

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

Alphabet said its advertising business continued to grow rapidly but that ads on smartphones and YouTube videos are less lucrative than Google's desktop ads. A1

◆ OPEC is weighing a crackdown on members that aren't curbing oil output as the group struggles with efforts to raise crude prices. B1

◆ An unknown investor bet on a resurgence in market volatility that could net a \$265 million profit. B1

◆ The Dow fell for a third-straight day, easing 66.90 points to 21513.17, while the Nasdaq set a record. B11

◆ Samsung introduced in the U.S. its lower-price copy of J&J's rheumatoid-arthritis drug Remicade. B1

◆ China's HNA unveiled a new ownership structure in a bid to eliminate doubt over who controls the firm. B2

◆ Activist investor Sandell has bought a stake in Barnes & Noble as it seeks a sale of the bookstore chain. B3

◆ Existing-home sales fell 1.8% in June from May and prices jumped as strong demand outstripped supply. A2

◆ Time is looking to sell a stake in African-American magazine Essence and bring in a strategic partner. B3

◆ KKR agreed to acquire health-information provider WebMD for \$2.8 billion. B3

◆ Foxconn is nearing a decision to produce display panels in Wisconsin. B4

◆ An options exchange won CFTC approval to place options bets on bitcoin. B10

### World-Wide

◆ Trump made a last-minute pitch to GOP senators urging them to vote Tuesday to begin debate on a sweeping health-care bill. A1, A6

◆ China has been bolstering defenses along its 880-mile frontier with North Korea to prepare for a potential crisis across their border. A1

◆ Kushner denied he colluded with Russian efforts to interfere in the election or that Moscow was responsible for Trump's win. A4

◆ A truck driver accused of smuggling migrants into the U.S. was charged over the deaths of 10 men. A3

◆ Poland's president vetoed legislation that would have retired the entire Supreme Court, in a surprise move that bucked his own party. A7

◆ A suicide bomber in Kabul struck a minibus carrying Afghan government workers, killing at least 31 people and wounding dozens more. A8

◆ The U.K. parents of a terminally ill baby abandoned their fight to take him abroad for experimental therapy. A7

◆ An Israeli guard at the country's embassy in Amman shot and killed two Jordanians when one attacked him with a screwdriver. A18

◆ NATO is trying to defuse a dispute between Turkey and Germany that threatens its operations including counterterrorism missions. A18

◆ Scaramucci's post at the White House presents a sensitive situation for the sale of his investment firm to a Chinese company. A2

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## Kushner: 'I Did Not Collude With Russia'



YURI GRIPAS/AGENCE FRANCE PRESSE/GETTY IMAGES  
STEPPING OUT: Jared Kushner, President Donald Trump's son-in-law and a senior White House adviser, spoke to the press after being interviewed by Senate Intelligence Committee investigators. A4

## Google Sees Ad Growth but Earns Less for Each Click

By JACK NICAS

Google parent Alphabet Inc. said its advertising business continued to hum, but its fastest-growing segments—mobile and YouTube advertising—are less lucrative than desktop ads.

Alphabet said clicks on its ads surged 52% in the second quarter from a year earlier. But ads on smartphones and with YouTube videos generally earn less money per ad than search ads on traditional computers, the highly targeted ads that appear atop search re-

sults. As a result, Google said its revenue per click fell 23% in the quarter, the widest spread between the two metrics in at least six years.

The growth in the number of clicks helped boost second-quarter revenue 21% to \$26.01 billion over a year prior.

"The results are reflecting two basic trends: an ongoing shift to mobile and an increasing amount of their revenue coming from YouTube," said Mark Mahaney, internet analyst at RBC Capital Markets. "The growth remains very im-

pressive for a company this size."

That shift in its business has also pressured margins. Alphabet's operating margin was 26.4% in the quarter, compared with 27.8% a year ago, marking the first drop in eight quarters, said Brian Wieser, analyst at Pivotal Research Group.

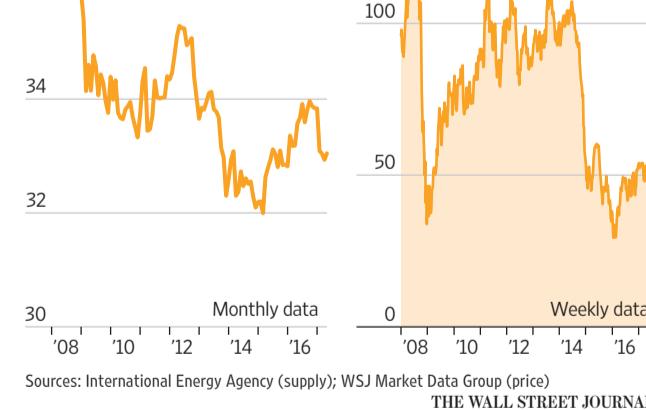
The shift to smartphones is increasing the fees Google pays to smartphone partners,

Please see GOOGLE page A2

◆ Heard on the Street: Traffic costs jam Google results... B12

## OPEC Plans Production Crackdown

Members of the oil cartel feuded Monday over who is to blame for falling prices. Officials said they will clamp down on any OPEC country that doesn't keep its promise to curb output. B1



Sources: International Energy Agency (supply); WSJ Market Data Group (price)

THE WALL STREET JOURNAL.

## Phelps Raced a Shark on TV, and Now I'm Fed Up

Our guest critic pens a biting review; 'first Sharknado, now this'

By FRED THE SHARK,  
AS TOLD TO JASON GAY

First of all, the shark's name is Larry. The great Michael Phelps lost to a shark named Larry.

When the Journal asked me to review Sunday night's televised, hugely-hyped "Phelps vs. Shark" race on the Discovery Channel, I hesitated. I'm having a perfectly enjoyable summer chasing rich, toned seals off the Hamptons. Why

should I get involved in this human nonsense?

But then I watched it, and I thought: *This is so dumb. Somebody's got to speak for the sharks here.*



And speak for Larry, too. The Discovery Channel narrator kept saying Phelps was racing a computer-generated shark, but Discovery can bite me.

I know Great Whites, and that was Larry. Good shark. Used to have a condo up this way. Low-key guy. Fast. Couple of kids, both grown-ups now. Divorced. Looks like he's lost a couple of pounds.

Discovery also said they filmed it in South Africa. I know for a fact they did it off the coast of suburban

Please see SHARK page A10

## Trump Chides Senators on Health Vote

WASHINGTON—President Donald Trump made a last-minute pitch to GOP senators urging them to vote Tuesday to begin debate on a sweeping health-care bill, an exhortation that added to the pressures facing congressional Republicans at a critical moment.

By Stephanie Armour,  
Kristina Peterson  
and Louise Radnofsky

An unusually large number of GOP senators have signaled resistance to taking even the first procedural step to begin debate on overturning former President Barack Obama's 2010 Affordable Care Act. More than half a dozen GOP senators have said they would block debate on different versions of the health bill, though it remained up in the air how many would vote no on Tuesday.

That makes Tuesday's vote to proceed with the consideration of legislation pivotal in either derailing Republicans'

health-care ambitions or inching them closer to reviving a bill still on shaky ground.

Lawmakers typically vote with party leaders at least to begin debate on legislation, and failure to pass the motion would be a rebuke for Senate Majority Leader Mitch McConnell (R., Ky.), who has argued that allowing debate to begin would give senators unhappy with the bill a chance to amend it.

Mr. McConnell can only afford to lose two votes, with Vice President Mike Pence breaking any tie, since no Democrats are expected to vote for the proposal. In a late boost for GOP leaders, Sen. John McCain (R., Ariz.) announced he would return to the Senate Tuesday. He has Please see TRUMP page A6

- ◆ Gerald F. Seib: Democrats seek openings in Trump country... A4  
◆ VA funding plan for private care is defeated..... A6  
◆ The issues GOP senators want to debate..... A6

## China Girds For North Korea Crisis

By JEREMY PAGE

BEIJING—China has been bolstering defenses along its 880-mile frontier with North Korea and realigning forces in surrounding regions to prepare for a potential crisis across the border, including the possibility of a U.S. military strike.

A review of official military and government websites and interviews with experts who have studied the preparations show that Beijing has put in place many of the changes in recent months after initiating them last year.

They coincide with repeated warnings by U.S. President Donald Trump that he is weighing military action to halt North Korea's nuclear weapons program, while exert-

ing pressure on China to do more to rein in Pyongyang.

Recent Chinese measures include establishing a new border defense brigade, 24-hour video surveillance of the mountainous border backed by aerial drones, and bunkers to protect against nuclear and chemical blasts, according to the websites.

China's military has also merged, moved and modernized other units in border regions and released details of recent drills there with special forces, airborne troops and other units that experts say could be sent into North Korea in a crisis. They include a live-fire drill in June by helicopter gunships and one in July by an armored infantry unit recently transferred from

Please see BORDER page A8

## COURTROOM SURPRISE: FEWER TORT LAWSUITS

Restrictions on filing, rising costs and a PR push discourage plaintiffs

By JOE PALAZZOLO

Americans, reputed to be the most litigious people in the world, are filing far fewer lawsuits.

Fewer than two in 1,000 people—the alleged victims of inattentive motorists, medical malpractice, faulty products and other civil wrongs—filed tort lawsuits in 2015, an analysis of the latest available data collected by the National Center for State Courts shows. That is down sharply from 1993, when about 10 in 1,000 Americans filed such suits.

A host of factors are fueling the decline, including state restrictions on litigation, the increasing cost of bringing suits, improved auto safety and a long campaign by businesses to turn public opinion against plain-

tiffs and their lawyers.

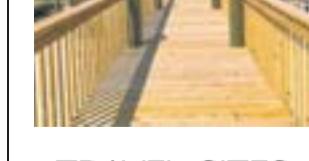
The nationwide ebb in lawsuits, which confounds the public perception of courts choked with tort claims, has broad ramifications for businesses, doctors, patients, lawyers and the courts themselves.

Companies and insurers on the receiving end of such lawsuits welcome the decline of what they regard as a lawsuit culture in which lawyer-driven litigation increases costs to both business and consumers.

Trade groups that represent these firms have long pushed for laws to raise the bar for filing lawsuits and rein in damages, portraying a large chunk of tort litigation as a drag on the economy that burns scarce judicial resources.

Lisa Rickard, president of the U.S. Chamber of Commerce. Please see TORTS page A10

## INSIDE



### BABY BOOMERS HIT A PEAK

LIFE & ARTS, A11

### TRAVEL SITES MOVE IN ON AIRBNB

BUSINESS & FINANCE, B1

# U.S. NEWS

## Scaramucci Deal Review in Focus

BY KATE O'KEEFFE  
AND MICHAEL C. BENDER

WASHINGTON—Anthony Scaramucci's appointment as White House communications director presents a sensitive situation for the planned sale of his investment company to a Chinese conglomerate—a deal that is now under government review.

Mr. Scaramucci first announced plans to sell a controlling stake in his hedge-fund investing firm, **SkyBridge Capital**, to Chinese giant **HNA Group** Co. in January in anticipation of joining the White House, he said. He didn't get a job there at the time.

Meanwhile, the SkyBridge/HNA deal proceeded and, like many foreign deals, is facing a review by the Committee on Foreign Investment in the U.S.

Mr. Scaramucci's appointment to a White House position last week gives the review new significance. The committee, which reviews deals for national security concerns, is made up of top officials in the administration of President Donald Trump, and is led by the Treasury.

The panel, known as CFIUS, can approve a deal or recom-



Anthony Scaramucci said he had worked with the Office of Government Ethics 'to take care of' all conflicts of interest.

mend the president block it, meaning a transaction that Mr. Scaramucci stands to profit from could ultimately be in the hands of his boss, Mr. Trump.

The deal is worth \$250 million, according to a person familiar with the matter. Securities filings indicate that Mr. Scaramucci has a 25%-to-50% stake in the firm, which would mean that he could stand to earn between \$62.5 million and \$125 million from the deal.

White House officials didn't respond to requests for comment.

Mr. Scaramucci is far from the only official to face business issues as he joins the Trump administration.

Wilbur Ross Jr., the billionaire private-equity investor whom Mr. Trump tapped to serve as secretary of Commerce, agreed to sell 80 assets worth at least \$92 million.

But ethics experts say the CFIUS involvement makes Mr. Scaramucci's case unique, given that the White House and other senior Trump ap-

pointees have a hand in the outcome. In addition to Treasury, CFIUS includes representatives of the Justice, Commerce, Defense and State departments, and others, and the president has the right to overrule committee decisions.

The review is also occurring at a time when the government has ramped up its scrutiny of Chinese deals. The backers of at least five Chinese deals—including another one involving HNA—have recently refiled or said they would refile applications to the committee after failing to get CFIUS approval, according to people familiar with the matter and public disclosures.

In his first news conference Friday, Mr. Scaramucci said he had worked with the Office of Government Ethics "to take care of" all conflicts of interest with his business. "My start date is going to be in a couple of weeks, so that it's a 100% totally cleansed and clean," he said, later adding: "You want to go serve the country, and so the first thing you have to do is take on this mega opportunity cost by getting rid of all your assets, and so—but I'm willing to do that, because I love the country."

The ethics office declined to comment.

President George W. Bush's White House ethics lawyer, Richard Painter, said in an interview that he couldn't recall a similar situation arising in which a deal by an incoming White House staffer was undergoing a CFIUS review. He recommended that the White House stay out of the process entirely.

"The worst case is this deal gets approved and it looks like favoritism," said Mr. Painter.

Under the terms of the deal, HNA, together with George Hornig-backed investment company RON Transatlantic, will take a stake of approximately 89% in SkyBridge, according to filings.

An HNA spokesman said in a statement Sunday: "HNA Group is a financially strong company with a robust, diversified balance sheet that reflects our continued growth and engagement across the capital markets."

—Lisa Beilfuss in New York and Anjani Trivedi in Hong Kong contributed to this article.

◆ **HNA details new owner structure.....** B2

## U.S. WATCH

ILLINOIS

### Special Session Is Called on Education

Illinois Gov. Bruce Rauner on Monday called for a second special legislative session in a month after lawmakers ignored his noon deadline for sending him public-education-funding legislation with just weeks to go before the scheduled opening of schools.

Mr. Rauner, a Republican, issued the summons for lawmakers to return to the Capitol beginning Wednesday after he accused Democrats who control the General Assembly of holding schoolchildren "hostage" to their political agenda.

"The Democrats in the majority are playing political games with our children's education," he told reporters, while again promising to change the legislation with an amendatory veto.

A special session earlier this month concluded with Democrats enacting an annual budget over Mr. Rauner's vetoes. The budget includes a provision that prohibits the state from issuing state aid to schools unless it is done through an "evidence based" formula of the type the General Assembly endorsed in May. But threatened with a veto, the Senate never sent Mr. Rauner that legislation.

Senate President John Cullerton of Chicago said in a statement Monday that Mr. Rauner is confused about what the legislation does and has given conflicting messages about it.

—Associated Press

KANSAS

### Man Gets 30 Years For Army-Post Plot

A 22-year-old man who admitted he tried to detonate what he thought was a bomb outside an Army post in Kansas to aid the Islamic State militant group was sentenced to 30 years in federal prison.

John T. Booker Jr., of Topeka, was sentenced Monday in federal court in Kansas City. He pleaded guilty in February to attempting to use a weapon of mass destruction and attempting to destroy government property by fire or explosion.

Mr. Booker admitted he tried to set off a 1,000-pound bomb outside Fort Riley. He was arrested near the post in April 2015 as he was trying to arm the device, which was inert.

He plotted the bombing with two contacts, who were actually confidential Federal Bureau of Investigation sources.

—Associated Press

OHIO

### Charges Dismissed Against Ex-Officer

A judge in Cincinnati has dismissed charges against a white former police officer who fatally shot an unarmed black motorist, after a prosecutor declined to pursue a third murder trial.

A Hamilton County judge declined to acquit former University of Cincinnati Officer Ray Tensing in the July 2015 shooting of Sam DuBose during a traffic stop. But the judge dismissed the murder and voluntary-manslaughter charges in a way that blocks retrial on those counts.

Mr. Tensing has said he feared he could be dragged or run over as Mr. DuBose tried to drive away. Two juries couldn't reach unanimous agreement on the charges, leading to mistrials.

Mr. DuBose's family and civil rights groups wanted a third trial. They are now hoping federal authorities reviewing the case will conclude that Mr. DuBose's civil rights were violated.

—Associated Press

## Home Prices Surge On Tight Inventory

BY LAURA KUSISTO  
AND SARAH CHANEY

WASHINGTON—Sales of previously owned U.S. homes fell in June and prices jumped as strong demand overwhelmed a pinched supply of available homes.

Existing home sales fell 1.8% in June from the previous month to a seasonally adjusted annual rate of 5.52 million, the National Association of Realtors said Monday. The median sales price in June hit a record of \$263,800, up 6.5% from a year earlier. Adjusted for inflation, prices remained about 9% below the 2006 peak.

Sales have essentially been flat since March, when home purchases reached the highest level since 2007. A number of indicators suggest demand is surging because of a strong economy and millennials entering the housing market in force for the first time.

But severe supply shortages are depressing sales.

"The demand for buying a home is as strong as it has been since before the Great Recession. Listings in the affordable price range continue to be

scooped up rapidly, but the severe housing shortages inflicting many markets are keeping a large segment of would-be buyers on the sidelines," said NAR Chief Economist Lawrence Yun.

There was a 4.3-month supply of homes on the market at the end of the month, down from 4.6 months a year earlier.

First-time buyers are looking to make purchases, according to economists and recent housing-market data, but are finding few affordably priced homes. Owners, meanwhile, have been more inclined to stay put and renovate rather than brave bidding wars and prices that are significantly higher than what they paid a few years ago.

"The musical chairs phenomenon of people not wanting to actually list their own home because they don't want to be buyers again means that they have to make their own homes work," said Svenja Gudell, chief economist at home listings site Zillow.

News Corp., owner of The Wall Street Journal, operates Realtor.com under license from the National Association of Realtors.

## Vintage Plane Crashes in Nevada



NARROW ESCAPE: Officials at the crash site after a vintage, British-built, single-engine military jet went down and burned in the desert just after takeoff from Henderson Executive Airport in Nevada on Monday. The pilot escaped serious injury, authorities said.

## GOOGLE

*Continued from Page One*  
such as Apple Inc., to be the default search engine on smartphones. Google's payments to partners, including phone makers and websites on which it places ads, increased 28% to \$5.09 billion in the quarter from a year earlier. YouTube's growth also drives up costs because Google must pay to license some videos on the site.

Alphabet's net profit fell by 28% to \$3.52 billion because of a \$2.74 billion fine from European regulators. EU regulators last month fined Google after their seven-year investigation concluded Google favors its shopping ads in its search re-

sults at the expense of competitors. Google denies the charges and said it is considering an appeal.

Alphabet shares, up 26% this year, fell 3% in after-hours trading.

Google, the world's biggest advertising company, dominates the digital-ad landscape with fellow tech giant Facebook Inc. The two firms captured about 77% of the \$12 billion increase in spending on online ads in the U.S. last year, according to eMarketer. Given Google's size, if it continues to earn less per ad click, it could depress online-ad prices across the internet.

As more people connect to the web on smartphones, they are using the internet more often and thus clicking on more ads Google sells on internet

search results, websites and videos. Ads also take up a larger portion of smartphone screens, making it more likely that users will click.

On YouTube, Google often shows ads at the beginning of videos that companies buy using an automated auction system. That system of programmatic advertising caused a problem for Google earlier this year when a series of news stories in late March showed Google was running some brands' ads alongside videos with content that could be considered racist or hateful. That caused some major advertisers to pull their spending on YouTube ads.

As of last month, many major companies, including Wal-Mart Stores Inc., AT&T Inc., and J.P. Morgan Chase & Co.,

still hadn't resumed spending on YouTube ads. Others, including General Motors Co., Coca-Cola Co. and Lyft Inc., had returned to the site after Google improved technology to screen videos, among other moves.

There was little sign of an impact from those spending cuts in the second quarter sales growth.

However, marketers have pressured Google to offer more guarantees that their ads only appear with acceptable content, likely squeezing margins, Mr. Wieser said. Google is likely showing more ads on reputable websites as a result, which charge more to host Google's ads than lesser-known sites, he said.

YouTube ads, specifically, are much cheaper for advertis-

ers, said Mark Ballard, vice president of research at Merkle Inc., a digital-marketing firm. Merkle estimates that for just Google search ads, clicks increased about 23% in the quarter and revenue per click was up roughly 1%.

Google is pursuing growth outside of advertising, giving rise to a second major business beyond advertising: the cloud, in which Google stores other companies' data and runs their systems on its global network of computers.

Google has said it believes the business can one day eclipse its ad sales, which accounted for 88% of its \$90.27 billion in revenue last year.

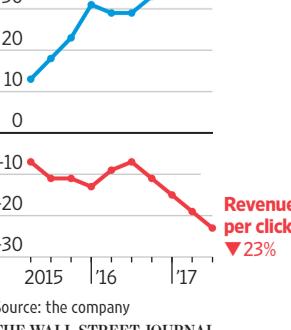
The segment that includes Google's cloud sales, dubbed "other revenue," grew by 42% in the quarter to \$3.09 billion.



The growth in the number of ad clicks helped boost Alphabet's second-quarter revenue 21% to \$26.01 billion from a year earlier.

## Growing Divide

While ads on Google platforms generated more clicks, advertisers paid less for each click. Change from a year earlier:



In some editions Monday, White House press secretary Sarah Huckabee Sanders was incorrectly referred to as Mr. Sanders in one instance in a Page One article about the White House's position on possible sanctions against Russia.

The **USS Constitution** in Boston is the world's oldest commissioned warship that is afloat. A U.S. News caption on Monday with a photograph of the USS Constitution incorrectly stated that it is the world's oldest commissioned

warship.

