islamist insurgency is retooling under the command of the terrorist group.

Sheik Abu Mossab al-Bornawi was recently assigned to take command of the Nigerian insurgency, Islamic State's weekly newsletter Al-Naba said Tuesday.

The article didn't say what happened to Abubakar Shekau, the former face of Boko Haram, who hasn't been seen in videos since early 2015. It also isn't clear if Mr. Shekau's followers support the change in management.

Boko Haram, whose war with Nigeria's government has left more than 30,000 people dead, declared loyalty to Islamic State in 2015. Mr. Bornawi told *al-Naba* that the two groups have decided "to fight and unite under one umbrella."

Mr. Bornawi didn't specify who had assigned him, but the publication's use of the term suggested that Islamic State itself promoted him to lead the Nigerian insurgency, which has lost significant ground



Nigerian security forces patrolled in Bosso, Niger, following deadly Boko Haram attacks in June.

over the past 18 months and seen several of its leaders arrested or killed.

The announcement speaks to a new challenge facing Africa's largest democracy: that Islamic State is increasingly backing and supervising Nigeria's homegrown insurgency.

"Infidel forces" have "stripped the group of some territories, which we are working on retrieving," Mr. Bornawi said in the interview.

For months, Nigerian officials have warned that Boko Haram members are slipping

into the Sahara, joining Islamic State in Libya, or for meetings in Sudan.

Intelligence reports and officials in neighboring countries have supported that view, and Islamic State's announcements from Libya have referenced several Nigerian fighters. Boko Haram has renamed itself Islamic State West African Province.

"There is no more Boko Haram," a Nigerian counterterrorism official who works with detained terrorists said. "As far as they're concerned,

they consider themselves to be ISIS," another term for Islamic State.

In his comments, the new leader seemed to suggest that Mr. Shekau had killed too many Muslims, a significant departure from the doctrine shared by Boko Haram and Islamic State, who both believe that only their supporters are true Muslims.

"I'm not confident over the long-term sustainability of this," said Jacob Zenn, a fellow at the Jamestown Foundation research group in Washington. "I don't think he has support



Source: United Nations

from the Shekau factions."

Mr. Shekau once posted regularly to YouTube, ranting with a stick hanging out of his mouth, while hurling insults at Queen Elizabeth II and Margaret Thatcher, or threatening to sell the 276 teenage girls he kidnapped from a boarding school in a market, "because they are our slaves." Of those girls, 218 remain missing; the rest escaped.

Mr. Shekau, who the Nigerian army has repeatedly reported dead, only to see him reappear in videos, hasn't been seen since in a video since February 2015. The following month, another video emerged, saying there would be no surrender, but Mr. Shekau wasn't in it.

Since then, Boko Haram videos in recent months have become slicker, reflecting Islamic State's influence, if not direct involvement. Some of it may be guided from outside Nigeria: A Boko Haram Twitter account was run from Libya and Tunisia, Mr. Zenn said, adding that a second media outfit hyping the group was run by an al Qaeda defector to Islamic State.

In Nigeria, investigators said they have broken up several Islamic State recruitment cells. One was at a university, they said. Another was run by a Sudanese man who frequently received money transfers via Western Union.

—Noam Raydan contributed to this article.

## South Africa's Ruling African National Congress Faces Challenge in Municipal Elections



SOWETO, South Africa—In the midst of a stagnant economy and widespread corruption, millions of South Africans took to the polls on Wednesday, in what many are calling the most important vote since Nelson Mandela was elected president in 1994.

The ruling African National Congress—a party that contains a broad spectrum of political philosophies—has weathered many political storms during its 22 years in power. But with weak growth and a barrage of allegations against President Jacob Zuma, the party faces a challenge that could push the ANC out of power in some of South Africa's most important cities for the first time since the end of apartheid. (At left, voters lined up in Durban on Wednesday.)

In the run up to the elections, the pro-business and largest opposition party, the Democratic Alliance, or DA, claimed it was the party carrying forward the ideals and values of Mr. Mandela, more than two decades after the end of apartheid. Last year, the party elected its first black leader, Mmusi Maimane, a preacher and former consultant from the township of Soweto, in

the hope of building support beyond its traditionally white base. The ANC, including Mr. Zuma, hit back, saying the historically white opposition party was never the party of Mr. Mandela and could never claim his legacy.

But the ANC's inability to deliver public services in many major metropolitan areas has swayed some voters.

In Soweto's central business district, Elizabeth Mbatha, 65, cast her vote at the country's biggest polling station. For the first time, she voted for the DA.

"I am not working," she said. "Maybe the DA is going to change these things for me, to start a new, better life."

Official results are expected in at least four to five days. Exit polling is barred in South Africa. Polls ahead of Wednesday's votes showed the DA even with the ANC in the capital Pretoria and the economic hub Johannesburg, and well ahead of the ANC in the manufacturing town of Port Elizabeth. The Economic Freedom Fighters, the leftist party led by former ANC youth leader Julius Malema, has also been gaining ground.

—Alexandra Wexler

## IRAN

*Continued from Page One*  
a ransom. They disputed that there was a link between the payment and the prisoner exchange, saying there was no quid pro quo.

White House press secretary Josh Earnest accused Republicans of seizing upon the Journal report to revive their campaign against the landmark nuclear deal, which took effect the same weekend as the prisoner release.

The prisoner swap negotiations were led by the State Department, with help from the Central Intelligence Agency and Federal Bureau of Investigation. The cash settlement talks were handled principally by State Department lawyers. All the work was overseen, and ultimately approved, by the White House.

A Justice Department spokesman said the agency "fully supported the ultimate outcome of the administration's resolution of several issues with Iran," including the settlement of the long-running case at a tribunal in The Hague, "as well as the return of U.S. citizens detained in Iran." The spokesman declined to comment further on what he termed "internal inter-agency deliberations."

A State Department spokesman declined to comment.

Justice Department officials didn't object to the \$1.7 billion settlement, which they viewed as a bargain given decades of inflation and the circumstances of the original deal, these people said. But their concerns show that even within the

Obama administration there were worries that the pallets of foreign currency airlifted to Tehran could send the wrong signal to Iran—and potentially to others—about U.S. policy when it came to hostages.

The U.S. has a longstanding policy of not paying ransom.

**U.S. officials denied any link between the payment and the prisoner exchange.**

The issue has long been a difficult one for the Justice Department and the FBI, which was criticized last year for providing intelligence assistance to a family as it tried to buy the freedom of an American aid worker in Pakistan.

Iran's government approved new oil-field contracts designed to attract Western oil investors following the lifting of sanctions in January, an oil-ministry spokeswoman said.

Still, Iranian officials didn't disclose the terms of the contracts, which have long been awaited by international oil companies that once worked there, such as Total SA of France and the Anglo-Dutch firm Royal Dutch Shell PLC. The spokeswoman also said the contracts' terms would still have to be approved by a parliamentary committee and signed off by the assembly's speaker.

The contracts have been at

As a result, the Obama administration issued new guidance on how to handle international hostage cases.

The Justice Department raised other objections to the Iran deal. Prosecutors were concerned that the U.S. would release too many Iranian convicts and drop too many pending criminal cases against people suspected of violating sanctions laws.

They prevailed regarding some of the suspects—those accused or suspected of crimes of terrorism or other violence—but the objections on others were overruled, according to the people familiar with the discussions.

The cash transfer and prisoner exchange coincided with the formal implementation of the same weekend of the landmark nuclear agreement.

They prevailed regarding some of the suspects—those accused or suspected of crimes of terrorism or other violence—but the objections on others were overruled, according to the people familiar with the discussions.

The oil ministry proposed new contracts that would allow foreign oil companies to at least recoup their costs and last as long as 20 years.

The new deals were supposed to address concerns with the pre-sanctions contracts, which included a fixed lump sum and, typically, a five-year deal.

*Benoit Faucon*

## Critics of Nuclear Agreement Call Cash Payment 'Ransom'

BY CAROL E. LEE  
AND JAY SOLOMON

WASHINGTON—Critics of the landmark nuclear deal with Iran said Wednesday that the delivery of \$400 million to Tehran in January amounted to paying ransom for the release of American prisoners, and called on the White House to disclose details.

Administration officials rejected allegations that the cash was a ransom, saying it represented an initial payment on a \$1.7 billion deal to resolve a 37-year-old arms-deal dispute with Iran, which the White House announced at the time of the prisoner release.

White House press secretary Josh Earnest called the disclosure that the initial payment was made in cash on the day of the release irrelevant.

He called the Republican reaction "an indication of just how badly opponents of the Iran deal are struggling to justify their opposition to a successful deal that has prevented Iran from developing a nuclear weapon."

House Speaker Paul Ryan (R., Wis.) said the cash payment marks "another chapter in the ongoing saga of misleading the American people to sell this dangerous nuclear deal."

Sen. John McCain (R., Ariz.) called it "ransom" and said the

Obama administration "added \$400 million to the coffers of the world's No. 1 state sponsor of terrorism at a time when it is actively working to destabilize the Middle East and undermine U.S. national security interests."

The chairman of the House Committee on Oversight and Government Reform, Jason Chaffetz (R., Utah), said he would call Secretary of State John Kerry to a hearing focused on the \$400 million payment.

The political debate comes amid increasing concern among supporters of the nuclear deal about its vulnerability.

Iran has repeatedly charged the U.S. with failing to live up to its side of the deal, in which the U.S. and other global powers agreed to lift

economic sanctions on Iran in exchange for curbs on its nuclear program.

The White House has denied Iran's claims, but is taking steps to keep the deal from falling apart. It has sought to ease international financial transactions with Iran that foreign banks have been slow to process because of fears they would violate remaining U.S. sanctions.

The administration recently approved a \$17.6 billion deal for Boeing Co. to sell commercial jets to Iran's main airline. Mr. Kerry and other U.S. officials also have tried to encourage European businesses to go back into the Iranian market.

Congressional pushback could further undermine the agreement. Republican lawmakers have sought to impose new sanctions to scare away outside investment.

The U.S. presidential election could shift the dynamic. Republican nominee Donald Trump opposes the nuclear deal, while Democrat Hillary Clinton supports it.

Mr. Trump criticized the payment as a "disgrace" that put Americans at risk.

"Who gets the money? I doubt it's the people of Iran," he said at a rally in Florida. He noted other Americans had been detained since January, asking "where's it going to end?"

*MANUEL BALCE CENETA/ASSOCIATED PRESS*

**White House press secretary Josh Earnest defended the deal.**

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## FROM PAGE ONE

# PARKS

*Continued from Page One*  
ists, Yosemite is expecting as many as 400,000 more people than last year's record-breaking crowd of 4.2 million. Overall, the National Parks had a record 307 million visitors in 2015—up 5% from the year before. More are expected this year, as the park service celebrates its much-publicized centennial, amid cheaper gas prices and an improved economy.

Those who escaped urban centers for America's wide-open spaces now find themselves in longer-than-usual traffic jams, packed shuttle buses and epic bathroom lines. On the busiest days, the Grand Canyon alone is going through a mile of toilet paper a day, per stall, in some of its restrooms.

Overflow campers at Yosemite are pitching tents anywhere they can, including off a state highway outside the park.

At Yellowstone, hundreds cram together around Old Faithful waiting for the geyser—or tempers—to erupt. Visitors are “trying to see, not being able to see, getting upset,” said one park employee in an internal report on crowding. “It’s like an explosion of visitors.”

Officials at the Grand Canyon, where visits are up from last year's record 5.5 million, say so many people are waiting in lines for shuttle buses—some as many as 100 deep—that they have stationed “bus loaders” to maintain crowd control in the triple-digit heat. “I’m not going to sugarcoat that everyone standing in line is happy, because they’re not,” said Doug Lentz, the park’s chief of commercial services.

At Utah’s Zion National Park, where annual visitation has jumped by more than a fifth over the past five years to 3.6 million, complaints are going up, too. “The park now routinely receives negative



A record-breaking 4.2 million people visited Yosemite National Park last year, and the park is expecting an additional 400,000 visitors in 2016.

comments about crowding,” a State of the Park report noted earlier this year.

Part of the problem, rangers say, is that people coming to the parks to get away don’t actually stray far off the beaten path. At 1,169-square-mile Yosemite, rangers estimate as many as 95% of visitors stay primarily on a valley floor that measures 7 miles by one mile—flanked by cliffs that tower thousands of feet.

“People like to make a big deal out of it being so busy, but they keep going to the same place,” said Colby Brokvist, general manager of Southern Yosemite Mountain Guides, which takes visitors into the park’s sparsely populated backcountry. “If there’s a shuttle stop, that’s where you don’t want to be.”

Overstuffed Yosemite shut-

ties have become a common occurrence this summer. “That’s when tempers start to flare,” said bus driver Dan Dion.

Sitting with her family outside a packed deli in the park, Mariah Briseno said earlier in the day she squeezed onto a bus with her family after missing two. She felt panic when more people tried to push in. “I said, ‘You’re going to crush my grandma,’ ” said Ms. Briseno, 24, of San Diego, Calif.

It wasn’t always this way. Ron and Nikki McDevitt last visited Yosemite after they married 20 years ago. Mr. McDevitt said the couple then could easily drive their own car to stop at popular attractions. On a recent day, they enjoyed the short hike to Yosemite Falls with their teen sons, but this time had to park

the car and take a shuttle bus. “It’s still great here,” said Mr. McDevitt, 51, a math teacher from Laguna Hills, Calif. “But the traffic is backed up like the 405 Freeway.”

Some parks are considering a cap on the number of visitors. Meanwhile, they’re trying to keep visitors in check with stern politeness, and rules—many of which involve not annoying the animals.

Last year, rangers in Yellowstone issued 52,000 “warning” citations—up nearly 20% from 2014. Some of the offenses: getting too close to the bears, elk and bison. Non-warning citations after repeat or more serious infractions are a misdemeanor, punishable by a \$100 to \$5,000 fine.

“Practice safe selfie: do not approach animals to take pic-

tures,” park officials warn on Yellowstone’s website.

Still, a man earlier this year stuffed a bison calf into the back of an SUV, believing the animal was abandoned. Rangers scolded him and returned the calf to its mother, but the animal had to be euthanized after the herd rejected it.

President Obama—known for causing traffic snarls during visits to Los Angeles known as an “Obamajam”—added to the summer crowds in Yosemite during June weekend here with the first family.

The Obamas’ visit coincided with the wedding of Javier and Alexis Saucedo at Yosemite Valley Chapel. Blockaded roads left the bride and groom, and many of their guests, scrambling to the altar. The bride said she had to hike through a forest to get

there. “It was real fun taking the dirt out of my heels,” Ms. Saucedo said, with a laugh. “Friends and family took the grass and burrs out of my dress.”

Wedding photographer Chris Geiger managed to snap images of the happy couple at scenic vistas in Yosemite Valley.

“I had to do a little photo-shopping,” he said. The couple looked fine—it was the wandering tourists behind them that were the problem. Mr. Geiger deleted them, and restored the valley’s wild, remote beauty.

## ONLINE



Watch a video about crowds at Yosemite National Park at [wsj.com/ahedvideo](http://wsj.com/ahedvideo).

# RICE

*Continued from Page One*  
to malfunctions, and at times have even been known to start fatal fires.

“In China, the kind of rice cooker most people are using is basically pre-1980s technology,” said Yoshiko Nakano, a University of Hong Kong associate professor who has written a book about them.

## Made in Japan

As more-prosperous families look to upgrade, many are seeking out advanced Japanese-made machines that use induction-heating technology. While sold in China, the models are expensive due to high import tariffs. Accordingly, many consumers pick them up for less in Japan, where a weak yen has sparked a boom in Chinese tourism. Some cutting-edge models can still top \$1,000.

Seeking an array of better household goods, Chinese bring back home skin creams, baby formula and even heated toilet seats. Their spending abroad last year reached \$215 billion, according to the World Travel & Tourism Council, more than Beijing’s published defense budget. Beijing has watched with concern and the directive to manufacturers has been clear: Make better wares.

One watchword is “innovation.” The government’s annual work report this year mentions the term 64 times. Beijing has laid out a blueprint for China to transform, in Premier Li Keqiang’s words, from “a manufacturer of quantity to one of quality.”

President Xi Jinping has also waded into the conversation, singling out rice cookers atop a list of items for improvement that many Chinese prefer to buy abroad.

“Our country has a large amount of consumer purchasing power and demand that isn’t being adequately satisfied at home,” Mr. Xi said.

Mr. Xi was referring to the swift fattening of Chinese pocketbooks: In urban areas, average wages have more than doubled since the 2008 Beijing Olympics, to 62,000 yuan (\$9,300) last year.

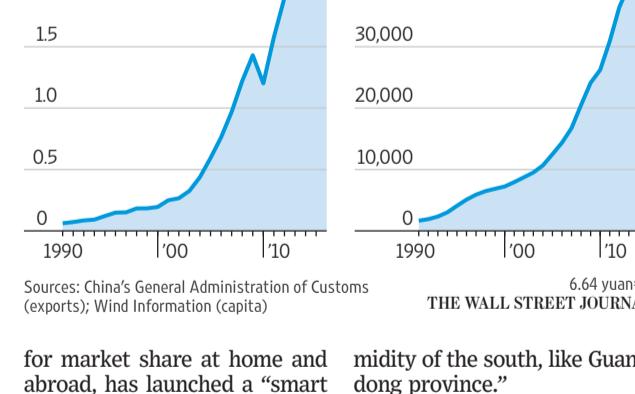
Chinese travelers’ zeal for rice cookers and other products has prompted Tokyo’s Narita airport to post signs in duty-free shops urging visitors to shop. Last year, China-bound flights from Tokyo suffered delays as



A visitor checks out a rice cooker by Mijia, a brand of China’s Xiaomi, at a conference in Beijing in April.

## A New Course for China

With exports in decline, China is shifting its manufacturing strategy to focus on a rising middle class at home.



Sources: China’s General Administration of Customs (exports); Wind Information (capita)

## Through the Ages

**1955** Toshiba debuts the world’s first automatic rice cooker in Japan.

**1957** In the late 1950s, the rice cooker arrives in the U.S.

**1979** From 1979 to the early 1980s, during China’s reform and opening up, people begin bringing rice cookers from Japan into China via Hong Kong.

**1985** In the mid-1980s, the Chinese government allows for direct import of Japanese appliances.

**1990** In the 1990s, with the advent of IH rice cookers and amid rising quality of life, Japanese consumers start buying more brand-name rice.

**2008** Around 2008-2010, ‘intelligent’ rice cookers become popular in China, with more functions—such as adjusted cooking times—for different varieties of rice.

ers to tour Japanese factories and enlisted a battery of rice tasters. It buys some 200 tons of rice a year to fuel its product research. And in Foshan, it has built a small “rice museum” showcasing scores of different Chinese rice varieties and the company’s custom-programmed cooking settings for each.

Recently, the company dispatched Mr. Zhao and others on a cross-country tour to promote Midea’s latest device. They traveled to villages in Xinjiang (to show off its ability to perform in high-altitude conditions) and Hubei province (to demonstrate how it can handle hard-to-cook grains). They carried a large banner reading: “Chinese Rice Cookers Better Understand Chinese Rice.”

Chinese appliance maker Gree markets its high-end rice cooker with an ad that proclaims: “You don’t need to go to Japan to buy a rice cooker.” Gree marketing manager Chen Zili said, however, it isn’t surprising Chinese consumers lack faith in domestic brands.

Chinese companies have competed on price, so people cut corners, and then people stop believing in made-in-China products,” he said.

Some consumers, like Mr. Ding, say rampant counterfeiting in the country has damped consumer trust. “As soon as there’s a good product that comes out in China, people are coming out with coun-

terfeits” he said.

Despite the country’s efforts to boost consumer confidence, quality and safety issues persist. Toys found to contain lead or arsenic have fueled health scares. Earlier this year, parents were infuriated to learn about a counterfeit milk-powder ring that had gone unreported for months, even though authorities were aware of it. Amid the backlash, state media outlets joined the public in criticizing regulators. The national food-safety agency later said the products weren’t unsafe, and hadn’t wanted people to panic.

Stories of fatal fires caused by rice cookers periodically appear in the news. Because of such risks, they are often banned in college dormitories. In 2010, Chinese media reported that four children were killed in a fire caused by a cooker whose cord had short-circuited.

## Addressing concerns

Midea said its rice cookers are less prone to snafus, since they are designed to perform with fluctuating voltage level—a common phenomenon in less-developed parts of China.

“We’re maturing,” said Mr. Zhao. “Before, we were just learning or copying” from abroad. Its latest and priciest induction-heating model retails for 3,999 yuan, or \$600. More midrange models cost around 300 yuan, or \$45.

Appliance company Wanjiiale’s most popular cookers are still in the basic 160-yuan range. The company said it isn’t planning an induction-heating cooker. Induction-heating cookers last year accounted for 32.6% of in-store rice cooker sales in China, according to data from the China Market Monitor, a research firm. That’s up from 30% in 2013.

Midea this year won several global awards for its rice cookers, including a “Red Dot” award, which praised one model’s ability to offer real-time smartphone updates on the cooking process.

Yet the company still needs to look overseas for what it can’t get at home: It recently made an offer to take over German industrial robotics company Kuka AG; the deal is pending.

## ONLINE



See video about China’s changing market for rice cookers at [wsj.com/PageOne](http://wsj.com/PageOne).

# OPINION

## I Am Your Voice?



Donal d Trump's statement Tuesday that he can't endorse the re-elections of House Speaker Paul Ryan or 2008 Republican presidential candidate John McCain or New Hampshire Sen. Kelly Ayotte means that Mr. Trump has separated himself from the party that nominated him.

He is essentially running for president the way he ran for the nomination—as an independent candidate inside the shell of one of the two major parties (as did Bernie Sanders). The election's importance for Supreme Court



forgotten men and women who stuck with him.

Mr. Trump rose to prominence with an appealing message, make America great again. What he has done since becoming a presidential nominee has had virtually nothing to do with making America great again. Instead, it has been about him, his controversies and his critics.

Think of Mr. Trump's base of support as a series of concentric circles. The tightest circle includes the people whom Mr. Trump identified when he said: "I could stand in the middle of Fifth Avenue and shoot somebody, and I wouldn't lose voters."

They will go down with the Trump ship no matter what.

Extending outward from this core are people who looked to Mr. Trump for a path out of their economic anxiety, for leadership and deliverance from the gagged world of political correctness.

These people were not low-information voters. Giving their vote to Donald Trump in the primaries was a leap of faith, and they knew it. This is a change election, and he was their change agent.

Donald Trump, the master of the deal, is not holding up

his end of the deal. Instead of being their voice, he is acting like a ventriloquist putting on his own one-man show.

It may be true that this election has disrupted almost everything we thought we knew about politics, such as the importance of having boots on the ground to turn out voters in important battleground states such as Ohio, where instead Mr. Trump is alienated from the state's Republican leadership.

But one political rule that won't be overturned is that you have to get more votes than your opponent to win. Breakdowns of voting in the primaries show that both Mr. Trump and Hillary Clinton were supported by about 14% of eligible voters. Both need to expand the vote beyond that primary base. The Never-Hillary vote is ripe for such an expansion.

Donald Trump has said that he is redrawing the GOP election map by pulling into the party voters who normally do not vote Republican. They are variously called the new silent majority or Reagan Democrats.

I had an unexpected exchange with one of these voters at La Guardia Airport

while checking in to fly to the GOP's Cleveland convention.

The airline worker was a black woman, probably in her late 30s. Confirming that I was going to Cleveland for the GOP convention, she said: "I really don't know who to vote for. I'm a Democrat and so was my father. My father's favorite president was Ronald Reagan. He loved Ronald Reagan. Trump? Maybe. I don't know. I don't like the way Trump criticizes everyone all the time. I don't think that's right. I don't know what I'm going to do." She never mentioned Hillary Clinton.

Donald Trump isn't turning out new voters. He's turning them down. Every day, he's giving voters who might vote for his candidacy reason to abandon both him and the 2016 election.

In March at a rally in Arizona Donald Trump said: "My daughter Ivanka and my wife Melania say, 'Please, please act a little more presidential,' and I say, 'I can't until I finish my victory.' He said he'd act more presidential when the time called for it. Well?

The past two weeks have revived the notion that while Mr. Trump doesn't want the humiliation of a loss, he doesn't want to be president either. His assertion that the election "is going to be rigged" sounds like someone who is retreating to a personal island, where he'll spend a lifetime trying to justify what he didn't do.

"I am your voice." Millions believed Donald Trump. That line is close to standing for the biggest sellout of a candidate's supporters in the history of America's presidential politics.

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

### That Trump line may stand for the candidate's sellout of his faithful supporters.

nominations or control of Congress still holds. But every Republican candidate in a tough race, such as Wisconsin's Sen. Ron Johnson, is on his own. The party's nominee has abandoned them.

One now must ask: Will Donald Trump also abandon the voters who have supported him for the past year by failing or even refusing to run a respectable campaign? Will he desert the people who put him in a position to compete for the American presidency?

In his Cleveland acceptance speech, Mr. Trump said: "These are the forgotten men and women of our country. People who work hard but no longer have a voice. I am your voice." Since Cleveland, Mr. Trump has forgotten the

## Victory Is Slipping Away for Trump

By Karl Rove

Last month's Republican and Democratic national conventions showed that both parties are deeply split internally over ideology and personalities. Not only that, but their presidential nominees remain highly unpopular.

The GOP gathering in Cleveland was poorly produced and featured the presidential primary's runner-up, Texas Sen. Ted Cruz, in a prime-time appearance pointedly refusing to endorse Donald Trump.

The Democratic convention in Philadelphia was marred by supporters of Sen. Bernie Sanders, enraged by hacked emails from the Democratic National Committee showing that the party establishment favored Hillary Clinton. They booted the party's chairwoman out of office and chanted "no more war" when Democratic leaders spoke of fighting Islamic State and al Qaeda.

Donald Trump and Hillary Clinton polished their flawed images, but the Democrat did a better job. Between July 17 and this Wednesday, Mrs. Clinton's favorable rating rose to 40.6% from 38.4% in the Real Clear Politics average. Her unfavorable rating dropped to 53.9% from 56.2%. That's a total swing of four and a half points.

During the same period Mr. Trump's favorable rating moved to 35.3% from 33.6% and his unfavorable rating to 57.9% from 60.1%, a total swing of 3.9 points.

The general-election campaign has hardly begun, and

data from Gallup shows that both candidates are more widely disliked than any presidential hopeful since at least the 1960s. Even in October 1964, Barry Goldwater's unfavorability rating was 47%, while in October of 1972 George McGovern's was 41%.

Mrs. Clinton appears to have received the bigger convention bounce. The day before the GOP gathering, she led Mr. Trump 43.8% to 40.6% in the Real Clear Politics average. By July 25, the Republican was in front, 44.3% to 44.1%.

On Wednesday Mrs. Clinton was back ahead with 46.5% to 42%.

Whether this boost is temporary or durable won't be known for a few days. But Mr. Trump's self-destructive actions in the past few weeks have given her the advantage.

He began the morning after his convention by devoting his news conference to again trashing Mr. Cruz, including reviving the crazy theory that the Texas senator's father was implicated in JFK's assassination.

Mr. Trump then returned to his Manhattan penthouse for the weekend, going silent until "Meet the Press" that Sunday, where he proposed a 15% to 35% tax on imported goods.

Then the next week, amid charges that Russian hackers were behind the Democratic National Committee email dump, Mr. Trump suggested that maybe the Russians could help find Mrs. Clinton's missing 30,000 emails.

Most damaging, Mr. Trump has for the past week battled

with Khizr and Ghazala Khan, the Gold Star parents of a fallen war hero. He even mocked the grieving mother. This is unprecedented cruelty.

But that isn't all. On Sunday Mr. Trump suggested that the election is "rigged" because debates this fall were

**He can still win—but only if he quits being self-destructive and chooses discipline.**

scheduled months ago on nights with NFL football games. He attacked fire marshals in Colorado and Ohio for enforcing the fire codes that limited how many people could cram into his rallies.

On Tuesday he refused to endorse two prominent Republicans up for re-election, House Speaker Paul Ryan and Sen. John McCain, in their primaries. Then he belittled Sen. Kelly Ayotte, a New Hampshire Republican facing a tough race that could determine whether the GOP keeps the Senate.

How does any of this advance Mr. Trump's agenda or reassure Americans that he is worthy of support? The nominee's defenders say that he "tells it like it is" and refuses to be "politically correct." They are only enabling his worst instincts.

Imagine if Mr. Trump had opened his post-convention news conference with a bold rallying cry on the issues and

then spent three days barnstorming battleground states, appearing with workers, small-business owners and first responders.

Rather than fighting with the Khans, he could have seized on Friday's lousy GDP report to explain how a Trump White House would result in more jobs, bigger paychecks and greater prosperity. Instead of grousing about debate schedules Sunday and attacking fire marshals, Mr. Trump could have responded to Mrs. Clinton's interview with Chris Wallace on Fox News, where she continued lying about her private email server.

No one on Team Trump—especially not the principal—appears to have a plan for what messages to emphasize and when. No one seems charged with watching what

Mrs. Clinton says so the candidate can quickly volley back. No one restrains Mr. Trump before he activates his Twitter account. Ad hoc may be free-wheeling and fun, but it often leads to defeat.

The White House is not out of reach for Mr. Trump, who now trails by 4.5% in the Real Clear average. But victory is slipping away. If he has more weeks like the dreadful past two, the gap between him and Mrs. Clinton is likely to widen and never close again.

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

Trump said early on, he wanted to know, 60 years after its foundation, what was NATO's mission today.

One hundred policy wonks in Washington since the end of the Soviet Union, 25 years ago, have asked the same question. Is NATO an organization in search of a mission? For example, its mission for the last 20 years was to expand ever closer to Russia. So people have now asked why isn't it fighting international terrorism. That's a legitimate question, but we don't debate it. We don't ask it.

We just say, oh, Trump wants to abandon NATO.

## Notable & Quotable: Trump, Putin and NATO

Stephen Cohen, professor emeritus of Russian studies at Princeton and New York University, on CNN on Saturday:

Vladimir Putin wants to end the "New Cold War" and so do I.

Let me say, I have no ties to the Trump campaign or the Clinton campaign. But if I were to write your headline for you today... it would go like this: "We're in a new and more dangerous Cold War with Russia."

We're approaching a Cuban Missile Crisis nuclear confrontation with Russia, both along Russia's borders and possibly over Syria. There is absolutely

no discussion, no debate, about this in the American media—including, forgive me, on CNN.

Then along comes—unexpectedly—Donald Trump, who says something that suggests he wants to end the New Cold War, cooperate with Russia in various places. What we used to call detente, and now—astonishingly—the media is full of what only can be called neo-McCarthyite charges that he is a Russian agent, that he is a Manchurian candidate, and that he is Putin's client.

So the real danger is what's being done to our own political process. This is a moment when there should be, in a president-

ial year, a debate. Because Mrs. Clinton's position on Russia seems to be very different...

Trump speaks elliptically. You've got to piece together what he says. But he seems to want a new American policy toward Russia. And considering the danger, I think we as American citizens deserve that debate, and not what we are given in the media today, including on the front page of the New York Times.

I end by saying, that this reckless branding of Trump as a Russian agent, most of it is coming from the Clinton campaign and they really need to stop....

Trump said early on, he wanted to know, 60 years after its foundation, what was NATO's mission today.

One hundred policy wonks in Washington since the end of the Soviet Union, 25 years ago, have asked the same question. Is NATO an organization in search of a mission? For example, its mission for the last 20 years was to expand ever closer to Russia. So people have now asked why isn't it fighting international terrorism. That's a legitimate question, but we don't debate it. We don't ask it.

We just say, oh, Trump wants to abandon NATO.

BOOKSHELF | By Barton Swaim

## Saving Paris From Islamism

### Beyond Radical Secularism

By Pierre Manent

(*St. Augustine's*, 124 pages, \$24)

Pierre Manent began working on his slim book about Islam and French society in the aftermath of the January 2015 murder of 11 people in and near the office of the magazine Charlie Hebdo. "Situation de la France" was published on Oct. 1. Six weeks later, terrorists affiliated with Islamic State murdered 130 people and seriously injured nearly 100 more in a series of attacks in and around Paris. Terrorist attacks have become more brazen during the intervening months, both in Europe and America, and Mr. Manent's thoughtful and provocative argument—now translated into English as "Beyond Radical Secularism"—deserves as much attention as the Anglophone world can give it.

"When some of our citizens take up arms against us in such a brazen and implacable way," he writes, "this means that, not only the State, our government, our political body, but we ourselves have lost the capacity to gather and direct our powers, to give our common life form and force." Mr. Manent contends that France's intellectual elite spectacularly failed to diagnose the problem of France's enormous, largely unassimilated population of Muslims. The hope that they would accept liberal values and embrace the virtues of a secular state, he insists, was based on little more than self-flattery and naiveté.

Muslims living in Europe are not changing, Mr. Manent argues. Their religious and cultural customs are not softening or "modernizing" in the temperate atmosphere of French *laïcité* or other forms of European secularism. Indeed, he writes, "we are witnessing the extension and the consolidation of the domain of Muslim practices rather than its shrinking or relaxation." The response of France's non-Muslim secularists has been to ignore the problem or to pretend it's not a problem at all except insofar as white European racism has made it one. French Muslims have no reason to change because, in effect, they haven't been asked to.

The trouble, Mr. Manent thinks, is that enlightened liberal Europeans have defined themselves out of existence. "Dominant opinion in Europe," he writes, "tends to consider Europe as a 'nothing,' a space empty of anything common, or at most as a 'culture.'" What defines a society, what makes it something an outsider can conform to or reject, is its habits and its morals. But modern liberalism, based as it is on the "unlimited sovereignty of the individual" (as Mr. Manent puts it), will not allow the individual to be defined by anything external to him. What, then, are French and other European policy makers and intellectuals asking Muslims to be part of, to belong to? Right-thinking sophisticated "European" humanity? It's hard to blame European Muslims for wishing to remain precisely who they are.

Mr. Manent concludes from all this that France, and its government, has neither the moral authority nor the practical capacity to urge French Islam to modernize itself. He counsels defensive measures and warns that it may be too late for even those. The government, he says, has every right to interrupt French Muslim organizations' dependence on foreign money, to preserve and enforce the ban on polygamy, to defend freedom of expression, and to outlaw the burqa. This last exhortation is bracing: "To present visibly one's refusal to be seen is an ongoing aggression against human coexistence. Europeans have never concealed the face, except for the executioner's."

**The French government does not have the moral authority or practical capacity to urge Islam to modernize. The Catholic Church does.**

Beyond defensive measures, though, French society must find a way to incorporate the Muslim community—a robust, cohesive and increasingly self-confident community—into French public life. But if Muslims are to view themselves as French citizens rather than merely as sojourners seeking a measure of prosperity in the West, they must have a sense of what they're being urged to join. And that will require the return of a strong French nation-state with a sense of its own identity. I don't know if Mr. Manent foresaw Great Britain's departure from the European Union—I know nobody who did—but it fits the logic of his startling proposal.

Not only, though, must the French begin again to understand themselves as citizens of the French Republic; they must also come to terms with what he calls the European continent's "Christian mark." Mr. Manent's "perspective is not that of a pious person, nor that of a 'believer,'" he writes. But he notes that liberal democratic nation-states developed in Europe rather than elsewhere for specific reasons.

Europe formed nation-states of free citizens, he argues, as a consequence of a profound and double-sided "indeterminacy": On the one hand, the Christian revelation offered the concept of a "covenant" between man and a loving God but did not dictate exactly how governments should reproduce that covenant; on the other, the Christian gospel demanded a response that could take different forms in different places. Over centuries, geographically cohesive groupings established similar but separate forms of religious adherence along with distinctive forms of covenantal government—that is, government in which rulers ruled for the good of the governed, not merely for self-aggrandizement or territorial gain.

The only humane, enlightened way to deal with the Muslim presence in France, then, is to acknowledge France's Catholic Christian character. France's Catholic Church, he thinks, will need to assert itself as a "mediator" between Muslims and non-Muslims, with a view to admitting Muslims into a civic life defined by some common practices and a common good. Evidently some, at least, of the most radical Islamists already think of the Catholic Church as somehow representative of French society—the young militants Nabil Petitjean and Adel Kermiche, remember, did not choose a university professor or a journalist or even a politician to murder but an 85-year-old priest, Father Jacques Hamel.

It would be easy to dismiss these proposals as impractical and unrealistic. France is a post-Christian nation; the great majority of its intellectual and political leaders are either hostile or indifferent to Christian doctrines and practices. Arguments like Mr. Manent's will not move them to rethink France's position and their own worldview. But further bloodshed—God forbid it should come to that—just might.

*Mr. Swain is the author of "The Speechwriter: A Brief Education in Politics."*

## OPINION

### REVIEW & OUTLOOK

#### The Trumpian Purge

**D**onald Trump's campaign operates in a state of perpetual disorder, and he seems to like it that way, though he's outdone himself this week by opening a proxy war against Paul Ryan, John McCain and other Republican leaders.

In between assailing Gold Star parents and claiming the election may be "rigged," the candidate paused to elevate Paul Nehlen, an obscure anti-trade and anti-immigration businessman who is challenging Mr. Ryan in Wisconsin's GOP primary next week. On Twitter Monday night, Mr. Trump wrote that Mr. Nehlen's support was "very much appreciated."

Then on Tuesday Mr. Trump told the Washington Post he wasn't ready to endorse Mr. Ryan, saying "I'm just not quite there yet"—an echo of what Mr. Ryan said after Mr. Trump captured the GOP nomination in May. Mr. Trump also did drive-bys on New Hampshire's Kelly Ayotte, whom he said has "given me no support, zero support," and Mr. McCain, who is facing a tough primary in Arizona on Aug. 30.

Mr. Trump lashed out because the trio refused to abide his criticisms of Khizr Khan despite a memo to Capitol Hill from the Trump campaign. Mr. Trump is too self-involved to let any criticism go unanswered, no matter how grounded in principle. He'd rather brawl with his critics than serve his own political interests, and he's increasing the incentives for Republicans to defect or repudiate him.

Defeating the Hillary Clinton machine will be difficult enough, and her polling lead could expand to double digits if Mr. Trump keeps up his what-next routine. He can't win if can't unite and mobilize Republicans, and he can't do that if he antagonizes their officeholders.

The irony is that the Ryan and McCain criticisms of Mr. Trump still aren't enough for the parsons of the political class. Cribbing from most pundits, and ever the moral conscience of the nation, President Obama this week emerged to wonder: "The question I think they have to ask themselves is, if you are repeatedly having to say in very strong terms that what he has said is unacceptable, why are you still endorsing him?"

Yes, what a mystery. Progressives would love for Mr. Ryan, Ms. Ayotte and other Republicans to become arms of the Clinton campaign, increase Republican divisions and throw the Sen-

ate and House to the Democrats. To supposedly preserve his reputation, does Mr. Ryan have to stump for Mrs. Clinton all the way through November, or would a mere statement suffice?

Mr. Ryan's differences with Mr. Trump are obvious, not least on immigration, trade and national security—but so too are they with Mrs. Clinton. Despite claiming Mr. Trump is an existential threat to American democracy, Democrats have offered no concessions to the political center and Mrs. Clinton is running to the left of Mr. Obama.

Mr. Ryan sees his obligation as salvaging what he can for the cause of conservative reform in this dispiriting year. He can't control Mr. Trump but he's focused on what he can influence—namely, the House majority and down-ballot races. Despite GOP disunity, the Speaker has forged consensus around an ambitious package of reforms that could be deployed in 2017. Maybe Mr. Trump would refuse that agenda and indulge his politics of pique in the White House. But in that case Mr. Ryan's conservative critics should prefer as large a center-right majority as he can preserve to lead the opposition.

The same applies if Mr. Trump loses as badly as the polls say he might, or as badly as his current conduct deserves. The GOP House could be the only check against Mrs. Clinton and a Chuck Schumer-Elizabeth Warren Senate. If pundits think the economic anxiety on the right that fueled Mr. Trump's ascent is high now, check back after four more years of 1% growth and the damage that unified Democratic control of the government could do.

Meanwhile, Mr. Trump's Nehlen dalliance suggests he and his allies mean to purge the Ryan wing of the GOP from the new Trump Party. The New Yorker is indifferent to policy, but his supporters want to elevate what has always been a latent nativism and protectionism on the right into GOP litmus tests. That would be long-term disaster.

Whatever happens to Mr. Trump, this battle will last well beyond 2016. Those who hope for a more constructive, and more optimistic and inclusive, conservative politics should be looking for a way to preserve the GOP's non-Trump House and Senate majorities.

#### The Huelskamp Mistake

**T**he House Freedom Caucus is trying to make a martyr of Kansas Rep. Tim Huelskamp, who lost his primary challenge Tuesday to business-backed obstetrician Roger Marshall. The truth is that Mr. Huelskamp immolated himself.

The third-term Congressman is blaming his loss on \$3 million in spending by the U.S. Chamber of Commerce, the farm lobby and a Super Pac funded by the conservative Ricketts family, which ran ads accusing him of subverting his constituents. He'd do better to wonder how a conservative like Mr. Huelskamp could get so out of sorts with other conservatives that he could lose in one of the most conservative districts in the country. The answer is that Mr. Huelskamp did more to obstruct than advance free-market reform.

The lost opportunity is that Mr. Huelskamp is the kind of principled reformer who might have made a difference in Washington. The GOP needs Members willing to stand up to lobbies like the U.S. Chamber that support business subsidies. His mistake was getting caught up in the

Heritage Action-Ted Cruz phony political rage to the point that he refused any compromise. In 2012 he voted against Paul Ryan's budget that included Medicare and tax reforms and cut discretionary spending by \$20 billion below levels agreed to in the sequester. Mr. Huelskamp claimed it didn't cut spending enough.

In 2013 he opposed a farm bill that cut \$2 billion in food-stamp spending a year and gave states flexibility to impose work requirements. Though Mr. Huelskamp cited the bill's cost, he later voted against a stand-alone bill stripped of food-stamp funding. He also joined the Cruz kamikaze mission to shut down the government.

By denying the House GOP a working 218-vote majority for budgets and other reforms, Mr. Huelskamp and the Freedom Caucus have too often handed power to Democrat Nancy Pelosi and made conservative reform impossible. This caught up with him at home. His defeat should be a lesson to the rest of the Freedom Caucus that reforming and shrinking government require more than fanning populist anger.

#### Obama's Cash for Iran's Hostages

**W**hen is a payment for hostages not a ransom? When the Obama Administration says so.

That's how the State Department has tried to spin a \$1.7 billion settlement the U.S. reached with Tehran in January, when the nuclear deal was finalized and Tehran released five American hostages, including Washington Post reporter Jason Rezaian. The Administration insists the payment merely settled a separate dispute related to the aborted sale of military equipment to the Shah of Iran in 1979.

New reporting by the Journal's Jay Solomon and Carol Lee blows apart this story. On the day the U.S. hostages came home from Iran, an unmarked cargo plane landed in Tehran's Mehrabad Airport with cash amounting to \$400 million of euros, Swiss francs and other currencies. U.S. law forbids direct dollar transactions with Iran, and the \$400 million in cash wasn't disclosed to Congress. Justice Department officials objected but were overruled.

One reason the Administration is keen to deny that the cash was ransom is because it had already paid a high price by freeing seven Iranians charged or convicted of U.S. crimes and dropping extradition requests for 14 others. But the Iranians weren't satisfied.

As the Journal reports, "U.S. officials also acknowledge that Iranian negotiators on the prisoner exchange said they wanted the cash to show they had gained something tangible." Cash is an excellent way to pay terrorists, fund Hezbollah in Syria and the Houthis in Yemen, and buy dual-use, nuclear-related hardware—which Iran continues to do, according to reports from Ger-

many's intelligence services.

The Administration is pretending this money is being used for strictly kosher purposes. "The revenue that's flowing to Iran is being used to support its currency, to provide moneys to the departments and agencies, build up its infrastructure," CIA Director John Brennan said last week. Has he heard

the word fungible?

The Iranians are less shy about their hostage taking. Iran's negotiating team for the settlement payment "was largely staffed by members of its domestic spy service," the Journal reports. Iranian defense officials told the press the cash was "a ransom payment."

Oh, and Iran has taken three more Americans hostage and insists that the U.S. owes \$2 billion in assets frozen in 2009 to pay the victims of Iranian-sponsored terrorism. Supreme Leader Ali Khamenei this week complained that the U.S. isn't living up to the nuclear bargain and Iranians hadn't seen anything "tangible." The Ayatollah is clearly angling for additional payments for these new hostages. Iran also knows it can threaten to walk away from the nuclear deal if its new cash demands aren't met.

Sen. Tom Cotton wrote to the Administration Wednesday asking if the U.S. would pay to release the current hostages, and also whether "you are willing to clearly state that the January release of the hostages would have occurred even if the Administration had not agreed to pay \$1.7 billion to Iran." The American people aren't likely to get a truthful answer, but someone should ask Hillary Clinton if she thinks paying ransom for hostages encourages the world's thugs to take more Americans hostage.

### OPINION

### LETTERS TO THE EDITOR

#### Should Free Community College Get a Pass?

Chicago Mayor Rahm Emanuel and Tennessee Gov. Bill Haslam would have us believe that the public will gain from making community college "free" ("Let's Agree on Free Community College," op-ed, July 29). Doing so will, supposedly, "increase educational attainment." The programs they extol might have the marginal effect of getting a few more people through to their associate degrees, but that won't necessarily mean gains for the public. More degrees aren't the same as more learning, jobs and productivity.

Messrs. Emanuel and Haslam overlook some important unintended consequences. One is that people tend to devote less effort to anything that is given to them without cost. Community colleges are quite inexpensive, but still students (and their families) have to pay something. Take that payment away and we will no doubt get more enrollments but also less engagement by many students.

A second unintended consequence will be to lure students away from other postsecondary learning and training opportunities. Some who would have otherwise spent their own money to attend coding academies or other occupational schools will now look for free community-college programs. Instead of making the public better off, that pushes us in the counterproductive direction of turning all education into another governmental entitlement.

GEORGE LEEF  
*John W. Pope Center for Higher Education Policy*  
Raleigh, N.C.

Let's not agree on free community college. American taxpayers are already paying, on average, more than \$12,000 per student per year for K-12 schooling. Yet American students consistently underperform their counterparts in other countries, ranking anywhere from 12th to 17th, depending on the survey. After 13 years of public education costing more than \$156,000 per student, taxpayers have the right to expect high-school graduates to have the skill sets needed to

enter the workforce. Instead, many of them are functional illiterates.

Let's agree to fix our public schools before we consider adding two more years of free education to a broken system. Start by focusing on teaching skills that students will need to enter the workplace when they graduate. This would require local school boards and educators to consult with business leaders, determine the skills they look for when hiring and revise school curricula accordingly. It would also require a willingness of school boards and educators to abandon many of the useless courses that are being taught today.

SAL COVIELLO  
Surprise, Ariz.

The community college can provide a seamless educational experience from high school to employment for the tradesman, free.

CLARK WATTS  
Georgetown, Texas

With free community college, as with other policy initiatives it should be imperative to test ideas first, using randomization where appropriate, to see what works and what doesn't. Criteria for success or failure should be clearly articulated and agreed on a priori. Anything else is simply poorly designed redistribution or a shot in the dark.

MICHAEL MIKITA  
Vero Beach, Fla.

Let us disabuse ourselves of the notion that all should go to college and place our resources where they will do the most good. It is not a "one size fits all" scenario.

RICHARD M. FRAUENGLASS  
Huntington, N.Y.

A smart track to a free college education has been in place for many years. Serve in the military, pay your dues first, then go to college on the GI Bill. Maybe the education received will help clarify the term "paying forward."

JULIETTE WILLIS  
Louisville, Ky.

#### Gender Isn't Enough; Character Counts, Too

The article "For Some Women Gender Isn't Enough" (page one, July 27) misses one of the major reasons why lots of women won't support Hillary Clinton. Many of us women who helped crack the glass ceiling feel that being elected should have nothing to do with gender. Having overcome prejudice because of gender by hard work and finding and taking advantage of opportunities, we find it abhorrent to hear people being urged to vote for someone because of her gender.

With so many of us having gotten where we got because of merit, with no taint of scandal, we wish that the first woman to be elected president would be elected strictly because of her qualifications and find so many alleged ethical taints troubling. Most of us owe thanks to those who mentored and supported us, but this reverse discrimination is worse than the discrimination that we faced. We should make a real effort to be sure that opportunities for success are available to all but at the same time require those whom we elect to office to have always acted in ethical and honorable ways—which makes this particular presidential contest extremely challenging.

SARA E. SUMNER  
Chicago

#### Opaque, Thin-Skinned Management Promotes Sin

The latest installment in the Theranos scandal comes as no surprise ("Under Fire, Theranos CEO Stifled Bad News," page one, July 11). Elizabeth Holmes's misstatements and extreme efforts to hide the truth from employees, customers and regulators fits the profile of executives responsible for major ethics crises. The leaders of Volkswagen, Valeant Pharmaceuticals and Theranos all share key traits of secrecy and insistence on blind obedience from employees. Before he resigned, Sunny Balwani, Theranos's former president, chastised an employee who raised questions internally about the efficacy of Theranos's tests, as the Journal has reported. Volkswagen executives similarly squashed questions from California-based employees concerned about regulatory compliance.

Valeant blamed its recent earnings restatement in part on pressure from the top on employees to meet unrealistic sales targets.

It's no surprise that C-suite insistence on blind obedience and lack of transparency leads to misconduct. What is surprising is that seemingly savvy investors, including hedge funds and major corporations, haven't been looking at these factors or asking tough questions when deciding where to invest.

SUSAN FRANK DIVERS  
Fairfax Station, Va.

As Americans we are very tired of writers asking Hillary Clinton about her emails. This is a sexist tactic that has been used in the careers of females since they won the right to participate in elections. In my long career in higher education, when the men were threatened by excellence, they would raise a false issue that would damage a woman's career.

When they raise a damaging question, it gives life to a falsehood about a person and can fester. Asking this email question controls the speaking agenda about Mrs. Clinton nationwide and keeps harming her. Yes, some of us got jobs and some of us survived the continuing male abuse and political maneuvering to destroy our careers. We had to be better at everything to even be considered for a job. Then we had to work harder and longer to keep the job.

MARLA J. SELVIDGE  
Village of Loch Lloyd, Mo.

#### The IOC Missed Its Chance On Russia's Doping Scam

Regarding your editorial on the Russian doping scandal ("International Olympic Dopes" (July 25): Did it never occur to the International Olympic Committee that, as a quid pro quo for no national ban, the IOC should have insisted that the Russian government come clean on its actions at the Sochi Winter Olympics in 2014 and that all the athletes whose doping was covered up by the Russian government should have their medals stripped? If the Russians want to avoid collective punishment of their athletes, they should be required to admit and undo the benefits of collective illegal assistance.

ROGER BARRIS  
Weybridge, U.K.

#### The Vikings Were Raided For Cash, Not Safety

In defending Great Lakes pilotage regulations, Capt. George Haynes of the Lake Pilots Association says that "if the ships weren't accepting fees and were free to the public, they would be exempt from all pilot requirements" ("Modern Vikings Should Have Known Better," Letters, July 27). That suggests that the pilot requirements have less to do with safety than with the extraction of cash.

S. PAUL POSNER  
New York

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## OPINION

# Why This Recovery Is So Lousy

By Phil Gramm  
And Michael Solon

**D**onald Trump has been criticized by Democrats and Republicans alike for saying that "the American dream is dead." But instead of slaying the messenger, critics on both sides of the aisle should be examining why so many Americans agree with Mr. Trump and why the Obama "recovery" has been so painful for so many.

When President Obama took office during the 2007-09 recession no president was ever better positioned to lead a strong recovery. With an impressive electoral mandate, Mr. Obama enjoyed a filibuster-proof Senate supermajority, a 79-vote House majority and a nation ready

**D**on't believe the line that slow growth is inevitable after financial crises. Bad policies yield bad results.

for change. History too seemed to smile on Mr. Obama's endeavor. The recession ended just six months into his first term and, with the sole exception of the Great Depression, every severe recession since 1870—when reliable annual data were first collected—had been followed by a vigorous recovery.

In his capacity to implement his program, Mr. Obama stood as a colossus with the fates on his side, the vast power of government at his disposal and no one—not Congress, the Supreme Court or the Federal Reserve—willing or able to deny his will. No resources were spared.

By Benjamin Parker

**O**nce upon a time, New York City taxis competed in a Hobbesian state of nature where no one could be trusted, and death was always lurking at the next intersection. Then, in 1937, the heavens parted and the age of "regulation and prosperity" was ushered in. At least, that's how the city's hagiography at NYC.gov would have it.

Next year the city will celebrate—if that's the right word—the 80th anniversary of the medallion system regulating cabs. But thanks to companies like Uber and Lyft, Gotham's streets today are looking more and more like pre-regulation New York, when competition, not regulation, ruled. The city's progressive mayor, Bill de Blasio, isn't happy.

**A**rchaic government regulation is the reason ride-hailing companies are flourishing in New York.

Recently the mayor was forced to back down from one attempt to stop the growth of ride-hailing companies. But the man who styles himself as one of America's most progressive politicians continues to side with the big, powerful but regulated cab companies and their predominantly white, wealthy Manhattan customers—instead of with the riders in the outer boroughs, underserved minority communities and the little guy giving the protected yellow cabs a run for their money.

Even with the new competition, yellow cabs still have the majority of riders, although Uber points out that it has attracted customers who didn't use cabs before, especially in the outer boroughs. Uber has expanded the availability of car service to the less wealthy and, often, nonwhite population.

The company's ridership is growing fastest in Staten Island, and it dominates Brooklyn, Queens and parts of the Bronx. Don't tell the mayor, but Queens is less white than

The Obama \$836 billion stimulus exceeded all previous U.S. economic stimulus programs combined. The Treasury borrowed over \$1 trillion a year for four years in a row, according to Office of Management and Budget data. The Federal Reserve injected \$3 trillion of new reserves into the banking system, generating record-low interest rates.

Every government forecaster predicted happy days would soon be here again. In August 2010, the Congressional Budget Office projected 3.3% average real GDP growth for 2010-15. The Federal Reserve forecast growth as strong as 3.7%. Mr. Obama's own Office of Management and Budget expected peak growth of 4.5%. And these estimates were conservative as compared with the actual recovery patterns that had followed every major recession except the Depression.

In the six decades from 1948 to 2007, the U.S. economy grew at an average annual rate of 3.5%, including all the negative growth years during 10 recessions, according to the Commerce Department's Bureau of Economic Affairs. Yet not once in the last seven years has annual economic growth ever reached 3%. Average real per capita income grew five times faster during the Clinton recovery, seven times faster during the Reagan recovery and 10 times faster during the Kennedy/Johnson recovery than during the Obama recovery.

In all recoveries following all 30 economic contractions since 1870, only two have failed to have strong rebounds after deep recessions. Only two are now labeled "Great" because of the long periods of suffering they caused. And in only two recoveries did government impose economic policies radically different from the



GETTY IMAGES

George Segal's 'The Depression Breadline' sculpture in Washington, D.C.

policies pursued in all the other recoveries—different than traditional policy but similar to each other—FDR's Great Depression and Mr. Obama's Great Recession.

From 1932-36, federal spending skyrocketed 77%, the national debt rose by over 73%, and top tax rates more than tripled, from 25% to 79%. But the tectonic shift brought about by the New Deal was the federal government's involvement in the economy, as a tidal wave of new laws were enacted and more executive orders were issued than by all subsequent presidents combined through President Clinton.

The resulting economic paralysis was described in 1936 by Al Smith, former New York governor and Democratic presidential nominee, as a "vast octopus set up by government that wound its arms all around the business of the country, paralyzed big business and choked little business to death." Winston Churchill described U.S. Depression-era poli-

cies as "wages, prices and labour conditions grasped in muscular hands and nailed to an arbitrary framework."

As government assumed greater control, private investment collapsed, averaging only 40% of the 1929 level for nine consecutive years. League of Nations data show that by 1938, in five of the six most-developed countries in the world industrial production was on average 23% above 1929 levels, but in the U.S. it was still down by 10%. Employment in five of the six major developed countries averaged 12% above the pre-Depression levels while U.S. employment was still down by 20%. Before the Great Depression, real per capita GDP in the U.S. was about 25% larger than it was in Britain. By 1938, real per capita GDP in Britain was slightly higher than in the U.S.

When Mr. Obama replicated some of FDR's "progressive" policies, history was there to reteach its lessons.

Spending surged 18% in the first year of the Obama administration. The publicly held national debt more than doubled. Marginal tax rates on ordinary income rose by 24% and taxes on capital gains and dividends rose by 59%. American businesses toiled under the world's highest corporate tax rate and the world's most punitive treatment of foreign earnings. Through law and regulation, government control of the economy grew as red tape that once had encumbered came to dominate health care, financial services, energy production and the internet.

Every 10 years between 1870 and 2007, incomes for each man, woman and child in America rose on average by 21.6%, according to census data and the Madison Project. This extraordinary achievement is the tangible measure of the extent to which the American dream actually came true. Only twice did that dream falter—in the Great Depression and the Great Recession. Whether we call it progressivism or socialism, bad policies produce bad results—not just sometimes in some places, but at all times in all places, even in America.

The dominant lesson of the Great Depression and the Great Recession is that when government overspends, overtaxes and over-regulates, economic freedom is suppressed and economic growth vanishes. When growth fades, it takes the American dream with it. Give America back its economic system of freedom and opportunity, and the ensuing growth will bring back the American dream.

*Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.*

## Bill de Blasio's Progressive War on Uber

By Benjamin Parker

the city average, the Bronx is less wealthy than the city average, and Brooklyn is both. Uber's new customers aren't exactly the 1%.

Even some drivers of the regulated "green cabs" that operate exclusively outside Manhattan use the UberT app to find fares more efficiently. New York City, home to one of the best taxi systems anywhere, is also one of Uber's most profitable markets. To meet the demand, Uber takes on hundreds of new drivers every week. Some are former yellow-cab drivers.

It helps to remember that Uber launched in New York City in 2011, when the taxi business was booming. The city's Taxi and Limousine Commission, which strictly limits the number of medallion licenses it issues, was slowly increasing the number of registered taxis.

As a result, the fewer than 14,000 medallions traded for more than a half a million dollars on average, with some transactions breaking the seven-figure mark. Two years ago, the medallion market peaked at an average price of \$840,000 per medallion and a high of \$1.32 million. Thanks to steadily increasing rider demand and a little smart trading, medallion owners were seeing returns that regularly outperformed Wall Street investment banks. Now the average price of a medallion has sunk to \$560,000, just 67% of its peak.

One reason medallions appreciated so fast is that the city-mandated, artificial scarcity created a perfect opportunity for market manipulation. Gene Friedman, CEO of Taxi Club Management, saw the opportunity and bought as many medallions as possible, bidding up the price to sell on the secondary market. He then used the inflated price to borrow against the stock he owned. Now that the price has dropped, he's overleveraged, and 22 of his companies have declared bankruptcy.

For most of the 20th century, the city kept the number of medallions static at 13,566. By 1997, when it started selling more, the New York metropolitan area had grown from fewer than 13 million people to more than 21 million, and demand had risen in tandem. Other vehicles,

dubbed "livery cars, community cars, car services or for-hire vehicles," have proliferated. Though they are technically prohibited from being hailed on the street—only taxis can pick up fares that way—many do so anyway.

Uber and Lyft always note that their clients are prearranging rides, not hailing passing cars. State and federal courts have agreed, which doesn't bode well for established cab companies. By law, 58% of taxi medallions are owned by corporations. Those fleets, up to 1,000 cabs strong, are leased to drivers in 12-hour shifts. It's a nearly 80-year-old system that has worked to the advantage of entrenched interests.

The city limited competition, and the 2013 de Blasio campaign received more than \$500,000 from the

taxis and limousine industry.

That's why Mr. de Blasio couldn't let Uber and Lyft upset the system. Last year he tried to limit the rate at which companies like Uber could grow, blaming them for increased congestion. In response, Uber dispatched former Obama campaign strategist David Plouffe and spent millions of dollars on advertising.

The company even added a "de Blasio" mode on its app that showed prolonged wait times thanks to the mayor's proposal. Faced with overwhelming public opposition, Mr. de Blasio's office concluded in January that congestion was due to other factors, such as "population growth." No kidding.

If Mr. de Blasio is intent on pointing fingers, he should start with the city government. The opening that

ride-hailing companies are exploiting was created by archaic government regulation.

Here's a progressive thought: The city should regulate taxis the same way it regulates restaurants, with an inspection and a letter-grade, without an arbitrary cap on the number of businesses. That way riders would have more taxis to choose from, taxis and ride-shares would compete on a level playing field, and self-styled progressive mayors wouldn't be caught protecting big business at the expense of racial minorities, the outer boroughs and innovative new companies.

*Mr. Parker, a Robert L. Bartley Fellow at the Journal this summer, will be a junior at the University of Pennsylvania in the fall.*

## Give a Kidney, Get a Kidney

By Jeffrey Veale

**T**he numbers are staggering. Because of a lack of donor kidneys, an average of 13 people die every day while waiting for a transplant. There are more than 100,000 names on the kidney waiting list in the U.S. and another 30 million people with chronic kidney disease who are at risk of joining them. More than 85% of those on the waiting list in 2015 are still waiting.

The good news is that there were 17,878 kidney transplants in the U.S. last year, the most in a single year, according to the United Network for Organ Sharing. And the numbers may keep growing thanks to an innovative voucher program that started in 2014 at Ronald Reagan UCLA Medical Center and is spreading across the country.

Here's how it works: If you donate a kidney now, you will receive a voucher that a loved one could use to secure a kidney in the future. The Advanced Donation program is coordinated through the National Kidney Registry, which uses a national database to quickly and efficiently match donors and recipients.

The idea was approved by the Ethics Committee of the American Society of Transplant Surgeons in June, and has been sent to that group's executive committee for formal approval. Ten hospitals across the country have so far joined UCLA to honor the voucher program. Donors currently need to go to one of these

hospitals to receive a voucher but many other centers are expected to join.

The voucher idea is the brainchild of retired judge Howard Broadman. His grandson Quinn was born with a single kidney that wasn't fully functioning. The retiree knew that eventually the boy would need a lifesaving transplant. Yet Mr. Broadman, who

An innovative voucher program started in 2014 at UCLA is spreading across the country.

was 60 years old when Quinn was born, knew that by the time the boy needed a kidney transplant, his grandfather would be too old to donate.

Mr. Broadman approached Ronald

Reagan UCLA Medical Center and proposed a simple but brilliant idea. He offered to donate a kidney immediately to a stranger on the waiting list, if in return he could secure a kidney for his grandson when the time comes. Quinn would be prioritized for a kidney when he needed a transplant.

Nothing like this had ever been done, but the UCLA Living Donor Committee and the National Kidney Registry Medical Board agreed to do it. In December 2014, Mr. Broadman donated a kidney, and 4-year-old

Living-donor kidneys are ideal because they generally function twice as long as kidneys from deceased donors—indirectly reducing the wait list. Nearly 700,000 people are now on kidney dialysis in the U.S. Treating end-stage renal disease costs more than \$30 billion each year—and takes an enormous physical and emotional toll on patients and their families. Imagine if doctors could address kidney disease long before that was even an issue.

With more kidneys to choose from, doctors could also more easily manage donor chains. Many people volunteer to donate a kidney to a friend or loved one in need, only to find out that they are not a compatible match. With this program, they could still donate, and the National Kidney Registry computer software would find a matching donor. One donor in the voucher program could be used to trigger a chain of transplants, creating the added benefit of freeing people from dialysis now, and their loved ones from dialysis in the future.

Potential donors often state that they are interested in donating a kidney but are hesitant because a spouse or a child could need one in the future. With the voucher program, that issue is no longer a concern.

As a transplant surgeon, I'm invigorated by the prospect of what this voucher program could mean. This could be our only realistic shot at eliminating the waiting list for kidney transplants.

*Dr. Veale, a transplant surgeon at Ronald Reagan UCLA Medical Center, is director of the UCLA Kidney Transplantation Exchange Program.*

## Notable & Quotable: Olympics

NBC sportscaster Bob Costas, speaking Tuesday in Beverly Hills, Calif., at a Television Critics Association panel on the Olympics, as quoted by Entertainment Weekly:

One thing for certain [is that] every bit of competition that takes place on open water—marathon swimming, sailing—you've got to talk about the condition of the water. These athletes are dealing with it, and in some cases, the best they've

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## WORLD NEWS

# Rio Projects Lift Wealthy Enclave

Critics say Olympics region has gained undue benefit from recent development

BY PAUL KIERNAN

RIO DE JANEIRO—On the west side of this city, luxury condos tower above a maze of shopping centers, real-estate offices and car dealerships. Workers dart across 12-lane highways. Once-pristine lagoons are colored an unnaturally bright shade of green by bacteria feeding on human waste.

Authorities and private developers have poured billions of dollars into this borough—Barra da Tijuca, the nerve center of the 2016 Rio Olympics—with new transportation projects, hotels, a residential complex for athletes and a vast Olympic Park where nearly half the sports will be played.

But breakneck development has brought problems similar to those that residents were fleeing, including horrendous traffic and untreated sewage in what was supposed to be a new model for urban living.

And while Olympics-inspired mobility projects will leave lasting benefits, critics complain that politically connected developers received favorable treatment from the city in the awarding of many contracts, while urban planners question the decision to pour so much money into an area of the city that is already wealthy.

"You basically have public subsidies for gentrification projects," said Christopher Gaffney, a senior research fellow at the University of Zurich who has been studying the impact of mega-events on Rio since 2003.

Olympic facilities built with taxpayer-subsidized loans are set to be transformed after the



A boy sat along the shore of a lake in Barra da Tijuca, across from high-rise condominiums, in Rio de Janeiro, last month.

Games into private luxury developments worth billions to their owners. Many of the development deals are public-private partnerships that city leaders have touted as a way to reduce the Olympics' impact on public coffers.

Critics say a deal to build the 2.66-billion-real (\$820-million) Olympic Park—a 118-acre tract of formerly public land containing venues for basketball, gymnastics and other sports—typifies their concerns.

The original tender called for permanent sports facilities to be located near the edge of a lagoon. Two days after the city awarded the contract to real-estate developer Carvalho Hosken and its partners, construction giants Odebrecht SA and Andrade Gutierrez SA, in 2012, the city changed the lay-

out of the park, giving more room by the lake for the companies to develop their own real-estate projects.

"These revisions...are driven by efforts to maximize the land values and future development opportunities," the International Olympic Committee said in a 2012 report on Rio's preparations for the Games that was reviewed by The Wall Street Journal. The report didn't pass judgment on the revisions.

In a statement given to local media earlier this year, the city said the layout changes were legal and were aimed at saving public money and enhancing Rio's Olympic legacy. Rio's city hall didn't respond to requests to comment for this article.

A spokeswoman for the three-company consortium

said the group met the contractual obligations established by the city and declined further comment.

Carvalho Hosken was a major contributor to Rio Mayor Eduardo Paes' 2012 re-election, donating 650,000 reais to his campaign.

Some of the city's Olympics spending, including a 9.77-billion-real subway line, a highway extension and new fast lanes for buses, is likely to be a boon for the region.

Other Olympic promises in the area, such as a plan to clean up Barra's fetid waterways, haven't materialized.

One of Rio's "legacy" works for the Games was a \$200 million project to dredge the lagoons in and around Barra, including the one that borders the Olympic Park. A contract for the cleanup was awarded

in June 2013. But after local newsmagazine *Época* published a report suggesting that the bidding process may have been rigged by winners Andrade Gutierrez, OAS SA and Queiroz Galvão, with the help of Odebrecht, the state government revoked the contract.

After filing various legal motions, the companies got their contract reinstated in 2014, but public prosecutors have delayed it with legal challenges that call for impact studies. The state government shelved the project this year amid a fiscal crisis. None of the companies was charged with wrongdoing in the case.

Consortium leader Queiroz Galvão said on Wednesday that the group obeyed the law in the bidding process. Andrade Gutierrez, OAS and Odebrecht declined to comment.

# Barrio Residents Relocate To New Homes

BY PAUL KIERNAN

RIO DE JANEIRO—Rio has been moving to close a contentious chapter in its preparations for the Games with the demolition of a poor neighborhood next to the city's Olympic Park.

Around 20 families from the favela, Vila Autódromo, moved over the weekend into tidy white houses built by the city on the same land. Bulldozers razed most of the few remaining homes, some of them spray-painted with slogans like "Apartheid," and, "The government is an instrument of the contractors."

Once populated by some 550 families, Vila Autódromo became a symbol in recent years of the city's alleged forced relocation of thousands of poor citizens from their homes to make way for the Olympics and 2014 World Cup.

From 2014 until early this year, bulldozers accompanied by city police showed up unannounced at the crack of dawn, sometimes triggering violent clashes with residents who wanted to stay in the community.

The city and the remaining residents then reached a relocation agreement in April.

The process stirred resentment among locals who said that the Olympics were being used to benefit politically connected developers at the expense of ordinary citizens.

The city says Vila Autódromo's residents who previously lived in "irregular buildings in unhealthy conditions" benefited from formal housing received from the government.

While some evictions cleared space to build or expand infrastructure, activists and residents say the city's only purpose in removing Vila Autódromo was to boost land values in the Olympic Park.

The city says some mandatory evictions were made to recover environmental-protection zones alongside a nearby lagoon and river, or to build roads into the Olympic Park.

Critics also say that the relocation of most Vila Autódromo families ended up costing the government much more than it would have spent by simply bringing the community into line with municipal standards.

Rio's city hall didn't respond to requests to comment. Mario Andrade, a spokesman for local Olympics organizing committee, Rio 2016, said the new houses "look great and indeed are better."

João Felix dos Santos, a 60-year-old handyman who fought to stay in Vila Autódromo, said he doesn't expect problems going forward. But the experience of seeing his neighborhood dismantled left him with a bad taste.

# Police Roust Drug Gangs Ahead of Games

BY WILL CONNORS  
AND BENJAMIN PARKIN

RIO DE JANEIRO—Hundreds of police stormed one of this city's biggest working-class areas, or favelas, to roust suspected drug traffickers and shore up security just two days before the official start to the Olympic Games.

The operation took place as hundreds of thousands of athletes and tourists have begun arriving in Rio for the Games.

The local Olympic organizing committee has tried to play down any security threat. "It's a normal thing that we have seen in Rio," spokesman Mario Andrade said. "We have seen operations every week."

The Brazilian government has ramped up security for the Olympics, deploying roughly 85,000 security agents, more than twice the number used in London for the 2012 Summer Games. Soldiers in fatigues with machine guns are prevalent throughout the city.

One police officer was shot but in stable condition, according to a police spokesman. Ten suspects were detained, two of whom were shot, though their condition wasn't known, the spokesman said.

Murders, muggings and car-

jackings in Rio rose sharply in June compared with the same month a year ago, according to statistics from Rio's state Institute of Public Security. Killings by police officers more than doubled to 49 people from 24 over the same period.

the Games, local organizers had promised "extensively improved security" in Rio and have guaranteed Olympics visitors they would be safe. Opening ceremonies are set for Friday.

Complexo do Alemão is administered under one of Rio's signature community-policing initiatives that employs what

are known as "police pacification units." The program began in some of Rio's most violent, neglected neighborhoods more than seven years ago and was designed to push out armed drug gangs from the favelas and pave the way for better public services.

While some of the city's favelas have seen improved

safety, others have slipped back into violence, as gangs have regrouped and police budgets have been cut. Shootings of civilians have shaken local confidence in the program.

Brazilian authorities have carried out many such security operations before previous megadevts in the country, such as the 2014 soccer World Cup. Two weeks before the 2007 Pan-American Games in Rio, 19 people were killed in Alemão during shootouts with police.

Some residents of Complexo do Alemão complained that during Wednesday's operation members of the police entered their homes without warrants to conduct searches and damaged their belongings.

Residents of Alemão said violence has intensified over the past six months, with near-daily shootouts between police and suspected drug traffickers.



An Olympic torchbearer ran in Rio amid tight security on Wednesday.

# Japan Protests Pyongyang Missile's Close Landing

BY ALASTAIR GALE

SEOUL—North Korea fired a ballistic missile early Wednesday that landed unusually close to Japan, drawing a strong protest from Tokyo a day after it warned of Pyongyang's advancing weapons threat.

North Korea frequently tests ballistic missiles in defiance of a United Nations ban, but they rarely pose an immediate threat to other countries. The latest missile landed in the Sea of Japan around 150 miles west of Akita Prefecture in the country's north, Japan's defense minister said.

It appeared to be among the closest a North Korean missile has come to Japan since Pyongyang fired one in 1998 that passed over the country and landed in the Pacific Ocean. In 2009, another North Korean missile flew over northern Japan and landed even farther east in the Pacific.

Prime Minister Shinzo Abe said the latest missile had landed in Japan's territorial waters, calling the launch an "unforgivable act of aggres-

sion that represents a grave threat to the security of Japan." He added that Tokyo had lodged a protest with North Korea and would coordinate with the U.S. and South Korea over "resolute measures" in response.

North Korea usually gives no warning about its missile launches and made no statement after the launch. The damage from a missile that is fired without an explosive warhead would likely be limited to the force of impact of the missile, experts say, but the remaining fuel in the de-

vice could trigger an explosion.

North Korea has accelerated its missile and nuclear-bomb testing under leader Kim Jong Un, launching over 30 ballistic missiles since Mr. Kim took power at the end of 2011. Most of them have been fired into the sea in the direction of Japan. In June, Pyongyang successfully tested a new midrange missile that could threaten U.S. bases in Guam and Japan.

In response to a nuclear-bomb test in January and a long-range rocket launch in February that was widely viewed as a missile test, the

U.N. imposed fresh sanctions on North Korea.

North Korea often threatens Japan, alongside the U.S. and South Korea, to attack, citing the need to pre-emptively counter an invasion by the U.S. and its allies. In an annual defense white paper on Tuesday, Tokyo warned of Pyongyang's progress in developing nuclear-tipped missiles.

To better defend against North Korea's increasing weapons capabilities, Washington and Seoul plan to deploy an advanced missile-defense shield in South Korea—a

move that has angered China, whose territory would be partially covered by the system's power.

The U.S. Strategic Command said North Korea appeared to have fired two missiles but one exploded straight after launch. It said the missiles were likely Rodong-type intermediate-range devices. Rodong missiles have a range of about 800 miles, which would put most of western Japan within reach from North Korea.

—Megumi Fujikawa and Cheiko Tsuneoka in Tokyo contributed to this article.

# Abe Names Nationalist to Defense Post

BY MITSURU OBE

TOKYO—Prime Minister Shinzo Abe named a new defense minister known for her nationalist views, giving a protégée a job that could help her advance in government.

Tomomi Inada, 57 years old, won the post in a cabinet shuffle following a victory by Mr. Abe's ruling coalition in parliamentary elections in July. Although she has been in Parliament for only 11 years, she has already been mentioned as a possible future prime minister.

Ms. Inada, a lawyer by training, earlier in her career questioned conventional views on Japan's actions in World War II and sometimes angered South Korea. In 2011, South Korea barred Ms. Inada and other Japanese lawmakers with conservative views from entering the country.

Like Mr. Abe, Ms. Inada advocates revising Japan's pacifist constitution, which forbids the country from waging war to settle international disputes.



## Going Ballistic

North Korea has launched a barrage of short- and longer-range missiles in recent years, with many fired in Japan's direction. The latest missile came down about 150 miles from Japan's coastline.

THE WALL STREET JOURNAL.

# GREATER NEW YORK

Blowing 'Breathless'

Terence Blanchard plays New York **ARTS | A17**



A Man's Theater  
Is His Signature

**OBITUARY | A14**

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THE WALL STREET JOURNAL.

Thursday, August 4, 2016 | **A13**

## Trenton's Pension Fight Escalates

By KATE KING

A proposal to hold a New Jersey ballot referendum on constitutionally mandated public-pension contributions is stalled in the statehouse, and the impasse is causing friction between Democratic lawmakers and one of their biggest political allies: unions.

State Senate President Steve Sweeney on Wednesday sent letters to the state attorney general and U.S. attorney asking them to investigate the New Jersey Education Association for attempted bribery and

conspiracy. Mr. Sweeney said union officials violated state and federal laws by calling Democratic county committee chairs and threatening to withhold campaign contributions unless the Senate voted by next week to allow the referendum to move forward. The state attorney general's office said it is reviewing Mr. Sweeney's letter.

"I am blown away that they would make these kind of threats like it was nothing," said Mr. Sweeney, a Democrat and a longtime union official. "It makes unions look bad."

New Jersey Education Asso-

ciation President Wendell Steinbauer said the union had acted properly: "Our political contributions are not entitlements—we have been supporting legislators all along that have been supportive of our issues. We don't support the ones who are not supportive of our issues."

LeRoy J. Jones Jr., chairman of Essex County's Democratic committee, said Wednesday that he had received a similar call from the education union. The conversation was "disappointing," Mr. Jones said, in part because his organization

isn't involved with the legislative process. "I felt like I was being shot with a bullet that wasn't meant for me," he said.

Mr. Sweeney said the New Jersey State Fraternal Order of Police also informed his office that it would withhold contributions from all state senators until the bill is put up for a vote. "You can withhold contributions to somebody because you're unhappy with the legislature," Mr. Sweeney said. "But to specifically tie it to an action, in my mind, is illegal."

Tony Fusco, an attorney for the police union, said there was no intent by the union to violate any law: "In Trenton, where your word is given, your word is taken, and if you don't go by your word then you run the risk that you're going to lose support."

At \$40 billion, New Jersey's unfunded public-pension liability is the country's second-highest per capita, said a February state report. In 2011, Gov. Chris Christie, a Republican, and Mr. Sweeney worked together to pass a pension over-

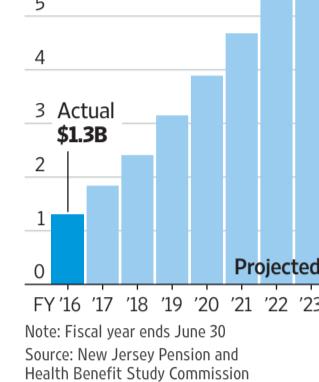
haul that increased public-worker benefit contributions

Please see PENSION page A14

### The Soaring Tab

Annual New Jersey state pension costs

\$6 billion



Note: Fiscal year ends June 30

Source: New Jersey Pension and Health Benefit Study Commission

THE WALL STREET JOURNAL.

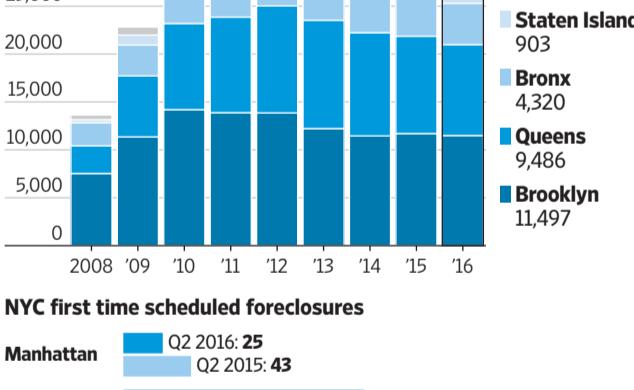


Edward Navarro has been facing foreclosure at his home in Woodhaven, Queens, for years even as the backlog of cases has shrunk.

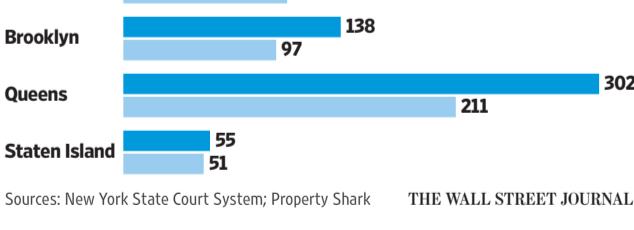
### Signs of Progress

New York City's pending foreclosures were down in the first half of the year.

#### Pending foreclosures in the New York State Court System



#### NYC first time scheduled foreclosures



Sources: New York State Court System; Property Shark

THE WALL STREET JOURNAL.

## Foreclosures Fall As Courts Rev Up

By JOSH BARBANEL

Edward Navarro, a former telephone clerk on the New York Stock Exchange, has been facing foreclosure on his attached two-family house in Woodhaven, Queens, since 2009.

On Friday, the 69-year-old had yet another day in court, his 12th in 14 months. While he was there, more than 200 people gathered in a nearby room, as court-appointed referees rapidly auctioned off 16 foreclosed properties, most of them modest homes like his.

The foreclosure crisis that gripped the U.S. since 2008 has eased in many states, but it has persisted in New York and New Jersey because of the slow pace of their foreclosure processes through the courts.

New Jersey, with 6.2% of its home mortgages in foreclosure in the first quarter of 2016,

ranked first in the country, followed by New York with 4.6%, according to the Mortgage Bankers Association.

Now there are signs of change. The number of pending foreclosures in New York City fell 5.8% in the first half of 2016, a steeper drop than in any full year since 2008, according to court-system data.

In New Jersey, new foreclosure filings fell 28% in the first half of year compared with the same period in 2015, according to court-system data.

The drop in foreclosures has been attributed to several factors, from an improving economy, to speedier courts

Please see HOMES page A16

## Incoming Boss Of NYPD Faces Tricky Terrain

James O'Neill, the next leader of the New York Police Department, is stepping into the ultimate high-wire act.

By Josh Dawsey,  
Pervaiz Shallwani  
and Mara Gay

The city's business leaders and many conservatives want the incoming commissioner to keep aggressive, quality-of-life policing. Activists who supported Bill de Blasio's bid for mayor want a more receptive ear to the concerns of minorities. City Hall wants a less political figure.

"It's like being in the batting cage and the fastballs keep coming right at you," said Richard Aborn, president of the Citizens Crime Commission of New York, a criminal-justice advocacy group. "I suspect other than being mayor, and it's a toss up on which one is more difficult, I can't think of a harder job in any city."

Chief O'Neill is riding plenty of momentum coming into the commissioner's job, which he will begin next month when William Bratton leaves for the private sector. Crime in New York is at record lows and Chief O'Neill, a career officer who rose through the ranks to chief of department, has the full backing of both his predecessor and a mayor who promised a "seamless" transition.

Yet there are daunting challenges on the ground. Those include a police force often at odds with the mayor, a liberal City Council that wants more oversight of the department, and what Mr. Aborn described as a "deep and cynical" divide between police and minority groups that is rupturing communities nationwide.

Mr. Bratton has said morale on the force is low. Union officials say it has never been more difficult to be a police officer in the city. The new chief also will have to contend with

the fallout from a federal corruption investigation that has already led to the arrests of four top police officials.

Chief O'Neill said Tuesday that taking the job was a dream come true after three decades in the department. He vowed to build inroads among minority communities and said he would keep a number of top Bratton officials.

The de Blasio-Bratton pairing has been mutually beneficial. The pick gave early credibility to the mayor, who was an inexperienced manager when he came into office. The job gave Mr. Bratton a chance to solidify his reputation after a contentious exit from the NYPD in 1996.

Mr. Bratton, who has had higher approval ratings than the mayor, was successful in bringing crime to record lows in New York while further curbing the stop-and-frisk policy that Mr. de Blasio had criticized.

James O'Neill, now NYPD chief of department, will become commissioner in September.

Still, a senior city official said Mr. de Blasio and his top aides wanted a less-political figure in the job. This person said Mr. O'Neill is expected to be "better with the liberals with his common touch."

Mr. de Blasio sometimes grew frustrated with Mr. Bratton when the commissioner went against City Hall's message, according to a person familiar with the matter. Chief O'Neill is more humble and less interested in having a prominent political profile, this person said.

Chief O'Neill won cautious praise among liberal members

Please see POLICE page A14

## Speaking of Trades, Mets and Yankees Should Swap Stadiums

By ANDREW BEATON

The Mets and Yankees entered this week's Subway Series with similar records but diametrically opposed mind-sets.

The Mets believe they are still contenders in the National League, as Monday's trade for slugger Jay Bruce in exchange for top prospect Dilson Herrera proved. The Yankees know they're finished in 2016, having swapped three of their best players—Carlos Beltran, Andrew Miller and Aroldis Chapman—for a new crop of minor-league studs.

It's essentially a role reversal—the big-spending, win-now Yankees playing the long game, and the sad-sack Mets hooking the biggest bat on the market for a playoff run.

While they're at it, the big-city rivals might consider

another deal: They should swap stadiums for the rest of the season.

It's a radical idea, to be sure—especially in the middle of a pennant race. Also, it isn't immediately clear if Mr. Met knows how to take any other train other than the 7.

There is evidence, though, that the Mets would have a much better shot at a post-season berth if they played their home games in Yankee Stadium for the rest of the season. The Yankees, meanwhile, have put everything on the market short of listing their home on Airbnb—so who's to say they wouldn't be game to mix things up and finish out 2016 at Citi Field?

The Mets have made bringing the walls in at Citi Field a kind of tradition in an attempt

Please see SWAP page A18



Mets fans took over a section of Yankee Stadium during a Subway Series game last season.

### 80°

TODAY'S HIGH

9 a.m. 75°

5 p.m. 78°



Record High 100° (1944)

SUNNY, BEAUTIFUL

Sunrise/Sunset 5:56 a.m./8:07 p.m.

Friday's High 81°

### Weather

Real Feel

9 a.m. 75°

5 p.m. 78°



SUNNY, BEAUTIFUL

Sunrise/Sunset 5:56 a.m./8:07 p.m.