**Polish President** Andrzej Duda's first name was misspelled as Andzrej in a World News article Friday about a bill that would allow the government to replace judges on the Supreme Court.

**The River Yealm** was incorrectly called Yeld in a listing for a house in the village of Newton Ferrers that ran with a Mansion article on Friday about the English countryside.

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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## U.S. NEWS

# Algae Shrink the Gulf for Shrimpers

Bigger-than-usual 'dead zone' forces boats to travel farther, pinching their profits

BY ARIAN CAMPO-FLORES

Gulf Coast shrimpers have to travel farther to reap their harvest amid projections that the annual "dead zone"—an oxygen-deprived swath in the Gulf of Mexico caused by nutrient pollution and devoid of marine life—could be one of the largest on record.

"It's devastating for us and our fisheries," said Acy Cooper Jr., president of the Louisiana Shrimp Association and a lifelong fisherman. "It kills everything in the water."

Traveling farther, either east toward the waters off Mississippi or closer to the coast to find suitable spots, forces fishermen to crowd into more-limited areas and boosts fuel expenses. The catch also tends to come in smaller. That lowers prices and hurts profits for fishermen, pinching an industry that accounts for 15,000 jobs and annual economic activity of \$1.3 billion, according to the Louisiana Seafood Board.

The dead zone is the result of runoff of fertilizers from farms up the Mississippi River combined with treated sewage from urban centers that is released into waterways. When those flows of nutrients reach the Gulf of Mexico, they stimulate the growth of algae, which sinks and decomposes in the ocean in a process that consumes oxygen.

The resulting hypoxic, or low-oxygen, zone, which typically lasts through the fall, can kill stationary marine life such as oysters and prompt mobile species such as fish and shrimp to flee.

A research team including the Louisiana Universities Marine Consortium is setting out this week to conduct an annual study to measure the dead zone more precisely.

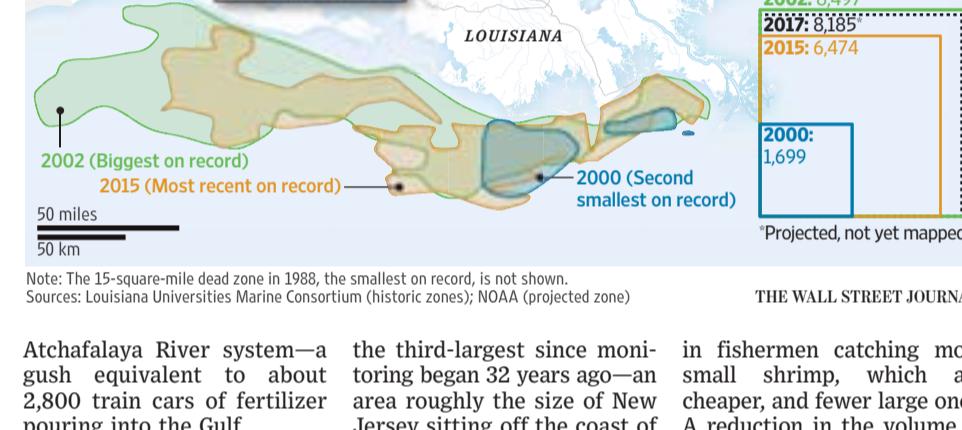
In May, the U.S. Geological Survey recorded large flows of water and high levels of nutrients in the Mississippi and



A shrimper sorted the day's catch off the coast of Grand Isle, La., in 2014. A large area of pollution could force more crowding.

### Dead in the Water

NOAA scientists predict that this summer's Gulf of Mexico 'dead zone'—an area where oxygen levels are insufficient for fish and other aquaculture to live—could be one of the largest ever. The size of the zone has varied since record-keeping began in 1985.



#### How 2017 compares

Dead zone area, square miles

2002: 8,497

2017: 8,185

2015: 6,474

2000: 1,699

\*Projected, not yet mapped

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ground in the 1960s, said Alan Lewitus, supervisory oceanographer at NOAA. As the use of fertilizer grew in subsequent decades, hypoxia occurred more frequently, he said.

Since the mid-1990s, the size of the dead zone has fluctuated year to year. The largest was in 2002, when it measured 8,497 square miles—about 300 miles greater than the size projected for this year—according to data from the Louisiana Universities Marine Consortium and others.

A Hypoxia Task Force made up of federal and state agencies has sought to reduce the influx of nutrient pollution into waterways. But officials have said it would take until 2035 to achieve the goal of reducing the size of the dead zone to less than 2,000 square miles.

That date is too distant for Mr. Cooper and his fellow fishermen. The dead zone "gets bigger and bigger," he said. "Instead of talking about it, we need to start doing something about it."

### Underwater Lab Helps Battle Lake Erie Blooms

An underwater lab has joined the fight against toxic algal blooms in western Lake Erie, and scientists say the refrigerator-size capsule can help warn water-treatment plant operators if a dangerous bloom drifts toward intake pipes.

A key goal is to avoid a recurrence of the 2014 crisis when a cyanobacteria bloom shut down the drinking-water supply to more than 400,000 residents in the Toledo, Ohio, area for about two days.

The \$375,000 lab, sitting in 18 feet of water, tests water quality daily and emails results four hours later—far faster than a ship-based system in which scientists take weekly samples and get results two days later.

"We are going to be able to provide much better data faster and earlier," said National Oceanic Atmospheric Administration molecular ecologist Timothy Davis, who leads a monitoring team.

Scientists use satellites to spot blooms and models to forecast their path, but water testing is key because a bloom's size doesn't directly equate to its toxicity, said aquatic ecologist Tom Johnsen, associate director of the University of Michigan's Cooperative Institute for Great Lakes Research.

Similar devices operate off the U.S. East and West coasts to protect the shellfish industry. Scientists say the Lake Erie lab, roughly 3 feet by 2 feet and sealed in a frame, is the only one deployed to safeguard drinking water. Two more will be launched in the lake next year for testing.

"We welcome any new tool that provides additional information that helps our water-treatment professionals get a jump," said Toledo Mayor Paula Hicks-Hudson.

—Scott Calvert

## Prices Whet Appetite For Fresh Produce

BY SARAH CHANEY

In the battle of fresh versus processed foods, fresh fruits and vegetables are winning, thanks in part to their relatively cheap price tags.

Since November 2008, the consumption of fresh fruits has grown 16.2%, while consumption of fresh vegetables is up 20.6%. Consumption of processed fruits and vegetables increased 9.9% during the same time period, notes Eugenio J. Aleman, Wells Fargo senior economist, in a new report.

Consumers have rationally reacted to much higher prices on the processed side in relation to the fresh side," Mr. Aleman said. "In relative terms, fresh fruits and fresh vegetables are cheaper today than processed fruits and vegetables are."

Processed fruits and veggies are in the "freezer aisle," while fresh aren't frozen, according to the Bureau of Economic Analysis, which also considers canned goods processed.

Prices of fresh fruits and fresh vegetables were on an upward trajectory leading up to the 2008 recession but have

remained relatively stable since. The processed versions of these goods carry higher prices today than they did at any time before the recession.

"At some point in time before the Great Recession, pricing policies for the processed fruits and vegetable industry changed considerably with today's prices matching fresh fruit and fresh vegetables much closer than during the pre-Great Recession years," the report notes.

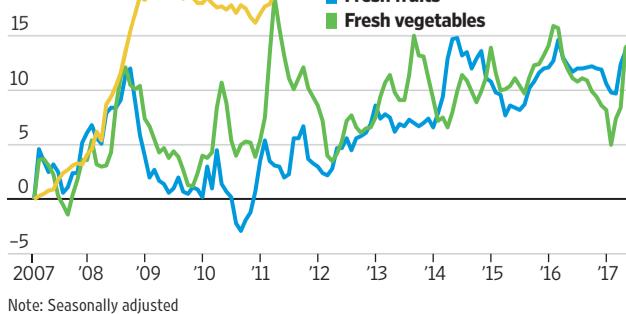
Of course, it is difficult to distill how much the higher consumption of fresh fruits and vegetables has to do with price-consciousness versus increased health-consciousness.

Younger consumers, in particular, have largely shifted to fresh-food consumption. Those under age 40 increased their consumption of fresh vegetables by 52% over the last decade, according to a 2016 report from market-research firm NPD Group Inc.

Still, Mr. Aleman notes that if the price of processed food drops to a certain level, consumers are likely to be less concerned with their health and more concerned with their wallets when making grocery decisions.

### Eat Your Veggies

Change in prices since January 2007



Note: Seasonally adjusted  
Source: Labor Department

## Driver Charged in Fatal Smuggling

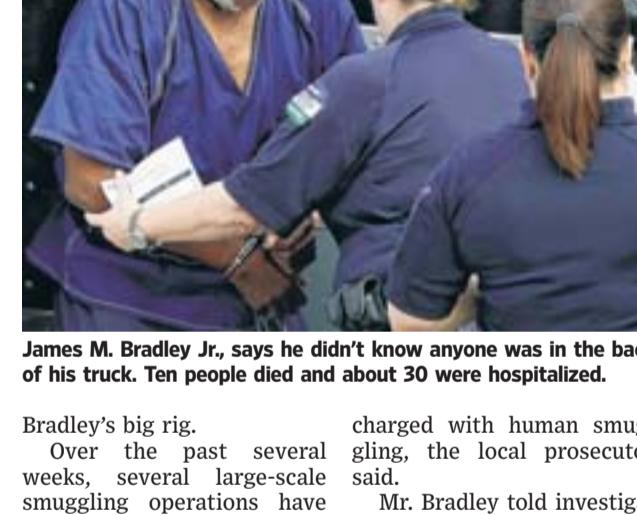
BY DAN FROSH

Federal prosecutors charged an American truck driver on Monday with illegally transporting dozens of migrants in a Texas incident that resulted in 10 deaths and serves as a reminder of the perils of human smuggling along the southern U.S. border.

James M. Bradley Jr., 60 years old, told investigators that he had no idea that anyone had been hiding in his sweltering truck and only discovered them after he pulled over to use the bathroom, according to court filings.

Mr. Bradley, who faces one count of illegally transporting migrants, is being held without bond. A federal public defender representing Mr. Bradley didn't respond to a request for comment. Under federal law, he could receive the death penalty if he is found guilty because the smuggling resulted in deaths.

Federal authorities said there were at least 100 people crammed into the back of Mr.



James M. Bradley Jr., says he didn't know anyone was in the back of his truck. Ten people died and about 30 were hospitalized.

Bradley's big rig.

Over the past several weeks, several large-scale smuggling operations have also been foiled in Texas. In Houston, police rescued 12 people, including a girl, from the hot cargo bay of a box truck after they had spent hours banging on the wall for help. Three people were

charged with human smuggling, the local prosecutor said.

Mr. Bradley told investigators he had been delivering a trailer from Schaller, Iowa, to Brownsville, Texas, and had stopped at a Wal-Mart store in San Antonio after getting his truck detailed near Laredo, Texas.

When he got out, he said, he heard banging and shaking from the trailer and "was run over by 'Spanish' people" who rushed from the truck and knocked him to the ground, according to an affidavit.

Mr. Bradley said he tried to administer aid to people who had been hiding in the back of the truck and quickly realized that at least one person was dead. He didn't call police and called his wife but she didn't answer, according to court filings. About 30 individuals were taken to area hospitals and many were initially in serious or critical condition, San Antonio Fire Chief Charles Hood said on Sunday.

Several of the undocumented immigrants taken from the trailer described in disturbing detail their journey to investigators with the U.S. Homeland Security Department.

"People had a hole in the trailer wall to provide some ventilation and they started taking turns breathing from the hole," one man told investigators.

## ICE Detainers Illegal, State Court Says

BY LAURA MECKLER

The highest court in Massachusetts dealt a fresh legal blow Monday to the Trump administration's effort to compel local authorities to assist in its crackdown against illegal immigration.

The state's Supreme Judicial Court ruled that Massachusetts court officials can't hold people in jail simply because the federal Immigration and Customs Enforcement agency requests it.

ICE routinely issues these requests, called detainers, to local officials, asking that they hold for up to 48 hours people who are suspected of being in the U.S. illegally. The Trump administration has labeled those that don't comply "sanctuary" jurisdictions and is looking for ways to compel cooperation.

While the decision applies only to Massachusetts, several federal appellate courts have issued similar rulings undercutting ICE's authority. In addition, a federal court has blocked parts of a Trump executive order aimed at punishing sanctuary cities.

Justice Department spokesman Devin O'Malley didn't address the decision directly in a statement, but he urged cities to cooperate with detainees to protect public safety. "The attorney general has made clear that these so-called 'sanctuary' policies intentionally undermine our immigration laws by protecting illegal aliens who have committed crimes," he said.

Many jurisdictions nationwide cooperate on immigration enforcement, but other cities

and counties decline to honor detainers for both policy and legal reasons.

The administration and its allies argue that it is wrong for jails to release people who are known to be undocumented and that turning them over to federal authorities for possible deportation prevents them from committing crimes. Opponents say immigrant communities won't trust local police if they are seen as agents of immigration enforcement.

The Massachusetts court ruled that keeping people in custody beyond their scheduled release amounts to an arrest and that nothing in federal or state law gives court officers authority to detain someone based on their immigration status. The court also noted that being in the U.S. without autho-

rization is frequently a civil violation, not a criminal one.

The case involved Sreyneon Lunn, who was arraigned on a count of unarmed robbery last fall. His case was dismissed but, because of a pending ICE detainer, he remained in jail and was then transferred to federal custody. He remained in the U.S. because of trouble deporting him.

Massachusetts Attorney General Maura Healey celebrated the result, which she said was the first statewide decision on the matter. "Today's decision is a victory for the rule of law and smart immigration and criminal justice policies, and a rejection of anti-immigrant policies that have stoked fear in communities across the country," she said.

## U.S. NEWS

# Democrats Seek Openings in Trump Country



### CAPITAL JOURNAL

By Gerald F. Seib

This is a column about how Donald Trump won the White House.

Well, more precisely, it's a column about how Hillary Clinton lost the White House. That's particularly relevant right now because Democrats on Monday released a new road map showing how to recover from that 2016 loss.

Democratic leaders are calling their new agenda "A Better Deal," and it's heavy on populist economics: a higher minimum wage; more working-class access to government health programs; and expanded broadband for rural areas.

A deeper look back at the 2016 outcome suggests that approach is at least on the right track. The key for Democrats isn't simply to turn out more young, liberal voters, or to win over Republicans who don't like President Trump. Rather, Democrats need to win back working-class voters who defected to

Mr. Trump. To do that, many in the party believe, Democrats will have to craft a more effective economic message as well as convince skeptical voters that the party isn't locked into an unpopular Washington status quo.

**T**hird Way, a centrist Democratic think tank, finds in a new report that about six million people who voted for Barack Obama in 2012 abandoned the Democrats to vote for Mr. Trump in 2016. That's twice as many as voters who went for Republican Mitt Romney in 2012 and then flipped to Mrs. Clinton four years later.

The voters who flipped from Mr. Obama to Mr. Trump are key. But why did they leave? Some answers are found in a Wall Street Journal/NBC News survey released earlier this month that looked at a broad cross-section of counties Mr. Trump carried last year.

There's no escaping that people in Trump country simply didn't like Mrs. Clinton. In some places, she was practically toxic. Across all Trump counties, just 27% hold a positive view of her. Among independent voters in those counties, only 16% view her positively.

But much of Trump country is so deep red that it is beyond Democrats' reach. It's



ALEX WONG/GETTY IMAGES

Policies of Bernie Sanders resonate in counties that shifted from Democrats to the GOP in 2016.

more instructive to look instead at a subset of Trump counties: those that Mr. Obama carried in 2012 but went for Mr. Trump in 2016.

In these "flip counties" Mrs. Clinton also is personally unpopular; just 30% view her favorably, while 50% have an unfavorable view. Interestingly, though, Sen. Bernie Sanders, who challenged Mrs. Clinton from the left with an antiestablishment populist message, is far more popular there. In the flip counties, 44% have a positive view of Mr. Sanders, while just 29%

have a negative view.

That suggests Mrs. Clinton, the ultimate representative of the party establishment, was a particularly ill-suited candidate for 2016. It further suggests that a populist economic message of the kind Mr. Sanders brought to the table has resonance in the areas that moved away from the Democrats.

That notion is supported by some more specific findings in the Journal/NBC survey. In the flip counties, more than half said they think the political and economic sys-

tems of the country are stacked against them. A whopping 71% said they aren't confident their children's generation will have a better life.

There is much about Mr. Trump's style that flip-county residents don't like, but they particularly like the suggestion that he is "shaking things up in Washington," and that he is twisting corporate arms to keep jobs in the U.S. That may be because they are feeling economic strain; 66% say someone in their household has lost a job in the last five years, and 75% say someone

in the household has more than \$20,000 in student debt.

Yet there also are signs that many voters in this slice of Trump country have impulses that are more Democratic than Republican. Six in 10 say government should be doing more to solve problems, while just 37% say the government is doing too many things. They are slightly more inclined to want Democrats to control Congress than Republicans, and they have positive views overall of Mr. Obama. They don't like Republicans' health-care plans.

**M**r. Trump won these places with his "America First" economic and cultural messages. But Mrs. Clinton just as surely lost them because she was seen as part of the political establishment in a year of surging antiestablishment sentiment, which Mr. Sanders tapped into quite effectively from within her own party.

These numbers suggest Democrats should be able to recapture this slice of the Trump coalition. They also suggest something else: Don't be surprised if Republicans try to hold on to those voters in next year's midterm elections by portraying Democratic House Speaker Nancy Pelosi as a replica of Mrs. Clinton, an out-of-touch embodiment of a hated political establishment.

## WASHINGTON WIRE

### JUSTICE DEPARTMENT

#### Trump Calls Sessions 'Beleaguered'

President Donald Trump on Monday referred to Attorney General Jeff Sessions as "beleaguered," in one of a series of tweets in which he criticized the current probes of Russian meddling in the 2016 U.S. election.

Mr. Trump expressed displeasure with his attorney general last week, telling the New York Times in an interview that he wouldn't have appointed Mr. Sessions to his job if he had known Mr. Sessions would remove himself from the investigation into Russian government meddling in last year's presidential election.

Mr. Trump has alleged that the Russia probe is a "witch hunt" driven by Democrats to explain losing the White House in November.

On Monday, he hit at that theme, calling the probes a "Dem loss excuse."

Rep. Adam Schiff, the top Democrat on the House Intelligence Committee, on Monday responded to Mr. Trump's tweets, calling his comments "beneath the dignity of the office."

Mr. Sessions, an early and vocal supporter of Mr. Trump, last week deflected the criticism from Mr. Trump and said he planned to stay in the job "as long as that is appropriate."

—Rebecca Ballhaus

### TRADE

#### South Korea Wants Study of Trade Pact

SEOUL—South Korea, in its first official written response to the U.S. offer to discuss changes to a five-year-old free-trade agreement criticized by President Donald Trump as widening the American deficit, said that both sides should first jointly look into the causes of the trade imbalance before seeking to amend or renegotiate the pact.

The agreement, known as Korus FTA and the second-largest U.S. deal by trading volume, has become a source of tension between the two allies facing a military threat from North Korea, which is rapidly advancing its nuclear and missile programs.

In a reply Monday to U.S. Trade Representative Robert Lighthizer's July 12 letter proposing to hold talks in Washington on "possible amendments and modifications" to the pact, South Korea's minister of Trade, Industry and Energy suggested that the U.S.-proposed special session of the Joint Committee discuss how best to work together to objectively examine, analyze and assess the effects of the Korus FTA" since it took effect in 2012.

—Kwanwoo Jun

# Kushner Denies Collusion With Russians

BY REBECCA BALLHAUS  
AND BYRON TAU

**W**Ashington—Jared Kushner, President Donald Trump's son-in-law and a senior White House adviser, said Monday he didn't collude with any Russian efforts to interfere in November's presidential election and rejected any suggestion that Moscow was responsible for the president's victory.

Speaking to reporters outside the White House, Mr. Kushner said his actions over the last two years "were proper and occurred in the normal course of events in a very unique campaign."

"I did not collude with Russia, nor do I know of anyone else on the campaign who did so," he said.

Mr. Kushner said Mr. Trump defeated Democratic rival Hillary Clinton because he had a "better message and ran a smarter campaign, and that is why he won. Suggesting otherwise ridicules those who

voted for him."

Mr. Kushner spoke to the press after an interview behind closed doors Monday with the Senate Intelligence Committee staff. It was his first time speaking to congressional investigators who are investigating Russian meddling in the 2016 election. Mr. Kushner is set to speak Tuesday, also in private, to the House Intelligence Committee.

That interview Tuesday would come on the same day lawmakers are set to vote on a bill that would punish Russia with sweeping sanctions for interfering in the U.S. election. The bill would force the president to notify Congress if he wants to lift the sanctions, and the White House has criticized the legislation as an erosion of the president's power.

Press secretary Sarah Huckabee Sanders, who said Sunday that the president would sign the bill, said Monday that Mr. Trump would "study" the bill before decid-

ing whether to sign it.

Congressional investigators and Special Counsel Robert Mueller, who is overseeing a criminal probe for the Federal Bureau of Investigation, are investigating possible Russian meddling in the 2016 election, as well as whether Trump associates colluded in it.

**Lawmakers are to vote on a bill that would punish Russia with sweeping sanctions.**

Mr. Trump and his campaign aides have denied any collusion.

The Senate Judiciary Committee was originally scheduled to hear testimony this week from former Trump campaign Chairman Paul Manafort and Donald Trump Jr., the president's eldest son. But

both men made agreements with the panel to provide documents and sit for interviews with committee staff as their representatives negotiate the terms around their public testimony.

A third witness scheduled to appear at Wednesday's hearing, Glenn Simpson, has been issued a subpoena. Mr. Simpson, a former Wall Street Journal reporter who now runs a political-intelligence firm in Washington called Fusion GPS, helped compile a dossier of unverified material about the president when Mr. Trump was running for the Republican nomination.