Friday's High 81°

### N.Y. Sports Lineup

7:05 p.m.

Thursday

Mets @ Yankees

7:05 p.m.

Friday

Indians @ Yankees

For N.Y. sports coverage, see A18

## CITY NEWS

# Signature Founder Took Playwrights One Year at a Time

BY PIA CATTON

James Houghton, an advocate for the work of living playwrights, died Tuesday in Manhattan from stomach cancer at 57 years old, representatives for his company, Signature Theatre, announced Wednesday.

### OBITUARY JAMES HOUGHTON 1958-2016

Mr. Houghton founded Signature in 1991 with the innovative concept of dedicating a full season to one contemporary playwright, allowing a body of work to be viewed and considered in its time. Playwrights Suzan-Lori Parks, Athol Fugard, Tony Kushner and Naomi Wallace are just a few to receive the honor.

John Guare, whose plays were staged in the 1998-99 season, said the approach was based on belief "not in a playwright's hits but in a playwright's career."

Signature's reach grew in 2012 with completion of Pershing Square Signature Center, a \$38.5 million three-theater venue on West 42nd Street, designed by Frank Gehry Architects. There, Mr. Houghton added two more residences to stage the work of emerging and celebrated writers.

"Signature became an extraordinary community of artists at all areas in their careers," said actor, writer and director Ruben Santiago-Hudson.

son, who joined the board at Mr. Houghton's urging. "He wanted me to learn how nonprofit theaters are run."

Mr. Houghton nurtured the theater artists throughout their careers. Playwright Katori Hall, a current Signature resident playwright, first interacted with him at the Juilliard School, where since 2006 he served as director of the drama division.

"I wanted to know, how did you do all this? How did you achieve this?" she said. "We talked for hours."

At Juilliard, he added a four-year Master of Fine Arts degree that is tuition-free in the final year. He instituted new collaborative opportunities for playwrights and actors at the school, as well as links to the real world of professional theater.

In a 2007 article published by Juilliard, he emphasized the need for personal relationships: "A crucial piece of the puzzle for me is how to bring the humanity into the training and how to demystify it."

His concern wasn't only with artists, but also with audiences and accessibility: Signature's ticket-subsidy program ensures that initial-run tickets, currently \$30, remain affordable through 2031.

Mr. Santiago-Hudson said the future of Signature is in good hands with its current artistic director, Paige Evans, to whom Mr. Houghton gave his blessing, and a growing board of trustees whose outlooks are diverse, yet committed: "His mission will be carried on."

Erika Mallin and James Houghton of Signature Theatre in 2014

officials said there were no serious injuries from the fire, which broke out at around 7:20 p.m., though four firefighters sustained minor injuries.

It wasn't immediately clear what caused the fire.

—Associated Press

### NEW JERSEY

#### Education Board Sets Tests for Graduation

The state Board of Education voted Wednesday to require students to pass the Partnership for Assessment of Readiness for College and Careers tests in Algebra 1 and 10th-grade English language arts to graduate.

The requirement takes effect with students entering eighth grade this fall.

—Associated Press

### NEW YORK

#### Cuomo OKs Return Of Fantasy Sports

Gov. Andrew Cuomo signed a law Wednesday allowing resumption of daily fantasy sports in New York.

Calling the popular online contests a "game of skill," the measure resolves the central argument in a suit brought against the country's two top fantasy-sports companies—New York-based FanDuel and Boston-based DraftKings—by the state attorney general, who had likened the games to illegal gambling.

FanDuel and DraftKings had agreed to stop operations in New York pending passage of a law resolving the ambiguity.

—Associated Press

The last name of Arnaud Lecamus was misspelled as Lucas in a photo credit accompanying Wednesday's Scene column about a pétanque tournament in Montauk.

Erica Orden's name was incorrectly given as Eric Orden in the byline of an article published Friday about New York Gov. Andrew Cuomo's address at the Democratic National Convention.

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

James Houghton, an advocate for the work of living playwrights, died Tuesday in Manhattan from stomach cancer at 57 years old, representatives for his company, Signature Theatre, announced Wednesday.

## A Warm Welcome Back for Winnie-the-Pooh and Friends



CLASSICS: Librarian Louise Lareau introduced children Wednesday to the toys that inspired A.A. Milne's stories. Pooh, Piglet, Tigger, Kanga and Eeyore, originally owned by Milne's son Christopher Robin, returned to the New York Public Library after restoration work.

RICHARD DREW/ASSOCIATED PRESS

## The Tough Guys Who Keep City Clean

Urban insomniacs recognize the mundane sounds of night in the city.

There are police cars, fire trucks and ambulances—their sirens wailing as they approach, reaching their apex beneath your window and fading back into the night.

Alcohol-fueled revelers laughing too loud.

And the quiet rumble of commercial garbage trucks as they roll up to a nearby restaurant or store, collect its refuse, and move on.

Most of us don't get to experience the job of a private hauler. Nor, I suspect, is it on many bucket lists. But I had the privilege of riding along with a crew employed by Action Environmental Group, one of the city's largest hauler/recyclers, a few weeks back as they made their rounds of Chinatown and Little Italy.

The garbage that commercial haulers handle on the whole is heavier than residential collections, said Thomas Toscano, president of the New York chapter of the National Waste and Recycling Association. "Anything with food you're going to have heavy bags."

And occasionally the contents even scuttle—not shift, scuttle. "There's a store around the corner with fish tanks," said Luis Suarez, the driver of the three-man crew as we boarded the truck outside a bakery on Grand Street. "We had a crab one time that was still moving."

However, the life-forms that cause private haulers the greatest concern aren't crustaceans but motorists and pedestrians, as the massive truck wends its way through the labyrinth of lower Manhattan.

For that reason, the vehicle is surprisingly high tech, equipped with cameras not just so the driver can see behind him, but also to record any accidents he may be involved in during the night.

"This truck is equipped with behavioral cameras," Mr. Suarez said. "If he jams

on the breaks," meaning the driver, "if he has a seat belt on, if he has a cellphone in his hand," the camera will document it.

Also, all the workers are equipped with reflective vests, which I was also required to wear.

Waste and recycling collection continually ranks in the top five most dangerous occupations. But in the New York City area most of the injuries involve slips, trips and falls rather than fatalities.

It seemed to me that fellow crew members Bryce Pointer and Lamont Mays might hold it against Mr. Suarez staying in the cab while they did the grunt work of hauling heavy bags of garbage from curb to truck.

They didn't seem to. Also, the driver will climb down and pitch in if the load is large.

"I've been doing this for a while—27 years," Mr. Mays said with a smile. "This keeps me in shape."

Their shift starts in New Jersey, where they pick up the truck at 6 p.m., arriving in Manhattan through the Holland Tunnel around 7. They typically work until around 3 a.m.

"The garbage is pretty much the same" from night to night, Mr. Suarez said as we made a pickup at Hong Kong Supermarket on Hester Street. "When it heats up the garbage is a little heavier. Civilians pick off fresh vegetables. That makes it a little easier on us."

Not that the cab wasn't fresh smelling, but Mr. Suarez recommends Black Ice air freshener, the kind in the shape of a pine tree.

He reported that Mr. Mays freshens up after work. "He does not go into his home with his garbage gear on."

He didn't say what precautions he and Mr. Pointer take, though he noted his wife isn't usually home when his shift ends.

The crew doesn't seem to labor under any of the negative associations, primarily olfactory, that civilians might associate with waste disposal. Mr. Suarez boasted that one of his sons also works for Action Environmental.

"He loves the job," his father said. "He's 19 years old

**'This keeps me in shape,' says Lamont Mays, a 27-year veteran of the job.**

and he's making decent money."

Our last stop, at least my last stop, was a restaurant on Baxter Street. The haul included a garbage bag filled with what looked like a collection of femurs but were probably just soup bones.

"I refer to these as dinosaur bones," Mr. Mays said, as he hit a lever and the truck's sweep blade made the gruesome debris vanish.

[ralph.gardner@wsj.com](mailto:ralph.gardner@wsj.com)



Action Environmental Group crew, from left, Bryce Pointer, Luis Suarez and Lamont Mays.

RALPH GARDNER JR./THE WALL STREET JOURNAL

## POLICE

Continued from page A13

of the City Council, who have at times worked closely with the chief of department. Within 24 hours of his appointment, though, council members said they wanted to resuscitate the "Right to Know" legislation, which requires officers to give more information to suspects during stops. Mr. Bratton has opposed the legislation.

"I like Jimmy O'Neill," said Jumaane Williams, a Brooklyn Democrat who has often been critical of NYPD policies. "I have a level of trust in him. We're going to have disagreements, but I do think the conversation can happen less bitterly and that's important."

Mr. Williams and others said Chief O'Neill has avoided making the kind of offhand remarks about black culture and racial issues that Mr. Bratton sometimes did. After a shooting at a concert earlier this year, the

commissioner described rap artists as "basically thugs."

"I expect [Chief O'Neill] will approach the role with the humility of a public servant rather than with the outsize ego of a celebrity, like Bratton did," said Councilman Ritchie Torres, a Bronx Democrat.

"I think he'll focus on running operations of the NYPD rather than blow up about rap music,

the Moynihan Report, or Black Lives Matter. I want a boring police commissioner."

The NYPD didn't respond to requests to comment on Mr. Torres's remarks.

Conservatives like Councilman Joe Borelli, a Republican from Staten Island, said "people don't want him to abandon the Bratton strategies that worked."

Business leaders said they appreciated Mr. Bratton's straightforward, tough-talking style and felt the city needed restraint from all Democrats at City Hall.

"Quality-of-life policing is

absolutely essential. I'd like to see more explanation of policing to rebut the Black Lives

Matter movement," said Heather Mac Donald, a conservative fellow at the Manhattan Institute.

Chuck Wexler, executive director of the Police Executive Research Forum and a friend of Mr. Bratton, said the challenges he faced during his first stint as police chief in the 1990s were "pretty straightforward." Today the job is about much more than fighting crime.

"I believe he stabilized the department," he said. "I think on the race issue, that is a work in progress."

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## PENSION

Continued from page A13

and raised the retirement age.

In exchange, Mr. Christie agreed to raise the state's annual payments to the retirement system, reaching about \$4 billion by fiscal 2018. He later scaled back those payments to avoid raising taxes, provoking a backlash from public unions and many Democrats, including Mr. Sweeney.

Mr. Sweeney is a sponsor of the legislation to require quarterly pension payments, and had promised that the proposal would appear on the Nov. 8 ballot. But he is declining to hold the final vote to approve the referendum because of a separate legislative battle with Mr. Christie over a proposal to increase the gasoline tax while cutting the sales tax. The sales-tax cut, which would cost nearly \$2 billion a year, would blow too huge a hole in the state budget, Mr. Sweeney said.

## CORRECTIONS & AMPLIFICATIONS

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## CITY NEWS

# Citing a Strike, Taj Mahal Casino Plans Shutdown

BY PEG BRICKLEY

Atlantic City's Trump Taj Mahal casino will close at the end of the Labor Day weekend amid labor strife stirred by the last in a series of bankruptcies for the former gambling empire of Donald Trump.

The Republican presidential nominee hasn't been involved in the management of the casino for years, but his name remains on the facade of the boardwalk property, which is owned by billionaire Carl Icahn.

Represented by Unite Here Local 54, some 1,000 Trump Taj Mahal workers went on strike July 1, asking for the restoration of health-care benefits lost in Trump Taj Mahal's most recent bankruptcy.

**After years of decline, Atlantic City's gambling industry has started to stabilize.**

In a statement, Tony Rodio, president and chief executive of Tropicana Entertainment Inc., which is also controlled by Mr. Icahn, blamed striking workers for the demise of the Taj.

"Our directors cannot just allow the Taj to continue burning through tens of millions of dollars when the union has single-handedly blocked any path to profitability," Mr. Rodio said. He declined through a spokeswoman to answer questions.

Union chief Bob McDevitt criticized Mr. Icahn in a statement, likening him to a "playground bully" who would rather pick up his ball and go home than try to reach an agreement with the casino's workers.

"For a few million bucks, he could have had labor peace and a content workforce, but instead he'd rather slam the door

shut on these long-term workers just to punish them and attempt to break their strike," Mr. McDevitt said.

After years of decline and casino closings, the Atlantic City gambling industry has started to stabilize. Earlier this summer, the casino workers' union reached new labor contracts with four other casinos, three owned by Caesars Entertainment Corp., as well as Mr. Icahn's Tropicana. But the union was unable to reach a new deal for the Trump Taj Mahal.

At an average wage of less than \$12 an hour, according to the union, the Trump Taj Mahal workers are among the lowest-paid in Atlantic City, having lost their health-care benefits as well as other labor contract protections in bankruptcy.

Mr. Icahn pledged to invest \$100 million in the Trump Taj Mahal to get it in shape to compete, but dialed down the investment after the company left bankruptcy-court supervision.

A spokeswoman for Mr. Icahn said Wednesday that he was unavailable for questions about the decision to close the Trump Taj Mahal on Labor Day.

For more than a year before the picket lines went up, the relationship between union workers and Mr. Icahn was marked by marches and protests in Atlantic City and New York, where Icahn Enterprises has its headquarters. Mr. Icahn has posted open letters on his website, questioning the honesty of union leadership.

Opened by Republican presidential nominee Donald Trump in 1990, the Trump Taj Mahal was the centerpiece of his gambling operation. By 2014, he sued to get his name off the casino and others in Atlantic City that later closed, fretting their tattered state would harm his brand.



Police searched for evidence Wednesday in the tall grasses of Spring Creek Park, where Karina Vetrano was discovered Tuesday.

## Jogger Found Strangled in Park

BY ZOLAN KANNO-YOUNGS

A Queens woman whose father found her dead after she didn't return home from a run near her home was strangled, authorities said Wednesday.

The body of Karina Vetrano, 30 years old, was discovered Tuesday night in a marsh in Spring Creek Park.

Ms. Vetrano left her house in the Howard Beach neighborhood at 5 p.m. and could be seen in footage from a home-surveillance camera headed toward the park, authorities said.

Hours later, her father, who typically ran with her, found her with scrapes on her legs and her sports bra and shorts pulled down, authorities said. She was pronounced dead at the scene.

"He asked her not to run this path," Robert Boyce, chief

of detectives for the New York Police Department, said Wednesday. "Not without him."

She had been strangled, the medical examiner's office said Wednesday. Chief Boyce said there was possible evidence of sexual assault.

  
**Karina Vetrano,** in a photo from her Instagram account, often ran with her father.

"Right now we're investigating anybody that uses this park," he said. "There is a lot of evidence, digital evidence, home video, cameras that look at the street."

Ms. Vetrano, who regularly ran in the park, entered it

Tuesday near 164th Avenue and 83rd Street, Chief Boyce said. "There are some beer cans back there, so it looks like there was some kids hanging back there as well."

She exchanged a few conversational text messages with a friend, then stopped, he said.

Her father called Ms. Vetrano several times but didn't get an answer, Chief Boyce said. "That's when he got nervous."

Her father contacted the police, and they began looking for her at the park. The NYPD located Ms. Vetrano's phone in a brush about 15 feet away from the running path near 161st Avenue and 78th Street, authorities said.

"Her father then went into the woods and then found a body with our detectives right after him," Chief Boyce said. "You can imagine his angst at that point."

The incident rattled residents of Howard Beach, a neighborhood near John F. Kennedy International Airport that has had no other homicides this year, according to the NYPD's CompStat data.

Dorothy Tuccillo, a lifelong Howard Beach resident, said she used to see Ms. Vetrano and her father running along the path.

"She was a beautiful girl and she was really sweet," Ms. Tuccillo said. "Everyone knew that. She came from a good family."

Other residents said they had expressed concerns about the safety of the overgrown area in the park where Ms. Vetrano was found.

"We've said something was going to happen here for years," Henny Berkovits said. "And now it did."

—Henrik Karoliszyn contributed to this article.



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# SPACES THURSDAY



Renderings of the Journal Squared project's Phase 3, left and above. Phase 1 nears completion, below. Work is expected to begin shortly on the complex's second and third towers.



L-R: CRYSTAL CG (2)

TOWERPOWER123

## Jersey City Reaches Skyward

With Journal Squared residential project, a vision of 'Tokyo-style' urban planning

For decades, Jersey City has been defined by the glassy towers of its eastern skyline—the aptly named Gold Coast—behind which extended a plain of row houses and warehouses that stretched clear to Newark.

Not anymore.

"You can almost see it from here," says architect Marc Kushner, sitting alongside partner Matthias Hollwich in the Financial District offices of their shared firm, HWKN.

The studio's latest project is a 53-story apartment tower in Jersey City's Journal Square. Known as Journal Squared, the building at first glance is a near dead ringer for Rafael Viñoly's 432 Park Avenue, a white shaft gridded with dark windows.

Ready for rental tenants this winter, the \$280 million building is the first of a projected three-tower complex. The others, which are expected to rise 70 and 60 stories, will bring the total number of units to 1,838 spread out across 2.4 million square feet. They will be linked at ground level with landscaped plazas that lead in turn to the adjacent PATH station.

Upon closer inspection, the similarities between Journal Squared and 432 Park start to fade: The New Jersey tower has a recessed portion that extends from the entryway up most of the north and south facades, and its windows are outlined in blue frames, giving the building "a sense of presence," as Mr. Hollwich puts it.

Once the tower is flanked by its companions, each set back on a mid-rise base, the

grouping will look less like Mr. Viñoly's project and more like the art deco ensemble of buildings at Rockefeller Center.

The timeline for completion remains in flux, but its developers believe the complex represents a new, New Jersey urbanism.

**Journal Square was a prime example of an underdeveloped hot spot.**

"Jersey City started to rethink high-density about seven years ago," said Mr. Kushner.

As elsewhere in the northern reaches of the state, local planners have been looking to cluster development around Jersey City's exten-

sive transit infrastructure, including the PATH, Hudson River ferries, light rail and highway networks.

The historic Journal Square district was a prime example of an underdeveloped hot spot. Six years ago, the city council adopted the Journal Square 2060 plan, which allowed for a pocket of ultra-tall towers on the perimeter of the Journal Square Transportation Center.

Bordered by Pavonia and Summit avenues, the Journal Squared site is flanked on its southern side by a 1960s parking structure of the Brutalist type, a looping ramp of concrete connected to an at-grade arrival plaza cluttered with protective bollards.

"After 9/11, there was a lot of concern about security," notes Mr. Hollwich.

The entryway to Journal Square will be redesigned by

HWKN along with collaborators Handel Architects and landscape specialists Melillo+Bauer Associates. It will include a covered walkway passing straight through the tower's ground level.

These and other public amenities are complemented by private ones, among them a double-height fitness center, outdoor pool on the projecting eastern deck, and a 53rd-floor lounge for residents with views that take in both lower Manhattan and Midtown.

Developers KRE Group (of which Marc Kushner's brother is president) and National Real Estate Advisors will begin leasing the apartments, most of them studios and one-bedrooms with a few larger units, in December. Even with relatively high prices—\$1,900 for the studios—the team expects

considerable interest. HWKN's last project for the same clients was 18 Park, a building in the Paulus Hook neighborhood a couple miles east, and it leased out quickly.

The possibilities for what Messrs. Kushner and Hollwich deem "Tokyo-style" planning, with vertical mini-towns springing up along Jersey City's commuter corridors, have only been enhanced by recent improvements to regional transportation—especially architect Santiago Calatrava's much-debated World Trade Center transportation hub, three stops from Journal Square.

"Everybody's complaining that no one's using it," said Mr. Kushner of the hub. "They won't be for long. That's basically our front door."

## HOMES

*Continued from page A13*  
that are cutting down the backlog, to rising property values that prompted lenders to move more quickly with auctions.

In Brooklyn, which had the biggest backlog in New York state in 2012, judges were told by court administrators to limit the number of settlement conferences if there was no sign of progress.

Then in January, Justice Lawrence Knipel, the administrative judge for civil cases in Supreme Court in Brooklyn, ordered 6,000 foreclosure cases that had been handled by more than 20 judges to be turned over to a single judge. In an interview, he said that some judges had been reluctant to move the cases forward.

"Who wants to sign foreclosures? Not many people," he said. "Judges were taking their time."

Meanwhile, the bubbling real-estate market is driving up home values even in lower-priced New York neighborhoods with many foreclosures, such as Jamaica. Average New York City home prices rose 10% in the second quarter from the same quarter a year ago, according to the Real Estate Board of New York, to a new high. In Queens, average home prices rose 9% over the same period, and they were up 7% in Jamaica.

A study by Property-Shark.com, which tracks foreclosures in New York City, found 673 New York City properties scheduled for auc-



Queens houses, above and right, sold at a foreclosure auction.



Queens houses, above and right, sold at a foreclosure auction.



Attorney Silvia Bevilacqua discusses mortgage default and foreclosure options at a settlement conference.

continued in 2013, according to court records. Last year a new foreclosure was filed after the debt was assigned to another entity.

Working with his lawyer, Robert J. Seewald of JASA Legal Services for the Elderly in Queens, Mr. Navarro is prepared to give up his house to the bank, under a federal program that would provide him with some money to cover his relocation costs.

The lender contended that Mr. Navarro wasn't eligible, and the hearing ended with a warning from the hearing officer, Tracy Catapano-Fox, that the lender was required to negotiate in good faith. Another hearing was scheduled.

Afterward, Mr. Navarro said that in any event he would be leaving New York. "One can't stay in New York for what I get from Social Security," he said.

### Notice Of Secured Party's Public Sale Of Collateral Under Uniform Commercial Code

PLEASE TAKE NOTICE that on Wednesday, August 10, 2016 at 10:00A.M. local time, LMEZZ 250 W90 LLC ("Secured Party"), as successor in interest to Ladder Capital Finance LLC, will offer for sale at a public auction, and sell to the highest "qualified bidder" at the front of the New York County Courthouse, 60 Centre Street, New York, New York 10007, under Section 9-610 of the Uniform Commercial Code as enacted in the State of New York, all of Secured Party's right, title, and interest as a secured creditor of AC NW Retail Investment LLC, a Delaware limited liability company ("Debtor"), in 100% of the membership interests in Armstrong New West Retail LLC, a Delaware limited liability company ("Issuer"), pledged to Secured Party by Debtor. The principal asset of Debtor is 100% of the limited liability company interests in the Issuer and certain related rights and property relating thereto (collectively, the "Collateral"). Secured Party is informed and believes that Issuer owns certain real property and the improvements located at 250 West 90th Street, NY, NY. This sale will be held to enforce the rights of Secured Party under (i) that certain Mezzanine Loan Agreement dated as of July 20, 2015, and (ii) that certain Pledge and Security Agreement dated as of July 20, 2015, each executed by Debtor in

favor of Secured Party. The sale will be FINAL and on an "AS-IS, WHERE IS" basis and will be made WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, POSSESSION, QUIET ENJOYMENT, OR ANY OTHER MATTER. Secured Party reserves the right to establish other reasonable bidding procedures and to require potential bidders to reasonably demonstrate their ability to perform and close on the acquisition of the Collateral to the satisfaction of Secured Party. Secured Party reserves the right to credit bid at the auction. Secured Party also reserves the right to adjourn, continue, or cancel the auction without further notice. Any parties interested in further information about the Collateral, becoming a "qualified bidder", and/or the terms of the sale should contact Jonathan Cuticelli of Sheldon Good & Company at (800) 516-005 or [jcuticelli@sheldongood.com](mailto:jcuticelli@sheldongood.com). Qualified bidders may obtain a confidentiality agreement by visiting <http://www.SheldonGood.com>. Any prospective bidder must satisfy the requirements to be a "qualified bidder" by no later than 9:00 A.M. local time, on Wednesday, August 10, 2016. The sale will be conducted by Jonathan Cuticelli, Sheldon Good & Company, a New York licensed auctioneer, license No. 1387302.

foreclosure auctions. Much of the delay, however, was caused by the deluge of cases during the economic downturn, he said. They overwhelmed judges, leading to scheduling delays, as well as delays generated by homeowners who failed to show up for hearings.

After years of slow-moving cases, they are now moving faster, said Raymond Radow, a lawyer who specializes in foreclosure defense.

"It is streamlined," he said. "We used to get mired in the weeds, where you are looking at every single 'i' and 't.'"

Mr. Navarro's 2½-story house on 75th Street had been in his family since the 1920s. He got into trouble on his \$400,000 mortgage after he lost his job more than a decade ago.

A foreclosure was filed in

2009, stalled in 2010 and dis-

## HEARD & SCENE

# When Celebrating Accessories, It's All in the Details

New York Fashion Week is still a glorious and hopefully long month away, but things got a head start on Tuesday. Yes, on a Tuesday in August.

You know what they say: Fashion never sleeps, except when it takes an Ambien or a Zoloft or a Klonopin or a Xanax.

First, Architectural Digest and its new editor Amy Astley cele-

brated the magazine's September Style issue at Spring Place on Varick Street with a handful of fashion people, including Tommy Hilfiger, Jason Wu, Joseph Altuzarra and Marc Jacobs, who brought his bull terrier Neville. The dog is actually Architectural Digest's newest cover star: He lounges in a living room in Mr. Jacobs's four-story Greenwich Village townhouse on the September issue.

**When Ray-Ban accepted its award, engraved sunglasses were given to guests.**

Meanwhile, up at Cipriani 42nd Street, the Accessories Council celebrated the 20th anniversary of its ACE Awards. Typically, this event takes place in November, but the evening it would have fallen on this fall was Nov. 7, the night before the presidential election.

"Obviously, this has happened before, but 'we thought this wasn't the year to do a big event before the election," said Karen Giberson, the president of the Accessories Council, who made the call in January. "We knew it would be a challenge."

She and her team tried to move the ACE Awards later

in that week, but Cipriani was already booked. This particular week in August marks an official "market week" for accessories, when buyers come to town looking for holiday and spring items. Ms. Giberson figured it might be a good time to attract attendees, especially those who were already going to be in New York.

"We were concerned," she said. "It was a risk. We wondered, Are people going to be out of town? But we had a full house."

Not only was it a full house, but there were also plenty of well-dressed, lady celebrities, including Sarah Jessica Parker, whose line received the Brand Visionary Award; Priyanka Chopra of "Quantico" and the coming "Baywatch" movie, who gave Marie Claire and its editor Anne Fulenwider the Media Award; and Debra Messing, who presented the Influencer Award to the jeweler Jennifer Fisher.

Ms. Messing said she discovered Ms. Fisher around a decade ago. "I was looking through Vogue and saw a picture of these really cool dogtags that had children's names printed on them," said Ms. Messing. "I tracked her down to her first studio on Lafayette Street, showed up at her door and have been in love ever since."

Ms. Giberson explained that the Ace Awards originated two decades ago as a way to promote the accessories category, "publicize products" and create a networking event for the industry."

One of the requirements to winning an ACE Award is you have to be at the ceremony to accept it, she added.

Which, for instance, explains the presence of Julianna Margulies and Daniel Lawson, the costume designer of "The Good Wife," who were, together, given the Style Influencer Award. The CBS series ended in



Gigi Burris and Jennifer Fisher after the ACE Awards, above. Below, from left, Debra Messing and Julianna Margulies, Priyanka Chopra; and Karen and Peter Giberson. Amy Astley and Marc Jacobs at a party for the September of Architectural Digest, far right.



SEAN ZANNI/PW

May, although a spinoff is in the works.

Mr. Lawson described how accessories helped turn a two-dimensional character like Alicia Florrick into a person that popped off the screen, through "the stature of a solid high-heeled shoe; the sparkle of a tiny but brilliant earring; the power of a

fabulous bag; the confidence of an amazing statement necklace."

Ms. Giberson said it was

equally important that the

ACE Awards wasn't your typi-

cal, boring evening full of

speeches.

"We like to push the envelope," she said. "We like to

see excitement in the room."

To that end, the event, too, was embellished with unexpected accessories. In a Oprah Winfrey-inspired moment, when Ray-Ban ac-

cepted the Brand of the Year award, waiters came out with trays of engraved sun-

glasses to pass to surprised

attendees.

There was an afterparty,

hosted by Ms. Fisher and Brand Launch winner Paul Andrew, a shoe designer, at the New York Edition on lower Madison Avenue. There guests drank ginger margaritas and "The Yogi," a specialty cocktail made of vodka, honeydew, kiwi, matcha, and a touch of pineap-

ple and lime.

## ARTS & ENTERTAINMENT

### An Artist's Civil Rights Statement



BY JENNIFER SMITH

New Orleans trumpet player and composer Terence Blanchard has performed his latest album, "Breathless," on both sides of the Atlantic, but his concert this week in New York, part of the annual SummerStage series in city parks, has a special resonance.

The multi-Grammy-winning jazz musician is playing on Staten Island, the home of Eric Garner, the unarmed African-American whose words during a fatal 2014 confrontation with police—"I can't breathe"—inspired the title track.

In "Breathless," Mr. Blanchard's cool, muted trumpet floats above a spoken-word meditation by his son, T. Oliver Blanchard Jr.

"Am I wrong for believing that one day black and blue would not equal pain?" the junior Blanchard asks in a weary voice. "These black roses grow from cracked pavements freshly watered with the tears of the voiceless / As we'll emit a muted scream to the heavens / We / Can't / Breathe."

At least eight members of the Garner family plan to attend the Friday concert at Clove Lakes Park, about 3

miles from the spot where a police officer placed Mr. Garner, 43 years old, in a chokehold. His death, and a grand jury's subsequent decision not to indict the officer, triggered protests in New York City and beyond.

"I want you to know you are not forgotten and in fact, you are an inspiration," Mr. Blanchard wrote in a letter last month inviting the Garner family to join him and his band, the E-Collective, at the show.

"It feels like every week there's another YouTube video going viral of police brutality or civil rights being sent back to the 1800s.

"Breathless" is my attempt to draw more attention to that."

A Garner family member will give brief remarks before the concert, said a spokeswoman for City Parks Foundation, the organization that presents SummerStage.

In an interview, Mr. Blanchard said he was on the road with the E-Collective in 2014 when a series of fatal confrontations occurred between police and unarmed African-Americans: Mr. Garner, Michael Brown in Ferguson, Mo., and 12-year-old Tamir Rice in Cleveland.

"It's intolerable, and we got

to the point where we felt we needed to make our own statement," said Mr. Blanchard, who grew up listening to civil-rights-inspired jazz compositions by saxophonist John Coltrane and drummer Max Roach.

"Breathless" also has a personal connection. Mr. Blanchard said his son had a run-in with New Orleans police based on an incorrect identification, though he was eventually released after an officer who knew the family intervened. The New Orleans Police Department said it had insufficient information to confirm or comment on the incident.

"It was a pretty harrowing experience," he said. "I'm 54 years old, and to be honest I remember when Jimmy Carter was in office and you had a sense that this racial stuff was behind us."

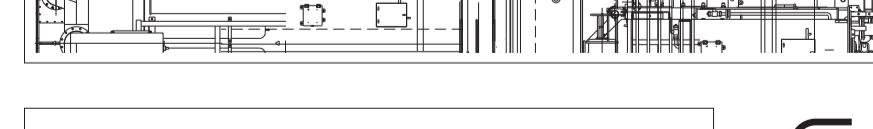
The trumpeter has taken up serious themes before, most notably in his elegiac 2007 project "A Tale of God's Will (A Requiem for Katrina)," which won a Grammy. He has also composed dozens of film scores, including for Spike Lee movies from "Jungle Fever" to "Chi-Raq."

The performance is one of several addressing civil rights and social-justice issues this year at the summer arts festival. Next week at East River Park in Manhattan, the actor, director and writer Roger Guenveur Smith will perform "Rodney King," his monologue about the black motorist whose videotaped beating by police ultimately sparked the 1992 Los Angeles riots.

SummerStage's audience tends to be more diverse than the general New York City population. Two-thirds of attendees outside its Central Park main stage are nonwhite; African-Americans account for 50%.

Artists who perform at SummerStage often produce work exploring social and political issues of the day, said Erika Elliott, City Parks Foundation's executive artistic director. Bringing them to neighborhoods that are experiencing those issues firsthand "makes the work feel new," she said.

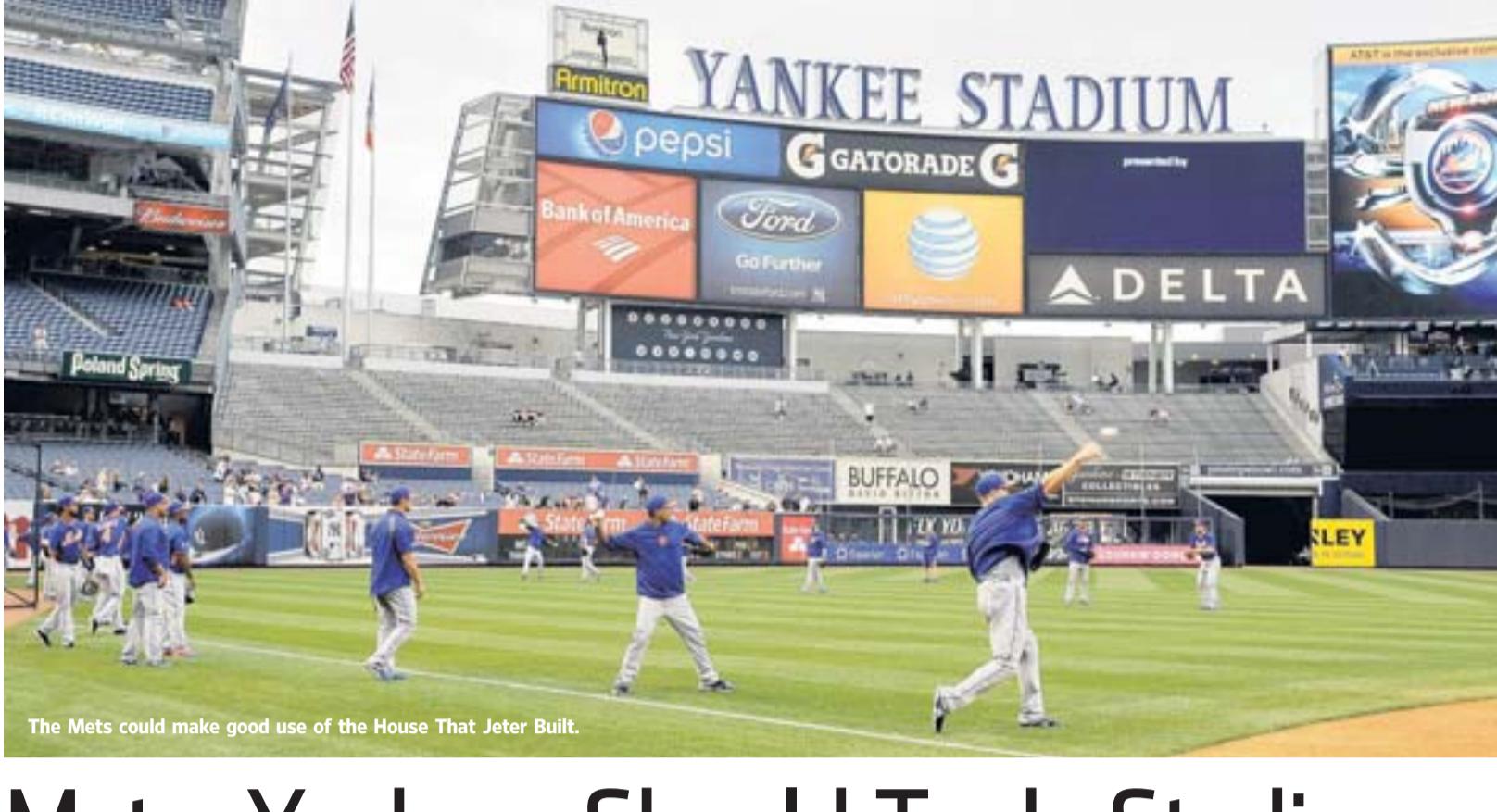
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# SPORTS



The Mets could make good use of the House That Jeter Built.

## Heard On The Field



### Yankees Promote Catching Prospect

In the aftermath of their trade deadline fire sale, the Yankees said they wanted to use the next two months to evaluate the talent in their farm system. The movement started Wednesday, when they called up Gary Sanchez, one of the top catching prospects in baseball.

Sanchez, 23, had two at-bats in a brief cameo at the end of 2015 and started one game for the Yankees in May of this year. But this time, he will receive an extended audition in the hopes that he can develop into a consistent producer in 2017.

"I want to be one of the best out there in the game," Sanchez said in Spanish through a translator, speaking before the Yankees' matchup against the Mets.

In 71 games at Triple-A Scranton/Wilkes-Barre this season, Sanchez hit .282 with 10 home runs and 50 RBIs. He joined the organization as amateur free agent out of the Dominican Republic in 2009.

On Wednesday, he batted eighth and served as the Yankees' designated hitter.

The Yankees intend to promote several other prospects in the coming weeks, including Aaron Judge and Tyler Austin.

—Jared Diamond

## Mets, Yankees Should Trade Stadiums

*Continued from page A13*  
to generate more offense. And it's no secret they like their chops when they head to any ballpark—for example, they've hit 16 home runs in six games at Philadelphia's home-run friendly Citizens Bank Park this year.

But here they are in August, ranked in the bottom three in baseball in scoring. Meanwhile, there are some traits unique to the Mets that would make Yankee Stadium's cozy confines their ideal vacation spot.

First of all, 39% of the balls the Mets put in play are fly balls—not only the highest rate in the National League, but the fifth-highest rate for any team in the past five seasons, according to FanGraphs. This explains how the Mets had hit the eighth-most home runs in baseball entering Wednesday despite their meager run production. And 52.2% of their runs have come via

the long ball—second-most behind the Seattle Mariners.

Rather than try to balance their attack, the Mets doubled down on this approach when they traded for Bruce, another

**'If you're a fly-ball hitting team, this is a good place to play,' said Terry Collins.**

powerful fly-ball hitter, at the trade deadline. The Mets' brass has cautioned against expecting him to single-handedly change the team's fortunes the way Yoenis Cespedes did a year ago. But he could have that type of impact if he were aiming at the famously short right-field wall in Yankee Stadium, which plays as one of the most home-run friendly ballparks in the game—especially for lefties.

"If you have power, if you're a fly-ball hitting team, this is a good place to play," manager Terry Collins said before Wednesday's game in the Bronx.

And it's not just Bruce. With Michael Conforto in left field and Curtis Granderson in center, the Mets now have three power-hitting left-handed bats in the outfield. Beyond them, second baseman Neil Walker has hit 11 of his 17 home runs this year as a left-handed batter, and James Loney, also a lefty, is a career .385 hitter at Yankee Stadium.

All of them would be likely to see their power numbers surge in the House That Jeter Built, where Granderson produced back-to-back 40-plus home-run seasons in 2011 and 2012. (MLB's Statcast data shows the Mets may have lost some home runs in the gaps this year had they been hit at Yankee Stadium as opposed to

Citi Field, but Yankee Stadium has unquestionably been more home-run friendly, especially for lefties.)

"His numbers here speak for themselves," Collins said of starting Granderson on Wednesday at Yankee Stadium.

Of course, Mets pitchers would also have to deal with Yankee Stadium. But the numbers suggest they're better equipped to deal with playing in a shoebox than most staffs.

Whereas Mets hitters hit an inordinate number of fly balls, the team's pitchers allow relatively few, ranking in the bottom third of baseball at 33.5%. They also strike out 23.1% of opposing hitters, the game's fifth-highest rate.

Additionally, the Mets face questions about how their defense will align for the remainder of the season when all of their slugging outfielders are best suited for left or right field. This issue is especially

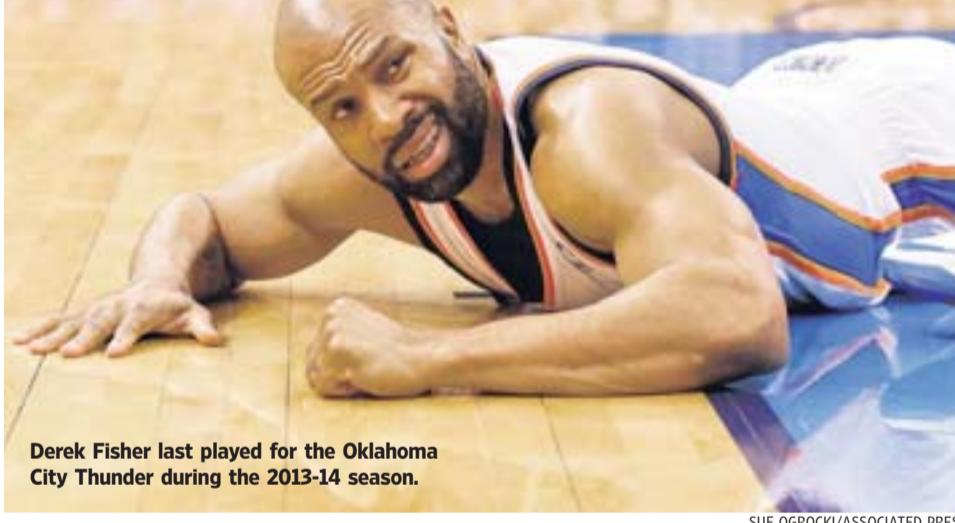
daunting at a spacious Citi Field, but would be much less of a problem at Yankee Stadium.

Naturally, Alderson and Yankees GM Brian Cashman would have to hammer out some logistical issues. The two teams haven't made a real trade in more than a decade, so agreeing on compensation for the rental might get tricky.

Alderson would also have to figure out what to do when the Mets arrived in the Bronx to find a confused Alex Rodriguez chained to the bench in the home dugout.

And at a rare time when the Yankees are trying something new as sellers, who's to say they wouldn't mind experimenting with a jaunt out to Queens for a couple months? At the very least their fans would have at least one thing to enjoy for the rest of the season, sans winning baseball: Shake Shack.

FEATURE: KATHY WILLENS/ASSOCIATED PRESS



Derek Fisher last played for the Oklahoma City Thunder during the 2013-14 season.

SUE OGROCKI/ASSOCIATED PRESS

## Fisher May Not Be Done Yet

Former Knicks coach spurs speculation he could play in the NBA again

BY CHRIS HERRING

Derek Fisher was the NBA's oldest player in 2014, when he suited up for the Oklahoma City Thunder. Will he be the oldest player again in 2017?

Fisher became the Knicks' head coach after the 2013-14 season, forcing him to retire as a player. He was fired less than two seasons later. Now, the former Knicks coach has posted two Instagram videos of himself working out and doing drills on a basketball court, including one with a hashtag that read #imnotdoneyet, prompting speculation that he may attempt a comeback despite being a week from his 42nd birthday.

In the most recent video, posted Tuesday, Fisher does some dribbling exercises and sinks a few pull-up jump shots against light defense. "Working on being a better me," reads the accompanying text. "Loving every minute of this journey."

On Wednesday, Fisher took to Twitter to address the situation. "If an NBA team expresses interest, I'm open to dialogue," he wrote, though he added that he as "no steadfast plans" to play again.

Fisher would certainly face long odds if he did try to restart his NBA career, but the mere idea that he, or another

ex-coach, might be interested in such a return isn't too shocking. After all, former players are becoming head coaches at much younger ages than they used to. Jason Kidd became the Brooklyn Nets coach days after retiring as a player. Los Angeles Lakers coach Luke Walton is 36. Cleveland Cavaliers coach Tyronn Lue is 39.

Moreover, Fisher wouldn't be the first person to return to the court after becoming a coach. Magic Johnson coached the Lakers briefly before coming out of retirement to play for them. Knicks great Richie Guerin also managed to do it during the late 1960s and early '70s, although he served as a player-coach for the St. Louis Hawks, who became the Atlanta Hawks.

At age 42, Fisher would be the oldest NBA player to suit up since Nat Hickey, the head coach of the Providence Steam Rollers who activated himself as a player for two games at age 45 in 1948.

Messages left for Fisher's representatives went unanswered on Wednesday.

As solid as his jumper looks—he was always a consistent long-range shooter—Fisher's Instagram videos don't address what would be his biggest weakness if he did try to return to the NBA: defense.

At an average speed of 3.57

miles per hour, Fisher was the NBA's sixth-slowest-moving player defensively among those standing 6-4 or shorter during his final season, according to SportVu player-tracking data. It's hard to imagine he'd be any better now.

Fisher didn't rely on pure athleticism during his 18-year NBA playing career, so his best skill, as a solid spot-up shooter, could still hold up with a team that has a playmaking point guard and a defense good enough to compensate for his weaknesses.

During his final season as a player, he shot 38.4% from 3-point range, including 46% from behind the arc when left wide open, per SportVu—one of the better marks in the league that year.

Since he was fired by the Knicks in February, Fisher has kept a relatively low profile aside from a handful of television appearances as an analyst. He was rumored to have interest in the vacant Lakers coaching job that ultimately went to Walton.

Before he technically retired in 2014 to officially accept Phil Jackson's five-year, \$25 million offer to become the Knicks' head coach, Fisher was reportedly considering a return to Oklahoma City to play for the Thunder for at least one more season.

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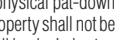
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# BUSINESS & TECH.

## A Lunar Startup Wins Go-Ahead for Mission

SPACE EXPLORATION | B2

## Musicians Look Like Smart Play to New Fund

ENTERTAINMENT | B6

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THE WALL STREET JOURNAL.

Thursday, August 4, 2016 | B1

# Tesla Plows Ahead Despite Loss

Latest report caps tumultuous period for electric-vehicle maker; higher costs take toll

By MIKE RAMSEY

**Tesla Motors** Inc.'s loss widened in the second quarter amid higher costs, but the company stuck to an ambitious plan that calls for building nearly 80,000 cars in 2016 and pulling forward a cheaper sedan aimed at the mass market.

The Silicon Valley electric car maker's report follows a tumultuous period capped by

a traffic fatality related to the company's semiautonomous Autopilot system. Regulators also dinged the company's practice of having certain buyers sign nondisclosure agreements and the company faced continued questions about the quality of its Model X sport-utility vehicle.

Tesla, long known as a company that moves faster than traditional auto makers, plowed forward during the quarter. It announced its intention to combine with SolarCity Corp., which shares with Tesla Elon Musk as chairman.

Unlike Detroit rivals, Tesla doesn't sell conventional gasoline-powered SUVs or pickups. General Motors Co. and Ford

Last month, Mr. Musk laid out a revised master plan, calling for new electric buses, semi trucks and pickups to be sold under the Tesla name, and laying out a vision to be a more comprehensive supplier of energy products, including stationary batteries and solar panels.

The quarter's financials, released Wednesday, show a similar portrait as past reports. The company is pulling in more revenue, but a variety of spending programs are outpacing gains on the top-line.

Unlike Detroit rivals, Tesla doesn't sell conventional gasoline-powered SUVs or pickups. General Motors Co. and Ford

Motor Co. are banking billions in quarterly profits, boosting their ability to pay the steeply rising costs to develop more sophisticated vehicles for markets around the world.

**The company stuck to its plan to build nearly 80,000 cars in 2016.**

Tesla is growing far faster than Ford or GM, selling 25% more cars in the second quarter compared with a year ago. While volumes were short of initial expectations, Tesla said

in a shareholder letter that it reached a steady output of 2,000 vehicles a week during the past quarter, and committed to boost that rate by nearly 20% by the end of the year.

Mr. Musk admitted the company had struggled to build cars in the first half of the year.

"We were in production hell for the first six months of this year," he said on a conference call Wednesday. Mr. Musk added that he was personally going to meet with a supplier that was having problems.

He also teased that the company is planning soon to

Please see TESLA page B2

## Singapore Uber Rival To Raise \$1 Billion

As **Uber Technologies** Inc. turns away from China, a competitor is raising funds to cement its dominance in Southeast Asia and fend off the tech titan based in San Francisco.

By **Newley Purnell, Juro Osawa and Rick Carew**

Uber's decision to sell its China business to **Didi Chuxing Technology** Co. is giving Singapore-based Grab renewed confidence it can take on Uber and win on its home turf. Grab says it has captured much of Southeast Asia's ride-hailing market with more than half of private-car rides in the region.

Valued at \$1.6 billion in its previous funding round, Grab is planning to raise about \$1 billion in fresh capital from investors including Didi and Japan's **SoftBank Group** Corp., a person familiar with the situation said Wednesday. The first chunk of that fundraising, a \$600 million dose, is expected to be completed this week, the person said.

Uber "lost once, and we will make them lose again," Grab Chief Executive Anthony Tan wrote in an email to employees this week. "Didi's success reinforces what we have believed all along," that local competitors can beat Uber in their home territory, he wrote.

The fresh injection of funds could help the Harvard-educated Mr. Tan, 34 years old, turn Grab into a broader platform, not just for rides, but also for mobile payments and delivery.

A Grab spokeswoman declined to comment on the fundraising.

The stakes are high for Grab and Uber in Southeast Asia. The ride-hailing market there is forecast to grow more than five times to \$13.1 billion by 2025 from \$2.5 billion last year, according to a recent report from **Alphabet** Inc.'s Google and Singapore state-investment firm **Temasek Holdings**.

Grab, which was launched in 2012 and offers private-car, taxi and motorcycle rides, operates in 30 Southeast Asian cities across Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Mr. Tan has said his company is profitable in some cities. The company currently has about \$400 million in cash on its balance sheet before the new fundraising, according to the person familiar with the situation.

"With the deal in China, we expect Uber to turn more aggressive," said Michael Ng, Grab's chief financial officer. Please see GRAB page B4

## As Bison Business Takes Off, Drive Is On to Recruit Ranchers

Consumers' newfound taste for meat that is leaner, slightly sweeter than beef puts pressure on industry to find skilled herders

By JACOB BUNGE

The U.S. bison industry is trying to draw more ranchers to where the buffalo roam.

After collapsing in 2002, demand for bison burgers and steaks from retailers such as **Whole Foods Market** Inc., **Wal-Mart Stores** Inc. and **Kroger** Co. is rising,

sending processors and marketers on a recruiting drive to round up more producers to raise the hulking creatures.

One major hurdle to recruiting ranchers: persuading them to handle animals that can grow to the size of a Mini Cooper, and sometimes get ornery.

"That's like sticking bobcats in gunnysacks," said Lee Graese, a former bodybuilder who raises bison with his wife, Mary, a dietitian, near Rice Lake, Wis. "If you can run into it at 35 miles per hour with your pickup and it's still standing, you've got a pen that'll hold a bison."

Bison-meat sales topped \$340 million last year, according to data from the National Bison Association. This is a tiny fraction of the more than \$100 billion in sales of cattle, hogs and poultry produced in the U.S. in 2015. But bison producers say their meat boasts an edge in the marketplace as consumers seek out more naturally raised protein, and sales have grown by 22% over the past five years. Fans say it tastes like beef, but leaner and slightly sweeter.

Retailers like Whole Foods are getting their bison-meat orders filled, but Theo

Weening, the company's global meat buyer, said he could sell a lot more. "I'd love to do a feature on ground buffalo or seasoned buffalo burgers, but if the supply is

not there, we can't feature it," he said.

Wholesale bison-meat prices, currently around \$4.50 a pound, have tripled from January 2009 through June of this year. That outpaces a 42% increase for similar beef grades, a 41% rise in pork and an 18% gain for broiler chicken, according to U.S. Department of Agriculture data.

Dave Carter, executive director of the Westminster, Colo.-based Bison Association, says the industry needs commercial-scale ranches like the beef industry has, capable of raising thousands more bison to further build the market. Cattlemen, he said, are natural candidates, beleaguered by a 20% decline in cattle-carcass prices since early 2015.

In the often-punishing meat business, where ranchers and meatpackers contend with whipsawing prices and shifting consumer tastes, shaggy bison

have other attractions.

They are hardy, built to survive blizzards, happy to munch grass. Their meat is high in protein and produced without growth-promoting medications and hormones that have fallen out of favor with some meat eaters.

To clear ranchers' path to buffalo country, the Bison Association, a trade group, successfully lobbied the USDA for programs that help bison ranchers get disaster relief funds and offset the cost of fencing. The May designation of the American bison as the U.S. national mammal was a recent coup. (The bald eagle remains the U.S. national animal.)

There are signs the rancher drive is working. The Bison Association's number of active producers has climbed by nearly a quarter to about 850 from 2010 to 2016, and about a fifth of attendees at the group's recent winter conferences are first-timers, Mr. Carter said.

The group also drafted a 300-page guide to managing the animals and the industry. Advice includes "build a good fence," though "Jurassic Park" corrals aren't needed if a

Please see BISON page B2

LUKE SHARRETT/BLOOMBERG NEWS

# Fight Looms Over Mileage Rules

By MIKE SPECTOR

TRAVERSE CITY, Mich.—Auto makers and environmental regulators are publicly sparring over stringent fuel-economy standards, signaling a pitched battle ahead over whether to relax the Obama administration's future mileage targets.

At an automotive conference on Michigan's northern shore this week, industry lobbyists seized on a July Environmental Protection Agency report that predicted car companies will sell vehicles averaging roughly 50.8 miles a gallon by 2025, below the 54.5 mpg goal unveiled when standards were set in 2012 and gasoline prices soared to record highs.

Regulators, meanwhile, said auto makers still can comply with tougher mileage goals, showing few signs they will be softened. The EPA, with other agencies, must decide by April 2018 whether the standards should be relaxed, strengthened

### Bumpy Road to Fuel Economy

Environmental regulators predict light vehicles sold will average 50.8 mpg in 2025, below the 54.5 mpg goal set in 2012. That equates to 36 mpg in real-world driving.

26 miles per gallon



Source: University of Michigan Transportation Research Institute

THE WALL STREET JOURNAL

or left unchanged. Officials are awaiting car makers' comments before making proposals.

"We're going to need some flexibility to make this work in the long term," said Mitch Bainwol, head of a Washington lobbying group representing a

dozen car makers, of meeting future fuel-economy goals.

Regulators could give more time to reach mileage targets and enhance credits for technologies that help companies meet standards, he said.

The July fuel-economy re-

port, co-written by the National Highway Traffic Safety Administration and California environmental regulators, found lower prices at the gas pump are spurring purchases of fuel-thirsty pickup trucks and sport-utility vehicles.

That makes mileage targets harder to meet, auto makers contend, since car sales determine their compliance. Stringent standards can force auto makers toward electric cars and other vehicles that consumers don't want, Mr. Bainwol said.

But "that is wrong," said Chris Grundler, head of the EPA's transportation and air quality office.

Car makers are beating current standards and selling millions of vehicles that meet 2020 targets, he said.

Fuel-economy targets adjust based on market trends and vehicle sizes. "These standards were deliberately designed to preserve consumer choice," Mr. Grundler said.

## A Less-Than-Fashionable Outlook



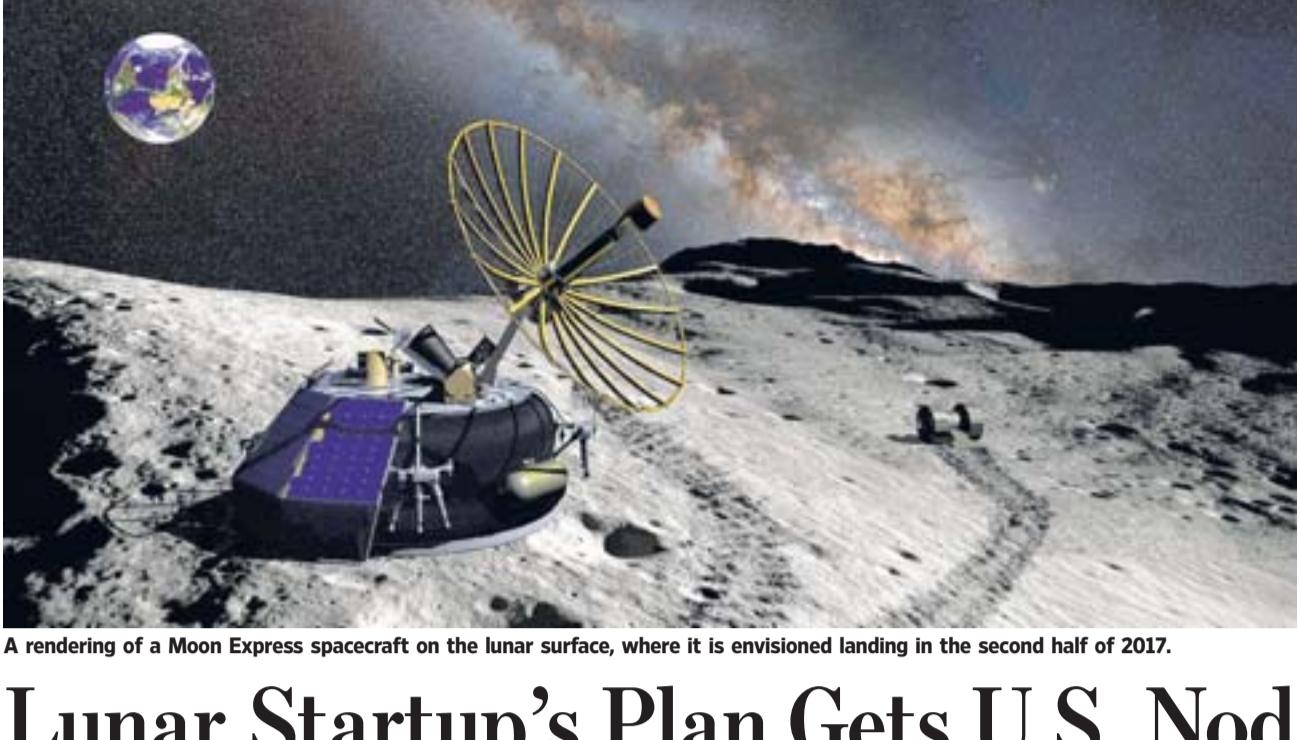
Kate Spade & Co.'s shares slid 18% after it reported disappointing earnings and slashed financial forecasts for the year. B3

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## BUSINESS NEWS



A rendering of a Moon Express spacecraft on the lunar surface, where it is envisioned landing in the second half of 2017.

## Lunar Startup's Plan Gets U.S. Nod

BY ANDY PASZTOR

After six years of effort and about \$30 million in investments, space-exploration startup **Moon Express** Inc. just became the first commercial venture to get U.S. regulatory authorization for a mission beyond Earth's orbit.

Now the Northern California-based company and entrepreneur Naveen Jain, its chairman and co-founder, need a reliable rocket, formal launch license and another cash infusion to turn that historic dream into reality.

Government and Moon Express officials said an inter-agency group headed by the

Federal Aviation Administration has signed off on the company's plan to send a tiny unmanned scientific spacecraft to the surface of the moon in the second half of 2017.

In a fact sheet released Wednesday, the FAA said it "determined that the launch of the payload does not jeopardize public health and safety, safety of property [or] U.S. national security or foreign-policy interests." On an important point related to space treaties, the FAA also said the mission will comply with "international obligations of the United States."

The decision stops short of approving the actual launch of a 20-pound rover crammed

with scientific instruments, details of which still await a green light from the FAA.

But the months of deliberations leading to Wednesday's announcement have been closely watched by the burgeoning commercial-space industry. The result could set an important legal and diplomatic precedent for how U.S. authorities review and regulate private missions to the moon, deeper into space and perhaps to Mars.

The principles are likely to apply to nongovernmental spacecraft, whose purposes could range from mining asteroids to tracking space debris.

Even if Moon Express's pioneering bid falters, the achieve-

ment in breaking through what had seemed a bureaucratic logjam may help smooth the way for private space missions envisioned by other companies. Those include Elon Musk's **Space Exploration Technologies** Corp., or SpaceX, which hopes to send a robotic spacecraft to Mars as early as 2018, and already is engaged in similar regulatory discussions with U.S. officials.

Eventually, the same approval process may be applicable to ventures such as in-orbit refueling of satellites, a concept long promoted by companies such as **Boeing Co.**, **Lockheed Martin Corp.**, **Orbital ATK Inc.** and **Space Systems Loral**.

## Exit at Saatchi In Gender Dispute

BY NICK KOSTOV

PARIS—Kevin Roberts, the executive chairman of ad agency **Saatchi & Saatchi**, plans to leave following the furor over comments he made that were viewed as dismissive of gender diversity on Madison Avenue.

Mr. Roberts, who is also "head coach" at parent group **Publicis Groupe SA**, said he would bring forward his retirement date to Sept. 1. He was expected to retire in May 2017. In a statement, Mr. Roberts, 66 years old, apologized to colleagues, staff, clients and his company for the comments. "My miscommunication on a number of points has caused upset and offense, and for this I am sorry," he said.

"Fail fast, fix fast, learn fast" is a leadership maxim I advocate," he added.

"When discussing with Business Insider evolving career priorities and new ways of work/life integration, I failed exceptionally fast."

In the interview with Business Insider published Friday,

Mr. Roberts said with regard to gender equality in the ad industry "the f—ing debate is all over" and he doesn't spend "any time" on the issue at his company. He also said agencies are misunderstanding how women view success.

"Their ambition is not a vertical ambition; it's this intrinsic, circular ambition to be happy," he is quoted as saying in the article. "So they say: 'We aren't judging ourselves by those standards that you idiotic dinosaur-like men judge yourself by.' I don't think [the lack of women in leadership roles] is a problem. I'm just not worried about it because they are very happy, they're very successful, and doing great work."

Publicis Chief Executive Maurice Lévy condemned Mr. Roberts' comments, saying the company would "not tolerate anyone speaking for our organization who does not value the importance of inclusion."

The lack of diversity and attitudes toward women in the ad industry has attracted in-



KEVIN ROBERTS BLOOMBERG NEWS

ternational attention this year after a string of scandals.

Women make up half of the advertising industry but only 11% of its creative directors, according to the 3% Conference, a movement dedicated to building a business case for more female creative directors in advertising.

In a memo to employees in March, Mr. Lévy stated that diversity remains a key focus for Publicis and highlighted initiatives in place to promote those efforts.

Thirty-eight percent of the company's executive positions are held by women and the supervisory board is equally divided among men and women, he said. A Publicis spokesman declined to comment when asked whether Mr. Roberts would be getting the same retirement package as the one planned for May next year.

In its 2015 annual report, Publicis said that in the event of a forced departure "other than in the case of serious or gross misconduct," Mr. Roberts would be entitled to a termination benefit equal to 120% of his annual fixed salary, the maximum annual amount of his target bonus and the annual cost of various benefits he receives.

## Set-Top Box Plan Faulted

BY JOHN D. MCKINNON

The U.S. Copyright Office criticized a federal agency's plan to open up the market for pay-TV set-top boxes in a letter to lawmakers on Wednesday.

The letter adds to political pressure on Federal Communications Commission Chairman Tom Wheeler, who has pushed for new FCC rules to open up the market for the costly boxes—dominated by cable and satellite pay-TV providers—to new entrants such as **Alphabet Inc.**'s Google unit.

The idea has drawn support from the Obama administration and consumer advocates.

But Mr. Wheeler's plan has

prompted pushback not only from pay-TV providers but also from TV-program producers. They say the plan as written could upset contractual arrangements with pay-TV providers.

The Copyright Office letter appears to back those concerns, saying, "As currently proposed, the [FCC] rule could interfere with copyright owners' rights to license their works as provided by copyright law."

The FCC is in talks with industry representatives. The agency "will ensure programmers' contracts and copyright are protected" as the commission moves ahead with the new rules, a spokeswoman for Mr. Wheeler said.

The lack of diversity and attitudes toward women in the ad industry has attracted in-

refundable Model 3 deposits, allowing it to offset its outflows.

The auto maker is now pulling forward its full-scale production plan for the Model 3 by two years and it will begin certain production activities later this year. It is slated to go on sale in 2017.

A second-quarter loss of \$293 million was 60% deeper compared with a year ago. Its operating loss equaled \$1.06 a share, greater than the 52-cent loss analysts had been expecting.

Revenue rose 33% to \$1.27 billion, with the company delivering 14,402 vehicles during the period, well short of the 17,000 it initially anticipated.

Tesla's immediate financial portrait remains murky. While the company's cash reserves rose to \$3.25 billion, it is burning cash amid big investments in a Nevada battery plant under construction and a Model 3 entry sedan that is under development. It raised \$1.7 billion during the quarter from an equity offering and reaped the benefits of hundreds of thousands of \$1,000



Tesla sold 25% more cars in the quarter compared with a year ago.

## BISON

Continued from the prior page  
rancher forges a bond with the beasts. "Spend some time thinking about what we do with our bison and how it may look or feel from their perspective," the manual counsels.

Randy Miller, a former hair-salon magnate who left that business to raise about 1,000 bison across two ranches in Nebraska and Missouri with his wife, Jane, erred when he lugged a bucket past a female bison named "Muddy." She assumed it contained feed and exuberantly charged. Mr. Miller leapt into a hay bin,

and now tells people it was his own fault.

The bison industry has had its own close calls. A surge of speculative investment into bison in the late 1990s, driven partly by troubles in the cattle business, pushed the price of animals to several thousand dollars a head. But the nascent bison market struggled to soak up the meat, and a drought scorched grazing lands and forced ranchers to slaughter more animals. That created a glut that by 2002 had plunged prices below \$300 a head and drove many ranchers from the business.

Now, many in the bison business call the collapse a blessing. Bison meat previously had struggled to tempt

diners because of its high price, but it became a bargain for retailers and restaurants as bison flooded processors like **Rocky Mountain Natural Meats**, a Henderson, Colo.-based company that ranks as the largest U.S. processor of bison meat.

"Some of those customers are still buying bison today at three to four times the price it was then, because they figured out it was a good product," said Bob Dineen, chief executive of Rocky Mountain. The company supplies bison steaks, burgers and pot-roast to Whole Foods, **Costco Wholesale Corp.** and Wal-Mart, which this year began carrying Mr. Dineen's in about 50 stores.

As part of its reorganization efforts, Time Inc. has created new teams to focus on specific advertising categories in a bid to sell more advertising and marketing services to marketers across all its titles.

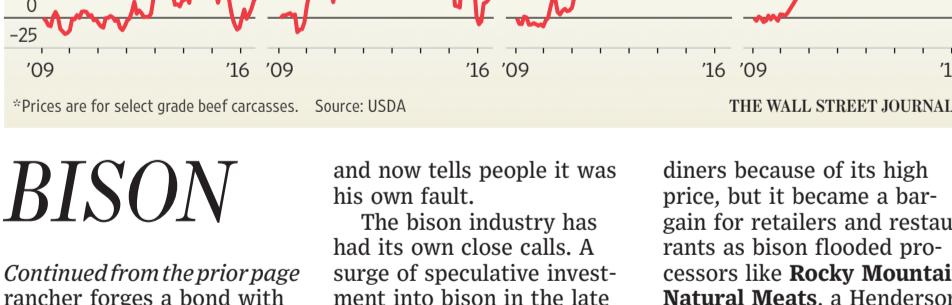
The layoffs come as the publisher is grappling with continued print-advertising declines and is facing challenges from such digital giants as **Facebook Inc.** and **Alphabet Inc.**'s Google. Time Inc., the country's largest magazine publisher, has forecast annual revenue growth of 1% to 5% this year, its first significant uptick in five years.

A spokesman noted that Time Inc. employs 7,200 people, which means the layoffs represent 1.5% of its workforce.

The company reports its second quarter results Thursday before the market opens.

## Price Range

The value of bison has risen higher and more steadily over the past five years than for other meats.



\*Prices are for select grade beef carcasses.

Source: USDA

THE WALL STREET JOURNAL

## Time Inc. To Lay Off 110 Workers

BY JEFFREY A. TRACHTENBERG

Time Inc., which in recent weeks has undergone a major corporate reorganization and a retooling of its sales and marketing staff, is laying off an estimated 110 people across all areas of the company, according to people familiar with the situation.

As part of its reorganization efforts, Time Inc. has created new teams to focus on specific advertising categories in a bid to sell more advertising and marketing services to marketers across all its titles.

The layoffs come as the publisher is grappling with continued print-advertising declines and is facing challenges from such digital giants as **Facebook Inc.** and **Alphabet Inc.**'s Google. Time Inc., the country's largest magazine publisher, has forecast annual revenue growth of 1% to 5% this year, its first significant uptick in five years.

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The company reports its second quarter results Thursday before the market opens.

## BUSINESS NEWS

# Time Warner Buys 10% of Hulu

Deal for \$583 million comes as video service prepares to launch online pay-TV offering

BY SHALINI RAMACHANDRAN AND LISA BEILFUSS

Time Warner Inc. has agreed to buy a 10% stake in video service Hulu, a move that comes as media companies and cable operators contend with viewers increasingly cutting the cord and as Hulu prepares to launch a new online pay-TV service.

Time Warner said it paid \$583 million in cash for the 10% stake, valuing Hulu at about \$5.8 billion. The new valuation is triple what Hulu was worth in 2012, according to a person familiar with the matter.

Along with the Hulu news on Wednesday, Time Warner also logged better-than-expected earnings results in the second quarter, prompting the company to push up its full-year outlook. But the company's second-quarter profit and revenue still fell from a year earlier because of slowing revenue growth in its HBO business and box-office weakness.

Time Warner said Wednesday that its channels—including TNT, TBS, CNN, Cartoon Network and Turner Classic Movies—will be available live and on-demand on Hulu's new cable-style online video service, set to launch early next year. Hulu's new service, confirmed in May, could further undercut traditional cable providers by



Shows including TNT's 'The Last Ship' will be available live and on-demand on Hulu's new video service.

offering its "skinny" TV bundle for roughly \$40 a month.

Time Warner Chief Executive Jeff Bewkes said on an earnings call with analysts that the investment will "increase our company's exposure to the secular growth in over-the-top," or internet TV.

He said it would also give Hulu more resources to invest in programming and will help foster "competition and innovation" among streaming services and traditional cable TV distributors.

In November, The Wall Street Journal reported that Time Warner was in talks

about becoming a stakeholder in Hulu alongside Walt Disney Co., 21st Century Fox Inc. and Comcast Corp. The deal for a 10% stake doesn't give Time Warner a seat on Hulu's board of directors, limiting its role in Hulu's strategic decisions.

With the investment, Time Warner is attempting to carefully thread the needle in trying to reach younger viewers while not explicitly encouraging cord-cutting.

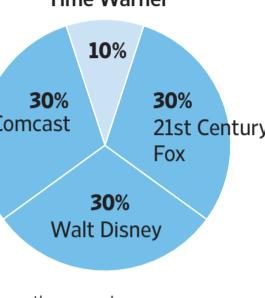
One sticking point that had to be overcome in talks with Hulu's owners was that Time Warner wasn't comfortable with the vast amount of cur-

rent season content made available on Hulu, believing that the availability of such content for a cheap price encouraged more people to cut the cord. Mr. Bewkes has even been vocal about Time Warner potentially holding back rights to its shows for longer on its own on-demand platforms.

Time Warner's deal is unusual for a Hulu part-owner: It is only making current-season content available on Hulu's coming \$40-a-month virtual cable-TV service, which will include live channels and on-demand programs. Full current seasons of shows from Time

### Four's Company

Time Warner purchased a 10% stake in Hulu, valuing the online video service at about \$5.8 billion.



Source: the companies

THE WALL STREET JOURNAL.

Warner's networks won't be available on demand for Hulu's existing \$7.99-a-month service, unlike programs from Hulu's other owners, Fox, Disney and Comcast's NBCUniversal.

While the Hulu announcement doesn't include cable channel HBO, a Time Warner spokesman said there have been conversations about HBO gaining carriage on Hulu, and talks are expected to continue.

In the second quarter, revenue fell 5.4% from a year earlier. The decline was largely due to weakness in the company's Warner Bros. business.

In all, Time Warner reported a profit of \$952 million, down from \$971 million a year earlier. On a per-share basis, the company earned \$1.20 a share, up from \$1.16 and boosted by a lower share count. Excluding an impairment charge, among other items, per-share profit rose to \$1.29 from \$1.25.

# Fashion Retailer Slashes Outlook

BY SUZANNE KAPNER

Kate Spade & Co. is the latest victim of American shoppers' desire for deep bargains.

The company slashed its financial forecasts for the year after reporting disappointing quarterly earnings Wednesday, hit by heavy discounting in department stores and outlets. It also blamed lower tourist spending around the globe and continued currency headwinds. Shares of the company tumbled 18% Wednesday to \$16.47, its biggest one day drop in two years.

Comparable-store sales, a key retail metric that includes stores open at least a year, grew just 1% in the three months to July 2 from the year prior. When e-commerce sales are included, comparable sales grew 4%, well below Wall Street forecasts of a 13% increase.

"Key sale events fell short of our expectations as customers look for deeper discounts, a trend which negatively affected both total sales and comps this quarter," Chief Executive Craig Leavitt said on a conference call.

Kate Spade's disappointing results raised concern that rivals Coach Inc. and Michael Kors Holdings Ltd. could come up short when they report financial results next week. But Neil Saunders, the chief executive of research firm Conlumino, suggested the opposite might be happening. He wrote in a note to clients that a comeback at Coach, which has dialed back promotions, upgraded products and revamped stores, could be taking share from Kate Spade.

Shares of Kors fell 2.6% Wednesday and Coach nudged 0.2% higher.

The company also underestimated demand for a new group of handbag styles called Cameron Street and didn't have enough in stock, which also hurt sales in the period.

Some of its novelty handbags that come in specialized shapes such as fluffy cats and instruments failed to resonate with consumers. Kate Spade's factory outlet stores were particularly challenged in the quarter, Mr. Leavitt said.

Net income was \$26.8 million, compared with \$8.5 million a year earlier. The year-earlier period was hurt by the closing of its Kate Spade Saturday and Jack Spade stores. Kate Spade's net sales climbed 13.7% to \$320 million.



Kate Spade was hit by discounts.

# Fox News Keeps Course In Wake of Ailes Departure

BY LISA BEILFUSS AND JOE FLINT

The departure of Fox News Chairman and Chief Executive Roger Ailes in the wake of a sexual harassment complaint and the subsequent investigation won't result in a dramatic change in the tone or direction of the network, parent company 21st Century Fox said Wednesday.

Speaking to analysts about the popular channel during a discussion of fourth quarter earnings on a conference call, 21st Century Fox Co-Executive Chairman Lachlan Murdoch said, "There is no desire to shift its position in the market."

The company reported a profit of \$567 million, up from \$87 million the year earlier. Total revenue increased 7.1%.

Forward, and he resigned two weeks ago. 21st Century Fox has launched an inquiry.

The scandal at Fox News did little to slow its ratings, and 21st Century Fox said the channel along with its other cable networks drove revenue growth in its latest quarter, though higher expenses tied to movie releases and sports programming cut into earnings.

Fox lifted its semiannual dividend to 18 cents from 15 cents and announced plans to repurchase an additional \$3 billion of its Class A stock.

Shares of Fox fell 4.6% to \$25.79 in after-hours trading.

Overall, Fox reported a profit of \$567 million, or 30 cents a share, up from \$87 million, or 4 cents a share, a year earlier. The year-ago quarter included hefty one-time expenses that dragged down the result. Total revenue rose to \$6.65 billion, slightly below the average analyst estimate of \$6.68 billion on Thomson Reuters.

Revenue in Fox's cable business jumped 9.9% on higher advertising dollars, though a 15% rise in expenses tied to soccer rights resulted in an operating profit that slipped 0.3% to \$3.92 billion.

Meanwhile, in Fox's television business, interest in the last season of "American Idol" and in the second-season finale of the hit show "Empire" lifted revenue 5.5%, although operating earnings jumped 27%.

Fox's film segment remained a weak spot. The unit's revenue rose 6.9%, but steep spending connected to the latest releases of "Ice Age," "X-Men" and "Independence Day" pulled operating earnings in the movie unit down by 39%.

Excluding certain expenses in the year-ago quarter, among other items, and including a tax benefit of 7 cents a share in the most recent quarter, Fox said its adjusted per-share profit rose to 45 cents from 39 cents.

## Office Depot Plans Cuts

BY JOSHUA JAMERSON

Office Depot Inc., three months after its proposed tie-up with larger rival Staples Inc. failed regulatory muster, said it would launch a quarterly dividend and close an additional 300 stores as it charts a course for remaining a stand-alone company.

Office Depot completed its strategic review of the business and announced moves such as increasing its contract channel, optimizing retail operations in North America, implementing multiyear cost reductions and returning capital to shareholders.

Meanwhile, the company said Wednesday it swung to a profit in the latest period, helped in large part by the \$250 million breakup fee it had received from Staples, and its revenue was lower.

Excluding items, earnings were three cents a share, compared with six cents a year earlier. Revenue slipped 6% to \$3.22 billion.

The earnings result, excluding the one-time fee and other special items, declined from a year ago, missing Wall Street expectations.

The company plans to trim \$250 million in costs by 2018 and initiated a quarterly dividend program at 2.5 cents a share, payable on Sept. 15 to shareholders of record by Aug. 25. The company didn't specify job cuts were part of its plan to trim expenses but said it would lower overall general and administrative costs.

In all for the June quarter, Office Depot earned \$210 million, or 38 cents a share, compared with a year-earlier's loss of \$58 million, or 11 cents a share.

Excluding items, earnings were three cents a share, compared with six cents a year earlier. Revenue slipped 6% to \$3.22 billion.

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# In Uber Deal, a Dash of Uncertainty

Is China unit's local revenue low enough to avoid a review by antitrust regulators?

BY EVA DOU  
AND RICK CAREW

BEIJING—In buying Uber Technologies Inc.'s China unit, Didi Chuxing Technologies Co. hopes to avoid Chinese regulatory red tape. But it might not be so simple.

Didi says UberChina hasn't booked enough revenue to trigger an antitrust review. That is largely because of the costly incentives the company offered to lure customers and drivers.

The apparent end of those subsidies won't be popular with Chinese consumers, however, and some in the Chinese media have questioned whether UberChina truly falls below the revenue threshold (400 million yuan, or \$60 million), and whether that is even the correct measurement tool.

"This is a new business model and a new issue for regulators," said Sheng Jiemin, a Chinese lawyer.

China's Ministry of Commerce hasn't tipped its hand. At a briefing Tuesday, a department spokesman would say only that companies need to follow the law.

Still, such a review is considered unlikely. Chinese companies typically share details



An Uber customer hailed a ride in Wuhan, China, earlier this year. Didi is buying Uber's China unit.

Didi and Uber don't disclose revenue, but The Wall Street Journal has reported that Uber had global revenue of more than \$400 million in 2014 and had told some investors it expected \$2 billion in global revenue last year.

More broadly, China, the U.S. and other countries have been grappling with how to regulate companies with this business structure, a segment that includes daily-deals company Groupon Inc. and Chinese e-commerce company Alibaba Group Holding Ltd.

Groupon was at the center of one of the highest-profile disputes in 2011. Before the company's initial public offering of stock, the U.S. Securities and Exchange Commission forced Groupon to halve its reported revenue, counting only the agent fees it took in, not the value of the deals that Groupon sold on behalf of other businesses.

A quirk of "sharing economy" companies such as Didi and Uber is that because they serve as middlemen, huge sums of money can flow through their platforms without being booked as revenue. When taking into account giveaways, the companies sometimes even report negative net revenue.

—Alyssa Abkowitz  
and Yang Jie in Beijing  
and Greg Bensinger  
in San Francisco  
contributed to this article.

of a merger with government officials ahead of a public announcement, and are less likely to cut a deal if they discover opposition.

"It is rare for Chinese companies to proceed with a merger without knowing in advance that there are unlikely to be regulatory hurdles," said You Yunting, a

partner of DeBund Law Offices. "In this deal, I think the likelihood of an antimonopoly investigation is also low."

As the measuring stick for whether a merger triggers a review, Chinese antitrust law uses "turnover"—an imprecise term often equated with revenue but that can also mean business volume.

A quirk of "sharing economy" companies such as Didi and Uber is that because they serve as middlemen, huge sums of money can flow through their platforms without being booked as revenue. When taking into account giveaways, the companies sometimes even report negative net revenue.

—Alyssa Abkowitz  
and Yang Jie in Beijing  
and Greg Bensinger  
in San Francisco  
contributed to this article.



Apple said its most recent group of hires is more diverse. Above, workers at Apple's headquarters.

## Apple Makes Slight Diversity Gains

BY GEORGIA WELLS

Apple Inc. reported small increases in the share of women and minorities working at the tech giant, but said its most recent group of hires is considerably more diverse.

Apple on Wednesday said the share of Hispanics among its 80,000 U.S. workers grew to 12% in June, from 11% a year earlier; blacks accounted for 9% of the U.S. workforce, up from 8% a year earlier.

Women are now 32% of Apple's 125,000-person global workforce, the company said, up from 31% a year ago.

In its annual diversity report, Apple also released numbers on the gender and ethnic makeup of its hires over the past year, highlighting the challenges in

changing the demographics of a company's workforce.

Apple said 37% of the employees it hired over the past year are women, compared with 32% for the overall workforce. Among new hires in the U.S., 27% are black, Hispanic, Native American or Pacific Islander, compared with 22% of its U.S. workforce. Apple said over the past three years it had hired 28,500 women globally, and 12,700 underrepresented minorities in the U.S.

The report said the share of women managers at Apple globally remained 28%.

The share of U.S. managers who are black remained flat at 3%, while the share of Hispanic managers grew to 7% from 6%.

Apple's workforce is more diverse than many other big

tech companies, in part because a large share of its employees work in its retail stores.

Even among workers in technical roles, however, 8% of Apple's U.S. workers are black and 8% are Hispanic. That compares with 1% black and 3% Hispanic in technical roles at Facebook Inc. and 1% black and 3% Hispanic in technical roles at Google parent Alphabet Inc.

In the report, Apple also made a new commitment to pay equity among its workers. During the past year, it analyzed the salaries, bonuses and annual stock grants to its U.S. employees and said it closed gaps attributable to race or gender. Apple is now working on doing the same for workers globally. Apple didn't say the amount it spent closing the gaps.

## Insights Emerge Into Popular Email Scam

BY ROBERT MCMILLAN

An Internet-security firm Thursday offered new insights into the perpetrators behind an increasingly popular type of cyberfraud targeting small businesses, tracing the attacks to Nigerians involved in earlier types of email scams.

SecureWorks Inc. said that, in one variant of the scheme, criminals break into email accounts and change bank-account information to capture payments intended for suppliers.

The increasing prevalence of the schemes has drawn the attention of law enforcement. Attackers who once pretended to be executives directing subordinates to transfer money are using new techniques, including using malicious software to break into email systems and redirecting the payments, said Rick Alwine, a supervisory special agent with the Federal Bureau of Investigation's Cyber Division.

"We're seeing an evolution of business-email compromises that started around 2013," he said.

In an alert to businesses last month, the FBI said the frauds "may be harder to detect," because the wire-transfer requests involved are legitimate.

More than 80% of the transfers go to accounts in China and Hong Kong where it is more difficult for victims to recover their money, the FBI

alert said. The FBI says it has logged nearly 18,000 reports of business-email scams since 2013, accounting for \$2.3 billion in losses, and complaints about these scams more than tripled last year, compared with 2014.

On Monday, Interpol said it had arrested a 40-year-old Nigerian man, identified only as "Mike," who headed a 40-person international network that allegedly stole from small- and medium-size businesses in Australia, Canada, India, the U.S. and other countries. One victim paid \$15.4 million to the scammers, Interpol said.

Mr. Alwine, the FBI agent, said many others are involved, including gangs in Nigeria, Europe, the Middle East and Asia. "It's a bit of a whack-a-mole situation where we've got one guy, and another one is going to pop up in his place," he said.

SecureWorks says such scams are known in Nigeria as "wire-wire" and are openly discussed in songs and online discussions.

In the U.S., companies are becoming more aware of the risks of email fraud, but Joe Stewart, a director of malware research with SecureWorks, worries that most businesses aren't protecting themselves against this newer variation.

"True business email compromise is almost invisible to both victim companies involved in the transaction," he said.

## Square Surpasses Revenue Expectations

BY EZEQUIEL MINAYA

Square Inc. posted a better-than-expected 41% jump in revenue during its second quarter, narrowing its loss from a year ago, helped by sharp growth in transaction revenue.

The payment-processing company also raised annual guidance for adjusted revenue and adjusted earnings before interest, taxes, depreciation and amortization.

Square did warn, however, that total net revenue growth would be "impacted" by its continued decline in Starbucks transaction revenue as the coffee chain switches to a new payment processor.

Shares of Square climbed 15% to \$11.99 after hours.

Square said it now expects adjusted revenue to be in the range of \$655 million to \$670 million, up from a previous range of \$615 million to \$635 million. Adjusted Ebitda is also expected to rise to a range of \$18 million to \$24 million, up from its previous range of \$8 million to \$14 million.

For the current quarter, Square forecast revenue between \$410 million to \$420 million and adjusted Ebitda between \$5 million and \$6 million. The company also released for the first time its expectations for total net revenue for the year between \$1.63 billion and \$1.67 billion.

Analysts cited by Thomson Reuters forecast annual revenue of \$1.6 billion, and revenue of \$415 million for the third quarter.

For the latest quarter, Square reported a loss of \$27.3 million, narrower than its year-earlier loss of \$29.6 million. On a per-share basis, the company posted a loss of 8 cents, compared with a loss of 20 cents a year earlier. Revenue rose 41% to \$439 million.

**\$27.3M**

Loss reported by the payment-processing company Square for the latest quarter.

Transaction revenue climbed 40% to \$364.9 million, while transaction revenue as a percentage of gross payment volume was 2.93%, down from 2.96%. Gross payment volume in the quarter grew 42% to \$12.5 billion.

Square's hardware sales shot up to \$11.1 million. That came with accelerating hardware costs going to \$14 million from \$6.7 million a year earlier, as Square spends to develop and distribute the new devices that work with contactless mobile-phone apps and so-called chip cards with enhanced security features.