Ahead of the Senate-panel interview on Monday, Mr. Kushner released an 11-page statement detailing his contacts with Russian officials and businesspeople in the two years since Mr. Trump launched his presidential campaign.

In that statement, he said he had no improper interac-

tions and that he hadn't "relied" on Russian funds to "finance [his] business activities."

A spokesman for Mr. Kushner didn't respond to a question about whether the statement meant no Russian funds were involved in his businesses.

Democratic Sen. Ron Wyden, an Oregon Democrat and a member of the intelligence committee, said Mr. Kushner's back-to-back appearances behind closed doors are no substitute for a public appearance.

Mr. Kushner's written statement released Monday included details of a previously undisclosed, brief meeting with the Russian ambassador to the U.S. in April 2016.

During the encounter—shortly before Mr. Trump would become the Republican party's effective nominee—Mr. Kushner met Ambassador Sergey Kislyak at an event at the Mayflower Hotel in Washington, D.C.

President Self-Pardon Remains a Murky Issue

BY JESS BRAVIN

**W**Ashington—In 1974, some of President Richard Nixon's lawyers advised the president that he could pardon himself. In 1992, the Iran-Contra special prosecutor reached the opposite conclusion regarding President George H.W. Bush.

But the U.S. Constitution centralizes prosecutorial authority under the president. That means he could forbid the Justice Department from investigating or pursuing criminal charges against anyone, including himself, so he may never reach the point of having to pardon himself.

The subject has come to the fore in recent days after reports emerged that President Donald Trump asked advisers about his ability to pardon various people, including himself.

Trump officials say the issue won't come up because there was no wrongdoing.

"I'm not sure if he has the right to [pardon] himself or not," White House communications director Anthony Scaramucci said Sunday on CNN. "But it doesn't matter, anyway, because that is another one of those stupid hypotheticals. He's not going to have to pardon himself, because he's done absolutely nothing wrong."

The president himself tweeted Saturday, "While all agree the U.S. President has the complete power to pardon, why think of that when only crime so far is LEAKS against us. FAKE NEWS."

The Justice Department has taken the position that a president can't be prosecuted. Past

JESS BRAVIN/REUTERS



Donald Trump has tweeted that the president has "the complete power to pardon," but scholars say the matter is unresolved.

special prosecutors have disagreed.

"It is very likely that a president is subject to federal indictment," says Ronald Rotunda, a law professor at Chapman University in Orange, Calif., who worked both for the Senate Watergate Committee and later Kenneth Starr, the independent counsel whose investigation of President Bill Clinton led to impeachment and acquittal.

Even if Justice Department attorneys obtained an indictment before the president issued an order canceling the investigation—or defied such an

order—Mr. Trump could replace hostile officials with those willing to follow his orders. And if a federal grand jury voted for an indictment on its own, a prosecution couldn't proceed without a signature from a Justice Department lawyer, Mr. Bowman said.

"The judge has no independent power to create a prosecutorial authority," he said.

A president attempting to derail an investigation could wreak havoc with traditional concepts of law and order, legal experts say. Because he has the power to pardon anyone for a federal crime, with the possible exception of himself, a president could in theory pardon individuals for obstructing an investigation if the offense took place under federal jurisdiction—as is all of Washington, D.C.

But there is a far easier course for Mr. Trump: He could fire Mr. Mueller.

"If Trump takes Mueller off the board, he can pretty much stop the whole thing," Mr. Bowman said.



# Standing Up for American Jobs

## Our Pledge

Pratt Industries  
Executive Chairman  
Anthony Pratt recently  
pledged \$2 billion  
to create 5,000  
high-paying  
manufacturing jobs.



*President Trump applauds Anthony Pratt's pledge announcement.*

## The Latest Installment on That Pledge - Rockwall, Texas



This new \$100 million box making factory brings  
our total American workforce to 7,300 employees.

## U.S. NEWS

# VA Funding Plan for Private Care Defeated

BY BEN KESLING  
AND PETER NICHOLAS

House Democrats successfully led an effort Monday night to strike down a funding proposal for the Department of Veterans Affairs after major veterans advocacy groups lobbied to defeat the measure, the latest battle in the debate about privatization's role in the department.

The measure to provide stopgap funding for a program that provides veterans with private-sector health care was defeated on the House floor when it failed to get the two-thirds majority needed under special rules. The defeat left the future of the program in question as Congress prepares to go on recess.

Democrats and many veterans groups said the proposal would fund a privatization drive by drawing on funding from elsewhere in the Department of Veterans Affairs. But Republicans and backers of the proposal said the proposal would help veterans.

"These are investments for our veterans that should be supported from both sides of the aisle," said Erin Perrine, spokeswoman for House Majority Leader Kevin McCarthy



RICH PEDRONCELLI/ASSOCIATED PRESS

Veterans advocacy groups lobbied against a stopgap funding measure for private-sector health care.

(R., Calif.), in a statement. "Instead, House Democrats are choosing to pick a floor fight at their expense."

The top Democrat on the House Committee on Veterans' Affairs, Rep. Tim Walz (D., Minn.), said he withdrew support for the legislation after veterans groups voiced their concerns. A spokesman for Mr.

Walz said the congressman found the bill to be lopsided, funding private care but neglecting other parts of the VA.

A White House spokesman said: "Despite the Democrats playing politics with the needs of our veterans, President Trump and his administration remain committed to modernizing the VA and ensuring our

nation's heroes are a priority."

Eight veterans advocacy groups, including some of the largest veterans organizations in the country, had called on House members in a letter over the weekend to oppose the measure.

"We oppose legislation that includes funding only for the 'choice' program, which pro-

vides additional community care options, but makes no investment in VA and uses 'savings' from other veterans benefits or services to pay for the choice program," said the letter from a coalition of veterans advocacy groups sent to lawmakers on Saturday.

Republican leaders brought the measure to the floor Monday under a rule requiring that it win votes from two-thirds of the House. A spokeswoman for Mr. McCarthy said the bill was introduced under the special-rules suspension because House leaders presumed support from the Democrats.

"Last week, during a bipartisan member meeting, members of both parties came together and agreed to fund the Choice program for six months while Congress worked on other reforms," said Rep. Phil Roe (R., Tenn.), chairman of the House Committee on Veterans' Affairs, in a statement, adding that he was disappointed the agreement fell apart.

The House plan would have provided \$2 billion for approximately six months of stopgap funding for what is known as the Veterans Choice Act, a program first passed in 2014

and designed primarily to help veterans obtain health care in the private sector when appointments aren't available at government-run medical centers.

The Choice Act is likely to run out of funding sometime between Aug. 7 and Aug. 15 because the number of appointments was higher than expected, according to VA Secretary David Shulkin. But legislation to replace it has yet to be introduced, leaving stopgap funding as one of the few options.

Dr. Shulkin and House Veterans' Affairs Committee leaders have said they hope to introduce legislation in the fall that would overhaul and replace the current version of the program.

They have also said they oppose plans to privatize the VA, while also moving to expand veterans' ability to seek care in the private sector as needed.

The House is set to go on recess at the end of the week, giving them little time to propose new legislation that will address the Veterans Choice program, though Mr. Walz said there was still time to address the issue, according to a spokesman.

sures can receive votes during the amendment session. But GOP leaders could still make a decision about which measures would come up first, an issue that was still under discussion Monday night.

Despite his reputation as a deft negotiator, Mr. McConnell has already been forced to delay a vote on the motion three times, largely because it was clear he didn't have enough support.

Several options are on the table. Conservative GOP senators such as Rand Paul of Kentucky want a plan that would repeal most of the ACA after two years, allowing lawmakers time to come up with a replacement. "So if my team remembers what they've said and what they're supposed to stand for—count me in," he wrote in an op-ed in the Hill on Monday. "But if they continue not to, I'll be a hell no."

But that repeal-only strategy is unlikely to win support from centrist Republicans who want to see parts of the current health law retained.

However, Republicans haven't coalesced around a single bill that would replace the ACA with an alternative system.

Still, any replacement plan is expected to include steep cuts to the enhanced federal Medicaid program for low-income Americans, an end to funding for the program's expansion and a return to less expensive health plans that offer fewer benefits.

## TRUMP

Continued from Page One  
been recovering from surgery in Arizona, where he was diagnosed last week with a brain tumor.

The dissent from some senators, and the full-court press to get their votes, has turned what is typically a mundane procedural motion into a high-stakes political gamble.

"Every Republican running for office promised immediate release from this disastrous law," Mr. Trump said Monday, adding that "so far Senate Republicans have not done their job in ending the Obamacare nightmare."

Mr. McConnell took to the Senate floor to deliver an unambiguous pitch. "Many of us have waited literally years for this moment to arrive, and at long last it has," Mr. McConnell said Monday. "I'll keep my commitment to vote to move beyond the failures of Obamacare. I would urge all of our colleagues to do the same."

Democrats warned that any vote to push the bill forward could lead to legislation that harms consumers, stripping insurance coverage from many millions of people who received it under the ACA.

"Make no mistake, a yes vote tomorrow is an endorsement of the most indefensible process on a major piece of legislation I've seen in my 24 years in the Senate," said Sen.

### What GOP Senators Want to Debate

Senate Republican leaders are pushing for a "motion to proceed" to debate their health legislation. If there is a debate, it's likely to include a flurry of amendments that could reshape the bill. Here are some elements senators could vote on.

#### ACA REPEAL

Sen. Rand Paul (R., Ky.) and others favor a proposal to largely repeal the Affordable Care Act, with a two-year expiration date so lawmakers could come up with a replacement. Some Republicans worry this would create chaos in the insurance markets, and it's unlikely

to pass, but Senate leaders could allow a vote on the measure to placate conservatives.

#### INSURANCE PLANS

Other conservatives support a provision by Sen. Ted Cruz (R., Texas), which allows insurers that sell plans complying with ACA rules—like the requirement that certain services be covered—to also sell plans that don't comply. They say this would reduce premiums by letting people buy cheaper plans. Critics say premiums would rise for older people or those with pre-existing conditions.

#### MEDICAID 'WRAPAROUND'

The Senate bill would significantly cut Medicaid money to the states, and would phase out the enhanced ACA funding

that let 31 states expand Medicaid. To appease senators whose states have large Medicaid populations, one proposed amendment would use funds from the ACA's taxes to help some people who lose Medicaid.

#### ACA TAXES

An early version of the GOP bill repealed some but not all of the ACA's taxes. Taxes on generous employer plans and on prescription drugs would be repealed, but to pay for some provisions, the bill would retain an investment income tax and a payroll tax. Given the chance, conservatives will likely seek to rescind all of the ACA taxes.

#### INSURANCE REGULATIONS

Debate is also likely to focus on the bill's relaxation of ACA

regulations. One measure would let states opt out of many regulations, such as the rule that insurance plans must cover certain services. The bill would also end the requirement that most people pay a penalty if they don't have coverage. Other requirements would likely stay, for example one protecting people with pre-existing conditions.

#### CONSUMER SUBSIDIES

The Senate bill is likely to retain but change the ACA's strategy of providing tax credits to help lower-income people afford coverage. More people would be eligible for the credits based on income, but the credits would be smaller. Amendments are likely to be offered on the credits.

—Stephanie Armour

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DEMOCRATS ASSAIL HHS CHIEF

BY STEPHANIE ARMOUR AND MICHELLE HACKMAN

Health and Human Services Secretary Tom Price and his department have been publicly panning the Affordable Care Act. Democrats call the campaign an improper use of federal resources to undermine the health law.

The disagreement amounts to a low-profile skirmish on health care unfolding in the shadows of the battle playing out on Capitol Hill. If Republicans in Congress fail to enact a sweeping health-care overhaul, Dr. Price's row with Democrats will take on far greater importance as the primary arena for the partisan back-and-forth on health care.

Democrats have been pursuing investigations and requests for information as they push back against Dr. Price, whose agency is working to give states more leeway in relaxing ACA requirements.

Their focus is on the department's and Dr. Price's public messaging, which has included tweets and other social-media posts disparaging the ACA and backing GOP repeal legislation.

HHS officials say there is no legal problem with updating the public on the problems with the current health law.

David Vladeck, a law professor at Georgetown University, said HHS-promoted videos criticizing the ACA likely violate a century-old anti-lobbying law that forbids federal funding to be used to drum up support for pending legislation.

"The question is, what is the point of posting those videos?" Mr. Vladeck said. "If it is to gain support for the administration's proposals to reform the law,

and it uses federal funds, I think that's a serious problem."

But Ken Gross, a prominent government-ethics lawyer, said the department's use of funds could be considered advocacy, which is permitted, rather than direct lobbying.

To violate the law, which is rarely enforced, HHS would need to post messages or videos urging citizens to contact members of Congress in favor of the pending health-care legislation, Mr. Gross said.

Official HHS accounts such as @HHSgov, @SecPriceMD and www.Facebook.com/HHS have posted videos of people complaining about the ACA, news releases criticizing the law and tweets calling for people to contact Congress and demand full repeal, Democrats say.

# WORLD NEWS

## Polish President Blocks Court Law

Leader thwarts his own party's bid to limit the independence of the Supreme Court

By DREW HINSHAW  
AND WIKTOR SZARY

WARSAW—Poland's President Andrzej Duda vetoed legislation passed by parliament that would have forced the entire Supreme Court into retirement, in a surprise move that bucked his own party and handed a victory to Poland's pro-democracy protesters.

After days of demonstrations in nearly all major cities, Mr. Duda announced on Monday he wouldn't sign two of the three laws that, taken together, would have given Poland's populist ruling party, Law and Justice, considerable control over the country's judiciary.

"This reform, in this shape, would not strengthen the sense of security and justice" in Poland, the president said. He subsequently announced that he had carried out the vetoes, as protests continued late on Monday outside the presidential palace.

The legislation had drawn the ire of European Union leaders, who warned the measures it set forth would erode the rule of law in Poland's post-Communist democracy. Many of the tens of thousands of Poles who protested believed action from the EU would be decisive in pressuring the government to back down.

The debate in Brussels, however, has moved more slowly than the reaction in Poland itself. The EU's executive branch was set on Wednesday to discuss legal procedures that could lead to fines against Poland after the country's leaders repeatedly rebuffed EU attempts to start a dialogue. But those actions would have taken months to bear fruit. Bolder steps such as stripping Poland of funding or its voting



People protesting on Monday in Warsaw against judiciary bills, two of which President Andrzej Duda, below, vetoed later in the day.



rights would require the consensus of all 27 other EU members, making them unlikely.

Meanwhile, Mr. Duda saw a more widespread alliance of opposition rise up. Dozens of university rectors, hundreds of Polish legal experts, top business lobbies and former anti-Communist dissidents all voiced reservations about the bills. The U.S. State Depart-

ment also criticized the legislation, as did Sen. John McCain (R., Ariz.). On Monday, prominent Catholic leaders, normally close to the ruling party, thanked Mr. Duda for his decision to veto the bills.

In announcing his intention on Monday, Mr. Duda mentioned a conversation with Zofia Romaszewska, a 76-year-old anti-Communist dissident

who was in Poland's 1980s Solidarity movement and has been close to the ruling party. The laws, she said, would return Poland to an era when courts took orders from the ruling party, as they did under Communism.

"I agree with all those who say that it should not be this way," the president said. "It would deepen the divisions in our society."

One of the laws Mr. Duda vetoed would have retired every judge on the Supreme Court except those exempted by the justice minister, who would have then been allowed to appoint their temporary replacements. He also vetoed a second law that would have given the justice minister and parliament the authority to choose most of the appointees charged with selecting new Supreme Court judges to replace those temporary judges.

The Law and Justice party

saw the laws as means to

purge the last of the officials who entered public life in the Communist era. The opposition said they would have pushed Poland toward becoming an authoritarian-tinged democracy like Turkey or Russia.

Both factions said they were surprised by the vetoes from Mr. Duda, a party loyalist who had never before so exerted his independence and had been seen as a mere figurehead for the ruling party.

"We now have a better chance for a more balanced politics in Poland, and for separation of powers to remain," said Marcin Matczak, a University of Warsaw law professor.

Mr. Duda said he would sign a third law, which gives the ruling party more powers over judges in lower courts. He also said he wants legislation over the next two months aimed at what he called "wise reform" of the country's judiciary.

—Laurence Norman

contributed to this article.

## U.K. Pair Halt Fight Over Son's Treatment

By JOANNA SUGDEN

LONDON—The parents of Charlie Gard abandoned their legal fight to take the terminally ill 11-month-old abroad for experimental therapy, ending a challenge to British doctors who want to switch off his ventilator and give him end-of-life care.

Saying they were prepared to spend their "last precious moments" with their son, Chris Gard and Connie Yates told the U.K. High Court on Monday that it was too late for a possible treatment because his muscles were irreversibly damaged by the advance of his rare mitochondrial disorder.

Charlie cannot move his limbs, is unable to see or hear and his brain is failing to grow, doctors said. An experimental treatment, known as nucleoside therapy, has been used to treat patients with similar but less-severe diseases than Charlie's and hasn't been tested on mice or humans with his illness.

A U.S. doctor, Michio Hirano of Columbia University Medical Center, had proposed the treatment could have a 10% chance of improving Charlie's muscle function, but after meeting the child last week and seeing new scans of his muscles, came to the conclusion they were too far gone.

Great Ormond Street Hospital, where the boy has been in intensive care since October, has said he was likely in pain and his brain damage was irreversible.

The child's parents will now go through mediation with the hospital to decide how to proceed with end-of-life care for Charlie, Judge Nicholas Francis said.

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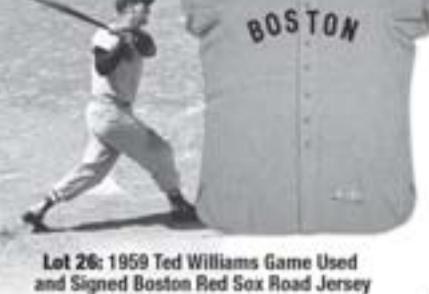
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Lot 26: 1959 Ted Williams Game Used and Signed Boston Red Sox Road Jersey



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## WORLD NEWS

# Deadly Suicide Blast Hits Bus in Kabul

Taliban claim attack on vehicle carrying government workers in Afghan capital

BY EHSANULLAH AMIRI AND JESSICA DONATI

KABUL—A suicide bomber drove a vehicle packed with explosives into a minibus carrying government workers in the Afghan capital, killing at least 31 people and wounding dozens of others, the health ministry and police said.

The attack came amid intensifying violence across the country, as the Taliban, who claimed responsibility, have pressed attacks in more than half a dozen provinces and captured district centers in Ghor and Faryab.

The powerful explosion took place at rush hour on Monday, when shops were opening and children were headed to school.

The passengers on the minibus were employees of the Ministry of Mines, an Afghan police official said, but other civilians in the vicinity of the blast were among the victims.

Minibuses shuttling employees to work in Kabul are an easy target for the Taliban and other extremist groups, who frequently attack Afghan civilians who work for the government and foreign organizations.

The insurgents have previously used similar methods to target staff working for the

Canadian Embassy, the attorney general's office and Tolo News, the country's largest television broadcaster.

The Taliban claimed the minibus had been carrying Afghan intelligence officers. Security officials said the country's spy agency doesn't use minibuses to shuttle employees to work.

Monday's attack comes at a time of escalating violence in Afghanistan, as the Taliban have launched simultaneous assaults across the country, including in the provinces of Faryab, Ghazni, Ghor, Helmand, Herat and Paktia, a spokesman said.

The Afghan government has ceded swaths of territory to the Taliban since most foreign troops withdrew in 2014, leaving fledgling local forces to fight with only limited U.S. military assistance.

The Afghan defense ministry on Monday said the situation was under control despite the increased pressure on its troops.

"This is war. If a check post collapses, that does not mean the whole country is collapsed. We have a system and we have a government," spokesman Dawlat Waziri said.

In recent months, the U.S. military has sought to prevent further territorial losses by dramatically increasing airstrikes in support of Afghan troops, as the Trump administration continues to debate a new strategy for the 16-year war.

Over the past week, at least two U.S. airstrikes have struck



Smoke rose outside the Zawul Institute of Higher Education in Kabul on Monday after a suicide attack claimed by the Taliban.

AHMAD SHUA/REUTERS

the wrong target, adding to public frustration with the intensifying violence.

On Sunday, a U.S. airstrike killed at least eight civilians attending a gathering after a funeral in eastern Nangarhar province, local residents said.

In a separate incident on

Friday, a U.S. airstrike in Helmand province accidentally killed at least 16 Afghan police officers.

In a sign violence is worsening, a United Nations report last week showed a surge in civilian deaths in Afghanistan in the first six months of 2017.

The U.N. recorded a rising number of casualties in Kabul, where the Taliban and a local branch of Islamic State have sought to carry out high-profile attacks to undermine a weak unity government that has been hobbled by internal rivalries and cor-

ruption.

On May 31, a massive truck bomb killed more than 150 people at the entrance to Kabul's diplomatic enclave, in the worst attack in the city since 2001.

—Habib Khan Totakhil contributed to this article.

# Philippine Leader Threatens Nation's Mining Firms

BY JAKE MAXWELL WATTS AND BIMAN MUKHERJI

Philippine President Rodrigo Duterte chided the country's mining industry for its environmental record and said he may consider stopping the exports of unprocessed raw materials, a measure that echoes similar economic policies in other countries in the region.

Mr. Duterte's comments on Monday, delivered during his annual state-of-the-nation address, were a setback for mining companies in the world's largest exporter of nickel ore, where firms had previously objected to what they saw as unfair attempts to require them to improve their environmental credentials.

The president, known for frequent inflammatory remarks and top-down disciplinary style, said he wanted to see all extracted mineral resources to be processed within the Philippines before being exported and that he would draft a new mining law to regulate the industry.

In addition to its leading nickel-export role, the Philippines has large reserves of gold, copper and chromite, among other metals and minerals.

Mr. Duterte lashed out at the mining industry's environmental record and its lack of adherence to tax regulations. "The protection of the environment must be made a priority over mining," he said. "This policy is nonnegotiable."

He threatened companies that don't shoulder a fair tax burden. "Declare your correct income. Pay your correct taxes. Your failure to do so will be your undoing and your eventual ruin," he said.

Three-month nickel prices on the London Metal Exchange rose about 1.2% to \$9,640 a ton in early European hours. Nickel is mainly used in the manufacture of stainless steel.

The president's suggestion of possible measures echo those of Indonesia, another large raw-material exporter. In 2014, the government there sought to move Indonesia up the value chain by forcing mining companies to refine their products prior to export. The move kicked off a bitter

battle with the industry, including big foreign players such as U.S. mining company Freeport-McMoRan Inc.

This year, Indonesia relaxed the ban, allowing mining com-

**President Rodrigo Duterte lashed out at the industry's environmental record.**

panies to export as long as they show progress toward building smelters in a five-year period. Many companies struggled to stump up the sizable investments necessary to

invest in smelters, which can take years to build.

The Philippine mining industry thought it had won a battle against Mr. Duterte's administration in May, when the president's nominated environment secretary, Gina Lopez, was rejected by a confirmation committee.

Ms. Lopez put dozens of mines in the Philippines under review during her 10 months in office, threatening them with closure due to alleged violation of environmental regulations.

Her defeat, after sustained lobbying from the mining industry that questioned her technical understanding, was seen by her supporters as a win for big business over consumers and the environment.

Nickel prices surged last year at around the time Ms. Lopez took office. The Philippines also exports other metals such as copper and gold. The majority of the minerals it produces are exported unrefined.

In his speech, Mr. Duterte also addressed his bloody anti-narcotics campaign, a hallmark of his presidency that has put him under fire from human-rights groups and foreign governments.

Mr. Duterte said he has resolved "that no matter how long it takes, the fight against illegal drugs will continue because that is the root cause of so much evil and so much suffering that weakens the social fabric and deters foreign investments from pouring in."

## BORDER

Continued from Page One  
eastern China and equipped with new weaponry.

China's Defense Ministry didn't respond directly when asked if the recent changes were connected to North Korea, saying only in a written statement that its forces "maintain a normal state of combat readiness and training" on the border. It has denied previous reports of thousands of extra Chinese troops moving into border areas.

A Chinese Foreign Ministry spokesman on Monday said: "Military means shouldn't be an option to solve the Korean Peninsula issue."

Chinese authorities have nonetheless been preparing for North Korean contingencies, including economic collapse, nuclear contamination, or military conflict, according to U.S. and Chinese experts who have studied Beijing's planning.

China's recent changes in force structure, equipment and training are connected to nationwide military efforts launched last year to reform Soviet-modeled command structures and better prepare for combat beyond China's borders, those experts say.

In the northeast, however, those changes are geared mainly toward handling a North Korean crisis, the experts say.

China's contingency preparations "go well beyond just seizing a buffer zone in the North and border security," said Mark Cozad, a former senior U.S. defense intelligence official for East Asia, now at the Rand Corp.

"Once you start talking about efforts from outside powers, in particular the United States and South Korea, to stabilize the North, to seize nuclear weapons or [weapons of mass destruction], in those



North Korean soldiers recently patrolled a river near the Chinese city of Dadong along the border.

### U.S. Aircraft Nearly Hit by China Fighter

WASHINGTON—A U.S. Navy reconnaissance plane was forced to take evasive action to avoid a possible mid-air collision after a Chinese jet fighter came within 300 feet of the American aircraft over the East China Sea, U.S. officials said on Monday.

Capt. Jeff Davis, a Pentagon spokesman, said a Chinese J-10 jet fighter rapidly approached under the U.S. EP-3 reconnaissance plane, slowed down and then flew in front of the Amer-

ican pilot, triggering the plane's collision alarm system and forcing it to take evasive action.

The U.S. plane was flying in international airspace, according to another defense official.

Capt. Davis said the incident was "uncharacteristic" of the Chinese military, calling it an exception, not the rule, for interactions between pilots in the area.

The incident is the latest in a series between the U.S. and Chinese militaries as tensions rise on the Korean Peninsula. In May, Chinese planes were involved in two similar incidents criticized by the Pentagon.

—Dion Nissenbaum

wan, the South China Sea or the East China Sea: I think it's the Korean Peninsula."

China, like many foreign governments, still considers a U.S. military strike unlikely, mainly because of the risk of

Pyongyang retaliating against South Korea, an American ally whose capital of Seoul lies within easy reach of the North's artillery.

The Pentagon declined to discuss U.S. planning efforts. American officials didn't respond to questions about steps taken by China. But top American officials say they are focused on diplomatic and economic pressure, and view military action as a last resort.

Although technically allied with Pyongyang, Beijing wouldn't necessarily defend its regime, but is determined to prevent a flood of North Koreans from entering northeastern China and to protect the population there, U.S. and Chinese experts say.

Beijing also appears to be enhancing its capability to seize North Korean nuclear sites and occupy a swath of the country's northern territory if U.S. or South Korean forces start to advance toward

### Crisis Planning

China is realigning armed forces in its east and northeast to prepare for contingencies in North Korea.

**China's military units in the Northern Theater Command**

Ground force Air force Navy Rocket force

**North Korea's key nuclear facilities**



Sources: Jamestown Foundation (military units); James Martin Center for Nonproliferation Studies via the Nuclear Threat Initiative (nuclear facilities)

THE WALL STREET JOURNAL.

the Chinese border, according to those people.

That, they say, would require a much larger Chinese operation than just sealing the border, with special forces and airborne troops likely entering first to secure nuclear sites, followed by armored ground forces with air cover pushing deep into North Korea.

It could also bring Chinese and U.S. forces face to face on the peninsula for the first time since the Korean War ended in 1953 with an armistice—an added complication for the Trump administration as it weighs options for dealing with North Korea.

Beijing has rebuffed repeated American requests to discuss contingency planning, American officials say.

China has long worried that economic collapse in North Korea could cause a refugee crisis, bring U.S. forces to its borders, and create a united, democratic and pro-American

Korea. But China's fears of a U.S. military intervention have risen since January as Pyongyang has test-fired several missiles, including one capable of reaching Alaska.

"Time is running out," said retired Maj. Gen. Wang Haiyun, a former military attaché to Moscow now attached to several Chinese think tanks. "We can't let the flames of war burn into China."

He wrote an unusually outspoken article for one of those think tanks in May arguing that China should "draw a red line" for the U.S.: If it attacked North Korea without Chinese approval, Beijing would have to intervene militarily.

China should demand that any U.S. military attack result in no nuclear contamination, no U.S. occupation of areas north of the current "demarcation line" between North and South, and no regime hostile to China established in the North, his article said.



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## IN DEPTH



Discovery aired a show in which U.S. Olympic swimming legend Michael Phelps, left, raced a computer-generated shark, right. Our guest critic, Fred the Shark, took a cold-blooded view of the spectacle.



CLIVE ROSE/GETTY IMAGES (PHELPS); REINHARD DIRSCHERL/ULLSTEIN BILD/GETTY IMAGES

# SHARK

Continued from Page One  
Connecticut. Yes: we're everywhere this summer. Connecticut is delicious.

Anyway, we're all proud of Larry here, but no shark is surprised that he beat Phelps by two seconds in a 100-meter race. Watch the tape again: Larry took it easy. He toyed with Phelps. He's always in control. He could have completely crushed the guy.

But that wouldn't have been good for your silly little TV show, would it?

So Larry slowed down and teased Phelps and made it a lot closer than it should have been. I wonder if Larry got paid. Did Discovery say the shark was "computer generated" in order to skip out on paying Larry? I'm starting to get really steamed.

To be clear: Nobody in the shark community has a problem with Michael Phelps. That dude can swim. He's old and fierce, and prefers water to land, what's not to like? He doesn't have to prove anything to sharks.

Phelps had to know he would lose. I bet he got a sweet check from Discovery.

Good for him. He should throw a little over to Larry.

As a whole, the "Phelps vs. Shark" special pretty much drove me nuts. The marine biologist nerds kept criticizing sharks for not being able to swim in a straight line. What? We can totally swim in a straight line. We just choose not to.

Those marine biologists better be careful, or one day I'm going to swim in a straight line right up to their boat.

Another thing that really annoyed me was how they kept rhapsodizing about Phelps's Olympic glory and how competitive the guy is.

"He just loves to win," somebody said.

Please. I'm going to throw up. Humans always make everything about themselves. Sharks are competitive! Sharks also want to win. You think we watch "Jaws" and root for Richard Dreyfuss?

And Discovery gave Phelps every conceivable advantage. They filmed it during the day. They let Phelps wear a wet-suit. He also got to put some kind of "monofin" on his feet for propulsion. I'm not so sure about that monofin. It looked like a pair of bike shoes attached to a spatula from Williams-Sonoma.

And Larry still kicked his behind.

Phelps was respectful about the whole thing, saying he'd always dreamed of swimming among the sharks. That was nice, but I kept waiting for the announcer to go to Larry for his post-race interview, and they never did. What the heck, Discovery?

It's demoralizing. First "Sharknado" and now this. Sharks are always stereotyped as villains, or toothy extras. Where's our Shark "La-La Land" or Shark "Mad Men"? We can do prestige stuff.

I've spent the morning listening to Shark Sports Radio,

and "Phelps vs. Shark" is all anyone is talking about. Well, that and Kyrie Irving. What is Kyrie Irving thinking? He wants to leave LeBron? Humans are crazy, I'm telling you.

I know humans are irritated about "Phelps vs. Shark," calling it a cheesy publicity stunt, but you suckers got what you deserved.

You never had a shot. Sharks rule. Phelps is cool, but the rest of you have jumped the Larry.

Fred the Shark's column was dictated to Journal columnist Jason Gay ([jason.gay@wsj.com](mailto:jason.gay@wsj.com))

# TORTS

Continued from Page One  
ber Institute for Legal Reform, an arm of the U.S. Chamber of Commerce, says that while state measures have "weeded out some frivolous lawsuits," litigation abuse remains a problem. "The American public wholeheartedly agrees there are too many lawsuits in the country," she says.

At the same time, the falling number of tort filings, coupled with the broader decline in civil jury trials, has some judges concerned that Americans with garden-variety cases no longer see courts as an affordable way to seek redress for their injuries.

"People are just not filing cases like they used to. They are not seeking trials like they used to," says Senior Judge Gregory Mize of the District of Columbia Superior Court, a local trial court. "It's so expensive and time-consuming."

The Conference of Chief Justices, an association of state judicial leaders, has been working on tweaks to the civil justice system that officials hope will make many cases move more quickly and cost less. Judge Mize is assisting the committee studying the issue.

Torts are civil wrongs that cause someone to suffer loss or harm. Most tort lawsuits seek damages for negligence rather than deliberate injury and fall into one of three categories: auto cases, medical malpractice or product liability.

can Tort Reform Association in 1986 and triggering a wave of legislation meant to impose new requirements for filing lawsuits or to reduce monetary awards to plaintiffs.

Tort cases declined from 16% of civil filings in state courts in 1993 to about 4% in 2015, a difference of more than 1.7 million cases nationwide, according to an analysis of annual reports from the National Center for State Courts. Those estimates are based on case percentages recorded by more than 20 states that track tort filings.

Contract cases—a category that includes debt collection, foreclosure and landlord-tenant disputes—grew from 18% of the civil docket to 51%, according to the center's data.



Josh Johnson with his daughter, who was injured at a YMCA camp in Minnesota.

Anthony Sebok, a torts professor at Benjamin N. Cardozo School of Law in New York, contends the public perception of tort filings has never matched reality. Even at peak growth in the mid-1980s, tort cases amounted to about 20% of civil filings in state courts, on average.

"We as a society seem to be OK with plaintiffs when they are debt collectors coming in and using the court system more than they used to, but we somehow instinctively think it's a bad thing when victims of accidents come in and do the same thing," he says.

Ms. Rickard of the U.S. Chamber said an increase in single lawsuits bundled with multiple plaintiffs could be a factor in the decline in tort filings. Most courts don't distinguish between lawsuits filed by individuals or by groups, counting both as one filing in their statistics.

A study last year by the National Center for State Courts found that nearly two-thirds of tort cases involve automobiles. Motor-vehicle deaths

and hospitalizations from crash injuries have declined since the 1990s, likely contributing to fewer lawsuits, legal experts say.

Researchers at Northwestern University and the University of Illinois recorded a 57% nationwide decline in malpractice claims paid by doctors or their insurers between 1992 and 2012, and a similar drop in the number of malpractice lawsuits. Claims of less than \$50,000 fell the most, perhaps because increasing litigation costs made many lower-value cases too expensive to pursue, the researchers said.

In Texas, the number of tort cases fell 27% between 1995 and 2014, according to another study. The decline for non-auto-accident tort cases over that period was 60%, the study said.

Stephen Daniels, a research professor at the American Bar Foundation who co-wrote the Texas study, says advocates of lawsuit restrictions have succeeded in making many tort cases economically impossible for trial lawyers to bring.

Plaintiffs' lawyers typically front the cost of litigation and take their fees on the back end, usually one-third of whatever their clients recover.

In tort lawsuits, damages come in three varieties. Economic damages are meant to make the plaintiff whole. They cover lost wages, medical costs or other economic harms caused by others. Noneconomic damages ameliorate intangible harms such as pain and suffering, while punitive damages are meant to punish and deter.

More than 30 states have capped damages in medical malpractice or other cases since the 1970s, according to the Center for Justice & Democracy, a group that opposes such laws. In 2003, Texas capped damages in medical-malpractice cases at \$250,000.

Meanwhile, costs have increased for medical records and the expert witnesses often needed to testify about medical treatment, lawyers and legal experts say. Many states require medical-malpractice plaintiffs to file an expert report with or soon after their lawsuit. Total costs often reach thousands of dollars, trial lawyers say.

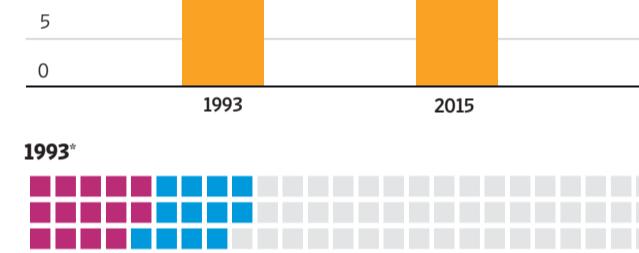
Economic damages are tied to lost wages and income. Plaintiffs' lawyers told Mr. Daniels and co-researcher Joanne Martin they no longer could afford to represent retirees and stay-at-home parents as clients in medical-malpractice cases, or even unemployed people as clients in some auto-accident cases, "because they wouldn't get sufficient damages, and cases are expensive," Mr. Daniels says.

In Kansas, which moved to curb tort litigation, tort filings fell by 45% between 2000 and 2015, according to the Na-

## The Fall of the Tort

Tort lawsuits have declined sharply over the past two decades, while contract suits have increased.

### Total civil filings in state courts



1993\*

Contract cases represented 18%

Tort cases represented 16%

Contract cases per capita: 1 for every 99 people

Tort cases per capita: 1 for every 111 people

2015\*\*

Contract cases represented 51%

Tort cases represented 4%

Contract cases per capita: 1 for every 41 people

Tort cases per capita: 1 for every 522 people

\*In general jurisdiction courts in 23 states

\*\*In general jurisdiction courts in 22 states

Source: National Center for State Courts

National Center for State Courts.

Noneconomic damages have been capped by the state for decades, most recently at \$300,000 under a 2014 law, and Kansas plaintiffs have to request permission from a judge to file for punitive damages. Other changes in litigation rules also have lowered damages in Kansas and elsewhere, lawyers and legal experts say.

Craig Kennedy, a Wichita lawyer who represents insurers, says his practice has shifted from litigation to mediation as more cases settle before a lawsuit. Legal costs have increased for insurers, too, he says, and both sides have a greater incentive to handle matters without litigation.

Mike Fleming, a plaintiffs' lawyer at Kapke & Willerth LLC in the Kansas City area, says that as legal expenses have increased, insurers have gained an advantage in cases involving minor injuries that would normally lead to about \$10,000 to \$15,000 in damages.

Arbitration may be siphoning some tort cases from the courts. Judges have steered personal-injury claims out of court based on mandatory-arbitration clauses contained in contracts entered into by patients, employees, home buyers and others, according to Elizabeth Thornburg, a law professor at Southern Methodist University in Dallas.

Insurance company practices can also affect decisions about whether to sue.

Josh Johnson and Patricia Perryman wanted to sue the

YMCA after their daughter nearly died, they say, from injuries sustained at a summer camp in Minnesota in 2014. A storm blew in the first night and toppled a tree onto the tent in which she was sleeping because the cabins were full, Ms. Perryman says. Their daughter suffered four broken ribs, a collapsed lung and nerve damage.

Mr. Johnson and Ms. Perryman wanted to recover their out-of-pocket expenses, including their insurance deductible, and future medical costs associated with their daughter's injuries. Mr. Johnson says their insurer, Blue Cross Blue Shield, told them that any money they recovered from a lawsuit would first go to reimbursing the insurer for about \$138,000 in medical costs it paid for their daughter's treatment.

They would have to sue the YMCA, an organization that "does a lot of good," Mr. Johnson says, for hundreds of thousands of dollars to get enough to pay their attorney and make themselves whole. The Johnsons decided against it.

The YMCA declined to comment, and Blue Cross Blue Shield didn't respond to requests for comment.

## PR campaign

The slump in tort filings coincides with dwindling membership in some state trial-lawyer associations. It follows a decadeslong public-relations campaign highlighting wrongdoing by trial lawyers, including a 2008 guilty plea by Mississippi plaintiffs' lawyer Richard Scruggs on a charge of conspiring to bribe a judge.

In 1994, a jury awarded nearly \$3 million to a 79-year-old woman who sued McDonald's after spilling coffee in her lap and burning herself badly. The verdict was reduced, and the parties eventually settled. The American Tort Reform Association portrayed the case as the embodiment of lawsuit abuse.

"Let's do word association," says Sean Harris, a Columbus-based plaintiffs' lawyer and president-elect of the Ohio Association for Justice, a trial lawyer group. "What word comes to mind when I say 'frivolous'?" "Lawsuit" is the word most people think, he says. "If we go to trial, we know that we are going to face a hostile jury."

A committee appointed by the Conference of Chief Justices recently concluded that state judicial systems are getting fewer cases because many disputes cost more to litigate than they are worth. A study conducted for the group found that 0.2% of civil cases resulted in judgments of more than \$500,000, while most tort cases ended in judgments of \$12,000 or less.

# GREATER NEW YORK

## Cargo Shipments to JFK in Long Decline

Over 20% fall in decade comes as Asia trade grows and Northeast loses manufacturing

BY MELANIE GRAYCE WEST

Amid rising competition from other airports and major shifts in the way goods arrive to the U.S., cargo shipments into New York City's John F. Kennedy International Airport have dropped more than 20% during the past decade, a new report shows.

The downward slide at JFK comes as cargo volume is rising at nearly every other major airport in the U.S., and as the air-cargo market is growing overall, according to a report released Monday from the Manhattan-based Center for an Urban Future, a nonpartisan policy center.

Air cargo coming in and out of the U.S. is expected to rise at a rate of about 3% a year through 2037, a recent report from the Federal Aviation Administration found.

If New York's largest airport doesn't maintain its share of the market, it could lead to continued losses of middle-class jobs, said Matt A.V. Chaban, policy director for the Center for an Urban Future.

The report found there are now 34,041 jobs related to JFK's air-cargo industry, 26% fewer than the 2004 peak.

Based on preliminary figures from Airports Council International - North America, a trade association, air-cargo shipments in metric tons dropped to 1,264,187 last year from 1,286,484 in 2015.

During the past several years, the Port Authority of New York and New Jersey says it has invested about \$10 million in infrastructure development in support of cargo growth at JFK. Moreover, the Port Authority has allocated an additional \$50 million toward supporting future third-party cargo development.

Port Authority officials have noted that cargo tonnage is up 6% so far this year, in-



Customs and Border Protection officers in the mail-processing facility at John F. Kennedy International Airport send flagged packages through an X-ray machine.

cluding a 11.9% increase in May from a year earlier.

JFK still ranks highest nationally in the value of shipments it receives; \$185.5 billion in 2015, according to a 2017 report from the Bureau of Transportation Statistics.

"The pie is getting larger and there are some investments we have been making in our facilities to make sure JFK continues to be an attractive place to do business," said Huntley Lawrence, aviation director for the Port Authority.

JFK opened to commercial flights 69 years ago and, with Los Angeles International Airport, was the premier international gateway for U.S. travel. JFK handled more cargo than any other airport until 1990.

Experts say two structural changes have contributed most to the drop in air-cargo shipments to JFK: increasing trade with Asia and a decline in manufacturing. As the U.S. shifted trade from Europe to Asia, trans-Atlantic shipments began to slow. The Northeast, over several decades, also has lost manufacturing, and deliveries of large equipment have moved to other areas of the country.

In addition, hub airlines have built up international gateways in different cities and increased belly capacity in passenger planes to carry more cargo, according to Brian Clancy, managing director of Logistics Capital & Strategy, a consulting firm.

Still, the shift away from

JFK primarily is driven by shippers looking to reduce costs.