Software and data revenue jumped to \$29.7 million from \$12.9 million, thanks in part to Square Capital, the company's lending arm and an expected source of profitability growth.

## GRAB

Continued from page B1  
tention and divert resources to our region," Mr. Tan said in his email, which was reviewed by The Wall Street Journal.

Indeed, the San Francisco ride-hailing company is already planning new efforts as it turns away from China. The deal with Didi frees "substantial resources for bold initiatives," Uber Chief Executive Travis Kalanick said in a written statement this week, citing the company's efforts in self-driving technology, food delivery, and logistics.

As many as 150 engineers based in San Francisco who have been dedicated to China will now begin working on new products for markets such as those in Southeast Asia, according to an Uber official.

In India, where Uber competes with ANI Technologies Pvt.'s Ola, the U.S. company will now hire more local engineers, the official said. Uber wants to boost its mapping capabilities for India and other high-growth markets, the offi-

cial said. Uber operates in 27 Indian cities, providing private-car and motorbike rides. Last year, the company said it would invest \$1 billion in the country.

Ola, based in Bangalore, India, was valued at \$5 billion by a fundraising round last year. The company, founded in 2011, offers services such as taxis, auto-rickshaws and shuttle buses across 102 cities.

Uber's deal to become Didi's biggest shareholder could create complications for Grab. Grab and Didi are working to link their apps. Didi also owns stakes in Grab, Ola and U.S. rival Lyft Inc. That partnership, known as the "anti-Uber alliance," could fray.

The deal with Uber "does change the dynamics" between Didi and its existing ride-sharing partners such as Grab and Ola, a Didi investor said.

A spokeswoman for Grab said the company expects to remain partners with Didi, Lyft and Ola. An Ola spokesman declined to comment on potential increased competition from Uber in India, or on any effect the Didi-Uber deal could have on their alliance.



The ride-hailing market in Southeast Asia is forecast to grow to \$13.1 billion by 2025 from \$2.5 billion last year, according to recent data.

## BUSINESS NEWS



U.S. Olympian Gerek Meinhardt practices in San Francisco. He also has a full-time job as a risk-analytics consultant at Deloitte.

# A Few U.S. Athletes Dare to Mix Professional and Olympic Goals

Medal hopefuls try to find a way to juggle their intense training with a career track

By DAHLIA BAZZAZ

If preparing for the biggest event in sports is a full-time job, then Olympic fencer Gerek Meinhardt has two of them. For several months last year, the two-time Olympian awoke

at 5 a.m. every day for two-hour workouts before heading to his technology consulting job at Deloitte & Touche LLP in San Francisco. Twelve hours later, he would be back at a fencing gym for practice.

In the Olympic world, Mr. Meinhardt is a rarity. Many athletes defer professional jobs until their competitive careers are over, drawing income from a combination of sponsorships and part-time jobs to help manage intense training schedules.

As the 554 athletes of Team USA prepare to compete in Rio de Janeiro this summer, the 26-year-old Mr. Meinhardt is among the few who are attempting the tricky feat of pursuing a professional career while training for Olympic gold. He is ranked fourth in the world in men's foil fencing, and the Rio Games are his last shot at the Olympics. He has been fencing since age 9, and developed an interest in IT management during college.

After an internship with

Deloitte, a fourth-place team finish at the 2012 London Games and an M.B.A. from the University of Notre Dame, Mr. Meinhardt landed his job as a risk analytics consultant last September. "I know my fencing career isn't going to go on forever," he said. "There are only so many hours a day I could spend training."

Shortly after starting full-

current athletes with career and education resources, says athletes with a nonathletic career plan tend to have less anxiety when they transition to a professional career after sports. "If athletes have a singular focus, they might be really successful, but they also might end up struggling a bit more [after leaving sports]," Ms. Klein said.

**'If athletes have a singular focus, they might be really successful, but they also might end up struggling a bit more [after leaving sports].'**

LESLIE KLEIN

Director of the U.S. Olympic Committee's Athletic Career and Education program (ACE)

time with the company, he took a leadership position in a group that advises technology firms on the risks surrounding software-license agreements. During the same period, he earned bronze medals at the Tokyo and Paris World Cups.

(Mr. Meinhardt also receives sponsorship, the amount of which he didn't disclose, from Deloitte, Nike, Inc., and fencing-gear company Leon Paul USA. Deloitte says Mr. Meinhardt's sponsorship is unrelated to his employment.)

Demanding as Mr. Meinhardt's routine may sound, he is better off for it. Leslie Klein, director of the U.S. Olympic Committee's Athletic Career and Education program (ACE), which connects former and

As the qualification process for Rio picked up this year, Mr. Meinhardt shifted to a four-day week and a lighter workload. Even with a flexible employer, some athletes can't reconcile career with competition. Triathlete Gwen Jorgensen began training for the 2012 London Olympics—her first Games—while working as a tax accountant at Ernst & Young in Milwaukee.

Ms. Jorgensen's manager allowed her to set her own schedule during the week to accommodate the many hours of cycling, running and swimming required to train for a triathlon.

For a while, she made it work. Before coming into the office, she fit in a run and

swim. While she was out of town for competitions, she worked remotely. During lunch breaks, she left for group rides. But after the London Games, where she placed 38th, Ms. Jorgensen quit her job to focus on Rio.

She is now ranked No. 3 in the world, and has been training four times a day ahead of the Games. "There is no way I could do that if I still had my day job as an accountant," she said. Though she's not sure of her plans beyond Rio, Ms. Jorgensen, 30, said her CPA qualification offers flexibility in case an injury ends her athletic career.

Ms. Klein wants more athletes to have fallback career options. So far, ACE has connected athletes to flexible, career-focused work with companies such as Adecco Group AG and Coca-Cola Co.

Swimmer Maya DiRado took her career plans into her own hands during her senior year at Stanford University. When recruiters from management consulting firm McKinsey & Co. came to her campus, Ms. DiRado applied for a job.

Just a few months after graduation in 2014, she accepted a position at the firm—but deferred joining the company for two years, so she could train for Rio.

She said this summer will be her first and only Olympic competition. She will start at McKinsey in September as a business analyst.

Meanwhile, Mr. Meinhardt, after his monthlong Olympic sabbatical, will return to Deloitte—to work full-time.

## Business Watch

TEVA PHARMACEUTICAL

### Allergan to Sell Generics Distributor

Teva Pharmaceutical Industries Ltd. said it would purchase Allergan PLC's generic pharmaceuticals distributor for \$500 million, just a day after Teva closed its much larger deal to buy Allergan's generics business.

Teva is buying Allergan's Andra Inc., the fourth-largest distributor of generic pharmaceuticals in the U.S.

On Tuesday, Teva closed its \$40.5 billion deal for Allergan's generics business. They first struck that deal last July, but it was delayed due to regulatory hurdles.

Andra distributes drugs from more than 300 manufacturers to pharmacies across the U.S. In 2016 Andra is expected to generate more than \$1 billion in third-party net revenue.

—Austen Hufford

RIO TINTO

### Price Upturn Called Unlikely to Last

Rio Tinto PLC's new chief joined the ranks of mining executives quashing the idea that this year's recovery in minerals prices will last, as the iron-ore giant reported its worst first-half results in 12 years.

Jean-Sébastien Jacques said an about-turn in metals and bulk commodities prices stems from a credit-fueled bounce in Chinese construction activity that might not be sustained, while a deepening iron-ore supply glut weighs on the division that accounts for most of the company's profits.

On Wednesday, Rio Tinto said

underlying earnings, which strip out one-time items, fell 47% to \$1.56 billion in the first half of the year. That was in line with the median forecast of seven analysts surveyed by The Wall Street Journal.

The Anglo-Australian mining company said its net profit for the first half was \$1.71 billion. That compared with \$806 million in the same period of last year, when write-downs and exchange-rate and derivative losses hurt its bottom line. Rio Tinto cut its interim dividend to 45 cents a share from \$1.075 a year earlier.

—Rhiannon Hoyle

NIKE

### Company to Stop Selling Golf Clubs

Nike Inc. is getting out of the business of selling golf clubs and balls, products it built around Tiger Woods but has seen suffer with a recent downturn in the sport.

The Beaverton, Ore.-based company said Wednesday that it would narrow its focus to golf apparel and footwear and spend more on partnerships with professional golfers. As a result, the company will stop making clubs, balls and bags.

Golf is the smallest sport category at Nike, and sales for the unit slipped 8% to \$706 million in the fiscal year ended May 31. The company makes the bulk of its revenue from sales of footwear and apparel but gained a following in golf in large part due to the late 1990s rise in popularity of Mr. Woods.

Nike has named one of its most prominent buildings at its headquarters after the 14-time Major tournament winner. Nike still endorses Mr. Woods, 40, who hasn't won a tournament since 2013 and has been out of action for nearly a year as he recovers from multiple back surgeries. There is no timetable for his return.

—Sara Germano

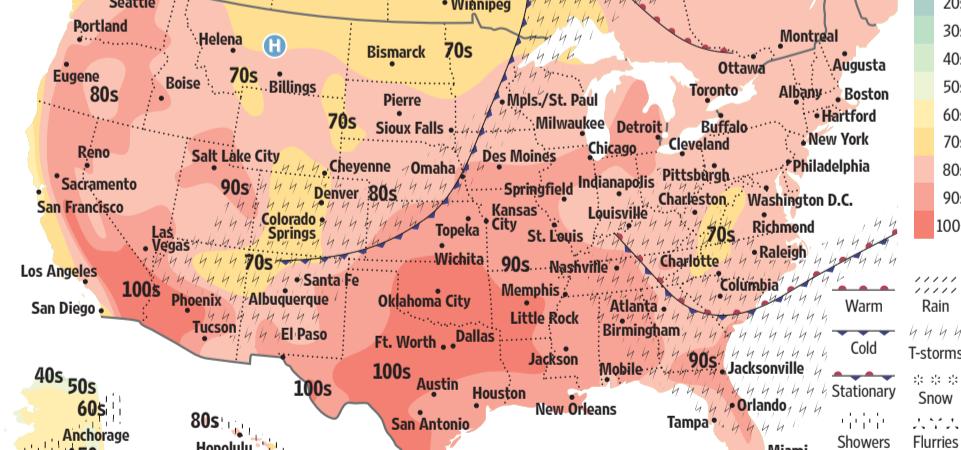
## Broncos Get Naming Rights



naming rights contract," Sports Authority failed to snag any cash bids, according to papers filed Tuesday in its bankruptcy case. Sports Authority sought to sell the rights in connection with its liquidation.

—Lillian Rizzo

## Weather



## U.S. Forecasts

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

t=tstorms; r=rain; sf=snow; flr=flurries;

40s 50s 60s 70s 80s 90s 100s

100s 110s 120s 130s 140s 150s

160s 170s 180s 190s 200s 210s

220s 230s 240s 250s 260s 270s

280s 290s 300s 310s 320s 330s

340s 350s 360s 370s 380s 390s

400s 410s 420s 430s 440s 450s

460s 470s 480s 490s 500s 510s

520s 530s 540s 550s 560s 570s

580s 590s 600s 610s 620s 630s

640s 650s 660s 670s 680s 690s

700s 710s 720s 730s 740s 750s

760s 770s 780s 790s 800s 810s

820s 830s 840s 850s 860s 870s

880s 890s 900s 910s 920s 930s

940s 950s 960s 970s 980s 990s

1000s 1010s 1020s 1030s 1040s 1050s

1060s 1070s 1080s 1090s 1100s 1110s

1120s 1130s 1140s 1150s 1160s 1170s

1180s 1190s 1200s 1210s 1220s 1230s

1240s 1250s 1260s 1270s 1280s 1290s

1300s 1310s 1320s 1330s 1340s 1350s

1360s 1370s 1380s 1390s 1400s 1410s

1420s 1430s 1440s 1450s 1460s 1470s

1480s 1490s 1500s 1510s 1520s 1530s

1540s 1550s 1560s 1570s 1580s 1590s

1600s 1610s 1620s 1630s 1640s 1650s

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2020s 2030s 2040s 2050s 2060s 2070s

2080s 2090s 2100s 2110s 2120s 2130s

2140s 2150s 2160s 2170s 2180s 2190s

2200s 2210s 2220s 2230s 2240s 2250s

2260s 2270s 2280s 2290s 2300s 2310s

2320s 2330s 2340s 2350s 2360s 2370s

2380s 2390s 2400s 2410s 2420s 2430s

2440s 2450s 2460s 2470s 2480s 2490s

2500s 2510s 2520s 2530s 2540s 2550s

2560s 2570s 2580s 2590s 2600s 2610s

2620s 2630s 2640s 2650s 2660s 2670s

2680s 2690s 2700s 2710s 2720s 2730s

2740s 2750s 2760s 2770s 2780s 2790s

2800s 2810s 2820s 2830s 2840s 2850s

2860s 2870s 2880s 2890s 2900s 2910s

2920s 2930s 2940s 2950s 2960s 2970s

2980s 2990s 2900s 291

## BUSINESS NEWS

# Musicians Play to New Fund's Interest

Unison Fund plans to finance tours, albums and videos of up-and-coming artists

BY HANNAH KARP

Investors wary of the financial markets have an unusual alternative this summer: concert tours and recordings by up-and-coming musicians.

A group of financial managers and music-industry players is starting an investment fund geared to financing tours, album production, videos and other ventures for emerging artists, people familiar with the matter said.

The Unison Fund also is considering acquiring music festivals such as those owned by SFX Entertainment Inc., which filed for bankruptcy last year and is planning a restructuring, these people added.

The Unison Fund is just the latest of efforts to fund music

outside of the major record labels, whose global revenues are down 60% from 2000, according to the International Federation of the Phonographic Industry, while the concert industry is raking in record sales. Artist manager Scooter Braun, whose clients include pop star Justin Bieber, launched an investment fund a few years ago with several other managers, people familiar with the matter said.

A startup called Sound Royalties, meantime, gives musicians loans based on their future earnings while letting them retain full ownership of their music. Unison's creators are investment manager AGI Partners LLC, concert-booking firm Windish Agency, artist-management group Tmwrk and music-management consultancy Mtheory.

The group has secured \$25 million in commitments for its initial fund, which is expected to close by September when the music-festival season

winds down. In coming months it plans to raise an additional sum of about \$250 million, primarily from wealthy individuals—preferably with experience or connections in the music industry.

For newer and midlevel acts, the fund could represent a source of financing apart from record labels, which generally demand a piece of an artist's touring, merchandise and other revenue in addition to ownership of recordings.

While the Unison Fund's portfolio managers also will participate in the various revenue streams of the artists it supports, it will give them more freedom and ownership of their recorded music.

Tmwrk, whose clients include artist-producer Diplo, joined with Mtheory last year to fund the album "Peace Is the Mission" by Diplo's electronic band Major Lazer. The album's first single, "Lean On," was the most-streamed song on Spotify AB last year.



The electronic band Major Lazer, whose album last year benefited from alternative financing.

KENA BETANCUR/AGENCE FRANCE PRESSE/GETTY IMAGES

## A Computer Harnesses Quantum Physics

BY DANIELA HERNANDEZ

Scientists engineered a computer that can run several simple programs by harnessing the relationships between tiny particles, or quantum mechanics, according to a new report Wednesday.

The work represents a leap in the field of so-called quantum computers, which store information differently than traditional machines, computing experts said.

Classical computers use binary bits of information, whose values alternate between 0 and 1, to store data.

Quantum computers use smaller units—"qubits"—which can simultaneously be 0 and 1. That duality underpins their rapidity and potential supremacy over conventional devices like laptops and servers.

The new device combines

magnets, lasers and five individual ions, or charged atoms, trapped in single file. Each atom represents singular qubits.

The team of researchers, at the University of Maryland in College Park, used the mechanism to run three different basic algorithms, including a primitive version of the algorithm that underlies encryption technology.

"It's wonderful work," said Krysta Svore, a research manager at Microsoft Research, Microsoft Corp.'s experimental arm, who wasn't involved with the study.

Government organizations, academic labs and companies like Alphabet Inc. subsidiary Google, Microsoft and International Business Machines Corp. believe quantum machines will facilitate advances in materials science, chemistry, space exploration and ar-

tificial intelligence. They are investing millions on developing so-called universal quantum computers that could execute any program without tweaking the hardware on which that software runs.

The new prototype, described in the journal Nature, is a step in that direction—"a very clear demonstration of flexible programmability and universality on a single hardware platform," said Mark Saffman, a University of Wisconsin-Madison physicist who wasn't involved in the work.

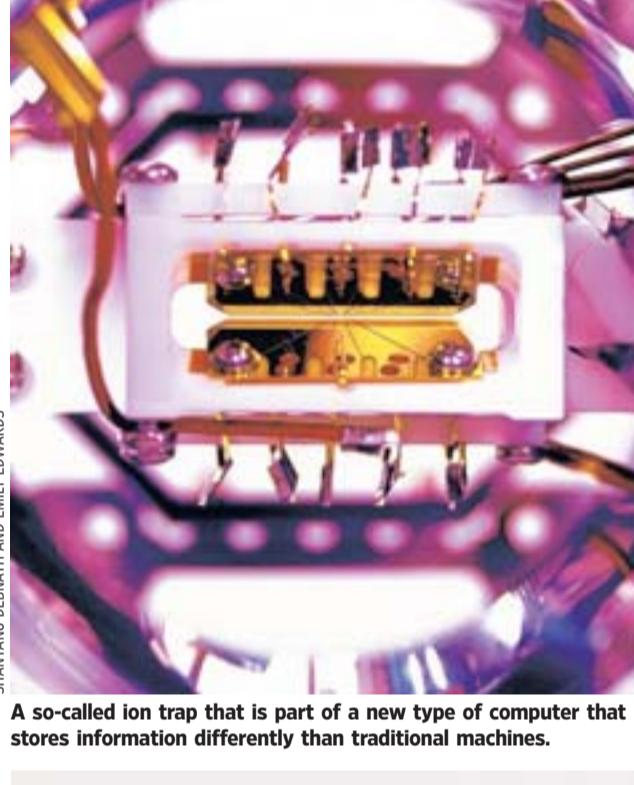
The lead researcher, Chris Monroe, is using the technology to launch a startup dubbed ionQ Inc., according to the paper's first author, graduate student Shantanu Debnath.

Previous attempts have made strides toward, but haven't quite achieved, such ver-

satility, said Daniel Lidar, the director of the University of Southern California Center for Quantum Information Science & Technology in Los Angeles.

The researchers also must prove they can build a reliable system bigger than five qubits, said Dr. Saffman and others.

Such scalability is among the biggest quandaries in quantum computing. To solve commercially interesting problems that can't be cracked in a timely manner with classical computers, experts estimate somewhere between hundreds to millions of qubits will be necessary. Most experimental systems have handled only a handful. Isaac Chuang, a quantum-information scientist at the Massachusetts Institute of Technology, thinks it is likely future quantum machines will fuse several technologies.



SHANTANU DEBNATH AND EMILY EDWARDS  
A so-called ion trap that is part of a new type of computer that stores information differently than traditional machines.

## THE SHORT ANSWER by Annie Gasparro and Erik Brynildsen

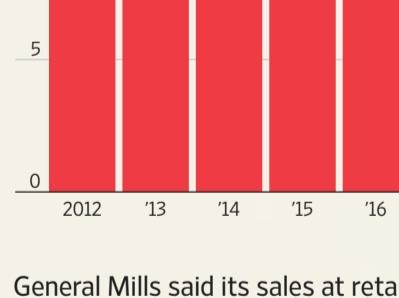
### Can Food Makers Revive Soggy Cereal Sales?

For decades, cereal was considered a convenient and healthy alternative to bacon and eggs. But in recent years, the push to cut back on sugar and carbohydrates in favor of protein, and an increasingly on-the-go mentality that requires car-friendly foods, have caused cereal sales to grow stale.



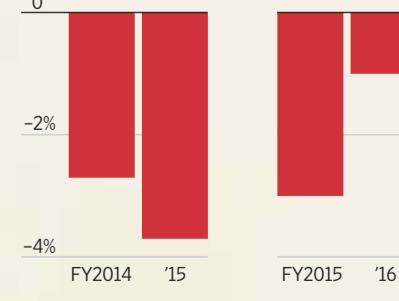
Cereal brands are struggling to whet consumers' appetites for a bowl of hearty grains and milk in the morning.

**U.S. cereal sales\***



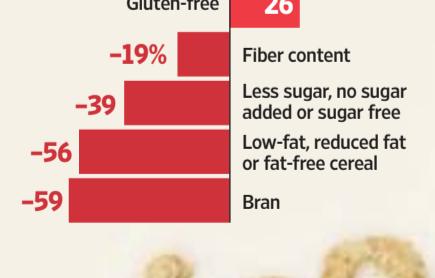
General Mills said its sales at retailers rose in the latest quarter for the first time in four years. Kellogg has been equally optimistic about cereal sales turning positive this year. It reports quarterly earnings Thursday.

**Change in U.S. sales**



Froot Loops, Cheerios and more are being reformulated in response to changing eating trends. The result is a sales increase in cereals that advertise gluten-free and high protein content, while fiber and fat content have fallen out of favor.

**Change in sales, 2012 to 2016\***



\*For the 52-week periods ending the first week of July.  
Notes: General Mills fiscal 2016 ended May 29, 2016.  
Kellogg fiscal 2015 ended Jan. 2, 2016.

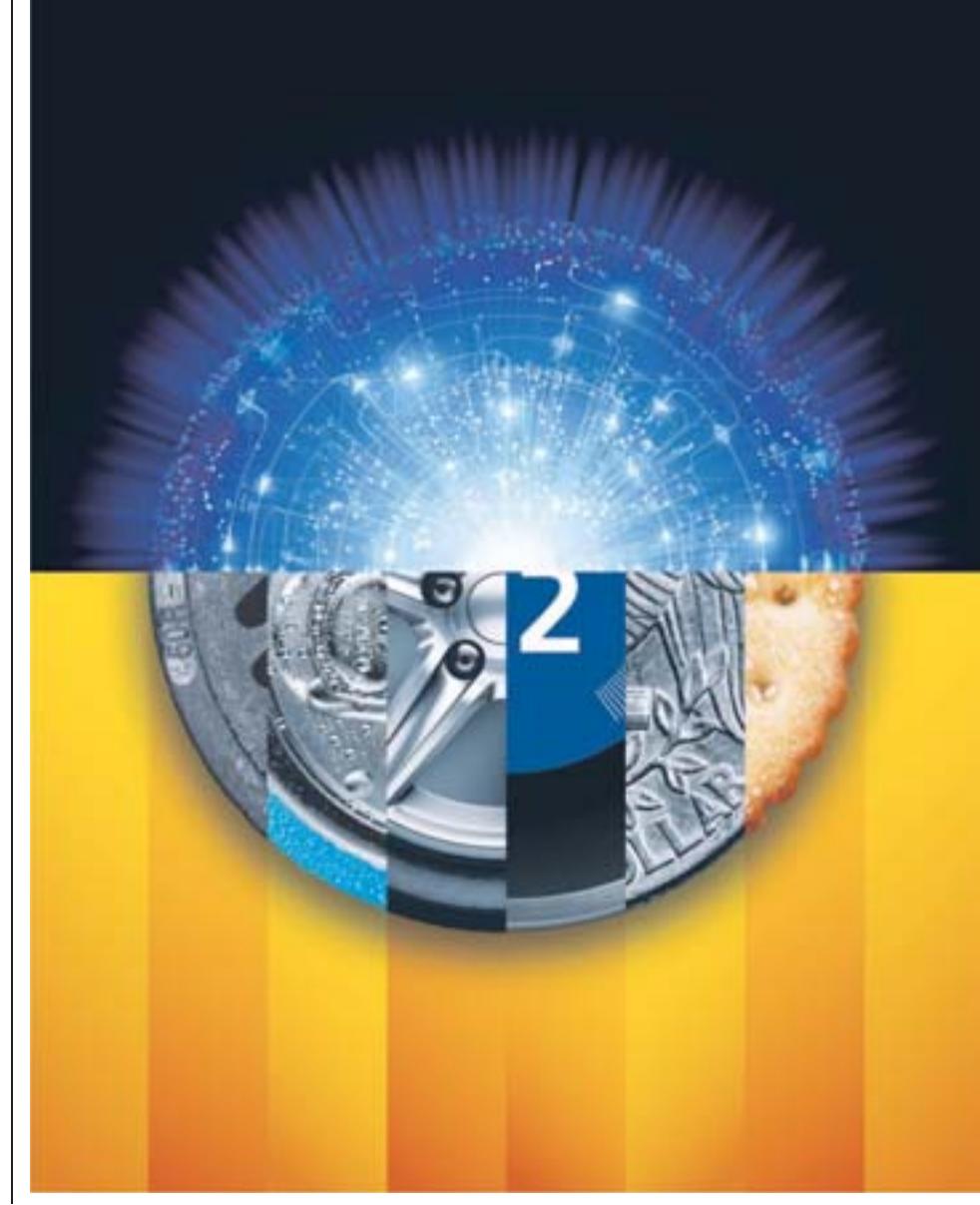
Sources: Nielsen (overall sales, change in sales by type); the companies

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# MONEY & INVESTING

## Terror-Fund Shortfall

Insurance firms called on to help victims **FINANCE | C3**



Risks in the Bid for Jet.com  
**HEARD ON THE STREET | C10**

DANIEL ACKER/BLOOMBERG NEWS

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\* \*

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DJIA 18355.00 ▲ 41.23 0.23% S&P 2163.79 ▲ 0.31% NASDAQ 5159.74 ▲ 0.43% 10-YR. TREAS. ▼ 2/32, yield 1.542% OIL \$40.83 ▲ 1.32 EURO \$1.1150 YEN 101.24 See more at [WSJMarkets.com](http://WSJMarkets.com)

Thursday, August 4, 2016 | C1

## Goldman Pays Up Over Leak

Fed unveils new accusations of wider misdeeds by former executive at firm

By KATY BURNE

**Goldman Sachs Group Inc.** has agreed to pay \$36.3 million to settle allegations it misused confidential regulatory materials leaked from the Federal Reserve, the latest twist in a lengthy investigation.

The Fed unveiled the civil settlement Wednesday and brought new allegations that an executive at the bank had run a long campaign to obtain regulatory secrets and make use of them inside the bank from 2012 to September 2014, well before the leak that sparked the investigation occurred. The executive, Joseph Jiampietro, was fired by Goldman in 2014 after the leak came to light. The central bank said he "repeatedly obtained, used and disseminated" secret regulatory information that included ratings, forthcoming enforcement actions and confidential documents. It proposed fining him

**\$36.3**  
Amount, in millions, Goldman will fork over to settle claims it misused Fed materials

\$337,500 and barring him permanently from the banking industry.

Adam Ford, a lawyer for Mr.

Jiampietro, called the allegations irresponsible and said his client would fight them.

"Like any other investment banker, lawyer or consultant, obviously, Mr. Jiampietro received confidential information as part of his job, so that he could provide his clients with appropriate advice," Mr. Ford said. "Mr. Jiampietro never divulged or used any confidential information outside of that narrow proper purpose."

The leak that led to

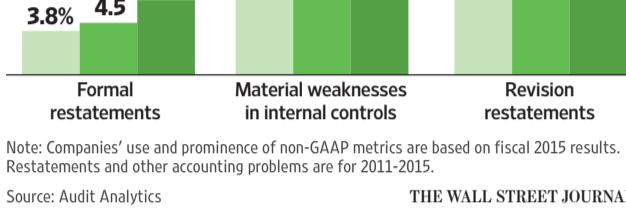
Please see LEAK page C2

### Pushing the Envelope

Heavy users of 'non-GAAP' earnings metrics are more likely to encounter some accounting problems than companies that stick to GAAP measures.

S&P 1500 companies

GAAP-only companies  
Companies using non-GAAP income metrics  
Companies with non-GAAP income metrics that improve GAAP income by 100%+



Note: Companies' use and prominence of non-GAAP metrics are based on fiscal 2015 results. Restatements and other accounting problems are for 2011-2015.

Source: Audit Analytics

THE WALL STREET JOURNAL.

### Slimming Down

Big European banks are slashing the size of their U.S. brokerages amid tough economic conditions at home and new U.S. regulations.



**-43%**



**-30%**



**-26%**

Note: Declines represent changes in U.S. broker-dealer assets between year-end 2013 and year-end 2015.

## Europe Is Shrinking on Wall Street

By RYAN TRACY

**WASHINGTON—**Big European banks have made no secret of their efforts to slim down, but little-noticed regulatory filings show just how deep their cuts on Wall Street have been.

**Barclays PLC** reduced assets at its U.S. brokerage, Barclays Capital, by 43% between the end of 2013 and the begin-

ning of this year, according to filings with the Securities and Exchange Commission. Assets at **Deutsche Bank's** U.S. broker-dealer, Deutsche Bank Securities, were down 30% during that period, while **Credit Suisse Group AG's** U.S. brokerage shrank by 26%.

The banks all have said they remain committed to the U.S. and are seeking to expand parts of their American busi-

nesses. But they are slimming down overall, thanks to tougher business conditions and stricter regulations unfolding in the U.S.

Their American rivals also shrank, but less so. Brokerage businesses owned by **J.P. Morgan Chase & Co.**, **Citigroup Inc.**, **Goldman Sachs Group Inc.** and **Morgan Stanley** cut assets by an average of 8% over the past two years.

The filings show that securities financing, the business of providing short-term loans to financial clients such as hedge funds, was among those areas hardest hit by the cutbacks.

Banks globally have cut thousands of investment-banking jobs, part of a broader retreat from riskier business lines as a result of new rules

Please see EUROPE page C2

The last big post-Lehman regulatory change is reverberating across the financial system, potentially squeezing short-term lending for businesses and local governments.

The rules haven't taken effect yet but already are upending the \$2.7 trillion money-market industry, causing nearly \$500 billion to move into, out of and among these funds, which are used by investors to stash their cash

and by borrowers for short-term liquidity.

While some indicators are showing tightness in short-term markets, any cracks caused by the flows of cash have been filled quickly by central-bank-generated liquidity. The concern among borrowers is what happens when things are back to normal and stress picks up. The broader worry is that the new rules will reduce lending and become a drag, however modest, on the overall economy.

The new rules, which hit in October, are meant to prevent another run on the

Please see MONEY page C4

## SeaWorld Stock Feels Backlash

By STEVEN RUSSOLILLO

**SeaWorld Entertainment Inc.** shareholders can't escape the splash zone.

Public scrutiny has pres-

AHEAD OF THE TAPE weighing on attendance and hurting the stock price.

And while SeaWorld has taken steps recently to address its biggest critics, the stock's slide has only steepened. Don't count on second-quarter earnings, out Thursday, to reverse that trend.

Analysts polled by FactSet forecast earnings of 21 cents a share, down 3% from a year ago. SeaWorld has missed forecasts in seven of its 11 quarters as a public company, with its shares falling immediately after eight of them. That includes its second-quarter report two years ago, when the stock fell 32% on surprisingly disappointing results.

SeaWorld said earlier this year that it would stop breeding its signature killer

### Nothing to Sea Here

SeaWorld's attendance

25 million  
20  
15  
10  
5  
0

'11 '12 '13 '14 '15 '16

Sources: the company; FactSet

THE WALL STREET JOURNAL.

year, SeaWorld warned that its Florida locations were hampered by fewer guests coming from Latin America, specifically Brazil, whose economy shrank last year by the most in 25 years.

Spring and summer are the crucial seasons for SeaWorld's resorts, with about two-thirds of its attendance and revenue coming in the second and third quarters. But even some upbeat news in Thursday's report won't mask the bigger problem: Analysts don't see attendance fully recovering until 2019, according to FactSet.

SeaWorld's stock, already down 25% this year, has lost about half of its value since its 2013 initial public offering and trades near its record low.

Fetching 18 times projected earnings, it isn't cheap either. And short interest has climbed to roughly 26% of the available float, suggesting there are plenty of investors still betting that this stock will keep tanking.

At the beginning of the

Email: [tape@wsj.com](mailto:tape@wsj.com)

## Hedge-Fund Cash Put on Exit Ramp

By ROB COPELAND

New Jersey agreed to pull billions from hedge funds, the latest major investor to retreat from some of Wall Street's highest-paid money managers.

The decision by the New Jersey Investment Council will take the state's target hedge-fund commitment down to 6% from 12.5%. New Jersey's \$71.9 billion pension fund had \$9.1 billion committed to hedge funds at the end of May, according to state documents. The fund oversees as-

sets for roughly 769,000 active and retired police officers, firefighters, teachers and other public workers.

Pension funds, insurers and other institutional investors are increasingly pulling back from hedge funds due to uneven results and concerns about high fees.

Hedge funds typically charge an annual 2% of assets under management and 20% of profits. In the first half of the year, investors redeemed \$28 billion from hedge funds, according to data provider eVestment, including



New Jersey's target hedge-fund commitment will drop to 6%.

the largest monthly exodus since eVestment began tracking monthly flows in 2009.

New Jersey's move is an about-face for a state that had been one of the more enthusiastic proponents of hedge funds, scattering billions of dollars across managers including Elliott Management Corp., Third Point LLC and Pershing Square Capital Management LP. But the state's hedge-fund investments collectively were down 3% through the end of May for the calendar year and 6% for the fiscal year.

The biggest cutbacks will affect hedge funds that specialize only in stocks or bonds, said New Jersey Investment Council Chairman Tom Byrne. Those groups will drop to 1% of the pension fund's portfolio from a target of 7.5%. Another category of funds that offer a mix of investment strategies will stay at 5% of the state's total portfolio, Mr. Byrne said.

New Jersey decided to eliminate managers who "say we are better stock pickers and pay extra fees to do that," Mr. Byrne said. "You haven't earned your fees and you haven't been smarter and we aren't going to pay for that asset class anymore."

## MONEY &amp; INVESTING

# Apollo Remains a Buyer as Profit Climbs

By MATT JARZEMSKY

**Apollo Global Management** LLC keeps finding companies to buy, despite soaring stock markets that have driven up valuations around the world.

The New York investment firm's buyout arm spent \$4.6 billion during the three months through June 30, the most in any quarter since at least 2011, when it went public, and more than its biggest publicly traded rivals.

"We have put a lot of capital to work, and we also have a robust pipeline today of deals that we like," co-founder Leon Black said on an earnings call with analysts Wednesday.

Apollo's second-quarter profit more than tripled on gains in its private-equity and credit portfolios. Its stock rose 3.8%, to \$17.61, on Wednesday.

It is hardly a buyer's market. The S&P 500 hit a record less than two weeks ago. **Carlyle Group** LP's co-founders warned last week that pricey valuations will make it harder for the private-equity industry to earn the outsize returns that made it a favorite of pension funds and other large investors.

Globally, private-equity firms have announced \$111.6 billion in leveraged buyouts this year, the slowest period since 2012, according to data provider Dealogic.

But Apollo has managed to



**Apollo's shares in Norwegian Cruise Line Holdings declined 28% in the second quarter.**

pick up the pace of its investing, outpacing rivals such as **Blackstone Group** LP, which manages more than double Apollo's \$41 billion in private-equity assets but spent just \$1.6 billion on such investments during the quarter.

Lately, the firm has trificked in out-of-favor industries such as supermarkets, timeshare companies and for-profit education, some of which face the specter of

heightened regulation. In its largest deal this year, it folded home-security company ADT Corp. into Protection 1, an ADT rival Apollo bought last year.

Mr. Black said Apollo has remained thrifty, paying about six times a target's annual earnings before interest, taxes, depreciation and amortization, or Ebitda—the private-equity industry's favored valuation metric. By contrast, he said,

buyout valuations broadly have increased to about 10 times Ebitda, he said.

Apollo posted a second-quarter profit of \$174.1 million, or 91 cents a share, up from \$56.4 million, or 30 cents a share, in the year-ago period.

Economic profit, a closely watched measure of income that includes changes in the value of unrealized investments, more than doubled on

appreciation in Apollo's flagship private-equity fund and a markup of its Athene Holding Ltd. annuities business.

Private-equity firms posted mixed results for the three months through June, a period that ended with market turmoil sparked by the U.K.'s vote to leave the European Union. Asset sales—and thus, shareholder payouts—have slowed from the past few years, when a rally in stocks enabled them to take profits on prior years' investments.

**KKR & Co.** and Carlyle last week reported their economic profits fell less than analysts expected. Blackstone posted an increase in economic net income.

Apollo's private-equity portfolio appreciated 3.1% during the period. Its Norwegian Cruise Line Holdings Ltd. declined 28% during the quarter, offsetting gains by Apollo in shares of portfolio companies EP Energy Corp. and Caesars Entertainment Corp. The firm's \$134 billion credit business, its largest by assets, returned of 3.3% after fees.

The firm's distributable earnings, which reflect cash profits from asset sales and fund payouts to shareholders, fell to \$161.3 million from \$199.5 million a year earlier.

Apollo said it would pay a quarterly dividend of 37 cents a share, down from 42 cents in the year-earlier period.

## Finance Watch

### EARNINGS

#### French Banks Benefit From Visa Share Sale

French banks Crédit Agricole SA and Société Générale SA reported bigger-than-expected jumps in second-quarter net profit, as the sale of their Visa Europe shares helped offset pressure from volatile markets and low interest rates.

Crédit Agricole's net profit rose 26% to €1.16 billion (\$1.30 billion), while Société Générale's increased 8% to €1.46 billion.

Revenue rose 2% at both banks, to €4.74 billion at Crédit Agricole and to €6.98 billion at Société Générale.

The Visa Europe stake sale gave Crédit Agricole a gain of €328 million and Société Générale €725 million.

—Noemie Bisserbe



**The Baltic Exchange helped expand British trade.**

### M&A ACTION

#### SGX to Make Offer For Storied Exchange

Singapore Exchange Ltd. will make a formal offer for **Baltic Exchange** Ltd. by the middle of this month in a move that could see another historic London marketplace end up in foreign hands, people involved in the matter said.

The 272-year-old Baltic Exchange is credited with helping expand British trade during the country's imperial heyday.

SGX was a late entrant in the race. Other suitors included Platts, a division of **S&P Global Inc.**, **CME Group Inc.**, which operates the Chicago Mercantile Exchange; and state-run conglomerate China Merchants Group, the people said. SGX and Baltic began exclusive talks May 25.

The transaction, if completed, would represent the second sale in recent years of a storied London exchange to an Asian operator. In 2012, Hong Kong Exchanges & Clearing Ltd. bought the London Metal Exchange.

—Costas Paris

### EXCHANGES

#### ICE Gets Boost From Recent Deals

Exchange operator **Intercontinental Exchange Inc.** logged bigger-than-expected increases in profit and revenue for the second quarter, as the company continues to reap the benefits of recent acquisitions and as trading volume picked up.

In the latest quarter, Interactive Data Corp., which ICE bought last year, continued to drive results. Revenue from data services more than doubled from a year earlier to \$497 million, thanks to the addition of \$265 million from IDC and London-based Trayport.

ICE reported a profit of \$357 million, or \$2.98 a share, up from \$283 million, or \$2.54 a share, a year earlier. Revenue increased 37% to \$1.5 billion.

—Lisa Beilfuss, Bradley Hope

### ROTHSCHILD

#### Deal Makers Hired

**Rothschild & Co.** has hired two veteran mergers-and-acquisitions bankers as the European firm seeks to expand in North America.

James Neissa, who had been global co-head of investment banking at UBS AG, will oversee Rothschild's North American operations, the firm plans to announce. Lee LeBrun, who was co-head of mergers for the Americas at UBS, will become head of M&A for North America at Rothschild. The men will assume their new roles in September and be based in New York.

Rothschild has hired 11 investment bankers at the managing director level or higher in North America over the last three years, for a current total of 31.

—Ben Dummett

# LEAK

*Continued from the prior page*  
Wednesday's settlement involved materials sent by Jason Gross, a staffer at the Federal Reserve Bank of New York, to a former Fed colleague who had since moved to Goldman Sachs. That colleague, Rohit Bansal, worked in the same group as Mr. Jiampietro until both were fired in October 2014.

Some of the information involved the regulator's confidential ratings on a bank that Goldman advised.

Mr. Bansal pleaded guilty to theft of government property and was barred permanently from the banking industry by the Fed in November. He was ordered to pay a \$5,000 fine.

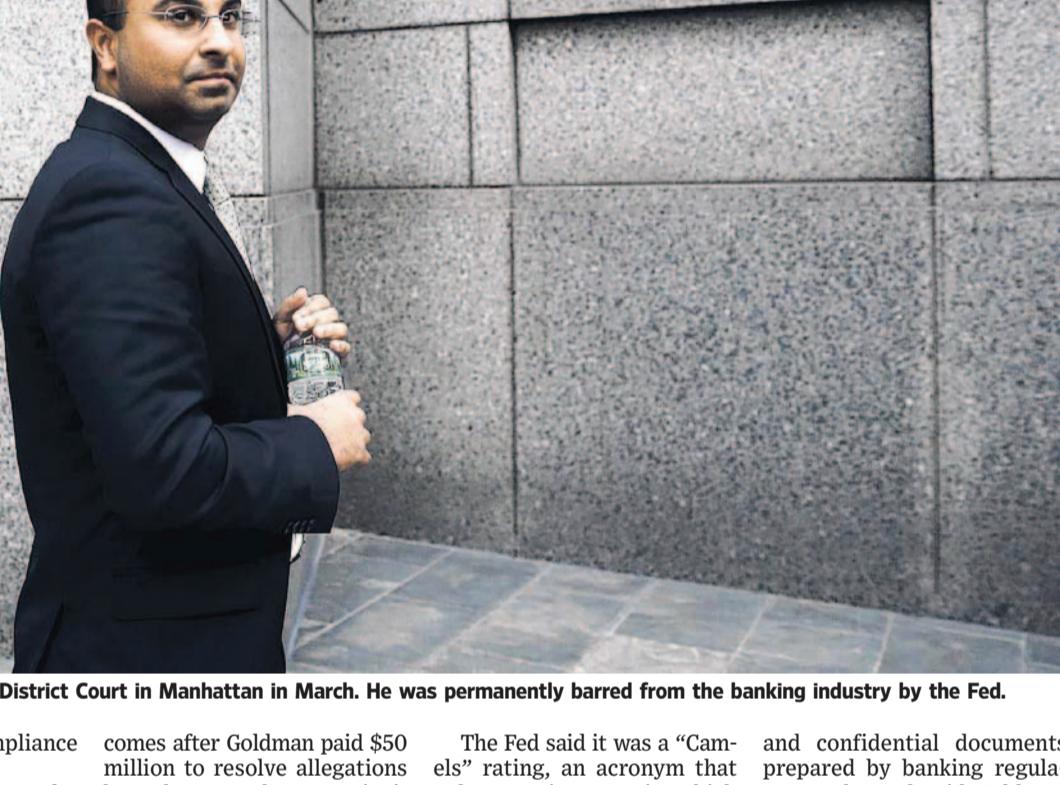
Mr. Gross also pleaded guilty, was fired by the New York Fed and fined \$2,000 in March.