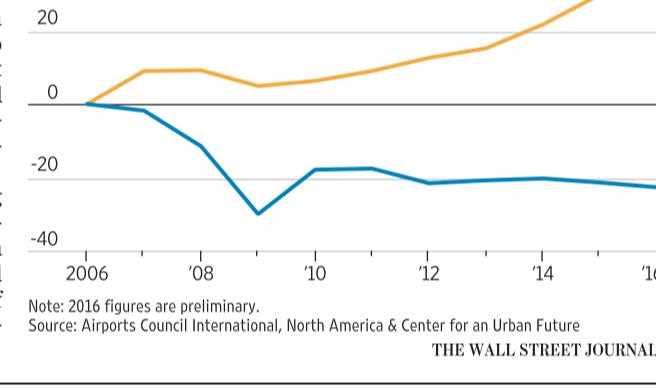
Analysts say there is always a draw to bring goods into New York because it is a huge market, but they also point to JFK's aging facilities.

Because JFK is a legacy gateway, its structures, which range from state-of-the-art to Quonset hut, are fully built out. Cargo buildings would need to be rehabilitated or replaced, which is more complicated than starting fresh.

It is tough to justify erecting new facilities at JFK when it appears "you are dealing with a market that's in decline," said Michael Webber, president of Webber Air Cargo Inc., an Austin-based consulting firm.

### More People, Fewer Packages

Change in cargo, including mail, and passengers going to and from JFK airport since 2006



Note: 2016 figures are preliminary.

Source: Airports Council International, North America & Center for an Urban Future

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## Police Union Targets Council Races

BY MARA GAY

For nearly four years, the country's largest police union has looked on at the New York City Council and often fumed.

Mayor Bill de Blasio's rocky relationship with the police has drawn more attention. But in the eyes of the Patrolmen's Benevolent Association, the City Council has been a problem as well, with lawmakers taking up several high-profile bills in recent years scrutinizing officers and the work they do.

Now, with most of the 51 lawmakers up for re-election this year, the police union is seizing on a chance to do something about it. The PBA plans to play big in this year's City Council races, spending hundreds of thousands of dollars on campaign ads in the hopes of reshaping the council to make it friendlier to its 24,000 police officers and some 25,000 retirees.

"We need to have a city council that will speak up, defend New York City police officers, and dig into the issues so that they understand them," PBA President Patrick Lynch said in an interview. "We also need them to stand up to the [de Blasio] administration and speak up on behalf of police officers as allies."

The union plans to endorse candidates in about a dozen



Patrolmen's Benevolent Association President Patrick Lynch, left, and NYPD Deputy Commissioner for Legal Matters Lawrence Byrne.

City Council races. In East Harlem, the union plans to back state Assemblyman Robert Rodriguez, a Democrat running for the seat being vacated by City Council Speaker Melissa Mark-Viverito, who can't run again due to term limits.

In Queens, the PBA will endorse Councilwoman Elizabeth Crowley, a Queens Democrat. In Brooklyn it plans to endorse Félix Ortiz, a state assemblyman and Democrat hoping to unseat Councilman Carlos Menchaca, also a Democrat.

In some cases, the union is targeting lawmakers it sees as openly hostile to police. Mr. Menchaca, for example, has supported legislation the PBA views as hostile, and has de-

clined to meet with union officials, according to advisers familiar with the PBA campaign.

Mr. Menchaca said he is focused on building "strong ties between the police and our community while fighting to end broken-windows policing," a reference to a policing strategy that focuses on small crimes with the aim of preventing more serious ones, which some critics have said unfairly targets minorities.

In recent years the City Council, one of the most liberal groups of lawmakers the city has seen in decades, has introduced legislation curbing police powers.

One bill would have made the use of chokeholds by offi-

cers, already banned, a misdemeanor crime. Another sought to require officers to obtain consent before conducting a street stop without probable cause. Still another would have forced officers to give their name, rank and command to anyone they stop when the encounter doesn't result in an arrest or summons.

The union's feud with Mr. de Blasio and the City Council in recent years has unfolded against the backdrop of tense and protracted labor contract negotiations.

The police union has for years sought higher pay, arguing that salaries for NYPD officers are low when compared with officers in the surrounding suburbs. The starting salary for NYPD officers is \$42,500; for the New York state troopers working in New York City, it is \$67,083.

"We've changed the city, we're keeping the city in good shape, and then we don't get the support that we need," Mr. Lynch said.

A de Blasio spokeswoman disputed that. "New York City's police officers deserve the best, which is why their total compensation is among the highest in the country—a package that was agreed upon by the City and the PBA through extensive negotiations," the spokeswoman said.

## Old Rivals de Blasio, Lhota Spar Over MTA

BY MIKE VILENSKY  
AND MARA GAY

The recent crisis of subway meltdowns has revived a rivalry between Mayor Bill de Blasio and MTA head Joseph Lhota, competitors in the 2013 mayor's race.

Since Gov. Andrew Cuomo appointed Mr. Lhota as chairman of the Metropolitan Transportation Authority about a month ago, Mr. Lhota has sparred with Mr. de Blasio and backed up Mr. Cuomo as the governor feuds with the mayor.

As he prepares to release a plan for fixing the subways, Mr. Lhota is facing new tensions between the MTA and City Hall, and criticisms from some of the legislators who unanimously condemned him last month.

"A lot of us have confidence [Mr. Lhota] has the skill set necessary to lead the MTA," said Sen. Michael Gianaris, a Queens Democrat who voted for Mr. Lhota. "But the concern is he's been acting in a very political way since his appointment, and he seems to just be echoing the position of the governor."

Mr. Lhota said politics isn't driving his decisions. "It is about the people of New York who deserve a subway system that gets them where they need

to go safely and reliably." My number one goal is to fix the transit system and we need all parties to come to the table, work together, and make that goal a reality," he said in a statement.

A spokeswoman for Mr. Cuomo declined to say if his office has directed Mr. Lhota's policies or statements.

Mr. Lhota, a former aide to Mayor Rudy Giuliani, ran the MTA from 2011 until his campaign for mayor as a Republican against Mr. de Blasio in 2013. His appointment in June to head the MTA initially was cheered on both sides of the aisle as the city and state grapple with subways stalling and derailing as ridership rises.

Mr. de Blasio, a Democrat, was among those supportive of Mr. Lhota taking the MTA reins, saying he has "a lot respect for" Mr. Lhota and he considered the appointment apolitical.

Since then, Mr. Lhota has called Mr. de Blasio's commentary on the subways "nonsensical," "lame," "disingenuous," and "incendiary." They have clashed over issues such as Mr. Lhota saying he is open to possibly banning food on the subways, and Mr. de Blasio's suggestion that the MTA has spent its money poorly.

## Connecticut Legislature Overrides Malloy on Housing Measure

BY JOSEPH DE AVILA

Connecticut's Republican and Democratic legislators Monday joined to override a veto from Gov. Dannel Malloy for the fourth time since he took office in 2011.

The veto override by the state House of Representatives and state Senate, both controlled by Democrats, gave final approval to legislation that

loosens the state's affordable-housing standards.

The House passed the override legislation in a vote of 101 to 47, while the Senate passed it 24 to 12. A veto override required at least 101 votes in the House and 24 in the Senate.

Lawmakers who support the bill said it gives local municipalities more control over housing policy. Republican House Minority Leader Themis

Klarides, who voted in favor of it, said the housing needs of Connecticut vary town by town and city.

"It is really a local control issue," Ms. Klarides said.

Mr. Malloy, a Democrat, has said the bill would damage the state's efforts to end discriminatory policies of the past such as redlining and could erect new barriers for minorities and low-income residents

to find places to live.

"The best interests of our residents and communities were not served by this action," a spokesman for Mr. Malloy said Monday, referring to the veto override. "The final votes by the House and Senate move the state in wrong direction."

Connecticut enacted a law in 1990 to discourage the use of exclusionary zoning and to

spur the development of affordable housing. The law gave real-estate developers the ability to appeal when their affordable-housing project applications were denied by local planning and zoning agencies.

Under the law, developers could challenge the rejection of a local zoning board when less than 10% of the housing stock in a town was deemed affordable. Developers typi-

cally must go to court and argue that the municipality acted illegally or abused its discretion in a land-use appeal.

The 1990 law puts the burden of proof on cities and towns to defend their decision.

Apart from this specific law, the state developed 18,500 units of affordable housing since Mr. Malloy took office in 2011.

## GREATER NEW YORK

# Brooklyn Lot Now a Battle Over History

Building is planned on grounds suspected by some to be a grave for Revolutionary soldiers

BY MARIANA ALFARO

The last battle of the American Revolution is being waged on an empty lot in Brooklyn.

The lot, long suspected to hold the mass grave for nearly 260 Maryland Revolutionary War-era soldiers, is set to become a prekindergarten after archaeologists settle the mystery surrounding the soldiers' final resting place.

In May, the city Education Department bought the land, at Ninth Street and Third Avenue in the Park Slope neighborhood, to build a 180-seat prekindergarten on it.

In response, historians and preservationists pushed the city to pay for an archaeological study of the grounds to determine if a mass grave for the soldiers exists.

If it does, some believe the land should instead be used to build a memorial for the men who died during the Battle of Brooklyn 241 years ago.

For years, historians and politicians, including former Maryland Gov. Martin O'Malley, have visited the lot, which is about 13,500 square feet, and paid their respects.

Now that a permanent building is set to be constructed there, preservationists hope the archaeological probe might finally answer their questions regarding the fate of the soldiers known as the "Maryland 400."

They died in one of the

bloodiest battles of the American Revolution. Though the battle was a win for the British, the Marylanders' sacrifice stopped them from reaching the main force of American troops that were retreating from Brooklyn to Manhattan. Gen. George Washington, watching the battle unfold from afar, reportedly said, "Good God, what brave fellows I must this day lose."

Parts of the battle took place in what is now Prospect Park, and a monument to the soldiers, which includes Washington's quote, already exists there.

Robert Furman, president

of the Brooklyn Preservation Council and an early proponent of the archaeological probe into the lot, said human remains have been found in the area before, which is why he is hopeful the investigation will find evidence of the mass grave's existence.

Mr. Furman, who has researched the history of the Maryland 400 in Brooklyn for years, said if soldiers' remains are found, the city should build a memorial for them.

"There would be a necessity by law and by obvious public demand to treat the remains respectfully," he said.

This potential discovery, Mr. Furman said, also would mean "all bets are off" on the planned prekindergarten. He expects results from the probe to be released in September.

An Education Department spokesman said testing is ongoing and there is no set date for when the results will be released.

Other historians don't believe the investigation will



Robert Furman of the Brooklyn Preservation Council backs an archaeological study of the lot, above, at Ninth Street and Third Avenue.



find proof of a mass grave. Kimberly Maier, executive director of the Old Stone House and Washington Park in Brooklyn, said "there are a couple of issues" with the theory that the grave exists.

"One is that the area has been

significantly disturbed over the years, there is a lot of landfill in the area, there was a road that ran right through the site," she said.

Moreover, Ms. Maier said,

at the time of the battle it was

likely the British would have

buried the soldiers where they fell and not in a mass grave.

At the Maryland State Archives, researchers are compiling historical records of the

soldiers in a project called

"Finding the Maryland 400."

Historian and project leader

Owen Lourie also is skeptical of the existence of a mass grave. That is why their project, he said, looks to go beyond trying to find the soldiers' remains, and instead to develop biographies of them.

Back in Brooklyn, the Michael A. Rawley, Jr. American Legion Post #1636 sits next to the vacant lot. For the group of veterans, the land serves as reminder of the power of U.S. troops.

The Legion memorializes the soldiers with a plaque, a sign and a flag placed at the front of its building. A large mural on the Legion's wall bordering the lot displays a group of American soldiers fighting British troops.

The Legion's location is purely coincidental, said John Lonergan III, Legion commander and a U.S. Coast Guard veteran. Each year, however, the Legion commemorates the "Maryland 400" by reading their names aloud on the Aug. 27 anniversary of the battle.

## Mostly Mozart Festival Gives Other Artists Some Play

BY CHARLES PASSY

True to its name, Lincoln Center's Mostly Mozart Festival features no shortage of works by its namesake composer.

But these days, the festival, which kicks off Tuesday night, is taking especial liberty with the "mostly" side of its programming, going beyond traditional symphonic repertoire to incorporate contemporary music, opera and other types of presentations.

"It's not the Mozart with the wig and the little buckled shoes we're trying" to invoke, said Jane Moss, Lincoln Center's artistic director.

The 2017 edition of Mostly Mozart, which runs through Aug. 20, includes everything from an accordion recital to a concert by the So Percussion ensemble featuring works by the avant-garde musical pioneer John Cage.

There are also innovative programs that go beyond the strictly musical. Consider a theatrical-style presentation of the Schubert song cycle, "Winterreise," that incorporates films, projections and stage design.

And while the opening-night program, featuring the Young People's Chorus of New York City in its debut at the festival,

has its share of Mozart, it also explores other terrain. The chorus will offer a variety of other works, from traditional spirituals to a song from the Amazonian rainforest.

Festival programmers say the eclectic approach is necessary to keep the event, which bowed in 1966, fresh and relevant for a new generation of concertgoers.

They also say that while a lot of the concerts may not have an overt Mozart connection, there is still a musical thread of sorts.

In the case of the accordion recital and the percussion program, they are part of a late-

evening series, dubbed "A Little Night Music." The idea is to recreate the intimately scaled salon-style concerts of Mozart's heyday, but in a contemporary context.

Although Ms. Moss and other Lincoln Center officials didn't provide revenue figures, Ms. Moss says festival ticket sales have gone up in recent years. Still, Ms. Moss

concedes Mostly Mozart's new-school programmatic approach may not appeal to everyone, noting that she received one recent complaint from a festivalgoer about the lack of an all-Mozart program on this season's schedule.

Johanna Keller, a veteran arts writer and educator, says Mostly Mozart's previous approach, which emphasized its namesake composer and other mainstream classical fare, simply wore out its welcome.

"There's no need to stick with a programming formula when it outlives its usefulness or currency," Ms. Keller said.



The group So Percussion will play at the Mostly Mozart Festival.

## Woman Admits Role in Kayak Death

BY CORINNE RAMEY

A Poughkeepsie woman pleaded guilty Monday for her role in the 2015 drowning of her fiancé, who died while the couple was kayaking on the Hudson River.

Prosecutors in Orange County, N.Y., said Angelika Graswald, 37 years old, pleaded to criminally negligent homicide. As part of her plea, Ms. Graswald admitted she removed the plug from the kayak of her fiancé, Vincent

Viafore. She also admitted that she knew Mr. Viafore wasn't wearing a life vest, that a locking clip to his paddle was missing and that the water was dangerously cold, prosecutors said.

Ms. Graswald initially had been charged with murder.

"While no outcome can compensate for the loss of a beloved son, brother, and uncle, this disposition will hopefully bring a measure of closure to the Viafore family," District Attorney David Hoovler said.

A lawyer representing Ms. Graswald said she has always maintained her fiancé's death wasn't intentional.

"The totality of the circumstances created a risk of death and she failed to perceive that risk," said the lawyer, Richard Portale. "That's much different than intentional murder."

Prosecutors said that on April 19, 2015, in response to a 911 call, the New York State Police and others searched the Hudson River for Mr. Viafore and eventually found his kayak.

In late April, police arrested Ms. Graswald and, on May 23, the Orange County Sheriff's Office was notified of a body in the river that was later identified as Mr. Viafore's, prosecutors said.

Police also found the kayak plug in Ms. Graswald's car, they said.

The plea carries a mandatory penalty of 1 to 4 years in state prison. Sentencing is set for Nov. 1. Ms. Graswald, who is from Latvia, also faces possible deportation, prosecutors said.

### WESTCHESTER

#### Rail Design Cited In Fatal 2015 Crash

Federal investigators have concluded that a fiery crash between a commuter train and an SUV that killed six people in Westchester in 2015 was extra deadly because of an unusual rail design, a U.S. official said.

The Metro-North Railroad train crashed into the SUV on the tracks at a crossing in Valhalla, about 20 miles north of New York City. The impact sparked an explosion and flames blasted into the passenger area, burning out the first car of the train. The driver of the SUV and five people aboard the train were killed. More than a dozen others were injured.

National Transportation Safety Board investigators found that about 340 feet of electrified rail was pulled up from the ground, penetrated the SUV's fuel tank and then sliced into the train, according to the official.

The rail was an "under-running" or "under-riding" design where a metal "shoe" slips underneath the electrified third rail, rather than skimming along the top.

NTSB investigators are also recommending risk assessments be conducted for grade crossings, the official said.

The board is scheduled to meet on Tuesday in Washington and investigators are expected to present their final report on the crash.

—Associated Press

### NEW JERSEY

#### Huge Shark Caught 100 Miles Off Coast

A fishing crew has reeled in a 926-pound Mako shark, the biggest shark catch in New Jersey history, according to state officials.

The boat's crew was fishing about 100 miles off the coast in an area known as Hudson Canyon on Saturday. The shark was weighed and displayed in Brielle later that day.

Kevin Gerrity, captain of the boat, said it took over two hours to pull the shark aboard.

The New Jersey Division of Fish and Wildlife said the previous record was an 880-pound tiger shark caught off Cape May in 1988.

—Associated Press



The 926-pound Mako shark.

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# LIFE & ARTS

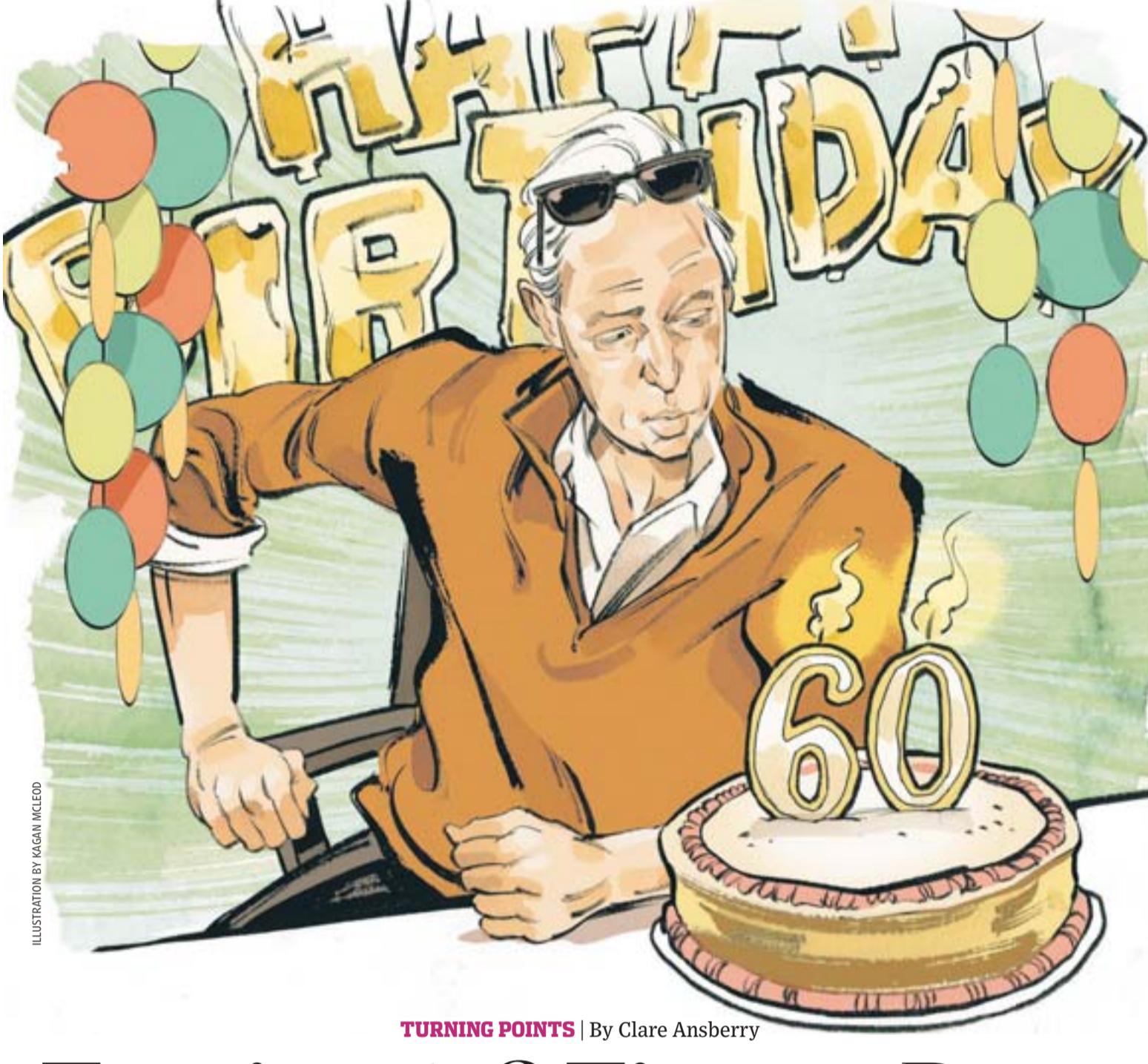


ILLUSTRATION BY KAGAN MCLEOD

TURNING POINTS | By Clare Ansberry

## Turning 60? Time to Party

More people are celebrating the age as we hit a demographic peak; a pool party or a band for a crowd

**SIXTY YEARS AGO**, the baby boom peaked with 4.3 million babies being born. That means more boomers than ever are becoming sexagenarians at a rough rate of 491 an hour. That's a lot of candles.

Two of them, teenage sweethearts Mike and Robin Hamlin threw a "120" party in honor of each reaching that milestone birthday this year. They invited about 100 people, had a live band and danced to Bruno Mars' *Uptown Funk*.

"I could care less if people know I'm 60," says Ms. Hamlin. The only time it bothers her is when she enters her age on the treadmill in the morning. "Then I think: 'I don't believe it. I don't feel different than 40.'"

Today's 60-year-old is generally in better health and has more education than their mom and dad. They look younger thanks to cosmetic surgery, better nutrition, exercise and skin creams. They are also more active. They volunteer, backpack, FaceTime with grandchildren if they have them, take more cruises than their parents and take vitamin supplements, especially vitamin D. They are on the brink of what one aging expert called an emerging "gerontogenesis," a new period of transition.

But for the most part, people in the U.S. prefer to tiptoe past their 60th birthday because they don't want anyone to know that they are that old. Among the best possible birthday gifts for a 60th birthday: "That people would forget I am 60," according to a 2006 study by AARP Inc. For good reason: Those under 30 say old age begins at 60, according to a 2009 Pew Research Center report.

Part of the trepidation is the social clock—a cultural timeline of expectations of what you should do at a certain age, says William Doherty, director of marriage and family therapy at the University of Minnesota.

At 60, people ask, "When do you plan to retire?" which is unsettling for many men whose self-image and identity is dominated by work, says Dr. Doherty, who is 72 and still working. People began asking, "Are you still working?" when he was in his late 60s, which was followed by, "You're not still working are you?" when he reached 70. And that still happens even though nearly 9 million Americans aged 65 and older were working in May 2016, more than twice the number of people that age in 2000.

Men at 60 also tend to think they look better than they do,



Robin and Mike Hamlin at the shared 60th birthday party they dubbed "The 120" party.

while women are more critical of their appearances from an earlier age. Dr. Doherty remembers being offended when an 18-year-old McDonald's clerk asked him if he wanted a discount when he was 62. He said "No," and told himself, "I've crossed the divide."

"I had the image that I looked

so much younger than my age," he says.

Craig Lambert, a marriage therapist in San Diego, wanted a quiet dinner when he turned 60 last year, nothing like the big 50th birthday bash he had. "I didn't want to focus on the number. I just wanted to get beyond it," says Mr. Lambert. Many men, he says, feel that by 60 they have peaked in their career and that the best years are behind them. He exercises and is in good shape. But when he looks in the mirror, "I honestly can't believe what I look like. My hair is totally gray," says Mr. Lambert, who had cosmetic surgery around his eyes.

Women, he says, seem to have a better outlook. "The kids are grown and out of the house. They have a new lease on life and feel a greater potential to grow and expand in ways they haven't before," he says.

His fiancée, Debbie Seid, turns 60 Aug. 13. She thought of a big party but is now thinking of having a pool party with her 10 close girl friends and inviting a psychic. Her daughter is flying in from New York.

Turning 60 doesn't bother her as much as 59, which was her last birthday in her 50s. "I hung onto 58 like crazy," she says. In recent months, she has been trying to get



Craig Lambert and his fiancee Debbie Seid hiking at Bryce Canyon National Park in Utah in 2016.

used to being a sexagenarian by telling people "I'm going to be 60."

It isn't so bad, she says. "I'm younger now that I am ever going to be for the rest of my life. That makes me feel young."

Ian Brown, a journalist and author, decided to keep a year-long daily diary, starting with the day he turned 60, in large part because he realized life was short and he needed to pay closer attention to its details. He wrote in the resulting book, "Sixty: A Diary of My Sixty-First Year: The Beginning of the End, or the End of the Beginning?" about his growing baldness and memory lapses, not accomplishing what he thought he would and the fear of what he calls "era-sure," which is something women have dealt with for a long time, and learned how to compensate. His wife, who is eight years younger, threw him a big party. They drank Tamarind Sours. "They go down easily," he says.

The 120 party was Mike Hamlin's idea. Mr. Hamlin, who owns Wing-Hamlin Co., a manufacturing representative agency in Elmhurst, Ill., turned 60 in March. He and his wife went to their daughter's home in Boston. They had a nice quiet dinner. His 5-year-old grandson made him a toolbox.

A month later, they were in Florida, visiting Ms. Hamlin's parents. Her father is 94 and her mother is 88. The Hamlins have made several trips back and forth and the last one was especially stressful. They thought it would be better for her parents to move into assisted living and provided several options. Her parents declined.

On the way to the airport, Mr. Hamlin told his wife, who was turning 60 in May, "we need a big blow-out." Part of it was the stress involved in trying to care for aging parents. In the back of his mind, too, he says, was his business partner who died of a heart attack when he was 60 and his dad, who died at 70. "We need to really make sure we don't let the next 10 years slip by," he remembers telling his wife, who has lost two dear friends to cancer.

They picked May 20, the Saturday after Ms. Hamlin's 60th birthday. She worried at one point during dinner when the band played recorded music, including "Close to You" by the Carpenters. "I thought, 'Oh my God. This is going to be so lame,'" she says.

Later, the band, named Enough Said, played "Raise your Glass" by Pink. Everyone danced. At the end of the night, Mr. Hamlin invited family and friends back in five years to celebrate the 130.

### MUSIC REVIEW | By Jim Fusilli

## THE HIGHS AND LOWS OF INSTANT GRATIFICATION

**'EVERYTHING NOW'** (Columbia) by Arcade Fire, out on Friday, is a curious album with a dual personality. The music springs from the rock-disco hybrid and synth pop of the late 1970s and early '80s; for the most part, it's irresistible dance funk produced by the band, Daft Punk's Thomas Bangalter and Pulp's Steve Mackey. But the storytelling is as dark and dour as the music is bright and inviting. Were the narratives any less compelling, the conflict may have seemed an artifice, an intentionally provocative disconnect. But it works well and in fact reflects the overarching theme.

With "Everything Now," the sextet—Will Butler, Win Butler, Régine Chassagne, Jeremy Gara,

Tim Kingsbury and Richard Reed Parry—comments on life in a consumer society that, as the title states, can provide instant gratification that often makes the disposable appear indistinct from the valuable. In such a milieu, insincerity is coin.

In the title track, which is performed three times in slightly different forms on the disc, Win Butler sings, "And every song that I've ever heard is playing at the same time / It's absurd," adding, "Turn the speakers up til they break / 'Cause every time you smile, it's fake." Having everything now may provide "Infinite Content," as a composition of the same name

Please see ARCADE page A13



Arcade Fire's new album, 'Everything Now,' is out on Friday.

## LIFE & ARTS



THE METROPOLITAN MUSEUM OF ART, NEW YORK (4)

Cristóbal de Villalpando's painting traveled from Mexico to the Metropolitan Museum of Art. To display the Baroque masterpiece, the Met built a wall reinforced with metal and 16,000 pounds of sand.

### ART

# The Met's 28-Foot-Tall Visitor

To install one of its largest paintings, a Villalpando from Mexico, the museum spent five days reassembling the work

BY BRENDA CRONIN

**A 17TH-CENTURY PAINTING** that towers almost three stories high has the Metropolitan Museum of Art rolling out the red carpet with a handful of scissor lifts and more than 16,000 pounds of sand.

The picture, completed in 1683, is the showstopper of "Cristóbal de Villalpando: Mexican Painter of the Baroque" an 11-painting exhibit opening July 25 in New York.

Even for the Met, which is adept at operations that marry the logistics of D-Day with the polish of a royal wedding, this was a tall order. For starters, only a few places in the museum could house Villalpando's 28-foot-tall work, "Moses and the Brazen Serpent and the Transfiguration of Jesus." The Met settled on Gallery 963, the skylit atrium of its Robert Lehman Wing. To display the painting, which is about 14 feet wide, the museum built a wall-like structure and base reinforced with metal and sand.

Until this year, the painting had never left its original site in a chapel of Mexico's Puebla Cathedral. Before coming to the Met, it was restored for the first time under the aegis of Agustín Espinosa Chávez, a Mexico-based conservator. The job included removing "kilos of dust from the back with a vacuum," he says. He and his team replaced the painting's original wood stretchers with ones of wood laminate over steel. They also cleaned the elaborate frame, which is made of cedar bedizened with gold leaf.

For the journey to New York, the canvases were cushioned in felt and a paper-like material and rolled on to tubes. The painting was elastic enough to roll without cracking or shedding any original paint, Mr. Espinosa Chávez explained, thanks in part to Villalpando's thin layers of color as well as his chiaroscuro technique of using light and dark hues to add depth to the work. The new stretchers and the cedar-and-gilt frame were dismantled and packed in padded crates.

Mr. Espinosa Chávez and members of his team helped with the five-day installation at the Met. The painting was reattached to the stretchers, with Mr. Espinosa Chávez gauging the proper degree of tautness by gently placing his palm on the back of the canvas. "As a conservator, you organize the tension," he said, so the painting doesn't appear wavy or uneven when displayed.

"It's among the largest paintings I've installed," said Taylor Miller, the Met's Buildings Manager for Exhibitions. Mr. Miller, who has worked at the museum for more than a decade, pointed out that while the size of the work is unusual, the installation procedures and equipment—as well as the dozens and dozens of people involved in the planning and execution—arent. "We used the same ropes and pulleys that we use for smaller painting and tapestries," he said.

About 16 riggers, machinists, carpenters and technicians rehearsed the effort, including synchronizing the scissor lifts on which some of them perched to install the work. "They've done several dry runs," said Ronda Kasl, a curator in the American Wing at the Met. "They don't usually work off of 30-foot



Riggers and technicians installed the painting's original cedar-and-gilt frame, which was dismantled into seven sections for the trip to New York.

lifts." The canvases were hoisted on to the specially reinforced structure with cloth straps attached to the stretchers.

In his time, Villalpando was one of Mexico's most prominent artists. "This was by far the most important commission he had received to date that we know of, and it was his opportunity to shine," said Ms. Kasl, who began work on the exhibit four years ago. The work initially appears to be two paintings, a biblical twofer of scenes that have been tackled through the ages by Rubens, Michelangelo and other artists. The bottom half of the painting depicts an Old

Testament story of repentance and the top is a portrait of an effulgent Christ from New Testament accounts. The painting allowed Villalpando to portray—presumably while standing on a scaffold much of the time—a broad range of human figures and emotions.

"He was really showing off in this picture," she said.

For Ms. Kasl and others at the Met, the masterpiece is yielding revelations about Villalpando. Among them is the artist's casual habit of cleaning his paintbrushes on the flip side of the canvas, leaving spatters and daubs.

The museum organized the show with the Fomento Cultural Banamex, A.C., a nonprofit that focuses in part on preserving Mexican culture. Before the monumental painting traveled to New York, it was exhibited in Mexico City along with more than two dozen Villalpando works.

The Met's most recent director, Thomas Campbell, on his penultimate day at the helm, posted a snapshot of the installation on **Facebook** and wrote, "I wandered out into the galleries and came across this amazing scene in the Lehman Wing...#hurayfortheriggers."

## LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

# A Rise in Mistakes With Medicines



**THE NUMBER OF** serious medication errors people make is on the rise, leaving about one-third of such people in the hospital.

Every two minutes someone calls a U.S. poison control center about a medication error. They took the wrong dose, took their medication twice or accidentally took someone else's, among other mistakes.

About 14 of those calls a day are serious medication errors that typically require medical treatment and may result in hospitalization or even death, according to a recent study published in the journal Clinical Toxicology earlier this month. The study analyzed calls to poison control centers across the country, focusing on serious medication errors that took place outside of the hospital.

The researchers found that serious medical errors doubled between 2000 and 2012, said Nichole Hodges, first author of the study and a research scientist with the Center for Injury Research and Policy at Nationwide Children's Hospital in Columbus, Ohio.

The most common medication mistakes involved cardiovascular drugs, such as beta blockers and calcium channel blockers, which made up 20.6% of serious errors. Pain medications such as opioids and acetaminophen (brand name, Tylenol) were involved in 12% of errors, and hormone therapies, mainly insulin, were associated with 11% of serious mistakes.

The usage of these types of medications is going up, said Dr. Hodges. "So we're likely to see more errors. But we can't tell for

sure whether the errors are increasing or whether they're just being reported more often."

Calcium channel blockers, commonly used for high blood pressure and cardiac arrhythmias, can be especially dangerous when extra doses are accidentally taken, because they can cause blood pressure to drop to abnormally low levels. They can also cause arrhythmias and other heart issues, said Henry A. Spiller, a co-author on the study and director of the Central Ohio Poison Center at Nationwide Children's.

**More patients are taking the wrong pills or wrong doses, a new study finds.**

"Because older people may be on multiple medications, they are sometimes used to swallowing several pills at a time," said Dr. Spiller. "If you take six of these you have a week's worth of the drugs, and that becomes dangerous."

Taking too much acetaminophen can cause liver damage and high doses of opioids can cause breathing problems and lead to coma, he said.

A common problem for diabetics is when they confuse their morning dose of insulin with their evening dose. Diabetics typically take two different doses of insulin each day, a faster-acting and larger dose that is supposed to be

taken in the morning and a lower dose that is for the evening.

"The good news is most of these errors are highly preventable," said Dr. Hodges.

She advises that parents and caregivers keep a log, noting the time and day a medication is given. Weekly pill planners can be helpful, but make sure they are child-resistant and stored out of sight of children, she said.

And make sure to ask your doctor or pharmacist about your medication so you're clear on dosage, she said.

Hospital-based medication errors have also been a focus of concern for years, with efforts under way to reduce such errors. "Medication errors are common in hospitals, but fortunately only about one in 100 result in harm," said David Bates, chief of general medicine at Boston's Brigham and Women's Hospital.

Dr. Bates said electronic health records have helped reduce such errors. Overdoses are the most common error in hospitals. "It's relatively easy to have a three or five or even 10-fold overdose," he said. "And older patients are particularly susceptible to getting too much medication, as are patients with kidney problems."

Adding bar codes to medications and the creation of smart pumps for medicines that are given intravenously have also helped reduce medication errors in the hospital, said Dr. Bates. Smart pumps are programmed for a specific dose range so that if a nurse or doctor is given a dose that is too high the pump will beep or alert them.



On the album, a grim message about life is set to bright music.

## ARCADE

*Continued from page A11*  
states, but not infinite contentment since "All your money is already spent on it." In "Put Your Money on Me," he sings, "All my presents are broken before they're open / And the promises the second they're spoken."

When values are devalued and life is a mere quest for acquisition and acclaim, despair sinks in. In "Creature Comfort," a character decides she doesn't want to live without achieving celebrity. "God, make me famous / If you can't, just make it painless," she states bluntly. The song continues: "She dreams about dying all the time / She told me she came so close, filled up the bathtub and put on our first record." In 2004, Arcade Fire's debut album "Funeral" addressed the subject of death, but also recovery. Perhaps a hint of hope in an earlier verse by the group saved her from suicide.

The scenario is repeated in "Good God Damn": "Put your favorite record on, baby and fill the bathtub up....It's always darkest before the dawn / But the sun never shows." But the narrator looks to God, though not without questioning his merit. "Maybe there's a good God, damn" is a repeated line. Then a realization: "Maybe there's a good God / If he made you." In "We Don't Deserve Love," the writers employ a scorched-earth metaphor: "You say I can't see the forest for the trees / So burn it all down and bring the ashes to me."

These grim, fatalistic tales are accompanied by music too alive to be mere cynical counterpoint, though one interpretation could be that those who are gleefully lost in ephemera are unaware of the tragedy that hovers nearby. As its live shows illustrate, Arcade Fire is an exceptional band, and on its previous album, "Reflektor" (2013), it proved it's at ease with dance funk. Here, the group is joined by, among others, saxophonist Stuart Bogie, pianist

Owen Pallett—who, along with Sarah Neufeld, arranged the strings—and Daniel Lanois, who plays pedal-steel guitar on two tracks. All together, they make music that is proudly retro. One take of the title track recalls Abba, albeit with a pygmy flute and a chugging acoustic guitar peeking through, while the delightfully relentless "Put Your Money on Me" brings to mind Kraftwerk and Giorgio Moroder. "Infinite Content" is played twice, once as country folk with Mr. Gara brushing the snare drum, the other as booming four-beats-to-the-bar rock with a roller-rink-like organ in the mix. "Chemistry"

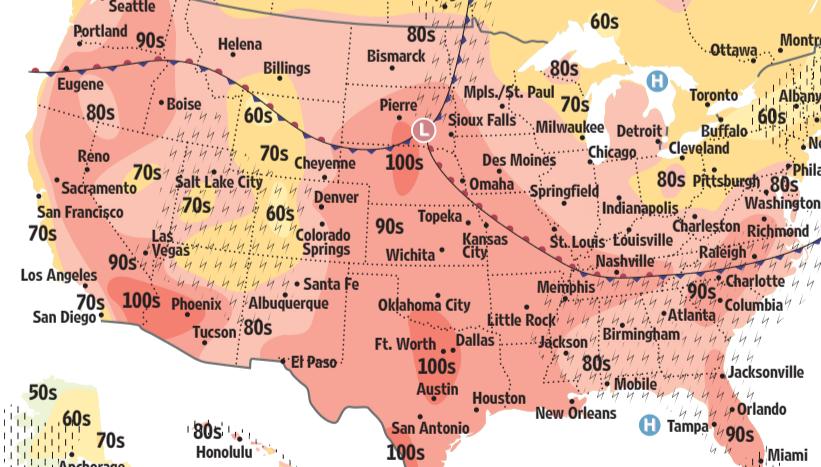


straddles early rock 'n' roll and reggae. But in the main, the band is content to ride a dance-funk wave atop fat, unremitting bass tones as in "Good God Damn."

On "Everything Now," opposing forces seem a natural fit. An optimist might say the message is to wake up to the need to re-prioritize but still enjoy the groove. A pessimist might insist that, in the face of a culture that values wealth and accumulation over principle, one might as well resign and keep dancing. The conflict produces a positive result: Arcade Fire's new music delights and its words give pause for reflection. A curious album, yes, and quite the commentary on the push and pull of contemporary life.

*Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.*

## Weather



AccuWeather.com

## U.S. Forecasts

s..sunny; pc..partly cloudy; c..cloudy; sh..showers;

t..storms; r..rain; sf..snow; sn..snow; l..ice

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 61 54 c 63 54 s

Atlanta 89 73 pc 90 73 pc

Austin 100 75 s 101 74 t

Baltimore 83 66 pc 83 69 pc

Boise 96 67 pc 95 66 pc

Boston 68 59 c 78 63 s

Burlington 70 55 c 80 66 pc

Charlotte 94 72 pc 88 71 t

Chicago 81 65 pc 89 72 pc

Cleveland 76 62 pc 86 69 pc

Dallas 100 81 s 101 81 s

Denver 95 62 t 83 61 pc

Detroit 81 64 s 85 69 pc

Honolulu 88 76 s 87 76 s

Houston 96 77 pc 96 77 pc

Indianapolis 81 64 pc 87 72 s

Kansas City 92 74 pc 92 74 pc

Las Vegas 95 83 t 99 83 pc

Little Rock 94 75 t 95 76 s

Los Angeles 81 65 s 83 66 pc

Miami 92 80 pc 92 81 pc

Milwaukee 78 66 pc 84 70 pc

Minneapolis 87 71 pc 82 65 t

Nashville 92 73 pc 94 75 s

New Orleans 91 76 pc 92 76 pc

New York City 73 65 sh 80 69 pc

Oklahoma City 98 75 pc 100 76 s

## International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 68 58 sh 71 61 pc

Athènes 95 77 s 93 75 s

Baghdad 115 85 s 114 84 s

Bangkok 90 80 t 88 79 t

Beijing 82 70 pc 75 67 r

Berlin 64 59 r 65 61 sh

Brussels 68 56 sh 74 59 pc

Buenos Aires 61 57 c 68 59 c

Dubai 110 95 pc 108 95 s

Vancouver 69 56 pc 66 51 r

Dublin 69 56 pc 66 51 r

Zurich 64 52 pc 64 50 r

## AccuWeather.com

Today Tomorrow

Hi Lo W Hi Lo W

Frankfurt 62 58 r 71 59 r

Geneva 67 55 sh 73 56 sh

Havana 90 72 pc 92 74 pc

Hong Kong 91 83 pc 92 81 t

Istanbul 91 76 s 88 74 s

Jakarta 91 76 pc 91 75 s

Jerusalem 91 72 s 91 70 s

Johannesburg 65 41 s 67 41 s

London 75 58 pc 68 57 sh

Madrid 89 63 s 94 70 s

Manila 83 78 t 84 80 t

Melbourne 62 49 sh 56 41 r

Mexico City 73 57 pc 73 55 pc

Milan 88 61 s 89 64 s

Moscow 72 62 pc 77 64 t

Mumbai 88 79 r 87 79 r

Paris 74 56 sh 77 61 sh

Rio de Janeiro 81 65 s 79 67 s

Riyadh 113 83 pc 114 86 s

Rome 84 66 pc 83 65 pc

San Juan 88 79 sh 88 79 sh

Seoul 90 75 s 90 75 s

Shanghai 108 86 s 101 84 t

Singapore 88 79 pc 88 79 pc

Sydney 70 56 s 73 51 s

Taipei 98 80 pc 98 78 pc

Tokyo 90 78 t 88 78 sh

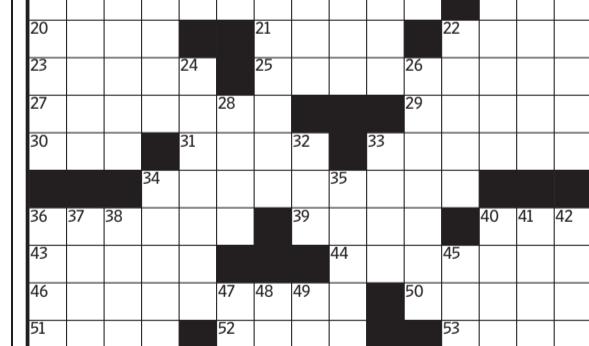
Toronto 75 58 s 76 66 pc

Vancouver 76 59 s 76 58 s

Warsaw 75 59 s 69 58 pc

Zurich 63 54 sh 65 51 s

## The WSJ Daily Crossword | Edited by Mike Shenk



BY GOLLY! | By Alex Eaton-Salners

### Across

1 Graf who achieved a Golden Slam

22 "Well That Ends Well"

23 Tricky stratagems

25 Wave generator, of a sort

27 Blue Jays pitcher Marco

29 Martini garnish

30 Austrian's article

31 Plug away

33 Christian of "Mr. Robot"

34 Gruff character of fairy tale

36 Most underhanded

# SPORTS

## GOLF

# How an Obscure Rule Lifted Spieth

BY BRIAN COSTA

**TO WIN** the British Open on Sunday, Jordan Spieth relied on his peerless iron play, steely putting and no small amount of gumption. He also displayed his mastery of a centuries-old text that combines the tedium of legal fine print with the complexity of the federal tax code: The Rules of Golf.