Lawyers for Messrs. Bansal and Gross had no immediate comment.

Michael DuVally, a spokesman for Goldman, said the bank was pleased to have resolved this matter. He said when Goldman discovered the leak in 2014, it notified the Fed immediately and improved its internal controls and compliance training.

Goldman's own investigation of the leak concluded that Mr. Bansal shouldn't have obtained the materials, and Mr. Jiampietro should have re-

BRENDAN McDERMID/REUTERS



**Rohit Bansal exits U.S. District Court in Manhattan in March. He was permanently barred from the banking industry by the Fed.**

ported the leak to compliance or his supervisors.

"We have no tolerance for the improper handling of confidential supervisory information," Mr. DuVally said.

Scott Romanoff, Mr. Jiampietro's boss during the time he was in possession of the confidential materials, alerted the bank's compliance department upon discovering the leak to Mr. Bansal in 2014, Goldman has said.

The settlement with the Fed

comes after Goldman paid \$50 million to resolve allegations brought over the same incident by the New York State Department of Financial Services last year.

Details released by the New York agency last year said that Mr. Bansal obtained information about an "examination rating" and the bank then shared it with a client before the client had been told of the forthcoming rating by regulators.

The Fed said it was a "Camels" rating, an acronym that refers to six areas in which banks are evaluated: capital adequacy, asset quality, management administration, earnings, liquidity and sensitivity to market risk.

On Wednesday, the Fed accused Mr. Jiampietro of obtaining "confidential Camels ratings" in September 2014.

The Fed also accused him at other times of obtaining "non-public enforcement actions

and confidential documents prepared by banking regulators." The Fed said Goldman used the information to solicit business.

Mr. Jiampietro obtained some of the confidential information from his clients at Goldman, people familiar with the matter said.

The Fed said it is "illegal to use or disclose confidential supervisory information without prior approval of the appropriate banking regulator."

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1	07386HEM9	BALTA 2003-6 B1	\$2,228,000
2	07389LAJ4	BSABS 2004-1 M1	\$1,000,000
3	12667FAD0	BSABS 2004-11	\$1,000,000
4	12667FB46	CWALT 2004-33 ZM1	\$15,000,000
5	12667FV44	CWALT 2005-1 J-M	\$5,000,000
6	12667TKT4	CWL 2006-1 MF2	\$2,862,000
7	12667VQ8	CWL 2006-SD1 M2	\$4,551,000
8	362341X79	GSAMP 2006-SD1 M2	\$9,911,000
9	59020UG33	MLMI 2005-AR1 M2	\$12,500,000
10	65106AR4	NCMT 2006-1 M4	\$7,000,000
11	65106AS2	NCMT 2006-1 M5	\$7,000,000
12	74160MKH2	PPI 2004-1C1 M6	\$7,000,000
13	74160MKH4	PRIME 2005-1 B1	\$3,000,000
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1 45660NTR0 INDX 2004-AR13 B1 \$2,450,000

2 86364AXB2 SASC 2007-BNC1 A2 \$1,000,000

**SALE NO. 6 • Bid Deadline: August 16 at 1:30 p.m. (Eastern time)**

No. CUSIP Security Original Principal Amount (\$)

1 41161PTA1 HVMLT 2005-9 B6 \$10,000,000

**SALE NO. 7 • Bid Deadline: August 18, 2016 at 3:00 p.m. (Eastern time)**

No. CUSIP Security Original Principal Amount (\$)

1 288547AT9 ELAT 2007-2 M1B \$4,000,000

**Cowen and Company, LLC ("Cowen"), on behalf of The Bank of New York Mellon Trust Company, National Association, in its capacity as trustee ("the Trustee"), will be conducting a public auction of collateral pledged to Cowen and Company, LLC ("Cowen") under the terms of the Investment Representation and Confidentiality Agreement, dated as of January 1, 2012, between Cowen and the Trustee, as amended. Additional Information. Please be advised that the sale of the securities listed above may be made only to the best bidder who is also a qualified bidder and will be subject to a reserve level. For additional information, please refer to the Investment Representation and Confidentiality Agreement, dated as of January 1, 2012, between Cowen and the Trustee, as amended. Additional Information. Please be advised that the sale of the securities listed above may be made only to the best bidder who is also a qualified bidder and will be subject to a reserve level. For additional information, please refer to the Investment Representation and Confidentiality Agreement, dated as of January 1, 2012, between Cowen and the Trustee, as amended. Additional Information. Please be advised that the sale of the securities listed above may be made only to the best bidder who is also a qualified bidder and will be subject to a reserve level. For additional information, please refer to the Investment Representation and Confidentiality Agreement, dated**

## GLOBAL FINANCE

# Boutique Advisors Go Shopping Abroad

Pace of deals is on the rise; either you go global or you're going to have a hard time'

Boutique investment-advisory firms are snapping up foreign counterparts to add heft and compete globally.

*By Ely Henning  
in Frankfurt and  
Jeannette Neumann  
in Madrid*

"To serve the midcap companies that we advise, either you go global or you're going to have a hard time," said Santiago Eguidazu, chairman of N+1, a Spanish boutique that acquired Boston-based C.W.

Downer & Co. in November and took a 50% stake in Latin American rival **Landmark Capital** in May. N+1 could have won more business in the past if it had had a U.S. presence, said Wolfram Schmerl, N+1's head in Germany.

"More and more clients are asking us to provide them access to various markets," said Marc Vincent, co-head of corporate and investment banking at **Natixis SA**, a midsize French investment bank. Last year, Natixis scooped up two other French firms—an asset manager and a mergers-and-acquisitions boutique—and in June purchased a majority stake in

**Peter J. Solomon Co.**, a New York-based advisory firm.

Data on deals among boutique firms isn't available, but

bankers say the pace of transactions is on the rise. Sascha Pfeiffer, a partner at Munich-based advisory firm Altium Capital, said the increase is being driven by a proliferation of U.S. advisory firms in Europe over recent years.

Chicago-based William Blair & Co., for example, opened a new office in Frankfurt in 2013. Last year, New York boutique Evercore Partners Inc. acquired smaller German rival Kuna & Co. And Moelis & Co., also from New York, has been expanding in Frankfurt.

These banks "entered the European market, putting domestic players under pressure to act," Mr. Pfeiffer said. Altium was acquired in May by San Francisco-based boutique adviser GCA Savvian Corp.



In June, French bank Natixis SA bought a majority stake in New York-based Peter J. Solomon Co.

Los Angeles-based Houlahan Lokey acquired the German, Dutch and Spanish operations of Italian investment bank Leonardo & Co. in November, and teamed up with the bank in It-

aly.

Some privately held investment firms are hiring heavyweight advisers to strengthen their foreign operations. The German boutique **Freitag & Co.**

recently said that Robert S. "Steve" Miller, a former chairman of American International Group Inc., had joined its advisory board to represent it in the U.S.

## Fund to Aid French Terrorism Victims Is Facing Shortfall

BY NICK KOSTOV  
AND ALEXA LIAUTAUD

The surge in terror attacks across France is draining a fund for compensating victims faster than the insurance industry can replenish it.

President François Hollande's government has been in talks with France's largest insurer, **AXA SA**, and other industry players since February about how insurance companies can shore up funding of a government-run program that pays families of terror victims and people injured in attacks, AXA France Chief Executive Jacques de Peretti told analysts Wednesday. Government officials said they aim to announce an agreement in September.

"This contribution is quite insufficient to face up to the recurring terrorist acts," Mr. de Peretti said.

The potential shortfall is a measure of how the insurance industry must adapt to what some are calling a "new normal" across the Continent, in which people inspired by Islamic State and other radical groups carry out attacks on cafes, concert venues and other "soft targets" more frequently.

The government established the Guarantee Fund for Victims of Terrorist and Other Criminal Acts, or FGTVI, in 1986

to prevent insurance companies from developing a cottage industry that might profit from the violence. The fund also provides insurers with a financial buffer from terror attacks.

The government requires insurers to fund FGTVI through an "attack tax" on the 80 million policies currently in force across France, from auto- to life-insurance policies. Paris raised the attack tax to €4.30 (\$4.79) per policy from €3.20 as recently as January. But industry players say that increase won't be enough.

**2,300**

**Victims of Nov. 13 Paris attacks that have been compensated so far**

"We are working with the public authorities to see how we can face up to this new need for funding probably via the increase in the tax and probably via other contributions that the government may make available," Mr. de Peretti said.

Even before the drumbeat of terror attacks began in January 2015 with the assault at the office of Charlie Hebdo magazine that killed 12 people, the FGTVI was running a deficit, according to the fund's



A city employee cleans off graffiti from a statue at the Place de la Republique in Paris. The spot has become a makeshift memorial in tribute to the victims of recent terrorist attacks.

publicly disclosed accounts. At that time, annual compensation for terror victims was in the €10 million range, Mr. de Peretti said.

Since then, compensation has increased significantly, erasing some of the €1.3 billion in reserves the fund had at the end of 2015.

Government officials said the fund easily had the means to reimburse all the victims but said a concern would be compensating for future attacks.

The Nov. 13 Paris attacks

that killed 130 people are estimated to cost €350 million in claims in the coming years, according to government officials.

The fund has compensated about 2,300 victims of those attacks so far, said Françoise Rudetzki, a member of the FGTVI's board.

The attacks in Nice—in which a man drove a truck through a crowd of an estimated 30,000 people for more than a mile, killing 84 people and injuring hundreds more—also will be costly and com-

plex to calculate. Under the rules of the fund, anyone within the official perimeter of the attack is eligible to claim compensation, even if they didn't suffer a physical injury.

"A lot of people are becoming a lot more aware of the ability to claim for these losses—maybe this is kind of a

claim culture, or a compensation culture that's crept in maybe from the [United] States," said Srdjan Todorovic, head of terrorism at **Allianz SE**, Europe's biggest insurance company by revenue.

## TIAA Is Poised to Buy Lender EverBank

BY RACHEL LOUISE ENISGN  
AND TELIS DEMOS

**TIAA** is nearing a deal to buy Florida-based lender **EverBank Financial Corp.**, a purchase that would push the financial-services company further into plain-vanilla banking, according to people familiar with the matter.

An all-cash deal could be announced in coming days, these people said, assuming it doesn't fall apart at the last minute. The deal would value Jacksonville, Fla.-based EverBank at about \$2.5 billion, according to a disclosure from that bank last week that detailed the exclusive talks and the potential price but didn't name the bidder.

Such a deal would be another example of a midsize bank getting creative to find a buyer at a time when the usual deal partners—bigger regional U.S. banks—largely remain on the deal-making sidelines.

TIAA, which already has a small online bank, has managed retirement assets for employees of universities and nonprofits for decades.

Buying EverBank would give TIAA \$274 billion in assets and \$18.8 billion in deposits. EverBank focuses on online and mobile banking but also has some offices. While EverBank is based in Florida, it holds loans and deposits from across the U.S. and focuses on making big mortgages called jumbo loans that banks find attractive.

TIAA couldn't be reached for comment. The company's involvement in the possible deal was reported Wednesday by Reuters.

EverBank cautioned last week that a deal isn't certain and the terms may change.

EverBank was established in 1998 and has expanded through a series of acquisitions, including Tygris Commercial Finance Group in 2009, Bank of Florida in 2010 in a transaction assisted by the Federal Deposit Insurance Corp., and MetLife Inc.'s warehouse finance business. It went public in 2012.

EverBank's shares rose 3%, to \$18.55, on Wednesday.

Midsized lenders are among the most active deal makers in the financial industry these days. Smaller banks face pressure to expand or try to sell themselves, as low interest rates sap profits and regulatory costs mount. By becoming larger, they can spread costs over a broader base of customers and assets.

While there are still thousands of banks in the U.S., most of which are tiny compared with national lenders, there has been steady consolidation among them in recent years.

Such activity has picked up lately. Through Wednesday, \$19.7 billion of U.S. bank mergers had been announced, compared with \$20.5 billion in the same period in 2015, according to data provider Dealogic.

*—Leslie Scism  
and Emily Glazer  
contributed to this article.*

## Insurers' Results Hit by Low Rates, Catastrophes

BY LESLIE SCISM  
AND TESS STYNES

Insurers reported a messy second quarter plagued by low interest rates and catastrophe claims, highlighted by a \$2 billion charge at **MetLife Inc.** tied to a savings product popular with baby boomers.

Life insurers MetLife, **Prudential Financial Inc.** and **Lincoln Financial Group** booked lower premiums and fees, while property-and-casualty insurer **Allstate Corp.** faced elevated levels of claims for severe weather, including a record hail storm in Texas.

The government established the Guarantee Fund for Victims of Terrorist and Other Criminal Acts, or FGTVI, in 1986

MICHAEL NAGLE/BLOOMBERG NEWS



MetLife posted a \$2 billion charge related to income guarantees sold with variable annuities.

ucts known as variable annuities. But the size of the \$2 billion charge it booked was much larger than forecast, even as some analysts predicted MetLife would use conservative assumptions to bolster its reserves ahead of the planned divestiture of much of its U.S. retail life-insurance and annuity operations.

Those businesses comprise roughly one-fifth of the company's recent operating earnings. MetLife is pursuing the divestiture for strategic and regulatory reasons, in contrast

to its longtime rival Prudential, which has been designated as "systematically important" by federal regulators and says it is comfortable with its business mix. The label carries tougher capital requirements.

Prudential, for its part, posted a number of reserve adjustments that affected its results.

While the weak performance of hedge funds hurt some insurers' first-quarter performance, some were let down in the latest quarter by

weaker private-equity results. Insurers sometimes invest a small slice of their bond-heavy portfolios in riskier holdings.

MetLife's net investment income fell 6% to \$4.9 billion, hurt by lower-than-expected alternative investment income. Allstate blamed lower interest income from its fixed-income portfolio for its 3.4% decline in investment income. Prudential and Lincoln Financial notched moderate growth of 3.8% and 1%, respectively.

Allstate, meanwhile, became the latest insurer to report ele-

vated catastrophe losses in recent weeks, with the metric rising 21% to \$961 million from \$797 million a year earlier. Insurers with exposure to Canada wildfires have included Travelers Cos., Chubb Ltd., American International Group Inc. and Axis Capital Holdings Ltd.

At MetLife, the largest U.S. life insurer by assets, operating income fell 48% to \$924 million, or 83 cents a share, from \$1.77 billion, or \$1.56 a share, a year earlier. Analysts polled by Thomson Reuters expected \$1.35 a share. Revenue, meanwhile, decreased 5.7% to \$15.24 billion, hurt by lower premiums and fees.

At Prudential, which earns about half of its profit abroad, mostly from Japan, operating earnings declined 39% to \$829 million, or \$1.84 a share, compared with the \$2.50 a share expected by analysts.

Revenue at Prudential, with its annuities, retirement-income and asset-management businesses, fell 5.5% to \$11.81 billion. Premiums fell 9.4% and policy charges and fee income dropped 6.9%.

At Lincoln Financial, operating income rose 0.5% to \$373 million, or \$1.56 a share, matching Wall Street's estimate. Insurance premiums dropped 6.9% to \$728 million.

Allstate said operating earnings decreased 10% to \$235 million, or 62 cents a share, while Wall Street pre-

dicted 58 cents a share.

## IN THE MARKETS

# High-Speed Firm, J.P. Morgan Team Up

Virtu Financial will help the bank trade more efficiently in U.S. Treasury market

By BRADLEY HOPE

Technology pioneered by high-frequency trading firms is increasingly being used by Wall Street firms to buy and sell in the lightning-fast markets.

**CREDIT MARKETS** Virtu Financial Inc., one of the world's largest electronic market makers, announced on Wednesday it is joining with J.P.

Morgan Chase & Co. to help the bank trade more efficiently in the U.S. Treasury market.

The agreement, which will last at least three years, is the second time Virtu has signed up with a larger, more traditional Wall Street firm to help

it navigate the high-speed markets.

Last year, Virtu started working with T. Rowe Price Group Inc. to help the money manager lower its trading costs. It said it is expanding the offering to other investors.

"We see ourselves as a financial technology company that understands markets and trading," said Douglas Cifu, chief executive of Virtu, in an interview. "The theme here is big institutions reaching out to us and figuring out ways they can make their business more cost efficient and scalable using our technology and understanding of the market microstructure."

These arrangements would have been unlikely just two or three years ago when concern about high-frequency trading—the use of high-speed computers and algorithms to buy and sell millions of times a day in search of tiny profits—reached a fever pitch.



MARK LENNIHAN/ASSOCIATED PRESS

Virtu Financial CEO Douglas Cifu, left, has tried to assuage some critics by showing visitors algorithms used by the firm.

At the forefront of criticisms was writer Michael Lewis, whose best-selling book "Flash Boys" argued the mar-

kets were rigged in favor of banks, exchanges and high-frequency traders.

Critics have said over the

past several years that high-frequency firms have an unfair advantage over slower institutional investors because of their use of expensive data feeds and proprietary telecommunications networks.

Some firms, such as Virtu, have tried to assuage fears about their underlying technology and strategies. The company's Mr. Cifu has been open to showing visitors to the office the exact algorithms Virtu uses to trade on more than 230 markets around the world.

During a conference call on Wednesday, he said Virtu shared information for J.P. Morgan executives to show them how the firm operates.

The Virtu partnership focuses on a relatively small part of J.P. Morgan's Treasury trading business. It only deals with its dealer-to-dealer trading, meaning with other financial institutions.

"We are committed to stay-

ing a leader in fixed income," said a spokesman for the bank, Brian Marchiony. "Working with outside firms is complementary to our internal investments and ensures that we are evaluating innovative technologies as the markets evolve."

Expanding revenues is also important for Virtu because as a trading firm its quarterly financial results are largely determined by global trading volumes and volatility.

For the three months ended June 30, revenues declined 4.3% to \$174.2 million compared with the same quarter the year earlier. Mr. Cifu attributed the decline to low volume and volatility for most of the quarter.

The company had net income of \$39.3 million, a nearly fivefold increase from the year-earlier quarter when the company had a substantial one-time charge connected to its IPO.

## GAAP

*Continued from page C1*  
use of non-GAAP metrics may indicate a company's accounting is "more aggressive," she said.

The study focused on companies in the S&P 1500 index. It found that just 3.8% of those exclusively using standard GAAP metrics had formal earnings restatements from 2011 to 2015. Among heavy users of non-GAAP measures—those whose non-GAAP earnings were at least twice as high as their GAAP net income—the rate was 6.5%.

Similarly, 7.5% of the GAAP-only group had material weaknesses in internal controls—flaws in their procedures to prevent financial errors and fraud—versus 11% of the non-GAAP group.

Some of the numbers are small, and the use of non-GAAP metrics didn't specifically cause or relate directly to the companies' accounting flaws. Audit Analytics cautioned more research is needed.

**Even critics acknowledge the tailored metrics can be helpful at times.**

Still, the results suggest companies using non-GAAP metrics heavily "may be somewhat less rigorous in other accounting areas" than companies using only GAAP, said Robert Pozen, a senior lecturer at the MIT Sloan School of Management.

Two examples are Valeant Pharmaceuticals International Inc. and LendingClub Corp. Both companies have been heavy users of pro forma metrics, and both have run into accounting and other problems that have hammered their shares.

Valeant restated earnings earlier this year over revenue-booking issues and said it had material weaknesses relating to its "tone at the top," or the commitment by a company's leadership to doing business ethically. Valeant has used non-

GAAP metrics for years, often benefiting significantly. In 2015, the company had a GAAP loss of \$291.7 million but an "adjusted" non-GAAP profit of \$2.84 billion after stripping out amortization of intangible assets, acquisition costs and other expenses.

Valeant spokeswoman Laurie Little said the company believes its non-GAAP measures "are useful to investors in their assessment of our operating performance and the valuation of our company."

Online lender LendingClub forced its chief executive to resign in May after it found disclosure problems on some loans, and it too cited a "tone at the top" material weakness. The company had a 2015 GAAP loss of \$5 million but non-GAAP net income of \$56.8 million. LendingClub declined to comment.

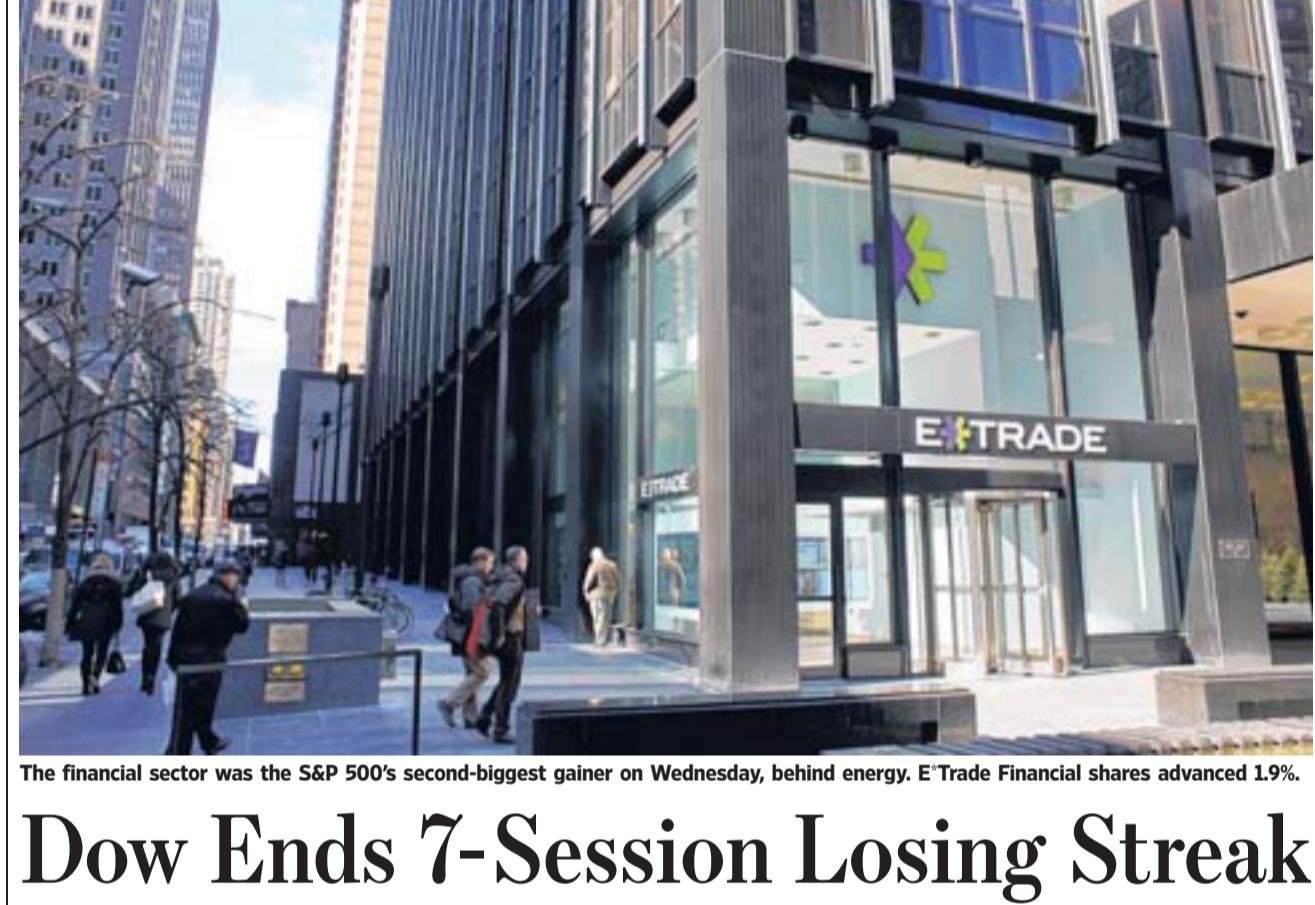
Neither company was in the pool Audit Analytics examined. Companies are allowed to use nonstandard metrics as long as they also provide GAAP numbers and show the differences between the two. The tailored measures strip out unusual or noncash items to present what companies say is a clearer picture of performance.

Even critics acknowledge the tailored metrics can sometimes be helpful—showing a company's results in constant currency is a legitimate adjustment, for instance, Mr. Pozen said.

But there is also a concern they are being abused, that companies are stripping out normal, ongoing costs to make themselves look healthier.

A study in June by financial data-research firm Calcbench and corporate-compliance consultant Radical Compliance showed non-GAAP metrics inflated 2015 earnings by \$164.1 billion over GAAP at a group of 816 public companies.

In May, the Securities and Exchange Commission issued new guidelines warning companies against placing too much emphasis on non-GAAP metrics. The commission also has been taking issue with companies' non-GAAP disclosures more frequently in comment letters critiquing the companies' SEC filings.



The financial sector was the S&P 500's second-biggest gainer on Wednesday, behind energy. E\*Trade Financial shares advanced 1.9%.

## Dow Ends 7-Session Losing Streak

By AKANE OTANI AND RIVA GOLD

The Dow Jones Industrial Average rose after seven consecutive sessions of losses, as a rally in energy and financial shares lifted U.S. indexes.

A fall in crude-oil prices had put pressure on the market in recent days, but U.S. crude climbed 3.3% Wednesday to back above \$40 a barrel after data showed an unexpected drop in gasoline stockpiles.

It was crude's biggest one-day gain since mid-July. That helped lift shares of energy companies in the S&P 500 by 1.8%, making them the biggest gainers in the index.

"Although we spent seven days down on the Dow, it was a very shallow sell-off," said Art Hogan, chief market strategist at Wunderlich Securities. "With earnings and oil coming

back to a level people feel more comfortable with, we're catching a break again."

The Dow rose 41.23 points, or 0.2%, to 18355.00 Wednesday, after shedding 1.4% during its longest losing streak since last August. The Nasdaq Composite rose 22.00 points, or 0.4%, to 5159.74 and is now 1.1% below its record close.

The S&P 500 added 6.76 points, or 0.3%, to 2163.79. The financial sector was the second-biggest gainer, paring its 2016 losses.

Shares of American International Group posted their biggest one-day percentage increase since November 2011, after the global insurance conglomerate said Tuesday afternoon that its net income rose in the second quarter. The shares jumped \$3.96, or 7.3%, to \$58.10.

**Intercontinental Exchange**, which beat expectations for earnings, rose 14.09, or 5.3%, to a record 278.02.

E\*Trade Financial gained 47 cents, or 1.9%, to 24.99.

Major U.S. indexes have pulled back from records set last month, when investors' expectations for continued stimulus from central banks helped lift stocks.

Some investors have grown skeptical in recent sessions about policy makers' efforts to boost growth, after Australia's and Japan's recent moves to stimulate their economies disappointed investors.

"The post-Brexit rally was founded in part on the idea that global policy makers would come in and aggressively step up liquidity assurances and monetary-policy expansions—but the Bank of Japan's limited action sort of highlights that monetary policy is really on its last legs," said Viraj Patel, foreign-exchange strategist at ING.

Market participants are now looking to the Bank of England, which concludes its

meeting Thursday, to cut interest rates and shore up confidence in the U.K. economy, after data this week confirmed a slowdown in the aftermath of the U.K. referendum.

If the bank disappoints, concerns about the ability of central banks to ease further could hit yields globally, Mr. Patel said.

In Europe, the banking sector began to bounce back from a torrid start to the week.

Shares of HSBC Holdings rose 4.5% after the U.K. lender said it would spend as much as \$2.5 billion in the second half of the year to buy back shares, even as earnings dropped in the first half.

Japan's Nikkei Stock Average fell 1.9% amid disappointment over the stimulus package announced Tuesday, which had sent the currency sharply higher against the dollar. Early Thursday, the Nikkei was flat. Stocks in Shanghai were down slightly early Thursday.

## MONEY

*Continued from page C1*  
industry, which occurred after a fund that held Lehman Brothers debt collapsed.

Money-market funds were never supposed to lose money, and in the ensuing panic, investors pulled nearly \$150 billion from the industry in a week. That move choked off cash for U.S. companies and global banks, threatening to deepen the crisis. The threat ended when the government

stepped in to insure the funds. The new rules are focusing on so-called prime funds that invest in short-term corporate debt, typically with maturities of a few days to a year. Other types of funds invest in short-term municipal and government debt.

There are two big changes: Prime funds have to hold more super-short-term debt, and they can no longer

claim that investors won't lose money. In fund jargon, the funds' net asset values will fluctuate, rather than stay at \$1 no matter what happens in the market.

Already, more than \$420 billion has left prime money-market funds in the past year, pulling assets below \$1 trillion for the first time since 1999, according to the Investment Company Institute, the industry's trade association. The money has flowed into government money-market funds, which have grown to \$1.5 trillion from \$991 billion.

Funds holding federal government debt are the big winners because under the new rules they still can promise that investments won't lose money. More money chasing government bonds isn't what the world needs right now. The flip side is that \$420 billion that used to be lent to companies, mostly in the form of commercial paper, has disappeared from the system. These markets make short-

term loans to governments, and already the assets in these funds are down to \$183 billion from \$246 billion in the past 12 months.

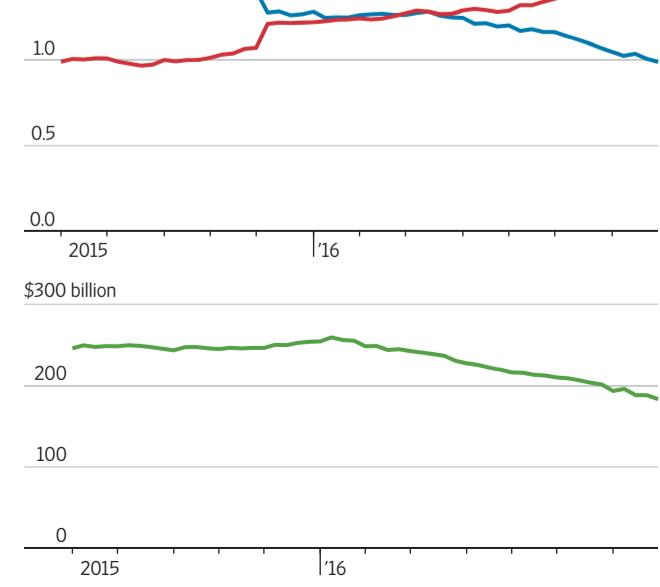
The cost to borrow for these governments has gone from 0.03% last year to 0.48%, which includes the Federal Reserve's December rate increase, according to Anthony J. Carfagno, managing director of Treasury Strategies, which advises governments and companies on managing their cash.

Several indicators are showing stress in these short-term markets, but the real risk is what happens when liquidity tightens.

Companies and municipalities with the highest ratings will find the cash they need. But that could leave others scrambling for what is left.

## Money Migration

New rules on money-market funds have caused nearly \$500 billion to move out of prime and muni funds and into government bond funds, potentially reducing lending and lowering liquidity.



## MONEY & INVESTING

# Bond Buyers Await U.K. Central Bank

By JON SINDREU  
AND CHRISTOPHER WHITTALL

Prices of U.K. corporate bonds have soared in the past month as investors bet that the **Bank of England** will start snapping up the debt as part of a stimulus plan. But some fret that the central bank's impact on such a small market will be hard to predict, if such an intervention happens at all.

Yields on sterling-denominated corporate bonds have steadily moved lower since the U.K. referendum on June 23, despite widespread fears that the decision to leave the European Union will hurt British companies. Yields fall as bond prices rise.

While most of this drop is due to expectations that the central bank will cut interest rates, the spread between yields on bonds of nonfinancial companies and cash recently came close to a one-year low, according to figures by research firm **Markit Ltd.**, reversing a post-Brexit surge.

Such credit spreads are supposed to reflect how likely a company is to default. But many analysts believe spreads have narrowed sharply on speculation that the Bank of England will start buying these bonds.

Several major banks have told clients they expect central-bank officials to announce such a program at their policy meeting Thursday, alongside an increase in sovereign-bond

purchases and a cut in interest rates to 0.25%.

But some investors remain wary.

Expectations of renewed purchases of government bonds, of which the Bank of England still holds £375 billion (\$501 billion), have driven Mike Riddell, a portfolio manager at Allianz Global Investors, to buy more of them. By contrast, he believes sterling-denominated corporate debt has become too expensive and has started selling it.

"Valuations are starting to look pretty stretched," said Mr. Riddell, who thinks the central bank is unlikely to announce a corporate bond-buying program on Thursday.

The yield on the Barclays Sterling Aggregate: Corporate index, which has an average maturity of more than 12 years, is about 2.5%, down from 3.1% before the Brexit vote.

Since June, the European Central Bank has been buying about €9 billion (\$10 billion) of euro-denominated corporate bonds a month, on top of roughly €70 billion of government and other bonds.

Effects have been particularly noticeable in corporate-bond markets because there are far fewer buyers and sellers.

The sterling corporate market is even smaller, because many large British corporations prefer to borrow in euros and dollars.

### Down Again

Risk premium on U.K. corporate bonds, measured by asset-swap spreads



Note: Through Tuesday Source: Markit

THE WALL STREET JOURNAL.

# Buyback Plan Gives HSBC Shares a Lift

**HSBC Holdings PLC** announced a surprise \$2.5 billion share buyback on Wednesday, as the global slowdown makes new lending and investments less appealing.

By Margot Patrick  
in London and  
Julie Steinberg  
in Hong Kong

The bank's shares rose 4.5% in London trading on the plan to give shareholders back some of the cash from the sale of HSBC's Brazil unit for \$5.2 billion last month. But questions remained over the bank's growth and ability to keep paying big dividends after second-quarter net profit plunged 40% from a year earlier to \$2.61 billion.

HSBC said Wednesday that it is no longer achievable to reach its target return on equity, a key profitability measure, of more than 10% by the end of 2017. In an interview, Chief Executive Stuart Gulliver said the target still is in place but that persistently low interest rates, a rising U.K. tax rate for banks and other economic and geopolitical uncertainties mean there is no "line of sight" on when it can be achieved.

The bank's return on equity in the first half was 7.4%.

If the outlook doesn't improve, HSBC might have to look more deeply beyond its current cost-cutting plans, Mr. Gulliver said.

Once a sprawling bank across 87 countries with little central oversight, HSBC since 2011 has cut or sold dozens of businesses to improve profit and cope with tougher regulations. Last year it said it would pivot further to Asia, already the main source of its profit.

But plans to expand in China, and particularly its Pearl River Delta region, will take more time than originally envisioned, bank officials said Wednesday, because of weaker economic conditions. Lending in Hong Kong and the U.K. also has been sluggish this year, they said.

Much of the focus Wednesday was on the future of HSBC's dividend. Mr. Gulliver said it would be maintained at its current 51-cent annual level "for the foreseeable future." He said additional stock buybacks were possible as the bank exited more businesses but would be decided on a case-by-case basis.

Mr. Gulliver said one reason the bank had confidence in its ability to maintain dividends—which some analysts still expect will be cut at some stage—is that its U.S. business is in shape to pay its first dividend in a decade to the U.K. holding company. HSBC racked up billions of dollars in losses in the U.S. after a disastrous foray into subprime lending before the financial crisis and is still in the process of rolling off and selling loans in those portfolios.



Shares of HSBC rose 4.5% Wednesday. Above, CEO Stuart Gulliver.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below), and the provisions herein are subject in their entirety to the provisions of the Offer (as defined below). The Offer is made solely by the Offer to Purchase (as defined below), dated August 4, 2016, and the related Letter of Transmittal (as defined below) and any amendments or supplements thereto, and is being made to all holders of Shares and holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction or any administrative or judicial action pursuant thereto. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

## Notice of Offer to Purchase for Cash All Outstanding Shares of Common Stock of Relypsa, Inc. at \$32.00 Net Per Share by Vifor Pharma USA Inc., an indirect wholly owned subsidiary of Galenica AG

Vifor Pharma Inc., a Delaware corporation ("Purchaser") and an indirect wholly owned subsidiary of Galenica AG, a public limited company existing under the laws of Switzerland ("Galenica"), is offering to purchase any and all of the outstanding shares of common stock, par value \$0.001 per share (the "Shares"), of Relypsa, Inc., a Delaware corporation ("Relypsa"), at a price of \$32.00 per Share (the "Offer Price") to the seller thereof in cash, without interest and less any applicable withholding taxes, on the terms and subject to the conditions set forth in the offer to purchase, dated August 4, 2016 (as it may be amended or supplemented from time to time, the "Offer to Purchase"), and in the related letter of transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal") and together with the Offer to Purchase, the "Offer"). Tendering stockholders who have Shares registered in their names and who tender directly to American Stock Transfer & Trust Company, LLC (the "Depository") will not be obligated to pay brokerage fees or commissions or, except as set forth in the Letter of Transmittal, transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. Stockholders who hold their Shares through a broker, dealer, commercial bank, trust company or other nominee should consult with such institution as to whether it charges any service fees or commissions.

### THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK TIME, AT THE END OF THE DAY ON WEDNESDAY, AUGUST 31, 2016, UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE").

The purpose of the Offer is for Galenica, through Purchaser, to acquire control of, and the entire equity interest in, Relypsa. Following the consummation of the Offer, Purchaser intends to effect the Merger (as defined below).

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of July 20, 2016, among Galenica, Purchaser and Relypsa (the "Merger Agreement"), under which, after the completion of the Offer and the satisfaction or waiver of certain conditions set forth in the Merger Agreement, Purchaser will be merged with and into Relypsa, and Relypsa will be the surviving corporation and an indirect wholly owned subsidiary of Galenica (the "Merger"). At the effective time of the Merger (the "Effective Time"), each issued and outstanding Share (other than Shares (i) owned by Galenica, Purchaser or Relypsa or any direct or indirect wholly owned subsidiary of Galenica, Purchaser or Relypsa, (ii) irrevocably accepted for purchase pursuant to the Offer, or (iii) held by stockholders who are entitled to demand and who have properly and validly perfected their appraisal rights under Delaware law) will, by virtue of the Merger and without any action by the holder thereof, be converted automatically into the right to receive from Purchaser an amount in cash, without interest and less any applicable withholding taxes, equal to the Offer Price, payable to the holder thereof upon surrender of the certificate formerly representing, or book-entry transfer of, such Share. As a result of the Merger, Relypsa will cease to be a publicly traded company and will become indirectly and wholly owned by Galenica. The Merger Agreement is more fully described in the Offer to Purchase.

The Offer is conditioned on (a) the satisfaction of the Minimum Condition (as described below), (b) the expiration or termination of the waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (c) no governmental authority of competent jurisdiction having (i) enacted, issued or promulgated any law (other than the applicable provisions of the HSR Act) that is in effect as of immediately prior to the Expiration Date and has the effect of making the Offer, the acquisition of the Shares by Galenica or Purchaser, or the Merger illegal or which has the effect of prohibiting or otherwise preventing the consummation of the Offer, the acquisition of the Shares by Galenica or Purchaser or the Merger, or (ii) issued or granted any order that is in effect as of immediately prior to the Expiration Date and has the effect of making the Offer, the acquisition of the Shares by Galenica or Purchaser or the Merger illegal or which has the effect of prohibiting or otherwise preventing the consummation of the Offer, the acquisition of the Shares by Galenica or Purchaser or the Merger, and (d) other customary conditions as described in Section 13—"Conditions of the Offer" of the Offer to Purchase. There is no financing condition to the Offer.

The Minimum Condition requires that, prior to the Expiration Date, there be validly tendered in the Offer and not properly withdrawn that number of Shares (not including any Shares tendered pursuant to guaranteed delivery procedures for which the underlying Shares have not been delivered) which, together with any Shares then owned by Purchaser, represent at least a majority of all then outstanding Shares, as more fully described in the Offer to Purchase.

At a meeting duly called and held on July 20, 2016, the members of the Relypsa board of directors present at the meeting unanimously (a) determined that it is in the best interests of Relypsa and its stockholders for Relypsa to enter into the Merger Agreement, (b) approved and declared advisable the Merger Agreement, the performance by Relypsa of its covenants and agreements contained in the Merger Agreement and the consummation of the Offer and the Merger upon the terms and subject to the conditions contained in the Merger Agreement, (c) resolved, upon the terms and subject to the conditions set forth in the Merger Agreement, to recommend that the stockholders of Relypsa accept the Offer and tender their Shares to Purchaser pursuant to the Offer and (d) authorized and approved the execution, delivery and performance of the Merger Agreement by Relypsa.

Subject to the provisions of the Merger Agreement, Purchaser and Galenica expressly reserve the right to waive any of the Offer Conditions and to make any change in the terms of or conditions to the Offer. Purchaser and Galenica have agreed in the Merger Agreement that they will not, without the prior written consent of Relypsa, waive or modify certain conditions as described in Section 1—"Terms of the Offer" of the Offer to Purchase. Subject to the provisions of the Merger Agreement, Purchaser reserves the right to, and under certain circumstances Relypsa may require Purchaser to, extend the Offer, as described in Section 1—"Terms of the Offer" of the Offer to Purchase.

Any extension or amendment of the Offer, waiver of a condition of the Offer, delay in acceptance for payment or payment, or termination of the Offer will be followed promptly by public announcement thereof, such announcement in the case of an extension to be issued not later than 9:00 a.m., New York time, on the next business day after the previously scheduled Expiration Date in accordance with the public announcement requirements of Rules 14d-4(d), 14d-6(c) and 14e-1(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In the event that following completion of the Offer a number of shares have been tendered such that Purchaser holds a majority of the issued and outstanding Shares, the Merger will be effected under Section 251(h) of the General Corporation Law of the State of Delaware without a vote of Relypsa's stockholders.

In all cases, payment for any Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (a) certificates representing such Shares, an indication in the Letter of Transmittal of the tender of Direct Registration Book-Entry Shares (as defined in Section 3—"Procedures for Tendering Shares" of the Offer to Purchase) or confirmation of the book-entry transfer of such Shares into the Depository's account at The Depository Trust Company pursuant to the procedures set forth in Section 3—"Procedures for Tendering Shares" of the Offer to Purchase, (b) a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined in Section 3—"Procedures for Tendering Shares" of the Offer to Purchase) in lieu of the Letter of Transmittal), and (c) any other documents required by the Letter of Transmittal.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment and thereby purchased Shares validly tendered and not properly withdrawn prior to the Expiration Date if and when Purchaser gives oral or written notice to the Depository of its acceptance for payment of such Shares pursuant to the Offer. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depository, which will act as agent for the tendering stockholders for purposes of receiving payments from Purchaser and transmitting such payments to the tendering stockholders. Under no circumstances will interest be paid on the Offer Price for Shares, regardless of any extension of the Offer or any delay in payment for Shares.

A stockholder may withdraw Shares tendered pursuant to the Offer at any time on or prior to the Expiration Date, as described in Section 4—"Withdrawal Rights" of the Offer to Purchase. For a withdrawal of Shares to be effective, a written notice of withdrawal must be timely received by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person having tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the record holder of the Shares to be withdrawn, if different from that of the person who tendered such Shares. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in Section 3—"Procedures for Tendering Shares" of the Offer to Purchase), unless such Shares have been tendered for the account of any Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3—"Procedures for Tendering Shares" of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account to be credited with the withdrawn Shares. If certificates representing the Shares have been delivered or otherwise identified to the Depository, the name of the registered owner and the serial numbers shown on such certificates must also be furnished to the Depository prior to the physical release of such certificates.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

Relypsa has provided Purchaser with Relypsa's stockholder list and security position listings for the purpose of disseminating the Offer to Purchase (and related documents) to holders of Shares. The Offer to Purchase and related Letter of Transmittal and other related documents will be mailed to record holders of Shares whose names appear on Relypsa's stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The receipt of cash in respect of a tender of Shares pursuant to the Offer and the exchange of Shares for cash pursuant to the Merger will each be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. Holders of Shares are urged to consult with their own tax advisors as to the particular tax consequences of the Offer and the Merger to them.

The Offer to Purchase and the related Letter of Transmittal and Relypsa's Solicitation/Recommendation Statement on Schedule 14D-9 filed with the United States Securities and Exchange Commission in connection with the Offer contain important information, and each such document should be read carefully and in its entirety before any decision is made with respect to the Offer.

Questions and requests for assistance may be directed to the Information Agent at the address, email and telephone number set forth below. Requests for copies of the Offer to Purchase and the related Letter of Transmittal may be directed to the Information Agent or to brokers, dealers, commercial banks, trust companies or other nominees. Such copies will be furnished promptly at Purchaser's expense. Neither Galenica nor Purchaser will pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or as otherwise described in Section 17—"Fees and Expenses" of the Offer to Purchase) in connection with the solicitation of tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

**MACKENZIE PARTNERS, INC.**

105 Madison Avenue

New York, New York 10016

(212) 929-5500 (call collect)

or

CALL TOLL FREE (800) 322-2885

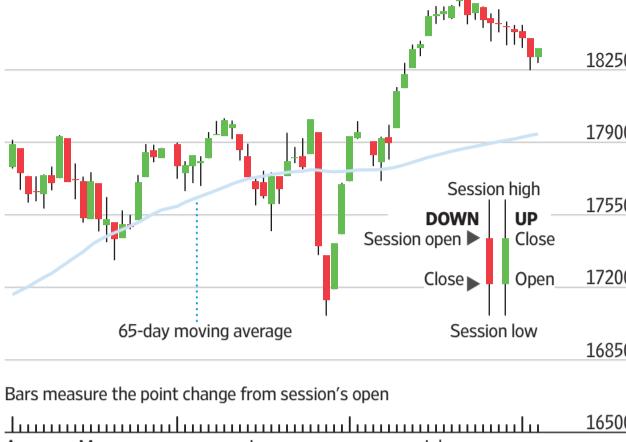
Email: [tenderoffer@mackenziepartners.com](mailto:tenderoffer@mackenziepartners.com)

August 4, 2016

## MARKETS DIGEST

### Dow Jones Industrial Average

**18355.00** ▲ 41.23, or 0.23%  
 High, low, open and close for each trading day of the past three months. All-time high: 18595.03, 07/20/16



Bars measure the point change from session's open

Apr. May June July 16500

\* P/E data based on as-reported earnings from Birinyi Associates Inc.

### S&P 500 Index

**2163.79** ▲ 6.76, or 0.31%  
 High, low, open and close for each trading day of the past three months.



Apr. May June July 1930

### Nasdaq Composite Index

**5159.74** ▲ 22.00, or 0.43%  
 High, low, open and close for each trading day of the past three months.



Apr. May June July 4550

### Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	3-yr. ann.
<b>Dow Jones</b>								
Industrial Average	18355.00	18283.23	<b>18355.00</b>	41.23	<span style="color: green;">0.23</span>	18595.03	15660.18	<b>4.6</b> 5.3 <b>5.4</b>
Transportation Avg	7719.80	7656.24	<b>7711.36</b>	62.92	<span style="color: green;">0.82</span>	8437.15	6625.53	<b>-8.6</b> 2.7 <b>5.1</b>
Utility Average	707.06	700.14	<b>702.67</b>	-4.03	<span style="color: red;">-0.57</span>	723.51	541.97	<b>20.9</b> 21.6 <b>11.4</b>
Total Stock Market	22347.62	22210.85	<b>22347.62</b>	87.42	<span style="color: green;">0.39</span>	22458.52	18663.11	<b>1.9</b> 5.9 <b>7.6</b>
Barron's 400	542.77	537.87	<b>542.77</b>	3.08	<span style="color: green;">0.57</span>	564.80	446.15	<b>-3.4</b> 5.1 <b>5.6</b>

### Nasdaq Stock Market

Nasdaq Composite	5159.74	5128.44	<b>5159.74</b>	22.00	<span style="color: green;">0.43</span>	5184.20	4266.84	<b>0.4</b> 3.0 <b>11.8</b>
Nasdaq 100	4734.33	4712.10	<b>4734.33</b>	15.12	<span style="color: green;">0.32</span>	4756.04	3947.80	<b>2.9</b> 3.1 <b>14.6</b>

### Standard & Poor's

500 Index	2163.79	2152.56	<b>2163.79</b>	6.76	<span style="color: green;">0.31</span>	2175.03	1829.08	<b>3.0</b> 5.9 <b>8.2</b>
MidCap 400	1546.65	1533.21	<b>1546.64</b>	9.35	<span style="color: green;">0.61</span>	1559.46	1238.82	<b>2.9</b> 10.6 <b>7.2</b>
SmallCap 600	736.54	729.66	<b>736.52</b>	4.02	<span style="color: green;">0.55</span>	745.31	588.26	<b>3.5</b> 9.6 <b>7.3</b>

### Other Indexes

Russell 2000	1212.74	1198.73	<b>1212.73</b>	10.38	<span style="color: green;">0.86</span>	1231.75	953.72	<b>-1.5</b> 6.8 <b>4.6</b>
NYSE Composite	10695.14	10624.64	<b>10695.14</b>	34.01	<span style="color: green;">0.32</span>	10906.05	9029.88	<b>-1.4</b> 5.4 <b>3.3</b>
Value Line	476.88	471.64	<b>476.88</b>	3.27	<span style="color: green;">0.69</span>	490.46	383.82	<b>-2.2</b> 7.0 <b>1.8</b>
NYSE Arca Biotech	3482.56	3430.08	<b>3477.87</b>	31.26	<span style="color: green;">0.91</span>	4287.95	2642.53	<b>-18.9</b> -8.8 <b>16.9</b>
NYSE Arca Pharma	548.15	546.26	<b>547.28</b>	-3.96	<span style="color: red;">-0.72</span>	605.94	477.25	<b>-9.7</b> 1.1 <b>7.7</b>
KBW Bank	67.90	66.99	<b>67.89</b>	0.99	<span style="color: green;">1.48</span>	79.53	56.51	<b>-13.8</b> -7.1 <b>0.5</b>
PHLX® Gold/Silver	112.38	110.22	<b>111.93</b>	-0.92	<span style="color: red;">-0.82</span>	112.86	38.84	<b>151.5</b> 147.1 <b>5.9</b>
PHLX® Oil Service	158.64	154.98	<b>158.45</b>	2.58	<span style="color: green;">1.65</span>	188.72	128.61	<b>-10.0</b> 0.5 <b>-16.0</b>
PHLX® Semiconductor	756.53	751.14	<b>756.53</b>	0.80	<span style="color: green;">0.11</span>	774.93	559.18	<b>17.4</b> 14.0 <b>16.1</b>
CBOE Volatility	13.91	12.73	<b>12.86</b>	-0.51	<span style="color: red;">-3.81</span>	40.74	11.77	<b>2.8</b> -29.4 <b>2.4</b>

\$Philadelphia Stock Exchange

### Percentage gainers...

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
Corning Inc	GLW	14,196.1	22.20	...	unch.	22.25	22.19	
VanEck Vectors Gold Miner	GDX	7,754.8	30.98	0.04	<span style="color: green;">0.13</span>	31.06	30.90	
SPDR S&P 500	SPY	6,445.6	216.13	-0.05	<span style="color: red;">-0.02</span>	216.27	215.76	
iPath SP 500 VIX Sh Tm	VXX	2,972.9	10.10	-0.04	<span style="color: red;">-0.39</span>	10.18	10.08	
VanEck Vectors Russia ETF	RSX	2,505.3	17.85	0.01	<span style="color: green;">0.06</span>	17.89	17.83	
Bank Of America	BAC	2,110.9	14.48	...	unch.	14.50	14.35	
SPDR Barclays Hi Yield Bd	JNK	2,010.6	35.73	...	unch.	35.81	35.73	
Square Cl A	SQ	2,005.7	11.95	1.5100	<span style="color: green;">14.46</span>	12.00	10.46	

### Percentage losers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Ocular Therapeutix	OCUL	103.4	5.13	0.93	<span style="color: red;">22.14</span>	5.24	4.20
Square Cl A	SQ	2,005.7	11.95	1.5100	<span style="color: red;">14.46</span>	12.00	10.46
XPO Logistics	XPO	217.7	32.00	3.06	<span style="color: red;">10.57</span>	32.20	28.81
Insulet	PODD	31.1	38.50	3.05	<span style="color: red;">8.60</span>	39.40	35.45
Exelixis	EXEL	334.5	10.15	0.76	<span style="color: red;">8.09</span>	10.19	9.25

### ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low


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# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE Mkt and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (Formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**

I-New 52-week high.

L-High 52-week low.

dd-Indicates loss in the most recent four quarters.

FD-FIRST day of trading.

H-Does not meet continued listing standards.

FH-Late filing.

FT-Temporary exemption from Nasdaq requirements.

T-NYSE bankruptcy.

V-Trading halted on primary market.

vi-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Level3Comm **LVL** 49.27 0.45

LibertyPropertyTr **LPT** 40.40 -0.42

Lilly **LILLY** 82.72 -0.60

LincolnNational **LNC** 44.80 1.99

LinkedIn **LKD** 192.26 -0.26

Loews **L** 40.45 0.28

LoyaltyCard **LTC** 47.15 -0.56

Macy's **M** 33.43 0.67

Magnaghi **MMP** 69.96 -0.41

Magnatec **MGA** 37.98 0.63

Mallinckrodt **MNN** 79.66 2.75

Manulife **MFC** 13.75 0.32

MarathonOil **MRO** 13.42 0.52

MarathonPetroleum **MPC** 41.22 2.43

MartinHarvest **MHD** 16.71 -0.04

Markel **MKL** 92.10 -25.30

Markit **MKT** 51.11 0.07

MartinMarietta **MMI** 20.04 1.14

MartinTran **MT** 77.38 -0.74

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## BUSINESS TRAVELER ALERT

# Buy a business trip. Get \$100-\$200 in free gift cards.

**COMING SOON... from Priceline founder: Upside!**  
**Little "bits" of flexibility on travel are worth a fortune to you.**

If you're a business traveler, you're in luck. Soon you'll be able to "come out ahead" on every business trip, even before you leave for the airport.

Business travelers will receive \$100 to \$200 – or even more – in free gift cards to leading national retailers, every time they purchase flights and rooms as a package through a new company called Upside.

Your free gift cards will come from stores such as Amazon, Home Depot, Target and dozens more. You choose the stores.

Upside customers get the same top-quality airlines and hotels they're using now – but they get to turn small amounts of flexibility into free gift cards for themselves. Experts are calling Upside "the most exciting news in business travel since frequent flyer miles."

#### Act now to reserve your spot

Upside is the newest innovation from Jay Walker, the well-known entrepreneur who shook up leisure travel with Priceline. Now he's shaking up business travel.

Upside launches in early September. Availability will be strictly limited for the first few months.

"When you're giving away 100's of dollars in free gift cards each time someone buys a business trip, everyone wants to see what their flexibility is worth," said Walker.

"To handle the high volume and provide superior 24/7 customer service, Upside packages will only be sold to travelers on our VIP list for a while," he said.



PRICELINE FOUNDER JAY WALKER

■ **JAY WALKER, FOUNDER OF PRICELINE, HAS A NEW COMPANY COMING SOON.**

As seen on Fox Business, Jay's new company, Upside, gives business travelers \$100–\$200 in free gift cards to their favorite stores when they're a little bit flexible on hotels and flights.

To be one of the first business travelers to use Upside and get free gift cards, readers can become a VIP at Upside.com with no cost or obligation of any kind.

**Companies can save money, too**

Travelers who buy business packages from Upside can also save their company money on travel – as much as 15%.

How is that possible? Because Upside has discovered that most business travelers have a valuable hidden asset: small "bits" of flexibility on hotels and flights.

Jay Walker explained: "Many business

travelers are flexible enough to buy air and hotel as a package. And, most would be willing to take a flight 20 minutes earlier, or to stay at a top hotel a 5-minute Uber ride from the convention center... especially if that small amount of flexibility instantly earned them \$100, \$150 or \$200 in free gift cards to spend at a favorite store.

"The secret of Upside is that a little flexibility is worth a lot to you and to your company," Walker said. "The more money you save for your company, the more gift cards you get for yourself."

"Your boss will say, 'thanks for being flexible!' Finally, employees and employers are on the same page with Upside. They both have an incentive to save money."

■ **Travel overseas? Double gift cards**

Fly to Europe? You can get \$200 to \$400, even \$500 to \$1,000 per trip if you typically fly business class.

For a trip to Asia that includes a week of hotel stays, an Upside traveler can get \$2,000 to \$4,000 in gift cards buying just one trip. Not just once, but every time.

■ **Upside's mobile app: fast & easy**

With Upside's mobile app and website, you don't pore over endlessly long lists of flights, rooms and prices.

Instead, the Upside app asks simple questions: Where are you going? When do you need to be there? What kind of hotel do you usually use? What airlines are OK?

In moments, Upside finds the hotels and flights that give you the most gift cards – and you still get all of your frequent flyer miles. Upside packages are based 100% on options that you pre-approve.

Upside shows the details of your package before you make any purchase. There is no obligation to buy. But when you do, you get the free gift cards. Spend them any way you want. Great for holiday shopping.

"Business travelers are very excited about buying trips from Upside," said Jay Walker. "Don't you owe it to yourself to discover what little 'bits' of travel flexibility are worth? Now you can find out at Upside!"

#### SNEAK PEEK

of the coming mobile app. Launch day is just a few weeks away!



## Be first to try Upside. Become a VIP now.

■ **IF YOU CHOOSE YOUR HOTEL & FLIGHTS ON BUSINESS TRIPS...**

Upside is for you. Become an Upside VIP today and receive a guaranteed minimum of \$150 in free gift cards of your choice with every business package you buy from us in 2016. Full details online at [Upside.com/vip28](http://Upside.com/vip28)

■ **IF YOUR COMPANY TYPICALLY CHOOSES YOUR HOTEL & FLIGHTS.**

You are not eligible yet to use Upside because Upside chooses the hotel and flights in every package and the traveler decides whether to buy or not. Because travelers get gift cards for being willing to use little "bits" of flexibility, companies can save 5-15% on every trip.

■ **CHANGE OR CANCEL ANY TIME...**

If your travel plans change, you can change or cancel your Upside Package subject to airline and hotel rules. If you cancel, and have not yet chosen your gift cards, we will refund your full package price. Every travel package includes 24/7 toll-free customer service before, during and after your trip.

**[Upside.com/vip28](http://Upside.com/vip28)**

A little flexibility – can get you a lot of gift cards.

• Amazon	• Sears	• Cabela's	• Toys "R" Us	• Nike	• AMC Theaters	Great holiday gifts. More choices added weekly.
• Home Depot	• Petco	• DSW	• Xbox	• JCPenney	• Foot Locker	
• iTunes	• Bass Pro Shops	• Sephora	• eBay	• Gap	• Best Buy	
• Target	• Whole Foods	• Fandango	• Babies "R" Us	• Gamestop	• Foot Locker	

**Launch date just weeks away. Go now to [Upside.com/vip28](http://Upside.com/vip28)**

Gift cards are included at no extra cost in every Upside air/hotel business travel package you buy from us. Amount of gift cards will vary by trip and other market factors. Participating stores are subject to change without notice and are not associated with and do not endorse Upside in any way. Each gift card has terms and conditions. VIP Program terms and conditions, including cancellation, credit and refund terms are set forth at [Upside.com](http://Upside.com). Upside does not guarantee company savings which are estimated.

## COMMODITIES & CREDIT MARKETS

### Futures Contracts | WSJ.com/commodities

#### Metal & Petroleum Futures

	Contract	Open	High	lo	Low	Settle	Chg	Open interest	Contract	Open	High	lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2,204.00	2,204.00	2,175.00	2,196.00	-0.0105	1,385			Soybeans (CBT)-5,000 bu.; cents per bu.	987.00	1000.50	985.75	990.50	5.25	6,257	
Sept 2,2085 2,2145 2,1720 2,1985 -0.0105 95,667								Aug 953.00	966.50	950.00	955.50	2.50	382,285			
Gold (CMX)-100 troy oz.; \$ per troy oz.	1362.40	1364.70	1353.30	1356.10	-8.30	4,154			Soybean Meal (CBT)-100 tons; \$ per ton	328.40	331.70	327.50	330.50	2.10	2,739	
Oct 1366.60 1368.70 1356.20 1360.20 -8.00 45,984								Dec 326.80	329.50	324.00	326.40	-3.30	161,141			
Dec 1370.50 1373.40 1360.60 1364.70 -7.90 451,389									Soybean Oil (CBT)-60,000 lbs.; cents per lb.	30.05	30.63	30.05	30.30	.24	2,063	
Feb'17 1374.70 1377.40 1364.90 1368.90 -7.70 23,399								Dec 30.48	31.25	30.40	30.81	.27	182,104			
June 1377.60 1377.60 1373.40 1375.70 -7.20 14,417									Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	957.00	968.00	952.00	954.50	-2.00	7,978	
Dec 1390.00 1390.00 1383.30 1385.00 -6.40 10,949								Nov 983.50	995.00	979.00	981.00	-2.50	3,281			
Palladium (NYM)-50 troy oz.; \$ per troy oz.	672.15	672.15	672.15	712.55	-3.85	1			Wheat (CBT)-5,000 bu.; cents per bu.	402.00	415.00	401.00	410.25	9.00	244,604	
Aug 672.15 672.15 672.15 712.55 -3.85 1								Dec 428.00	441.25	427.50	436.25	8.25	145,446			
Sept 718.10 718.10 705.00 713.85 -3.85 26,959									Wheat (KC)-5,000 bu.; cents per bu.	406.00	417.75	405.25	412.25	5.75	125,926	
Dec 718.00 719.05 707.15 715.25 -3.80 2,288								Dec 432.50	443.50	432.00	438.50	5.50	55,549			
Platinum (NYM)-50 troy oz.; \$ per troy oz.	3.018	3.075	3.018	3.072	.052	57,936			Wheat (MPLS)-5,000 bu.; cents per bu.	486.00	494.25	486.00	492.25	6.00	24,895	
Aug 1169.90 1179.80 ▲ 1169.90 1166.90 -1.90 23								Dec 500.75	508.25	500.25	505.75	5.00	15,927			
Oct 1172.90 1174.20 1160.30 1169.60 -2.50 75,268									Cattle-Feeder (CME)-50,000 lbs.; cents per lb.	145.450	147.90	145.025	147.475	2.00	12,509	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	20.65	20.65	20.405	20.436	-0.230	303			Sept 143.525	145.950	143.525	145.600	1.725	13,182		
Sept 20.675 20.70 20.405 20.471 -0.230 150,017									Cattle-Live (CME)-40,000 lbs.; cents per lb.	116.200	117.175	115.25	116.750	.525	31,876	
Crude Oil, Light, Sweet (NYM)-1,000 bbls.; \$ per bbl.	39.70	41.20	39.19	40.83	1.32	535,407			Oct 114.475	115.700	114.175	115.200	.625	112,943		
Sept 39.70 41.20 39.19 40.83 1.32 535,407									Hogs-Lean (CMB)-40,000 lbs.; cents per lb.	68.875	69.100	68.300	68.350	-.575	22,211	
Oct 40.49 41.94 39.96 41.58 1.28 196,888								Oct 60.325	60.675	59.425	59.500	-1.025	104,122			

### Bonds | WSJ.com/bonds

#### 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

Total return close	YTD total return (%)	Index	Latest	Low	0	5	10	15	20	25	High
1931.82	5.5	Broad market	Barclays Aggregate	1.940	1.820						2.630
2686.00	8.4	U.S. Corporate	Barclays Capital	2.840	2.750						3.710
2556.28	5.5	Intermediate		2.260	2.190						3.120
3646.30	15.3	Long term		4.130	3.960						5.130
559.03	6.6	Double-A-rated		2.080	1.980						2.700
680.60	9.6	Triple-B-rated		3.280	3.190						4.450
370.00	11.9	High Yield Constrained	Merrill Lynch	6.906	6.620						10.099
341.47	22.3	Triple-C-rated		14,334	12,749						21.753
2578.61	8.6	High Yield 100		6.026	5.779						8.696
337.13	10.9	Global High Yield Constrained		6.484	6.290						9.437
278.47	5.8	Europe High Yield Constrained		3.836	3.798						6.500
1635.59	3.3	U.S. Agency	Barclays	1.240	1.150						1.680
1461.63	2.2	10-20 years		1.060	0.960						1.480
3389.63	12.5	20-plus years		2.520	2.390						3.330
1969.70	3.2	Mortgage-Backed	Barclays	2.080	1.930						2.830
1941.51	2.8	Ginnie Mae (GNMA)		1.990	1.850						2.740
1154.14	3.3	Fannie Mae (FNMA)		2.110	1.950						2.850
1776.26	3.4	Freddie Mac (FHLMC)		2.140	1.980						2.890
516.86	3.4	Muni Master	Merrill Lynch	1.388	1.297						2.003
361.23	3.7	7-12 year		1.442	1.300						2.097
402.55	4.2	12-22 year		1.762	1.610						2.525
389.17	6.0	22-plus year		2.219	2.027						3.282
2394.42	6.7	Yankee	Barclays	2.390	2.320						3.110
554.79	6.4	Global Government	J.P. Morgan	0.890	0.750						1.640
781.62	3.4	Canada		1.330	1.210						1.910
379.16	6.0	EMU		0.592	0.530						1.442
730.03	7.0	France		0.350	0.270						1.250
526.13	6.4	Germany		-0.020	-0.100						0.840
294.32	5.8	Japan		0.120	-0.120						0.820
581.15	7.1	Netherlands		0.090	0.020						0.990
935.80	13.4	U.K.		1.290	1.220						2.360
753.69	12.4	Emerging Markets**		5.468	5.324						7.128

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds in U.S. - dollar terms Euro-zone bonds

\*\*EMBI Global Index

Sources: S&P Dow Jones Indices; Merrill Lynch; Barclays Capital; J.P. Morgan

### 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

Country/ Coupon(%)	Maturity, in years	Yield (%)	Spread Under/Over U.S. Treasuries, in basis points	Spread Under/Over U.S. Treasuries, in basis points	Stock Performance

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## False Dawn In Tesla's Earnings

The cash-flow picture brightened at **Tesla Motors** in the second quarter. Don't expect that improvement to last. Tesla reported \$1.6 billion in adjusted revenue and an adjusted loss of \$1.06 a share Wednesday, which fell short of analysts' estimates. On the bright side, Tesla reported operating cash flow of \$150 million and said it spent \$295 million on capital needs. The result was a free cash outflow of \$145 million, good for the best quarterly performance in more than two years.

The best way to read the report is to look at what was included and what wasn't. Refundable customer deposits for the Model 3 were included in operating cash flow. That could mean a big reversal later. But Tesla left out any updates about the \$1,000 deposits. That is more than two months of silence since the company said it had received orders for 373,000 cars.

Meanwhile, capital expenditures are due to increase significantly in coming quarters. The company said in May it expects to spend about \$2.25 billion in 2016 to help get the Model 3 ready for mass production. Tesla has spent just over \$500 million on capital needs so far this year.

Tesla raised \$1.7 billion in May from an equity sale, and now has \$3.2 billion on its balance sheet, which offers some cushion. But those spending needs are hardly optional to meet the company's huge automotive ambitions. And the company's proposed acquisition of solar-energy company SolarCity, which burns prodigious amounts of cash, won't help.

Shareholders shouldn't put away their wallets just yet.

—Charley Grant

## How AIG Shut Down Its Critics

Six months ago, **American International Group** was defending itself from activist investors calling for a three-way split of the company.

Now, strong earnings are helping to silence those critics.

AIG's net profit rose 6% from a year earlier in the second quarter, even as the insurance giant continues to shrink itself and boost efficiency.

The earnings beat analyst forecasts, sending shares sharply higher on Wednesday.

Importantly, AIG's numbers show it making rapid progress on the restructuring plan unveiled by Chief Executive Peter Hancock in January.

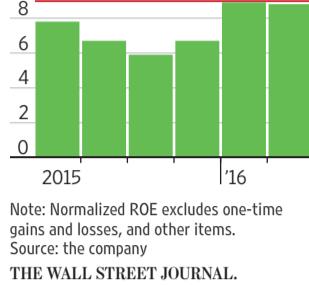
The strategy called for expense discipline, returning capital to shareholders, and a pruning of the property and casualty business.

Each plank of the strategy is being realized.

Operating expenses in the second quarter declined by 11% from a year earlier, after

### Turnaround in Progress

American International Group's normalized return on equity



Note: Normalized ROE excludes one-time gains and losses, and other items.  
Source: the company



THE WALL STREET JOURNAL.

stripping out currency effects.

Since the start of the year, AIG has returned \$7.9 billion to shareholders in the form of share buybacks and dividends, putting it slightly ahead of schedule to meet its target of returning \$25 billion over two years.

And in the property and casualty unit, there are signs that the initiative to exit poorly performing product

lines is bearing fruit. Net premiums written fell by a fifth. The accident year loss ratio, a measure of insurer losses against premium income, fell by 4.2 percentage points in the second quarter, to 62.4%. That brings it close to the 60% level that the company hopes to reach by the end of next year.

As a result of all this, return on equity rose to 8.6% from 6.8% a year earlier. The

company's goal is to reach a normalized ROE, excluding one-time gains and other items, of around 9% by next year.

Of course, AIG still faces risks. Most notably, stubbornly low interest rates threaten the profitability of its life-insurance operations by hitting its investment returns.

The company estimates that if rates stay at their current low level, it will reduce operating income by \$250 million to \$350 million in 2017, relative to their expectations at the start of the year.

Because AIG's restructuring is ahead of schedule, they can afford this hit. If rates fall further, more adjustments will be necessary.

But AIG's strong results mean it has earned some breathing room from critics. Rather than leaping to take drastic measures like breaking up a company to appease agitated investors, sometimes it makes sense to focus first on fundamentals.

—Aaron Back

## The Risks in Wal-Mart's Jet.com Bid

**Wal-Mart Stores** may be buying itself a new weapon in its war against **Amazon.com**. The hope for investors is that it doesn't pay too much for it.

The retail giant is in talks to buy online discount retailer Jet.com. It isn't clear how much Wal-Mart would pay, but Jet could reportedly be valued at up to \$3 billion in private markets. Jet, whose most recent private-market valuation was \$1.4 billion, has a brand that resonates with customers who might not otherwise shop at Wal-Mart. But it faces the prospect of years of losses as it works to attract users.

For Wal-Mart, whose e-commerce revenue growth has been decelerating amid a renewed frenzy of investment by Amazon, Jet could offer it a shot in the arm. In addition to tapping into the startup's more affluent, more urban customer base, Wal-Mart also would get access to its pricing software, warehouses and customer data.

The question for investors is how much that could possibly be worth to Wal-Mart. It is difficult to see how Jet, which is barely a year old, could have had enough time to build up a sizable user base. Wal-Mart also may be hoping that owning Jet will give its stock a more tech-like multiple. But the startup, whose sales aren't public, likely requires significantly more time and investment to move the needle. Moreover, Wall Street hasn't historically given Wal-Mart permission to invest in the way it has Amazon.

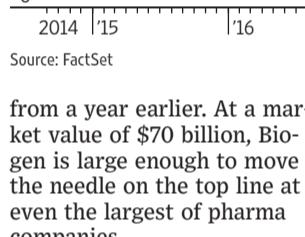
Unless it finds some gem inside Jet, Wal-Mart could find the deal delivers more of a headwind than a rocket-fuel boost.

—Miriam Gottfried

## Big Pharma's Danger: Overpaying for Biogen

### In Sickness and Health

Biogen's price/forward earnings ratio



Source: FactSet

sorb less than \$3 billion of net debt—a sum easily within big pharma's reach. And the timing could be right for Biogen. Chief Executive and Chairman George Scangos last month announced plans to step down once a successor is named. Meanwhile, any breakthrough from Biogen's pipeline of experimental drugs—focused on highly risky but potentially lucrative treatment areas such as Alzheimer's disease—would offer a major bonus.

Nevertheless, any would-be buyer won't be getting that growth for a song. Shares trade above 15 times forward earnings, according to FactSet. As recently as June, that multiple was just 11.5 times. Add

in a takeover premium above today's price, and a buyer might depend on a clinical breakthrough to earn a suitable return on its investment.

True, Biogen traded as high as 27 times forward earnings a year and a half ago. But that was fueled by excitement over an early-stage Alzheimer's study amid a euphoric market for biotech stocks. The market has since cooled off significantly, and the outcome of Biogen's program won't be known any time soon.

A true Alzheimer's breakthrough would make any deal a home run. But swinging for the fences at a full price raises the risk of a strikeout.

—Charley Grant

## Mutual Funds | WSJ.com/fundresearch

### Explanatory Notes

Data provided by LIPPER

Top 250 mutual funds listed for Nasdaq-published share classes with net assets of at least \$500 million each. NAV = net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

\*Ex-distribution. †Previous day's quotation. #Footnotes x and s apply.

J-Footnotes e and s apply. K-Calculated by Lipper, using updated data.

P-Distribution costs apply. I-Bonds r=Redemption charge may apply. #Stock split or dividend t-Footnotes p and r apply. v-Footnotes x and e apply.

x-X dividend. z-Footnote x, e and s apply. NA=Not available due to incomplete price, performance or cost data. NE=Not released by Lipper; data under review. NN=Fund not tracked. NSD=Fund didn't exist at start of period.

Wednesday, August 3, 2016

Net YTD%Ret Fund NAV Chg % Ret

Net YTD%Ret Fund NAV

# PERSONAL JOURNAL.



## Go for the Bold

Strong prints for men **TRICKS OF THE TRADE | D3**



Russia's  
Olympic Limbo  
**SPORTS | D6**

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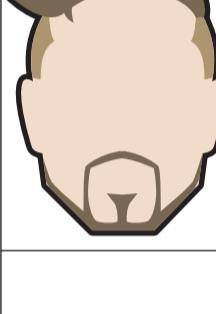
Thursday, August 4, 2016 | D1

## Will Men Like Shaving Now?



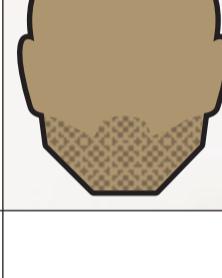
### Cooler

Harry's is aimed at style-conscious men who want better-designed products that work well and look good on display in a bathroom. It is known for its bold orange Truman razor with a textured grip and its German blades with flexibility to glide around facial contours.



### Gentler

Bevel is aimed at African-American men and others with coarse and curly hair. Its shave system, which includes a single-blade safety razor and pre- and post-shave products, fights against ingrown hairs that can lead to razor bumps.



### Easier

Baxter of California targets a big pet peeve among men: razors clogging up with shaving creams. Its hydrating shaving cream has easy 'glide.' The cream promises a smooth cushion between razor and face due to ingredients like menthol and tea tree oil to refresh and soothe skin.



Upstarts ride shifting attitudes and see a styling opportunity, not a chore; Target adds Harry's

By RAY A. SMITH

Men are deciding it is OK to enjoy shaving.

Rather than a dreaded chore, shaving just may be a pleasant experience. Men are putting more time and thought into the morning shave, seeking out new products that address their pet peeves, care for their skin or suit different kinds of hair.

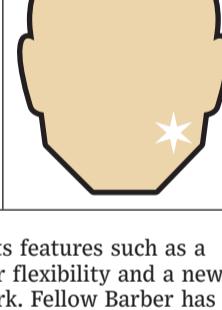
Speeding the trend along are specialty brands, such as Harry's, Bevel and Fellow Barber, that offer to make the act of scraping your face with a sharp object feel better. Many of these newcomers promote their ability to address very specific annoyances.

Bevel tries to prevent razor bumps that are more common in men with coarse and



### Smoothen

Fellow Barber emphasizes a smooth post-shave feeling. Its aftershave lotion tackles skin that is dried out or irritated after a shave. It moisturizes, fosters healing of nicks and will 'soothe any rawness.'



CLOCKWISE FROM TOP LEFT: HARRY'S; WALTER & COMPANY BRANDS; FELLOW BARBER; BAXTER

curly hair; Harry's touts features such as a "flex hinge" for greater flexibility and a new blade for precision work. Fellow Barber has an aftershave that hydrates and soothes the skin. Some of the products also try to improve the shopping experience for men by offering online subscription services.

These specialty brands are angling to challenge big companies like Gillette and Schick. In a sign of smaller brands' growing clout with consumers, Target Corp. will start carrying shaving and skin-care products from Harry's, a three-year-old independent grooming brand, starting on its website next week and selling the products in all 1,800 stores starting Aug. 21.

"The way that men shop is changing," says John Butcher, Target's senior vice president of beauty and personal care. Citing consumer research by Harry's, he says men "are shopping for themselves. They do a lot more research online" before buying. The deal represents Target's effort to stay "relevant and

reflective of grooming trends," he says.

Harry's made its name with well-designed packaging and products, including a bold-colored razor called the Truman. It currently sells its razors, a shave gel, a cream and a post-shave balm mostly on its website through a subscription program. "Our mission is to deliver a better shaving experience to guys," said Jeff Raider, co-founder of Harry's, which also sells at a few upscale retailers like Barneys New York.

Last month, Harry's updated its blade cartridge to feature an extra "Precision Trimmer" on top for what it called more "detailed shaving" in harder-to-reach areas such as sideburns and under the nose. Harry's Truman and Winston razors have a rubberized matte exterior and a textured grip pattern that help enhance a user's control.

For every annoyance a man might have, there is a brand addressing it. Bevel's five-part shaving system is aimed at fighting irritation.

Please see SHAVE page D4

## Nutrition Labels You'll Need a Smartphone to Read

By HEATHER HADDON

If you needed a smartphone to unlock nutrition labels, would you read them?

That is the question dividing healthy-food advocates and some food manufacturers who intend to use so-called QR codes on labels to comply with federal requirements.

A law signed in late July by President Barack Obama obliges food companies to flag genetically modified ingredients on labels, using either plain writing, an icon developed by regulators or a digitally readable symbol known as a

QR code (short for quick-response code).

The black-and-white blocks of shapes, squares and lines provide product information when scanned using a smartphone app. The law lets companies make GMO disclosures using only QR codes and not words—something the food industry supported.

That cumbersome process has drawn criticism from healthy-food advocates who want to see ingredients derived from biotech crops flagged as explicitly as possible.

"It is my hope that food corpora-



GETTY IMAGES

Please see CODE page D4

## Inside the Biggest, Most Lavish Private Jets

By SCOTT MCCARTNEY

The Boeing 787 and the Airbus A350 can fly nonstop between just about any two cities in the world. They can each hold 300 passengers. Or a family of four.

In the rarest air of wealth, jumbo jets are being outfitted as private planes. They cost \$300 million or more.

A Boeing 787 outfitted by Kestrel Aviation Management is

scheduled to be delivered this week to a Chinese company, HNA

Aviation Group,

that plans to use it for its CEO and for VIP charter trips. The tricked-out jet was put on display at an aviation conference this year and pictures of its interior were made public—something unheard of in the world of ultra-fancy, ultra-selective private-jet buyers.

A peek inside is more than just airplane voyeurism. Sometimes innovations in private jets make it into the commercial airline fleet, such as new communications equipment or wing tips that increase range and fuel economy. Private buyers are demanding, and manufacturers can experiment when they are outfitting one plane rather than a fleet.

Kestrel chief executive Stephen Vella says new materials and lightweight construction techniques pioneered on private planes often get adopted in fancy first class airline cabins.

"We are the only part of the company that sells aircraft to passengers," says David Longridge, president of Boeing Business Jets.

The biggest selling point of the 787 and A350 is the range—10,000 miles or more depending on weight and fuel capacity of the plane. That means they can fly from Asia to the U.S. East Coast and from the Middle East to the West Coast without stopping for fuel.

"They don't like to stop," Mr. Vella says of his clients.

The private 787 Mr. Vella was hired to sell took two years to design and outfit. Mr. Vella says he went all-out, even buying two tons of marble that a contractor sliced into very thin pieces that were mounted on lightweight structures with a flexible membrane in between so they wouldn't crack in turbulence.

The plane was recently bought by HNA, a transportation company and parent of several airlines, including China's Hainan Airlines.

It was Mr. Vella's 11th widebody project, but "for the first time in my career I've been able to show [the public] what type of work we do," he says. Mr. Vella took an empty shell of an airplane from Boeing and worked with a French design firm to create a cabin that would be distinctive enough for a billionaire buyer but plain enough to accommodate the aesthetics of clients from both the Middle East

Please see JETS page D2

## STYLE & TRAVEL

# A Painting Central To a Designer's Life

BY HEIDI MITCHELL

For Shannon Wilson, who went from being head of design for Lululemon Athletica to founding her own luxury-apparel brand, balance sheets and magazine coverage aren't the true measure of success. Instead, a photorealist painting of her five sons hangs in the heart of her home in Vancouver, British Columbia, to remind her that her boys are her inspiration.

The portrait idea came from Canadian artist Graeme Berglund, whom Ms. Wilson had known for three years when she asked him to take her on a tour of galleries in Vancouver's Gastown district.

She met him at his studio and a painting of a small boy emerging

from the water caught her eye. She

**OBJECT OF DESIRE** and her husband, Lululemon founder

Chip Wilson, had been kicking around ideas for a family photo for years, and the image crystallized Ms. Wilson's thought process.

After the tour, she asked Mr. Berglund if he would be interested in painting her two stepsons and three sons in a similar way. "It was important to us to have their character captured, but to have them



be ageless, so that the image doesn't become dated in any way," she says.

The Wilsons took photographs of each child in their backyard pool and submitted a collage of the best ones to Mr. Berglund for reference. Ten months later, the painting was hung in their double-height living room—the first thing guests see when they enter their home.

"I find a photo takes you back to a certain moment, whereas a painting like this gives you more of a feeling, one that's both past



Shannon Wilson, of apparel brand Kit & Ace, left. Above, a painting of her five sons hangs prominently in her home.

and future, as if there was so much left to do together," she says.

The couple took Lululemon public in July 2007 and remain majority shareholders but aren't involved in day-to-day decisions. Ms. Wilson, a former competitive swimmer and polo player, left the company in 2012 to travel the world with her husband and sons. It was during her trip that she recognized a new business opportunity.

"After years of living in athletic clothing, I thought, 'What if I don't want to wear my athletic gear all day long?'" she says. "As I looked around, I saw that the beautiful clothing out there didn't consider the athlete, and how we were so accustomed to the stretch and the

movement of the fabric."

In 2013 she and one of her stepsons, JJ Wilson, now 27, launched Kit & Ace, a "technical streetwear" brand focused on comfortable, stylish looks men and women can wear pretty much anywhere.

Since opening its first boutique in 2014, the brand has developed more than 150 proprietary fabrics that are machine washable and don't wrinkle, and has opened some 55 store locations worldwide.

Ms. Wilson says the partnership with JJ always felt natural. "Chip and I got married in 2001, when JJ was a teenager, so he's grown up seeing us working together," Ms. Wilson says. Conversations, whether in the shop or at home,

"have always been fluid about sales and design and new trends, into whether we need more milk and what's for dinner tonight."

The Canadian entrepreneur sees her boys' portrait as a reflection of what is important to her and her husband. "Our family is number one. There is no point in any of this if it's not for them," she says.

She loves that Mr. Berglund's painting takes center stage in the family home, and that her sons think the image of their younger selves is cool. The painting is her favorite object. "People say if your house is burning down what would you take, and for me I'd probably try to pull the painting off the wall."

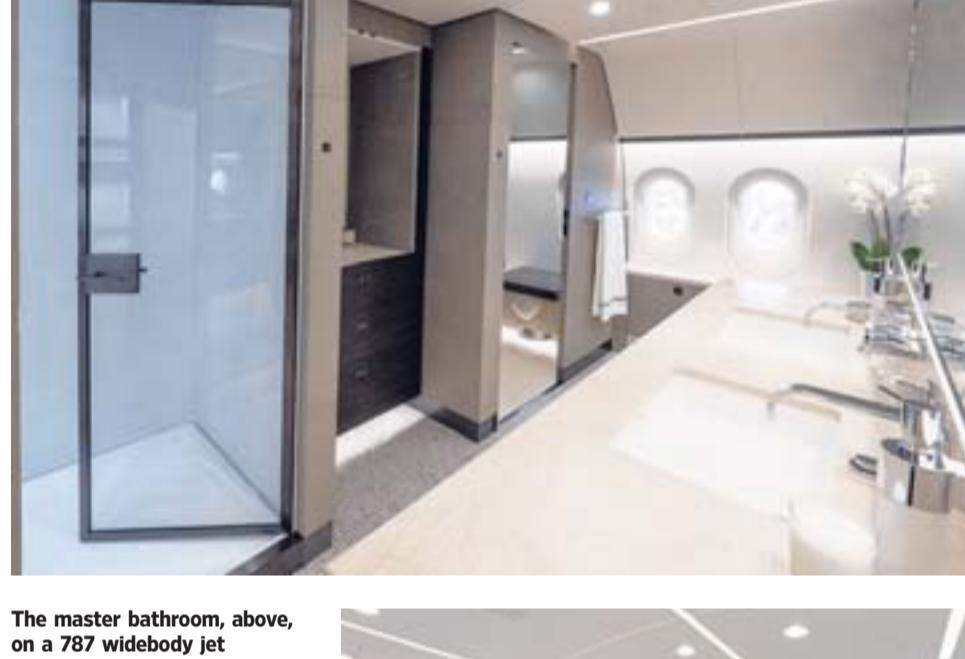
## JETS

Continued from the prior page and Asia, the regions where most private jumbo buyers come from. The plane was turned over to Greenpoint Technologies, a Kirkland, Wash., firm that specializes in building aircraft interiors and retrofitting airliners, for more than a year of construction on the interior.

Boeing has sold 15 787s, which carry about 220 to 300 passengers for airlines, in recent years to private buyers, most of them individuals, Mr. Longridge says. In the past, its biggest offering for most nongovernment buyers used to be the single-aisle 737, which seats about 150 people for air-lines.

"The world has moved on and has moved up and people are flying bigger airplanes," he says.

At 2,408 square feet, a private 787-8 cabin has homely comfort on a 17-hour flight for a staff of 40 or just a billionaire's family. The plane is usually fitted with a living room, dining room and den. Showers as big as those in five-star hotels have flow rates of 2.2 gallons a minute, which is close to the U.S. federal standard for new shower heads. Gourmet kitchens have induction cooktops, since flames aren't allowed, plus steam convection ov-



The master bathroom, above, on a 787 widebody jet developed by Kestrel Aviation. The plane's dining room, right. Kestrel is due to deliver the plane to its buyer this week.

ens, chillers, freezers, espresso makers and rice cookers.

Master bedrooms have a "gust belt"—a giant seat belt covering the mattress—plus oxygen masks scattered in the ceiling. Furniture is constructed with thin slices of wood, metal or marble covering lightweight honeycomb material to look real but save weight.

Greenpoint, one of the largest outfitters of big private airliners, has one client's 777 in its hangar, along with a new private 787.

Greenpoint executive vice president Bret Neely says a widebody offers three times the space inside the plane, but operating costs aren't three times as large.

"The luxury is really amazing. If you've been in a really, really high-end hotel, that starts to get at what it's like in one of these master suites," Mr. Neely says. "The 787 and A350 are the future of VIP."

Building all that fancy

into an airplane turns out to be a difficult engineering challenge, and not just because everything needs to be lightweight. Most everything on board has to be bolted down and capable of withstanding extreme forces. Private jets must meet FAA requirements and prove the interior isn't going to come apart should the cabin suddenly decompress or crash land.

A bed has to withstand an event with nine times the normal force of gravity, Mr. Neely says, and meet flammability requirements.

Tables may have headstrike pads to make surfaces less lethal in accidents. Candleholders can't have candles—Evergreen has a local glass artist fabricate candle holders with a hole in the bottom where an LED light is placed.

Some private jumbos have guest bedrooms, offices, staff seating, even rooms for providing medical



treatment, hospital beds and all. Some have missile defenses installed—not nearly as elaborate as military defenses installed on the Boeing 747s used as Air Force One, but commercially available systems that use radar to detect missiles and deploy flares as countermeasures. The planes also have a full range of security systems, such as alarms if cargo doors are opened on the ground, motion sensors and cameras. Some carry private gun lockers and almost all carry at least one, if not two, safes for cash and jewelry. Cargo bays have room to carry spare parts like extra wheels.

Crystal Cruise Lines just put a Boeing 777 into Greenpoint's hangar in Moses Lake, Wash., to be turned into a flying cruise ship. The plane, with 3,000 square feet of space, will have a bar, lounge and gambling table, plus 84 first-class seats instead of close to 400 airline seats. A round-the-

world trip with stops at hotels in several cities would take 14 to 28 days by plane. Its maiden voyage is scheduled for 2017.

"The well-traveled leisure market is looking for new things," says Richard Ziskind, vice president and managing director of Crystal Luxury Air and Crystal Air-Cruises.

Crystal, which operates ocean liners, riverboats and yachts, sees its plane as a natural extension. With a water cruise, 80% of the experience is on the ship. With an air cruise, 20% will be in the air and the rest on land excursions. The plane may be available for charter, Crystal says, depending on its tour schedule of around-the-world trips.

Several firms already offer luxury air trips with specially outfitted private planes, such as narrowbody 757s fitted with 50 or 75 seats instead of 180. Those trips often cost \$80,000 or more.



An artist's rendering of another private 787's stateroom.

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## STYLE & TRAVEL

# Pull off a Pattern, Safely, Beyond Neckties and Socks

By CHERYL LU-LIEN TAN

Many men like to limit bold patterns in their wardrobe to their neckties, and occasionally a checked button-down shirt, believing that striking patterns are hard to pull off in menswear.

But Mark Williams, creative director for Ben Sherman, believes it doesn't have to be as challenging as it might seem—and that it is something more men should try.

A bold print gives the wearer an "individual quality," says Mr.

**TRICKS OF THE TRADE** Williams, whose fashion brand is sold in retailers including Nordstrom and Lord & Taylor,

as well as 50 Ben Sherman stores world-wide. When he tries a pattern, he says, "it makes me feel original—different from what anybody else is wearing."

Mr. Williams tries to steer clear of wearing more than one pattern in an outfit. "It's going to get complicated and you can come across as trying too hard," he says. "Mix it with plain, neutral colors—or, if you're wearing a patterned jacket, do a sweater that's more of a textured plain, as we call it," he says. It is easier to mix patterns that are subtle. For pants, "definitely pair it with a clean denim or chino so you let the pattern do the talking."

### Make It Work

◆ Try a bold pattern in an unusual piece such as a coat, blazer or trousers. Let that be the only striking piece in your ensemble.

◆ Try a striking print on a knitwear piece or knitted polo as the texture will tone down the pattern.

◆ Do an unusual pattern in a more neutral or staid color such as burgundy, forest green or grays and off-whites.

◆ With shorts and pants, micro-patterns such as very fine dots or small checks tend to work best.

◆ Make sure your patterned piece isn't too tight. It's more flattering to have a piece be a little large rather than too small on you.

For pants and shorts, patterns can be especially tricky, but that doesn't mean you shouldn't try them, Mr. Williams says. "Try and keep it quite simple, like a micro polka dot chino, a fine pin dot, or a super fine check," he says.

With items like jackets and blazers, too, it is still generally better to do something that isn't too much of a statement, Mr. Williams cautions. "The pattern on the blazer needs to be a little smaller. If it's bigger, like a big check, then the colors need to be reduced," he says. "Make sure the colors in the check are very tonal and work with each other."

When trying a pattern in a less traditional place, such as a coat, Mr. Williams likes to pick colors that are easy to work into an outfit. "One of my favorite pieces is a blue gingham mac (raincoat)," says Mr. Williams, who joined Ben Sherman in 2006 as global head of menswear. "It's two levels of blue together, which makes it a little bit more wearable."

For someone who is cautious about patterns, one way to try a striking pattern could be to try it in a knitted polo or other knitwear, Mr. Williams says. "We've taken patterns that have been in shirts and adjusted the colors a little bit and printed them directly onto a polo," he says. "On a shirt, the colors are punchier," he adds, "but on knitwear or when printing it on outerwear, it's about subduing the color and knocking it down" so it isn't as bold.

Sometimes, an unusual pattern can be tempered by colors that are more somber or staid. For fall, for example, Mr. Williams likes patterned pieces in "rich Bordeaux wine colors or military colors, rich greens, forest greens. Then, you've also got new neutrals like levels of gray, levels of off-white." Some color combinations that he is partial to: "navy with burgundy, dark chocolate brown with charcoal."

With the right colors, you can even try a paisley pattern, Mr. Williams says. "We've seen some great colors coming through in oversize paisleys—burgundies working with toffees. They're a little bit more of a statement than the subtle, tonal paisleys, but they have a really nice, organic feel to them," he says.



Mark Williams, creative director of fashion brand Ben Sherman, says patterns can be more wearable in the right colors. Below, left to right, a printed jacket, a blend of texture and pattern in a blazer and knit top, and a bold printed shirt.



For this fall, Mr. Williams favors a few striking patterns—in particular, one that he calls a "dogtooth" (similar to a hounds-tooth pattern). "It's black and white and very graphical and geometric. It's quite a statement, but because it's black and white it makes it easier to wear."

With very in-your-face patterns—such as a line of pieces the label recently designed featuring images of 1960s vinyls and records printed on clothing—it might still

be best to do it in pieces where men are used to wearing and seeing patterns, such as shirts.

The fit of a patterned piece can affect your ability to pull it off, Mr. Williams says. "If you're wearing a beautifully patterned piece, if it's too tight or really too skinny, that's worse than if it's slightly too big," he says. "It's not flattering for your shape. It's generally better to be going the other way."

He believes that striking patterns can work for the office. "In

terms of the office, you're going to be fine with wearing [a pattern] in a great shirt. Do a cleaner, plainer blazer," he says. "Or, maybe do a patterned, printed polo top or you could do a T-shirt under a really nice, single-breasted navy blazer."

Mr. Williams cautions against doing too much, or "you look like you've gotten dressed in the dark—all you need to do is pick out a color in a shirt or a pattern and then start working everything together slowly."



Photo Credit: Kelli Boyd for The Wall Street Journal

## A NEW COAT OF QUAINT

Gabled Victorians, Craftsman-style bungalows, Main Street shopping just down the block — welcome to luxury home building with a classic twist.

# MANSION

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## STYLE &amp; TRAVEL

**Ask Teri** Columnist Teri Agins answers readers' fashion questions

**Q:** I have two decent suit jackets, one taupe and one navy with pinstripes, for which I no longer have the matching trousers. Is it practical to go to a tailor to have matching pants made for the pinstripe? Are there any menswear combinations that would allow me to continue to wear the jackets? I'd like to resurrect the navy pinstripe if I could.

—B.M.

**A:** Menswear marketers have been pushing suit jackets and their matching trousers as stand-alone separates since the mid-1990s. No wonder more men of all ages have become adept mix-masters. If you aren't fashion-confident, enlist the help of free-of-charge department store personal shoppers, or the top menswear sales associates, who will steer you in the right direction.

Whether a man is 32 or 67, he should wear a well-cut, tailor-tweaked suit jacket divorced from its matching trousers. But here's the vital caveat:

Your two "decent" suit jackets should look contemporary, with a high arm-hole and body-grazing silhouette. A dated, broad-shouldered jacket—even if it's like new—usually isn't worth the steep expense of updating it.

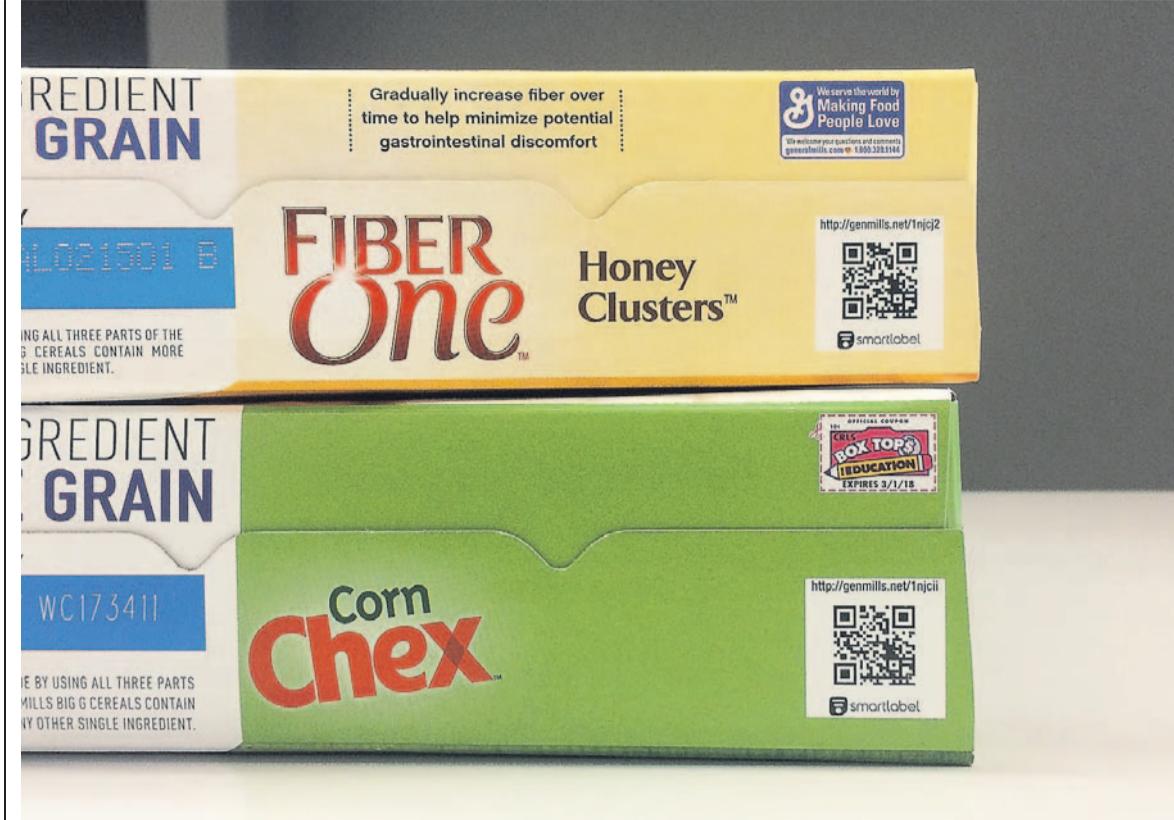
Likewise, don't even bother searching for a new pair of navy pinstripe trousers. Whatever you find will never exactly match your suit jacket. Donate your dated, tailored clothing items to charity.

If you happen, however, to own a modern, well-cut navy pinstripe suit jacket, you should experiment with novel combinations: feel free to put on dark-denim narrow jeans or gray-flannel trousers. Ditto for your hopefully-modern taupe suit jacket. Treat it like a blazer over gray flannel pants. Play around with textures and contrasts, including zip-front or polo sweaters; rugby stripes and the hippest sneakers and boots.

Email questions to ask-teri@wsj.com



JOSE LUIS MERINO FOR THE WALL STREET JOURNAL



ALLISON SCOTT/THE WALL STREET JOURNAL

General Mills is one of the food companies relying on SmartLabel QR codes on packages to flag GMO ingredients.

## CODE

*Continued from page D1*  
rations reject high-tech gimmicks like QR codes," said Gary Hirshberg, chairman of organic yogurt maker Stonyfield Farm and an advocacy group called Just Label It.

An industry QR-code initiative dubbed "SmartLabel" has a web page where participating consumer-goods companies list 52 data points required on food packages, including the presence of GMOs once that law takes effect.

The industry's position is that QR codes allow for the most up-to-date information and get around space constraints on labels.

Some 50 companies feature SmartLabel codes on at least some products, and 50 more are developing plans to participate, said Mark Baum, senior vice president of industry relations for the Food Marketing Institute, which along with the Grocery Manufacturers Association issues licenses for the

SmartLabel program. General Mills Inc., Campbell Soup Co., Hershey Co. and Unilever PLC are SmartLabel participants.

The Organic Consumers Association has started an online effort opposing the labeling law and its allowance of QR codes to disclose GMO ingredients. Some 500,000 people have joined in less than a week, the association said.

The Food Marketing Institute found in a study this year that 20% of shoppers use QR codes to learn about the nutritional value

**Healthy-food advocates oppose the use of QR codes to disclose GMOs as cumbersome.**

of supermarket items. Mr. Baum says the percentage is expected to grow as shoppers seek out more detailed information about the foods they consume.

While QR codes aren't widely

used in the U.S., they have been common in Japan for nearly two decades. Containing data both horizontally and vertically, the codes pack in more information and convey it to a scanning device more quickly than bar codes do.

Denso Wave Inc., a division of Japanese auto-parts supply giant Denso Corp., invented QR codes in 1994 and holds the patent for them but made the specifications freely available.

Today, with apps like QR Code Reader or Shazam, users point their smartphone camera at a QR code, then click on it to call up information or follow a web link.

In a poll of 1,011 U.S. adults released Wednesday from the University of Pennsylvania's Annenberg Public Policy Center, 59% said they weren't likely to use their phones or an in-store scanner to learn if a product contained GMOs. Forty percent said they were likely to do so, and 1% didn't know.

Of those surveyed, 81% approved of the push to disclose GMO ingredients on labels.

## SHAVE

*Continued from page D1*  
tation and the razor bumps that result from ingrown hairs. It is "a really important problem," says Tristan Walker, founder and chief executive of Walker & Co., which launched Bevel in 2013.

Its primary audience is men with coarse and curly hair, particularly African-American men, who tend to suffer more from razor bumps. Target carries Bevel on its website and in about 150 of its stores.

Baxter of California and Fellow Barber sell shaving creams that they say won't clog razors. Fellow Barber, which started as a barbershop 10 years ago, sells an aftershave lotion that moisturizes the skin, fosters healing of nicks and will "soothe any rawness." Riki Bryan, head of marketing and partnerships, says barbers in its six shops use the products, lending them more authenticity. Mr. Porter began carrying Fellow Barber products last month.

Baxter of California plans on launching more products and online videos aimed at men who like to have some facial hair that is carefully groomed, said Nathan Puksta, general manager. One video on the company's site is a guide to styling a five o'clock shadow.

The new specialty brands tend to cost more than mass brands, though in some cases the razors are cheaper. An eight-pack of Harry's blades costs \$16, and its Truman and Winston razors cost \$9 and \$20, respectively. By comparison, a 5-pack of Gillette blade cartridges for its Mach3 razor costs \$15.99 on RiteAid.com, and the razor costs \$9.49. A 6.7-ounce container of Harry's shaving gel costs \$6, compared with \$3.49 for a 7-ounce can of Gillette shave gel.

Men are becoming more sensitive—at least when it comes to how their skin feels during a shave. More men rank shaving creams and aftershave products that reduce irritation or soothe the skin as just as important to them as products that promise a close shave, according to a Mintel study released last year.



A limited-edition Harry's starter shave set in red for Target

cording to Euromonitor International.

Procter & Gamble Co.'s share of the men's razor and blade businesses in the U.S. fell to 59% last year from 71% in 2010, according to Euromonitor International. P&G owns Gillette.

"The smaller niche market is where you will see the movement," as P&G and others lose market share to online shaving clubs and other independent brands, said Matthew Barry, an industry analyst at Euromonitor. "Personalization is big in grooming."

A P&G spokesman says the company has a 67% share, citing data from Nielsen. Though there has been a loss of share to private-label brands, they are a relatively small part of the marketplace and "don't dramatically change what we do," he says. He adds that Gillette invested in its online shave club in the past 18 months, and that "we feel good about the progress."

Harry's sells its products on its website through a subscription as well as à la carte. Target hopes joining with an online subscription service like Harry's will also help it expand its online shaving sales, including its Target Subscriptions service, which replenishes everyday items on a schedule.

In Target stores, Harry's will occupy prime real estate in grooming departments, a 4-foot section starting at the entrance of the shaving aisle. A 5-foot razor in Harry's signature "Total Orange" will flank the display.

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HARRY'S

# ARTS IN REVIEW

## FESTIVAL



Puccini's work includes 'La Bohème' and 'Madama Butterfly.'

## The Face of Controversy?

BY BARRYMORE LAURENCE SCHERER

Anandale-on-Hudson, N.Y.

**H**aving studied, performed and written about the composer Giacomo Puccini (1858-1924) since my student days, I find it surprising to see him described on the Bard Music Festival Website as "controversial." Puccini still controversial? The Festival is mooting this and other questions during its exploration of "Puccini and His World."

Puccini was the last Italian composer to maintain a substantial place in the standard operatic repertoire. All but his first two operas are regularly performed—his "La Bohème," "Madama Butterfly" and "Tosca" being among the most popular of all operas. In the festival program, resident scholars Arman Schwartz and Emanuele Senici explain that Puccini flourished while Modernism began to dominate culture and aesthetics. As a consequence, his operas . . . have largely continued to be measured according to a modernist aesthetic outlook. Not surprisingly, they have been mostly found wanting; their enormous success alone would guarantee a negative assessment."

This is not to say that the festival intends to pillory him. The first weekend, "Puccini and Italian Musical Culture," examines his work and reputation in the context of the arts and politics of the new and self-conscious nation whose various sovereign states had been unified under the crown of Savoy in 1861. The second weekend, "Beyond Verismo," primarily explores early 20th-century Italy's espousal of avant-garde ideas promoted by the Futurist movement while concomitantly rediscovering its early musical past. The concerts will present Puccini's music against a panoply of operatic, sacred and instrumental works by composers who influenced or attempted to rival Puccini—among them Arrigo Boito, Amilcare Ponchielli, Pietro Mascagni and Ruggero Leoncavallo—and by subsequent modernists, including Alfredo Casella, Luigi Dallapiccola and Goffredo Petrassi, who sought to move beyond his essentially Romantic idiom.

Influenced by Wagnerian leitmotifs—recurring themes that signify specific characters and situations even when they are not actually on stage—Puccini manipulates his materials to underscore dramatic psychology. The rambunctious

**The Bard Music Festival explores Italian composer Giacomo Puccini.**

opening motive of "La Bohème," which returns at several points in the opera, aptly characterizes the youthful optimism of the artistic hopefuls in their unheated garret. Likewise, the menacing opening chords of "Tosca" return in various guises to signify the sadistic Baron Scarpia and his dictatorial chokehold over Rome. In addition to using authentic Japanese melodies in "Madama Butterfly," Puccini suggests the clash of Eastern and Western cultures at the opera's tragic heart by opening it with a troubled-sounding fugal passage in C-minor.

Nevertheless, despite the painstaking, often personally agonizing care with which Puccini composed, there have long been critics who held Puccini's work as suspect because, as Messrs. Schwartz and Senici write, they saw him as "an imaginative but rather cautious follower of other, more 'advanced' composers, guardedly incorporating their novelties into an essentially conservative musical fabric."

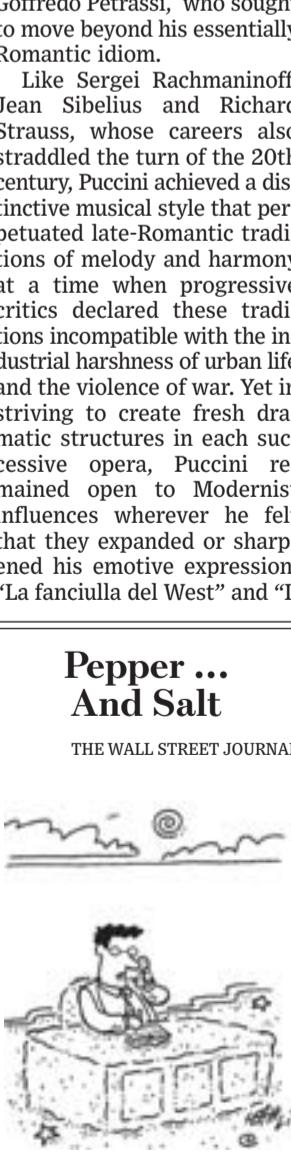
Speaking with me by phone, Leon Botstein, conductor and co-artistic director of the Bard Music Festival, addresses another facet of this controversy, observing that "While Puccini's operas are ravishing and move you to tears, he was attracted to very reductive issues of love, desire and emotion—the beautification of tragedy. So there has been a critical view that his operas leave no intellectual residue after the curtain falls."

Acknowledging that "there is some reluctance on Puccini's part to attack a deeper, Mozartian or Wagnerian philosophical level of sensibility," Mr. Botstein asserts that "that's what makes his work so clear and accessible."

So, must we still consider Puccini a guilty pleasure? Perhaps the question boils down to whether the verdict of unsympathetic critics outweighs the legacy of a composer who achieved his end through the sincere pursuit of his artistic aims. This year's Bard Festival audiences will be able to draw their own conclusions.

**Pepper ... And Salt**

THE WALL STREET JOURNAL



"High tide's no good. How about low tide?"

Mr. Scherer writes about music and the fine arts for the Journal.

## ART

# Reinventing an Art Form

### Rodin: Transforming Sculpture

Peabody Essex Museum  
Through Sept. 5

BY ERIC GIBSON

**Salem, Mass.** Auguste Rodin can be a difficult artist to come to grips with. His output was vast and he worked in so many different modes—portraits, the public monument, allegorical works and drawings. Then there are the fluctuations in quality, from the powerfully moving ("The Burghers of Calais") to the cloying ("The Kiss") and the corny ("Monument to Victor Hugo"). The scale required for conventional retrospectives tends to make them more exhausting than enlightening, and single-work shows (such as one which traveled the U.S. several years ago devoted to the Hugo monument) are by definition too narrowly focused to give us a sense of the whole artist.

With "Rodin: Transforming Sculpture," the Peabody Essex Museum is presenting what is perhaps the best introduction to Rodin in recent memory. Organized by the Montreal Museum of Fine Arts in collaboration

with Paris's Musée Rodin, and overseen at PEM by deputy director Lynda Roscoe Hartigan, the show eschews a chronological approach for a thematic one that takes you to the very center of Rodin's roiling creative imagination.

Rodin (1840-1917) brought sculpture into the modern era in myriad ways, chiefly through his approach to the human figure. Sculptors of the day worked in a style of realism rooted in the canons of classical antiquity and the Renaissance that by the middle of the 19th century had become formulaic and repetitive. Rodin substituted naturalism—representing the body as it appeared to the eye—infused with a Michelangelo-derived muscularity, and introduced a whole new vocabulary of poses and gestures.

"Transforming Sculpture"

makes this, Rodin's radicalism and innovation, its focus. And, as if to avoid wasting any time with preliminaries, we are plunged almost immediately into Rodin's most complicated, ambitious and protracted effort, "The Gates of Hell." This was a commission for entrance doors to a decorative-arts mu-

seum in Paris that Rodin received in 1880 and worked on to the end of his life.

"The Gates" is a Last Judgment-style portrayal of doomed humanity whose main inspiration was Dante's "Inferno." It is a churning mass of bodies—some 200—presided over by "The Thinker," Rodin's idealized vision of Dante himself.

But the "The Gates" is also

the crucible of what is argu-

ably Rodin's most radical innovation: the recombinant figure. Before him, sculptors depicted human beings whole—portrait busts excepted—and as individuals within a group. In "The Gates," figures are repeated ("Three Shades," at the top, is three versions of the same figure set together), reused in

Rodin's small model of 'Three Shades' (1897).

staring fixedly into the distance. Rodin never got over the opprobrium with which the finished work was greeted when exhibited seven years later. Public statuary of this kind was supposed to focus on externals, realistically depicting the individual down to the last detail. Rodin began that way, but as he progressed he became more interested in capturing Balzac's inner life. The result is a more generalized figure that shows the author as if caught in a moment of inspiration.

We see this evolution unfold in a series of eight clay and bronze models. It's a powerful installation because as we move from one to the next we are not just tracing the development of an idea. We are witnessing nothing less than the birth of the modern public monument. From "Balzac" on, the artist's overriding aim would be not literal representation of a subject but the articulation of an abstract idea—in this case, creativity itself.

Later sections are just as revealing, particularly the one devoted to Rodin's works in marble. These have always been controversial—a critic once called for dismissing them altogether—and in this context it's clear why.

Rodin was a modeler, and so his most compelling sculptures are the clays, plasters and bronzes that reflect the immediacy of the artist's touch and his keen sensitivity to surface handling. The marbles have none of that, possessing more the character of large lumps of sugar.

Like Rodin's career itself, the exhibition is not without its strange turns. A section called "Vessels & Flowers" consists of plaster figures the artist placed in vases. Something to do with Rodin's view of women's bodies as "flowers blooming and bending," we are told, yet these works seem arbitrary and eccentric. A reminder, perhaps, that this is an artist still capable of surprising us.

Mr. Gibson is the Journal's Arts in Review editor.



**An artist so radical and innovative, he pioneered a sculptural technique that presaged the work of Pablo Picasso.**

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But the "The Gates" is also

combination with others and even broken up, the different parts used in multiple sculptures.

This is Picasso's assemblage approach decades ahead of its time, and the exhibition gives us a vivid sense of the way it enlarged the expressive possibilities of Rodin's art. A series of trestle tables evocative of an artist's studio is arrayed before a full-scale photomontage of "The Gates" (an actual cast being too heavy to travel). On it are laid out plaster sculptures where individual figural motifs (one known as the "Crouching Woman," for example) appear in multiple groupings and guises.

A later section is devoted to Rodin's 1881 commission for a monument to Honoré de Balzac. He portrayed the author clothed in a capacious robe, head slightly raised and eyes

## DANCE

# Shakespeare on Pointe

BY ROBERT GRESKOVIC

**New York** Regarding "The Winter's Tale," the Shakespeare play that inspired his 2014 ballet of the same name, which just closed the Lincoln Center Festival, choreographer Christopher Wheeldon noted in a Playbill article that "the play is indeed complex and the language particularly knotty, but at its core it is a thrilling story that offers tragedy, comedy, and redemption."

Mr. Wheeldon's work, as presented by National Ballet of Canada, a co-producer of the work with Britain's Royal Ballet, makes for an often impressive theatrical spectacle.

Along its way, the 2-hour-and-35-minute, three-act production (including two intermissions) also shows that Mr. Wheeldon, in translating his literary source into a piece of ballet theater, proves himself to be a stronger director of narrative than a choreographer of expressive dancing.

Scenic design by Bob Crowley—in concert with projection design by Daniel Brodsky, lighting design by Natasha Katz and, most especially, often stage-filling silk effects by puppeteer Basil Twist—mightily helped bring Mr. Wheeldon's "Tale" to stirring, animated life. The first two acts have closing moments of terrific stagecraft: a seething ocean with a fearsome bear in its waves for act one, an urgent ship chase in act two.

The narrative, as worked out by Mr. Wheeldon and Joby Talbot, whose movie-score-like accompaniment provides colorful atmosphere, though

rarely much more, emphasizes the tragic elements of Shakespeare's play. Its comedy is cursory; its redemption arrives climactically. The action,

set in Sicilia and Bohemia, centers on the rabid jealousy of King Leontes, who defames his innocent queen, Hermione, and his once best friend, King Polixenes, whom he accuses of cuckolding him.

Mr. Wheeldon's scenario, featuring most of

Shakespeare's main characters in roles for three leading men and three leading women, trades more often on melodramatics than on inventive dancemaking.

The duets for the angry king and his accused queen, sometimes reshaped as trios including the suspected Polixenes, are full of athletic entanglements that telescope brutality, especially when they involve a full-bellied Hermione late in her pregnancy.

The choreographer mostly

eschews standard pantomime, opting instead for gestures presumably meant to hold particular meaning for his characters. The conceit, however, can be confounding. The repeated appearance, for instance, of a changing asymmetrical positioning of arms held high and in tandem by Leontes and Hermione resembles little more than a football

referee signaling a penalty. Elsewhere, when, in the springtime festivities of act 2, Mr. Wheeldon presents folk-like ballet dancing to suggest

rustic Bohemia, the leading, secondary and ensemble Bohemians fill the stage with dancing more strung out than engaging.

The ballet's leading men—two kings and a prince—show their classic dance training through bolting jumps and flashing, ex-

tended legs. Additionally, especially for Leontes, they embody the "knotty" aspects of the play's language with upper-body contortions stressing gnarled arm-and-hand moves.

As the enraged king, Guillaume Côte, in one of the three casts I saw, managed to shade as much as possible the teeth-gnashing excesses of his role. In welcome contrast, Mr. Wheeldon affectingly presents the king's son, the boy Mamillius. Simon Adamson de Luca and Antony Tcherny, junior associates of Canada's National Ballet School, alternated here and proved memorable in a pantomime role delicately graced by ballet schooling.

Most disappointing, choreographically, is the role of Paulina, the head of Hermione's household, who remains the plot's moral force as she defends and protects her mistress and who, in the end, leads the repentant king to witness Hermione's startling resurrection.

As costumed in one of Mr. Crowley's most bland designs, Paulina looks like a postmodern nun; as choreographed by Mr. Wheeldon, her arms reach out in repeated gestures while she uses her pointes to do little more than pose herself. In the eloquent performance of Svetlana Lunkina, Paulina has some compelling moments, but these arise more from her inherent theatrical craft as a dance actress—her career began in Moscow's Bolshoi Ballet—than from Mr. Wheeldon's choreographic detailing.

The quiet close to act 3 of this "Winter's Tale," enacting the miraculous coming back to life of Hermione, contrasts rewardingly with the vivid conclusions of the two other acts.

The overall absence of choreographic finesse, however, tells its own tale: This piece of ballet theater comes down on the side of theater, leaving ballet in its wake.

Mr. Greskovic writes about dance for the Journal.



Hannah Fischer in 'The Winter's Tale.'

ROSALE O'CONNOR PHOTOGRAPHY

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# SPORTS

## Russians Vow to Medal—If Allowed to Compete

Scores of Russian athletes are arriving in Rio awaiting clearance to participate

BY ANTON TROIANOVSKI

Russia's pursuit track cycling team landed in Rio de Janeiro Sunday unsure whether it would be allowed to compete. On Wednesday, the men were still waiting.

"This does, of course, have a psychological impact on all the athletes," said Yana Panfilovich, spokeswoman for the Russian cycling federation. "It's an unprecedented situation."

Many Russian athletes in various sports were still in limbo Wednesday. But behind the cloud

of one of sporting history's biggest scandals, Russia is in fact fielding an Olympic team. Expected to number roughly 260, it's about a third smaller, and less star-studded, than it was meant to be before being derailed by wide-ranging doping probes. But from boxing to volleyball, some big names have been cleared to compete, setting up one of the biggest riddles of Rio's Summer Games: Can the Russians still win?

"Every single Russian victory, and every judging error, will be seen in the political context," said Oleg Shamonov, an editor for popular Russian sports website Sport Express. "Everything will depend on how tired we are of these endless doping fights."

Shamonov's staff predicts Russia will grab 11 to 17 gold medals and 35 to 57 overall, down from the 24 gold medals and 82 overall that the country won in 2012 in London. Still, if the high end of that prediction proves true, Russia could slip only a notch or two from the fourth-place showing it had in London.

Russian athletes and officials insist they will fight hard—in part as retribution for what many of them characterize as a Western conspiracy to use doping claims to push the country out of the Olympics.

"These were foreign officials who didn't want Russia to participate," national boxing coach Alexander Lebzyak said. "This is a political situation. It's connected to all the things now happening around



Top, gymnast Yana Kudryavtseva; middle, volleyball player Sergey Tetyukhin; bottom, long jumper Darya Klishina.

Ukraine and Syria."

A report by the World Anti-Doping Agency released last month alleged a vast state-sponsored doping program run by Russian sports officials, prompting calls on the International Olympic Committee to ban Russia's entire 387-strong delegation. The committee resisted a full ban, but laid out stringent criteria for Russian athletes to be approved—including blocking anyone who had ever served a doping suspension in the past and requiring international sports federations to individually review each athlete's application.

Russian athletes have scrambled to win approval. While the fencing, gymnastics and volleyball teams, among others, all got a green light, some others are still awaiting a final verdict. More than 20 have appealed to the Swiss-based Court of Arbitration for Sport, which has set up an ad-hoc division in a Rio hotel that has already registered as many cases as the court heard through the entire London Olympics. Some decisions were expected late Wednesday night.

The questions swirling around the cycling team exemplify the uncertainty. The team shrank from 18 to 15 after the IOC banned all Russians with a history of doping, even if they had served out their suspension.

Three more "were potentially implicated" in the Russian doping scheme alleged by the anti-doping agency, cycling's world governing body, Union Cycliste Internationale,



said on July 28. But UCI didn't name names. And the Russian cycling federation hasn't been able to figure out which three of its athletes are

being investigated, even as some have started to make their way to Rio, the federation's Panfilovich said.

"Everyone's thinking that, God for-

bid, it could be them," Panfilovich said.

Shamonaev's Sport Express website has counted 70 potential Russian Rio medal contenders who have been sidelined by doping probes since 2014, including star pole vaulter Yelena Isinbayeva and gold-medal canoe sprinting duo Alexander Dyachenko and Yury Postrigay.

Those who have won approval to compete are under a microscope. Lebzyak, the boxing coach, says that doping officials have visited his athletes at 6 a.m. at least four times in Rio in recent days to collect samples.

Under a different kind of glare is long jumper Darya Klishina, who trains in the United States and is the only Russian to get an exemption to the blanket ban on Russian track and field athletes.

"I would be happier if all of us had been admitted," Klishina said last month after drawing criticism from some Russian fans for lacking solidarity by having won an exemption. "I'm currently under pressure and heightened attention that is not always positive."

Russia's feud with international sporting authorities continued this week in Rio. Some Russian commentators have grumbled that some star athletes from other countries—such as American sprinters Tyson Gay and Justin Gatlin—are being allowed to compete despite having served doping suspensions in the past.

Alexander Zhukov, president of Russia's Olympic Committee, told the IOC in a speech on Tuesday that the punishments on Russian athletes in response to the doping revelations amounted to an attack on "the rights of man, the athlete, and the citizen."

"Are some clean athletes cleaner than other clean athletes?" Zhukov said. "Is this not discrimination?"

Russia's remaining medal hopes include synchronized swimming, artistic gymnastics, fencing and wrestling. Russia's flag bearer at the Opening Ceremony, star volleyball player Sergey Tetyukhin, will be competing for his fifth consecutive Olympic medal. In a Russian television interview aired this week, he cast the Rio Olympics as the latest trial for a country that's often been tested.

"We will need to fight for us and for them," Tetyukhin said, referring to his compatriots banned from the Games. "In hard times, the Russian people get closer, unite, and grow stronger."

## The Man Behind Russia's Rise and Fall

BY LAURA MILLS

Moscow

At the last, winter edition of the Olympics in Sochi in 2014, Russian President Vladimir Putin and Sports Minister Vitaly Mutko were pictured smiling at events from the skating rink to the cross-country skiing trail as Team Russia blasted to the top of the medals table.

Neither will be at the Rio opening ceremony Friday after an investigation that alleged state-coordinated doping led international sports organizations to exclude from the Olympics Russia's entire track-and-field team apart from one athlete, as well as over a dozen more in other sports.

It's a remarkable fall for the sports powerhouse, which Mutko led in a revival that mirrored the Kremlin's narrative of resurgence under Putin. Mutko had previously transformed a struggling soccer club in the country's second city, won the rights to stage soccer's World Cup in 2018 and boosted Russia's Winter Olympics team from sixth to first in the medals table in Sochi two years ago.

The investigation, for the World Anti-Doping Agency, questions the foundations of that success. Russian officials, including Putin and Mutko, have denied the allegations and presented the scandal as an attack on Russia.

"We very much regret that, in preparing the report, experts didn't take the trouble to question those they are accusing, to check facts that they consider checked," Mutko told reporters late last month. He said that Russian sport had worked hard to combat doping and that punishment should be meted out to individuals found guilty of violations, rather than to whole groups of athletes.

Mutko, who has known Putin since the early 1990s, has said he is prepared to leave his post. But there's little sign that Putin, who rarely purges top lieutenants, is ready to cast aside his ally.

The 57-year-old minister, a nautical engineer by training, joined the administration of St. Petersburg in the early 1990s, working on social issues, including sports. In 1997, he took over as president of Zenit, a St. Petersburg soccer club that was down on its luck.

In his six years at the club, Mutko is credited with transforming the team: bringing in a Czech coach,



leading Zenit to the top end of the Russian Premier League and attracting new sponsors.

Mutko's time at Zenit was tarnished by early allegations of match-fixing: A former Zenit coach and player claimed Mutko, then chairman of Zenit's board of directors, had helped throw a 1996 match, accusations that Mutko denied.

Mutko was appointed head of the Russian Football Union in 2005, and, by 2008, Putin had appointed him sports minister, puzzling some who thought he lacked the international experience of his predecessors.

"I remember how he walked around the Beijing [Olympics] with wide eyes and they showed him: These are kayaks, these are canoes. He was learning," said Evgeny Slyusarenko, deputy editor in chief of sports news website Championat.

Mutko was heavily criticized in the press after Russia put in one of its worst performances since the collapse of the Soviet Union at the Vancouver Olympics in 2010, ranking only sixth in the overall medals count and 11th in gold medals.

But Mutko kept his job, and in December that year, Russia won the right to host soccer's World Cup in 2018. That victory was tainted by accusations of corruption during the bidding process: Investigators from soccer's world governing body, FIFA, said Russia was unable to turn over most of the documents related to its

bid because it had returned the computers it leased for the bidding process, which were then destroyed. The FIFA investigation was inconclusive, and Mutko has responded by saying there was "no criminality" involved in Russia's 2018 bid.

His signature achievement came at the Sochi Winter Olympics in 2014, where the Russian team won 13 gold and 33 total medals. Mutko was the face of Russian sport at its zenith: A week after the Olympics, Putin praised him in a television interview for making "a significant contribution to our athletic achievements."

But the World Anti-Doping Agency report, released last month, alleges that success in Sochi was achieved in part due to widespread doping. The investigation found that Mutko's sports ministry played a key part in covering up positive tests, though Mutko has not been named by any investigators as a perpetrator, Kremlin spokesman Dmitry Peskov said, according to Interfax news agency. Mutko has denied that the ministry was involved in doping.

Top officials and state television have focused their ire on what they call a targeted campaign against Russia, rather than calling for heads to roll. "The current situation has gone beyond not only beyond the law, but beyond common sense," Putin said on July 27. "This is a directed campaign, the target of which is our athletes."

## The Orioles Are Tortoises

Forget speed. The Baltimore Orioles will score their runs when they're good and ready.

Baltimore may just be the slowest MLB team in 50 years. So far this season, the O's have legged out only three triples. Two active play-

### The Count

ers, Denard Span and Yasiel Puig—and many more who are no longer active—have hit three triples in a single game. In the entire history of Major League Baseball, there has never been a team with fewer than 10 triples, according to Baseball-Reference.com, save for a handful of Union Association teams in 1884 that played fewer than 30 games.

The Orioles aren't much better at swiping bases. Through 104 games, they have only 13 stolen bases, which puts them on pace for just 20 over 162 games. No team has had so few since the 1972 Detroit Tigers, who only played a 154-game season.

Yet Baltimore still leads the American League East, which says a lot about how the game has changed.

Consider the speedy St. Louis Cardinals of 1985: They hit just 87 home runs as a team, but stole an incredible 314 bases on the way to the World Series. The league average that year was 119.1 steals per team;

30 years later, that figure is down 28% to just 83.5 per ball club.

The stolen base has lost its luster largely due to the rise of advanced statistics. The numbers indicate that unless you have a base runner who is successful roughly three-quarters of the time, the risk of forfeiting a valuable out is too costly.

Yet even that change in baseball strategy cannot fully explain Baltimore's deliberate plodding around the bases this season. The average team has stolen more than four times as many bases as the O's, a ratio unmatched by any team since the 1970s. Baltimore is also the only team that's failed to have swiped third base at all.

The opportunities are certainly there, as the Orioles have the 10th-most plate appearances with at least one runner on base and the next base open. However, they've only been successful on 59% of their steal attempts this season.

The 2012 Pittsburgh Pirates (58%) are the only team to have finished a season with a lower percentage in the past decade.

The key to Baltimore's success: The Orioles lead all of baseball in home runs for the third time in four years. Perhaps they've simply become accustomed to taking their time around the bases.

—Eric Eisenberg

### Slow Motion

Here are the MLB teams with the fewest stolen bases and fewest team triples in a non-shortened season since 1966.

TEAM/YEAR	STOLEN BASES	TEAM TRIPLES
Baltimore Orioles 2016	20*	5*
San Francisco Giants 1967	22	11
Pittsburgh Pirates 1973	23	12

Source: Stats LLC

\*Projected

WSJ

Baltimore's Mark Trumbo is tagged out by Tampa Bay's Luke Maile.