The pivotal sequence of the final round—how Spieth recovered from a horrendous tee shot on the 13th hole at Royal Birkdale—wasn't merely an exercise in shot-making under duress. It was also a test of Spieth's ability to consider a multitude of options under the rules and determine which ones would give him the best odds of mitigating the damage to his score.

The process took more than 20 minutes, sent hordes of spectators and cameramen scrambling to keep up, required the help of rules officials and marshals and included the surreal sight of Spieth navigating his way around equipment trucks. It also proved to be a defining moment in Spieth's career, which is on a trajectory to put him among the game's all-time greats.

Here are the key questions Spieth had to work out in real time as he teetered on the brink of collapse:

### 1. Could he play the ball as it lay?

It's hard to overstate just how bad Spieth's tee shot was. The ball appeared to veer around 100 yards right of the fairway, ricocheted off a spectator's head and landed on the upslope of a massive sand dune. It would have been highly difficult for Spieth to make strong contact with the ball as it lay—mired in thick, tall grass. And with so much rough to clear to get back to the fairway, he needed the ball to carry a long way.

To the rescue: the unplayable lie rule, which allows players to declare a ball unplayable and, with a one-stroke penalty, drop it in another spot no closer to the hole. But where?

### 2. What could he do with an unplayable lie?

The rule gives players three options. The simplest, and the one



most other players likely would have chosen here, is to play the ball from its previous location, which in this case would have been the tee box. Another would have been to drop the ball within two club lengths of its lie, which in this case was no option at all, since Spieth was surrounded by treacherous rough.

The third option allows players to take the ball back as far as they want on a straight line running from the flagstick through the original lie. This didn't look imme-

diate appealing, since there was thick stuff in every direction. But as Spieth looked further down the hill, past a walkway and over a gate, he spotted an oasis of pristine, short grass, someplace he had hit from just a few hours earlier.

It was the driving range.

### 3. Where to drop the ball?

Once Spieth confirmed with a rules official that the range was in bounds, his decision was made. But there was another issue. His line from the range was blocked by a row of equipment trucks, which

1. Landing spot of Spieth's tee shot. 2. Where he would have dropped his ball under the unplayable lie rule. 3. Where he was allowed to drop his ball because of the obstruction caused by the equipment trucks. 4. Where his recovery shot landed. 5. Spieth got off the green in one putt to make bogey.

all the major club makers send to tournaments to tweak or replace players' clubs as needed.

As Spieth was keenly aware, there is a rule for that, too. The trucks fell under a category known as temporary immovable obstructions. That entitled Spieth to take relief by dropping his ball no closer to the hole, between one and two club lengths from the point at which his line is no longer obstructed—in this case, just right of the back of the Titleist truck.

Got all that? Good, because

Spieth wasn't done calculating yet.

### 4. Where to aim?

When he finally took a drop, it was hard to tell with much precision how far Spieth was from the hole. The yardage books caddies use don't cover such far-flung spots. Spieth took out two clubs to choose from, a 3-iron and a 3-wood, figuring he could get the ball "somewhere near the green," he said. But where was that, exactly? Spieth couldn't see it over the dune, and the whole process had been somewhat disorienting.

He sent his caddie, Michael Greller, scampering up the hill with Spieth's bag on his back to estimate how far from the front of the green he was.

For a minute, the two of them shouted back and forth.

"Try to give me a round number," Spieth said. Greller looked at his yardage book. "Michael!" Spieth yelled. "Number?"

Greller gave Spieth his best estimate, 230 yards, and recommended the 3-iron. But before the recovery shot that sparked Spieth's dramatic win—landing just off the green en route to a bogey—there was one more rules issue he encountered.

As Greller stood on top of the hill, on or close to Spieth's line, he became a human alignment aid. That's fine to help a player line up a shot beforehand. But had Greller remained in place when Spieth swung the club, Spieth would have been subject to a two-stroke penalty.

Just before the shot, Spieth shouted, "You cannot stand there, Mike," one more rule he was glad he knew.

## THE COUNT

### A FUTURE HALL OF FAMER WHO WAS NEARLY A BUST

Texas Rangers third baseman Adrian Beltre is likely to join one of baseball's most exclusive clubs in the next couple of weeks. He entered Monday's action needing just 11 hits to reach 3,000 in his career, a milestone that should cement his eventual induction into the Hall of Fame.

At this point, nobody can deny Beltre's all-time greatness. For 20 major-league seasons, he has quietly combined prodigious power—he went into Monday with 453 lifetime home runs—and elite-level defense, winning five Gold Gloves.

But despite all of that, Beltre's achievements often still go unnoticed, with his candidacy for Cooperstown only emerging in recent years. Even after a decade in the major leagues, the idea seemed laughable, and it wasn't that long ago that Beltre was considered something of a bust. Now, with all due respect to Mike Schmidt, Brooks Robinson and so many others, Beltre very well could go down as the best third baseman in history by the time he retires.

A heralded prospect when he came up as a 19-year-old with the Los Angeles Dodgers in 1998, Beltre initially struggled to live up to the hype. Even with a 48-homer, 121-RBI breakout in 2004, Beltre only had a .779 on-base-plus-slugging percentage in his first 12 seasons, barely better than the league average.

When Beltre signed with the Boston Red Sox in 2010 for his age-31 season, everything changed. He hit .321 with 28 homers and 49 doubles that year, taking full advantage of the Green Monster at Fenway Park. That performance earned him a five-year, \$80 million contract with the Rangers in 2011, and he has been nothing short of brilliant ever since.

It has added up to Beltre posting numbers virtually unseen at his position.

In terms of hits, Kansas City Royals legend George Brett is the all-time leader for third basemen at 3,154, a figure Beltre could pass by the end of next season. Catching

### Like a Fine Wine

Adrian Beltre's numbers from age 19-30 (1998-2009) and age 31-38 (2010-present).

AGES	OBP	Slugging %	OPS	AB/HR
19-30	.309	.521	.880	20.57
.270	.359	.521	.880	20.57
.325	.359	.521	.880	20.57
.453	.359	.521	.880	20.57

OBP=On-base percentage

OPS=On-base + slugging

Note: Through Sunday's game

Source: Baseball-Reference; WSJ

Schmidt's 548 homers might be difficult, but he certainly should top Chipper Jones's 468 and could challenge Eddie Mathew's 512. Meanwhile, Beltre entered Monday with 1,602 RBI, just 21 behind Jones for the most ever for a player whose primary position was third base.

And he's not stopping yet. The 38-year-old Beltre is signed for another \$18 million for 2018, when he will continue his assault on the record books. He'll just be padding his stats on his way to Cooperstown.

—Jared Diamond



TONY DEJAK/ASSOCIATED PRESS

## TOUR OR SNORE DE FRANCE?

Before I get into what is becoming my annual Chicken Little panic attack about the state of the Tour de France, let me offer up a couple disclaimers:

1. Chris Froome is a tremendous bike racer—and now, with four Tour titles, he's one for the ages. During his run with Team Sky, he's shown not only a technical mastery of Grand Tour racing—he really doesn't have a weakness, from climbing to descending to the time trial—but also a talent for making savvy moves when the race goes sideways. He might not be one of the most stylistic riders ever, but I'm not one of those "FROOME IS A ROBOT" haters. Froome ran up a mountain last year. Find me a robot who does that. Froome's one of the best ever. Chapeau.

2. This wasn't a boring Tour de France. Crazy stuff happened. Cycling's mancrush Peter Sagan got booted out of the race entirely after a contentious crash in a sprint. Americans Taylor Phinney and Nate Brown took early turns in the "King of the Mountains" polka-dot jersey. Froome got dropped in the closing meters of a climb in the Pyrenees. Germany's Marcel Kittel took five sprint stage wins, and French rider Romain Bardet finished third overall.

But...

I can't escape the nagging feeling that something is out of whack in cycling's signature event. Though Froome's win was the narrowest in years, it really looks as if Froome's team, Sky, has cracked the code of Grand Tour racing, and unless steps are taken to level the playing field—we're going to be looking at an even longer stretch of dominance, if not by Froome, then by Froome 2.0.

Money is the driver here, of course. Froome's Sky is one of the richest teams in cycling, with a budget that's as much as four to five times as big as lower-level Tour outfits. During his titles, Froome has been surrounded by well-paid helpers who would be the No. 1 Dude on other squads. (Froome himself was once a lieutenant to Sky's first Tour winner, Bradley Wiggins.) This year Froome lost a



Chris Froome is flanked by Team Sky teammates during the Tour de France.

top teammate (Geraint Thomas) to a crash and barely missed a beat. Froome has a world champ (Michal Kwiatkowski) playing back-up guitar, and his top associate, Mikel Landa, missed third place by just one second. It's insane. Sky's roster makes the Kevin Durant-Steph Curry Warriors look like a schlubby pick-up team at the Y.

Yes: big money doesn't assure victory. There are fat spenders who had letdown Tours, like Katusha, Astana and BMC (though BMC lost its leader, former Froome/Sky helper Richie Porte, to a crash.) You can have all the money, but if you're dingbats, it's meaningless. Sky's smart and focused. They arrive at the Tour to win the yellow jersey, and not mess around with sprints or even stage wins. It's a ruthless approach, and Sky's gotten a bit cranky (with its performance under the microscope, they've become unnecessarily snippy with the media) but it's hard to argue with the final result.

Or is it? One of the most thrilling developments during this year's tour was the emergence of Rigoberto Uran, a former Sky rider (they're everywhere!) now with the Cannondale-Drapac. Uran's a past Giro

d'Italia runner-up, but Cannondale is a modestly-budgeted operation, and Uran couldn't rely on a fancy-pants all-star escort up the final climb.

And yet it felt a little inevitable. Froome and Sky were too good—and one of the closest Tours was a little less close than it appears. It makes one wonder what cycling—a sponsor-driven sport—would look with some kind of salary cap or spending structure in which money could be more equally distributed. What would it have looked like if Froome, Uran and Bardet spent stretches isolated and alone? What if more players could join in the party? Would the Tour be less predictable? Maybe. More exciting? Definitely.

Again, none of this is to diminish Froome, who's got zero to prove. But I think The Tour would benefit from spicing up: financial fairness, inventive stages, maybe smaller teams. For an event that literally began as a publicity stunt (for a newspaper, no less), the Tour in 2017 is quite traditional, even fuddy-duddy. Re-examining the old way of doing things isn't an insult—it's smart, modern, forward-thinking strategy. You know who'd agree? Sky and Chris Froome.

## OPINION

# Mueller Is Trumping Congress

**MAIN STREET**  
By William McGurn

Did Congress learn anything from Lois Lerner? Judging from Capitol Hill's self-abasing deference to Special Prosecutor Robert Mueller, the answer is no. You remember Ms. Lerner. She was the official at the center of an Internal Revenue Service effort that denied conservative political advocacy groups tax-exempt status, or at least held up approval long enough that these groups could not be a factor in the 2012 election.

Back when Republicans were holding hearings on the matter, time and again they were lectured not to do anything that might affect the FBI's investigation—which eventually ended with no charges against anyone. Though Ms. Lerner was found in contempt by the House for her refusal to testify, it proved all for show.

The tip-off came when then-Speaker John Boehner, rather than use Congress's inherent contempt power to jail Ms. Lerner until she talked, opted for classic swamp symbolism—by passing the buck to an Obama Justice Department everyone knew would never prosecute her.

The result? Ms. Lerner avoided having to answer any hard questions. The IRS merrily continued to lose or destroy crucial documents. And John Koskinen, the awful replacement IRS commissioner

who stonewalled and misled, remains in office.

The Lois Lerner fiasco offers a sobering lesson for a Congress whose various committees are holding hearings on Russia's intervention in last year's elections as Mr. Mueller investigates the same. While Mr. Mueller's office is a watered-down version of Ken Starr's or Lawrence Walsh's, it remains true that special prosecutors corrupt even if they don't corrupt as absolutely as independent counsels. The main headlines of the past week—Is Donald Trump attempting to undermine Mr. Mueller? Will Trump fire Mr. Mueller?—all speak to the challenge a special prosecutor poses to the constitutional authority of the president.

Fair less scrutiny has been devoted to the challenge Mr. Mueller poses to the authority of the legislative branch. In this case, ironically, the challenge stems less from the aggressiveness of the special prosecutor than from the meekness of Congress. In between their public tributes to Mr. Mueller's sterling character, too many in Congress seem to worry more about how they might be affecting his investigation than about what his investigation might be doing to theirs.

One small snapshot: Mr. Mueller, an unelected appointee, had the Trump memos written by former FBI Director James Comey even as the FBI was refusing to release them to the elected representatives of the American people.

When Mr. Mueller was appointed back in May, Sen. Lindsey Graham rightly noted

that though he respected the decision, the appointment will "really limit what Congress can do, and it's going to really limit what the public will know about this." Alas, the South Carolina Republican went on to say that "we in Congress have to be very careful not to interfere in his lane."

### Special prosecutors corrupt; independent counsels corrupt absolutely.

Certainly representatives and senators shouldn't set out to frustrate Mr. Mueller's investigation. But neither should they permit Mr. Mueller to frustrate theirs.

In this investigative capacity, Congress has many tools to enforce its demands for information. It can, for example, use inherent contempt to jail someone until he testifies or produces the requested information. True, inherent contempt hasn't been invoked since 1935, but given that the civil path to enforcing a contempt finding takes years and the criminal option (as Ms. Lerner showed) has effectively been overridden, Congress would do well to rely on its own powers and authority.

Here a May 2017 review from the Congressional Research Service is illuminating. Although witnesses before a congressional committee do have the right to invoke the

Fifth Amendment, the House can get a court order directing the witness to testify so long as the threat of prosecution for that testimony is removed. Mr. Mueller might not like this, but that shouldn't stop Congress from using a power designed to extract information rather than punish.

Even more intriguing, sensitive or privileged client information is not exempt from congressional subpoena. This might prove especially fascinating in the case of former Trump campaign manager Paul Manafort, who has had business dealings with a pro-Russian Ukrainian political party. Ditto for Glenn Simpson, whose Fusion GPS commissioned what became the Christopher Steele Russian dossier on behalf of political clients.

Not to mention the many other powers of Congress, including impeachment and the purse. The point is, Congress has many ways to get to the bottom of the Russia story and hold people accountable—if it so chooses.

In *Anderson v. Dunn* (1821), the Supreme Court correctly noted that without the power to imprison those found in contempt, Congress would be "exposed to every indignity and interruption, that rudeness, caprice or even conspiracy may mediate against it." Two centuries later, the different examples of Ms. Lerner and Mr. Mueller both point to a brand new indignity—which Congress inflicts on itself when it is too timid to assert its own powers.

*Write to mcgurn@wsj.com.*

## Europe's Next Crisis: The Balkans

By Walter Russell Mead

**A**t a recent closed think-tank meeting, a well-informed German official was asked what problem in Europe caused him the most worry. His answer came without hesitation: the Western Balkans, where a new crisis is brewing as Turkey and Russia stir the pot.

In his worst-case scenario, Russia and Turkey would encourage their proxies in the Balkans, Serbia and Albania, to help them redraw the region's borders. The Serbian government, with Russian support, could annex large portions of Bosnia populated by ethnic Serbs. Turkish support could help Albania pull off a similar maneuver, not only in heavily Albanian Kosovo but also in Macedonia, where much of the large Albanian minority would like to reunite with the motherland.

This course of events is unlikely. Since some of the territory claimed by Greater Albania partisans is in Serbia, it would be difficult for the two countries to agree on a new map. But it's not an impossible outcome, even if the idea more likely would inspire a James Bond villain than a foreign minister. And increasing numbers of wannabe Bond villains seem to be popping up in world politics these days.

There is a grave reality

underlying the German's concerns. The Balkans are unraveling, and the West now must worry about more than Russian meddling. Turkey is becoming more of a NINO (NATO in Name Only) power, and despite deep Turkish suspicions of Russia, President Recep Tayyip Erdogan is cooperating more closely with President Vladimir Putin.

### Russia and Turkey stir up trouble, while the EU focuses on its own problems first.

Turkey and Russia have been brought together by their opposition to Germany and the European Union. Russians don't just hate NATO; they see the EU as a barrier against Russia's historical great-power role in European affairs. Turkey has also turned against the EU and is looking for leverage against Germany and its fellow members. For Russia and Turkey, the ability to cause Europe trouble in the Balkans with relatively little risk and cost is too good to pass up.

The prospect of EU membership for countries like Serbia, Macedonia, Montenegro, Kosovo and Bosnia has done more than anything to keep the fragile peace in the Western Balkans. Every Balkan country would rather be part

of the EU than be allied to either Russia or Turkey.

But hopes of near-term EU membership are fading. Europe is losing Britain and has had a hard time managing relations with members like Hungary and Poland. The 28—soon to be 27—EU members have little desire to take in five obstreperous new Balkan states that would make the union even more ungovernable, and would expect financial aid at a time when the post-Brexit EU budget will already be stretched.

Serbs and Albanians are both signaling that if the West walks away, they will have to look east, and that will mean shifting to a nationalist agenda with Russian and Turkish help.

For the EU, a new round of Balkan chaos would be a disaster: refugees, crime, radicalization among Balkan Muslims, greater opportunities for hostile powers to gain influence at EU expense. But the EU doesn't think it can manage the Balkans on its own. The U.S. will have to be part of the solution, Germans say.

Will the U.S. play ball? Engaging in distant Balkan quarrels to make Germany's life easier isn't exactly Donald Trump's idea of smart foreign policy. Even as Atlanticist a president as Bill Clinton struggled for two years to keep the U.S. out of the post-Yugoslav wars. Mr. Trump may be even more skeptical of intervention

and treat the possibility of a new round of Balkan wars with the chilly aloofness that Barack Obama displayed in Syria. This would be a grave mistake. Although the quarrels in the Balkans are trivial compared with larger problems elsewhere, what happens in the Balkans doesn't always stay in the Balkans, and NATO as well as the EU could be shaken to the core by another round of Balkan bloodletting. The crisis has the potential to redefine U.S.-EU relations for decades.

Europeans argue that relatively small, short-term American investments—active diplomacy and building up U.S. forces in Kosovo—could go a long way. But we have a president who may not find that argument convincing.

Mr. Trump's core foreign-policy conviction seems to be that the U.S. has let its allies enjoy a decades-long free ride. Europeans who worry about Balkan peace need to think about how they can persuade a skeptical White House to engage. The old appeals—to NATO solidarity, defense of freedom, fear of Russia—may not be enough.

Mr. Trump thinks in terms of deals, and Berlin needs to think about how to bring him to the table.

*Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.*

## India's Best-Loved Politician

By Tunku Varadarajan

**I**ndia's proudest boast is that it is the world's biggest democracy. But in the 70 years since independence, India's citizens have been poorly served by government ministers, many of whom have been remote, overbearing, idle, AWOL or corrupt.

Not Foreign Minister Sushma Swaraj. A longtime member of the ruling nationalist Bharatiya Janata Party, the 65-year-old Punjabi has also been chief minister of Delhi and opposition leader. In her present role, she has become India's best-loved official, mostly due to her tireless attention to Indians in distress abroad. It is a task she gave herself after it became clear that Prime Minister Narendra Modi, a control freak, intended to exercise tight personal control over foreign and security policy.

Ms. Swaraj's space, therefore, lay in elevating that most mundane but vital diplomatic

function: consular and citizen services. By using Twitter publicly as a channel for citizens (and even noncitizens) to call for assistance, Ms. Swaraj has reminded people that the oldest role of any foreign ministry

### Sushma Swaraj wins admirers by helping citizens abroad.

is to look after its nationals outside the country. Ms. Swaraj has 8.69 million followers, putting her in the global top 10 among politicians. The majority of her tweets are written in response to pleas for help. Of these, a good number come from the Indian diaspora in the Persian Gulf, mostly blue-collar workers who toil under stressful, often inhumane conditions.

Late last week, a group of Indian workers in Saudi Arabia

filmed an appeal to Ms. Swaraj. Each man had his palms pressed together, as if in prayer; their leader, in plaintive tones, asked Ms. Swaraj to help them return to India as their salaries were being withheld. Ms. Swaraj tweeted right back. "Why do you beseech me? You're Indian citizens. The Indian Embassy in Riyadh will do everything to help you." They are now on their way home.

On other occasions, she has helped Indians who are sick abroad find hospitals, then negotiated with those hospitals to accept Indian insurance. Indian women in bad marriages to foreign men tweet to her for her help to return to India. On one delicious occasion, a man tweeted to her for assistance with his fridge, complaining that Samsung was making him pay to repair it. Her response was blunt but courteous. "Brother, I cannot help you in matters of a refrigerator. I'm very busy with human beings in distress."

Many of these human beings, as it happens, are Pakistani, and they tweet directly to Ms. Swaraj, too. Despite tensions between India and Pakistan, there's a steady flow to India of Pakistani visitors in urgent need of medical attention, hospitals in Pakistan being expensive and largely substandard. They often encounter problems getting permission to leave Pakistan, or visas to enter India.

Recently Ms. Swaraj ensured that Rohaan Siddiqi, a Pakistani toddler, was able to fly to India for life-saving surgery. After the operation on the boy's aorta, the emotional father said: "The heart of my child beats today for Madam Sushma Swaraj." Her response was, "Rohaan—keep smiling," a tweet that will do more for neighborly relations than a score of official summits.

*Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.*

**BOOKSHELF** | By Mark Moyar

## After the Death Of bin Laden

### Anatomy of Terror

By Ali Soufan  
(Norton, 359 pages, \$27.95)

### Terror in France

By Gilles Kepel with Antoine Jardin  
(Princeton, 220 pages, \$29.95)

**S**ix years ago, U.S. helicopters infiltrated Pakistani air space to deposit Navy SEALs at Osama bin Laden's compound. Storming it in the dark of night, the SEALs shot dead all the adult male inhabitants and secured the site within 20 minutes. During the next 20 minutes, they loaded bin Laden's corpse, computers and flash drives onto helicopters, then departed into the moonless sky.

What happened next is the subject of Ali Soufan's "Anatomy of Terror." A Lebanese-born Muslim, Mr. Soufan tracked al Qaeda during his career as an FBI special agent and went on to publish a book on the period from 9/11 to 2011 titled "The Black Banners." "Anatomy of Terror" picks up the story since 2011, though much of it, for context, rehearses the events of the preceding decade.

Bin Laden's demise, Mr. Soufan says, deprived al Qaeda of a charismatic leader at its apex. His successor, the Egyptian doctor Ayman al Zawahiri, had the personal magnetism of a falafel. By 2011, however, bin Laden had set the conditions for al Qaeda to survive without his inspirational guidance, by seeding his lieutenants across Africa, the Middle East and Asia and shifting from spectacular terrorism to governance in fragile states.

The most successful al Qaeda offshoot, ISIS, attracted an estimated 38,000 foreign nationals to its cause. Its explosive growth, however, provoked interventions by Iran, Russia and the United States. Although ISIS has since lost much of its caliphate, it has begun to adjust in a manner similar to al Qaeda, by going underground in sympathetic areas and establishing franchises in other Islamic countries.

Mr. Soufan asserts that the United States has relied too much on military power to contend with al Qaeda and ISIS, neglecting the diplomatic, political and economic tools required for developing local institutions and countering extremist ideas. In fact, the United States has spent huge sums on reconstruction, nation building and information operations in Iraq and Afghanistan. Regrettably, much of it was squandered by corruption or by Barack Obama's hasty withdrawal from the two countries.

According to Mr. Soufan, recent events have disproved Samuel Huntington's prediction of a clash among civilizations. The struggles of al Qaeda and ISIS, he says, are struggles *within* Islamic civilization. "All of the major combatants are Muslim," he writes. "For all their military might, outside powers like the United States and the Russian Federation can at best only marginally affect the outcome."

**Al Qaeda operatives spread into fragile states across Africa, the Middle East and Asia. The most potent offshoot, ISIS, struck at Europe too.**

Yet only in an ahistorical sense has the United States not been a "major combatant." Less than a decade has passed since 160,000 U.S. troops were at war in Iraq, and fewer than six years since 100,000 were fighting in Afghanistan. Russia's intervention in Syria saved Bashar al Assad's government from a defeat that could have turned the broader conflict upside-down. Today both the United States and Russia remain capable of more than marginal influence.

If one looks outside the Middle East, one can find plenty of violent conflicts between Islamic and Christian civilizations. At the moment, the most violent are taking place in Africa. Less violent, but more momentous, are the clashes between Muslims and Westerners in Europe. Those clashes are the subject of Gilles Kepel's "Terror in France."

Mr. Kepel published the first edition of his book in French in late 2015, just weeks after ISIS operatives killed 130 civilians in Paris. During the next year, Islamic terrorists conducted further deadly attacks in France and struck in Belgium, Denmark and Germany. Mr. Kepel gives the impression that ISIS has generated little sympathy among French Muslims; one would have liked more from him on that subject, given how much controversy surrounds the extent of support for ISIS among Europe's Muslims.

Mr. Kepel traces the radicalization of some French Muslims to the riots of 2005, during which Muslim youths erupted in protest against alleged police misconduct. Initially, France's Socialists tried to win Muslim voters by pushing for more government spending in blighted neighborhoods. They were overshadowed by Nicolas Sarkozy, whose vow to restore law and order won him middle-class votes and the 2007 election. As president, he promoted French national identity and called on immigrants to assimilate—e.g., by forgoing the veiling of women. Muslims were pivotal in Mr. Sarkozy's narrow defeat in 2012, as more than 80% of Muslim voters cast their ballots for François Hollande, the Socialist candidate, who espoused multiculturalism. Mr. Hollande, in his turn, alienated large segments of the Muslim population by pushing for same-sex marriage.

Mr. Kepel blasts political elites, saying that they are an insular class reliant on "pseudo-experts who block public financing for in-depth research that would expose their imposture." But he reserves his greatest scorn for the populist nationalists. Their overreaction to Islamic terrorism, he says, will drive French Muslims into the arms of the extremists. Unfortunately, he offers little in the way of alternative policies. He calls for greater attention to academic research on Islam but does not spell out the academic insights that remain unknown to government leaders.

Given the absence of clear alternatives, one must conclude from "Terror in France" that the French should keep muddling along, avoiding any bold changes lest they antagonize Muslims. The election of Emmanuel Macron seems to set France on that track. But if the Muslim population in France continues to grow faster than the non-Muslim one, its political clout will grow as well. With greater power, Muslims will be even more inclined than now to clash with a Western civilization whose vitality seems to erode with every passing day.

*Mr. Moyar is the author of "Oppose Any Foe: The Rise of America's Special Operations Forces."*

## OPINION

### REVIEW & OUTLOOK

## Can Republicans Govern?

**M**itch McConnell is scheduling another showdown vote in the Senate—the third attempt—as early as Tuesday on a motion to proceed to debate on health reform. Succeed or fail, the Republican Majority Leader is right to demand this moment of political accountability.

Mr. McConnell wanted to hold the vote last week after a rump group of GOP Senators on the right and left opposed his latest draft. But the White House sought more time for talks and he agreed—apparently in the name of hope over experience. The vote he wants to hold Tuesday would require 50 Senate ayes to proceed to a floor debate, and he can only afford to lose two Republicans.

Members have been debating among themselves for weeks, they know or should know the bill's essential policy choices, and the bill isn't getting prettier with age. That's especially true on Medicaid reform and spending, which is the chief gripe of the so-called moderates led by Rob Portman of Ohio. They keep demanding more money. They keep getting it, but it's never enough.

The first version of the bill's "stability fund" for states was \$62 billion. The moderates demanded more and pushed that to \$132 billion in the second version. Then they demanded \$45 billion to fight opioid addiction. Check again. Now we hear they are back demanding tens of billions more. A spokesman said Mr. Portman is undecided on the bill.

A particular outrage would be if Senators blocked the bill from even going to debate if the extra money isn't added to the latest McConnell draft. Never mind that they could offer an amendment on the floor after debate begins and see where the sense of the Senate is. The moderates, and conservatives like Rand Paul and Mike Lee, are using Mr. McConnell's narrow margin to trump the policy preferences of the vast majority of their conference as the price of even allowing debate.

Tennessee Senator Bob Corker had it right last week when he said that "it's beginning to feel like a bazaar, much like how ObamaCare was put together where disparate things are added and put in."

Mr. McConnell is obliged by procedural rules to introduce the bill that passed the House for the motion to proceed to debate. By our deadline Monday, he had not announced what he would offer as the first amendment on the Senate floor. Some Republicans want him to offer his latest draft, and he probably will if he thinks

he may have the votes to pass it. The bill would then have to endure an amendment free-for-all, with Democrats and perhaps some Republicans seeking to amend it in ways that might kill it. But at least we'd get a debate, and voters could see which Senators have which priorities.

Mr. McConnell's other option would be to offer the December 2015 bill that repealed ObamaCare with a two-year delay to find time to replace. Fifty-one of the 52 current GOP Senators voted for that repeal bill that Barack Obama vetoed. (Maine's Susan Collins was the exception.)

The only difference now is that President Trump will sign the bill. This would keep a core promise to GOP voters over four elections and seven years. Opposing this same bill now would expose Senators who campaigned for repeal only when they thought it had no chance to happen. The vote would stick with them for the rest of their careers.

Paradoxically, repeal-and-delayed-replacement might also offer the best chance for bipartisan action on health care. With the fuse lit on ObamaCare repeal, Congress would have an urgent incentive to fix it. Democrats might not want to help the GOP do so, but their refusal would be litigated in the 2018 midterms. If they refused to help at all, they would share the blame for collapsing insurance exchanges.

\* \* \*

The larger stakes in the ObamaCare fight are whether Republicans can be a governing party. They can win elections but not since the early 2000s have they showed they can pass a major reform through Congress. They blew it the last time they controlled both ends of Pennsylvania Avenue in 2005-2006. They've already wasted six months on health care in this Congress with nothing to show but division and discord.

This failure is all the more remarkable given the current Senate election cycle. Only one GOP incumbent—Dean Heller of Nevada—faces a difficult challenge in 2018 and that is 16 months away. If Republicans can't reform Medicaid when they are in this strong an election position, when will they ever? Forget about modernizing Medicare or Social Security before a debt crisis.

What is becoming clearer every day is that some GOP Senators would rather not vote on health care at all. They'd rather talk in the cloakrooms until time runs out on this Congress. But voters want to see who honors their campaign promises, and especially who doesn't. Call the roll.

## Farewell, Charlie Gard

**C**harlie Gard has come to the end of the line. On Monday his parents announced they are giving up their appeal to have him undergo experimental treatment in the U.S. for his genetic disorder. Their decision came after the doctor who'd offered it said too much time had elapsed and too much damage had been done.

People can disagree with the best treatment for Charlie: The British doctors certainly disagreed with the American specialist the family invited. In a statement defending the British actions that delayed the treatment until it was too late, Justice Nicholas Francis admitted no "parent could have done more for their child" than Charlie's had done—but went on to say that in Britain "children have rights independent of their parents."

What does that mean for an 11-month-old

baby? It meant a guardian was appointed to make the case against the parents, and that a court made the final call. The message from these medical and legal officials arrayed against the parents was this: How dare you look for a second opinion.

In her own statement Monday, Connie Yates, Charlie's mother, noted that all she and her husband wanted was to "take Charlie from one world renowned hospital to another world renowned hospital in the attempt to save his life and to be treated by the world leader in mitochondrial disease."

This they could not do, because of a system that elevated a judge's opinion about what was best for Charlie over loving parents. Few should be surprised, because the brutal reality is that when the state is responsible for nearly all health spending it inevitably takes responsibility for life and death decisions too.

## The Kushner Statement

**J**ared Kushner on Monday introduced a useful precedent for the Trump Presidency: comprehensive disclosure. In an 11-page statement released before meeting this week with the Senate and House intelligence committees, the President's son-in-law and White House aide described his contacts with Russian figures during the campaign and after the election.

The statement to the committees ends with a definitive denial of collusion with the Russians: "I did not collude, nor know of anyone else in the campaign who colluded, with any foreign government."

The Beltway media are past the point of no return on their collusion odyssey, so there is little chance that Mr. Kushner has put this issue behind him. But as we suggested in these columns last week ("The Trumps and the Truth"), the White House's best defense against death by a thousand cuts of anonymous leaks is radical transparency on Russia. Mr. Kushner's statement has provided a template.

There isn't much in this statement about Russia beyond what we know, but Mr. Kushner expressly rebuts some of the more incendiary news reports of recent months.

The biggest was the recent disclosure of a meeting between Donald Trump Jr. and a Russian lawyer, which was also attended by several functionaries serving as "translators." About 10 minutes into the meeting, which he calls a waste of time, Mr. Kushner says he emailed his assistant: "Can u pls call me on my cell? Need excuse to get out of meeting." Aside from the amusement of this extraction effort, Mr. Kush-

ner's email to his assistant is surely available to investigators for confirmation.

Mr. Kushner also rebuts suggestions that he served as a back-channel conduit between the Russians and Trump Administration, and he denies ever discussing sanctions against Russia with its then ambassador to the U.S., Sergei Kislyak.

In Mr. Kushner's accounting, the Russian ambassador comes off as a suspiciously eager pest, constantly seeking meetings with the President-elect's son-in-law. Mr. Kushner says he finally agreed to a meeting that would have set off alarms of skepticism in a more politically experienced person. Mr. Kislyak puts him together with one Sergey Gorkov, "a banker and someone with a direct line to the Russian president."

An important point is that with this and the other contacts described, Mr. Kushner offers details about what was, and what was not, discussed at these meetings. Up to now, Team Trump has taken the view that because every story is unfair or a witch hunt, they are under no obligation to provide their side of these allegations. Which has left the field open for months to media speculation.

Now we have the Kushner disclosure template. Lying to Congress is a crime, so this statement and its details involve some risk for Mr. Kushner if some other meetings or Russian connections turn up. But if this is all there is, the collusion narrative will have to find another protagonist. The President and other campaign officials could save themselves and the country much grief with similar disclosures.

### The President's son-in-law sets a disclosure example on Russia.

## LETTERS TO THE EDITOR

### Coding's Good but Ephemeral, Language Lasts

Andy Kessler recommends educational institutions replace their foreign language requirement with a computer science requirement ("Learn a Language, but Not a Human One," op-ed, July 17). As a recent high-school graduate planning to double major in computer science and Chinese, I agree that schools need to require that students study coding, but not at the expense of traditional language learning.

Mr. Kessler mistakenly assumes fluency in a foreign language can be replaced with today's latest translation software. As a former exchange student, I can attest it is near impossible to have a sustained, let alone meaningful, conversation when you are confined by an inanimate device's slow, often grammatically or culturally incorrect, translation. To the response that translation software will soon advance to the point where my concerns are obsolete, I would like to know how monolingual software engineers will achieve such nuanced results.

Learning a second language has connected me to a different history, culture and realm of human experience. The personal relationships I have formed and global understanding I have gained cannot be replaced. Unlike language, computer science doesn't enable such an exchange.

MARGARET RAUCH

Downers Grove, Ill.

Which computer language exactly will still be relevant by the time a student has become proficient? Within the past few years we have seen the advent of very advanced online platforms such as QuickBase and Zoho that enable people with no formal coding experience to create enterprise-scale workflow database solutions in a very short time. These "no code" solutions render traditional coding irrelevant for many of the users who would have learned to create software applications in Microsoft Access or similar solutions.

CULLEN COATES

Lincoln, Calif.

The world is not headed toward one language. The fact that we see signs in English around the world doesn't mean the Japanese or Chinese or Egyptians are abandoning their native languages. Rather, they are learning English and becoming bilingual. The U.S., on the other hand, is in danger of becoming the largest pot of monoglots in the

world, and our citizens risk losing out on the many benefits that bilingualism brings. In the Program For International Student Assessment (PISA) rankings of international education, virtually all of the many countries ranking above the U.S. raise their children bilingually. Those countries ahead of us in the PISA rankings use languages to learn subjects like history and math. Some smart U.S. states are starting to do that too, notably Utah.

STEVE LEVEEN  
Delray Beach, Fla.

My advice to a student who wants to pursue a career in technology is to get an engineering degree and minor in Hindi or Mandarin, so he or she can relate to future colleagues or, better yet, future employees. They will learn whatever amount of coding, in whatever language they need to know, along the way.

JON F. PUGH  
Upper Arlington, Ohio

I studied Russian for eight years, and the striking difference between Russian and English is that Russian is a very precise language, whereas English is a very vague language. When I write, I ask myself if what I am saying would make sense were I writing in Russian. The result is the appreciation from colleagues for writing clear and concise emails. So far, no app can do that.

LARRY DAVIS

San Francisco

By the time kids beginning high school now graduate from college, almost all computer programming will be done by machines, not humans. But French will still be a beautiful and beguiling language spoken by millions of people.

EM. PROF. GEORGE HART  
University of California, Berkeley

Language training is an important part of our moral education as decent human beings. Realizing you are not the center of the universe: good. Realizing that there are other languages that people live and love in: good. Experiencing the humility associated with not being able to communicate or understand instantly: good. Thinking through other perspectives, developing empathy: good.

ELLEN JOVIN  
New York

### They Weren't Flashy, but Mature for Their Age

I could not agree more with Bob Greene's "A Bomb Without Bombast, in Contrast With Kim Jong Un" (op-ed, July 19), as my dad was the only pilot to have flown on both atomic bomb missions. Charles Sweeney was on Col. Paul Tibbets's Enola Gay's right wing during the first mission over Hiroshima with most of the scientists who built the bomb. After the debrief, Col. Tibbets said to my dad: "Charlie, if we need to drop the second one, I want you to run that mission," which he did at age 25. My dad never boasted about what he had

done in helping end World War II, and in fact once told me that his mission to get over 100 F-86 Sabre jets to France during the Berlin crisis in 1962 was a lot harder than the atomic bomb mission. This from a guy who landed his B-29 on Okinawa with three gallons of gas because he did not have enough fuel to get back to Tinian Island after the Nagasaki mission. These guys were kids who became men quickly. Some men today never grow up.

TERRY "T-BIRD" SWEENEY  
Naples, Fla.

Regarding your editorial "The Trumps and the Truth" (July 18): Don't make the mistake of assuming that a destruction of the Trump presidency by the Washington establishment will end with President Trump's supporters being "demoralized." On the contrary, an act of impeachment will infuriate and alienate nearly half of the voting public. I fear an impeachment will have catastrophic implications that will test the cohesion of our republic.

This isn't just a game for Wash-

### A Dimon in the Rough: On Speaking Truth to Power

Bless James Dimon for daring to speak truth to power in his earnings call for J.P. Morgan Chase ("Jamie Dimon Goes Off," Review & Outlook, July 15). Now he must prepare for more aggressive bank examinations on compliance with the Bank Secrecy Act/Anti-Money Laundering, the Home

Mortgage Disclosure Act, the Flood Disaster Protection Act, executive incentive pay, securities trading and attacks from the graspers at the CFPB over the Truth In Lending Act and Real Estate Settlement Procedures Act and any made-up rules the CFPB wants to apply regarding fictional discrimination.

Mr. Dimon's willingness to speak up may cost his bank untold sums in fines and penalties, but God bless him for having the courage. I think I speak for many J.P. Morgan Chase shareholders.

GEORGE HARRISON

La Selva Beach, Calif.

ton insiders, and President Trump's family should be the least of our concerns.

ALAN CULTON

Russian intelligence probed the Trump campaign, attempted to discredit Hillary Clinton, hacked John Podesta and the Democratic National Committee's email knowing that these activities would eventually become public, undermining Americans' faith in the election process. There must be a "mission accomplished" banner hanging somewhere in the Kremlin.

GLENN F. OELKER

Cayucos, Calif.

The meeting that was truly egregious and shouldn't have been taken was the one then Attorney General Loretta Lynch accepted with Bill Clinton on an isolated tarmac in Phoenix.

REUVEN MANN

Phoenix

### Pepper ... And Salt

THE WALL STREET JOURNAL



"The company offers one vacation week, eight sick days and four apathetic days."

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## OPINION

# Cops and Robbers, All Rolled Into One

By Tony Lima

**T**here aren't many things government can claim to do more efficiently than the private sector. Taking people's property is one. In 2014 the federal government seized about \$4.5 billion from people who hadn't been charged with crimes. That exceeds the private-sector equivalent, burglary. According to an analysis by Armstrong Economics, perpetrators absconded with only \$3.9 billion that year.

Since 2007 the Drug Enforcement Administration alone has seized more than \$3 billion in currency from individuals in civil actions under which legal protections for criminal charges do not apply. Criminal asset forfeiture requires an indictment against both an individual and the property in question. With civil asset forfeiture only the property is seized before being seized.

Last week Attorney General Jeff Sessions stated his intention to increase the volume of these asset forfeitures. Contrary to published reports, the Sessions directive does

not extend asset forfeiture to states that have outlawed the practice. It clarifies that federal asset forfeiture can only be applied to violations of federal law.

But there's no doubt Mr. Sessions is putting himself in bad company. As California attorney general, Kamala Harris opposed a 2011 law restraining the practice of civil asset forfeiture. In 2013 she sponsored a bill to allow authorities to seize suspects' assets before filing charges. That year California forfeitures totaled \$50 million. Ms. Harris is now a U.S. senator in the midst of a 2020 presidential boomlet.

Civil asset forfeiture has become a profit center for law enforcement. Any law-enforcement official can seize assets, and anyone suspected of a crime can be a target. In 2016 half of all forfeitures in Connecticut were valued at less than \$570, casting doubt on the claims of many government agencies that civil asset forfeiture is used only against big-time thieves and drug dealers. Many states allow law-enforcement agencies to keep all or part of what they seize.

about cash and property seizures, not one indicates whether a criminal charge or conviction accompanied a forfeiture," according to a 2015 report from the Institute of Justice, a free-market legal group. "The DOJ carefully tracks and reports forfeiture revenue, but fails to publicly report whether forfeitures target proven criminals."

In 2013 the Internal Revenue Service seized \$33,000 from Carole Hinder. It was the entire balance in her restaurant's checking account.

It's impossible to know how many instances of federal asset forfeiture lead to criminal convictions, because the Justice Department doesn't keep such data. "Although the Department of Justice's forfeiture database tracks more than 1,300 variables

Ms. Hinder had operated her business for more than 40 years, accepting only cash. The agency then got a warrant to seize another \$150,000. Ms. Hinder's crime? Making deposits of less than \$10,000, the threshold above which banks must report transactions to the IRS.

Ms. Hinder's mother had advised her to make smaller deposits because it would be more convenient for the bank—the required IRS Form 8300 is long, complicated and time-consuming for banks to fill out. The IRS alleged that Ms. Hinder's deposits were "related and excessive." Thankfully, sanity eventually prevailed. The IRS dismissed her case in late 2014.

In 2012 Bi-County Distributors, a small family-owned business on Long Island, watched the federal government yank \$446,000 from its account. Three different banks had stopped doing business with Bi-County because of the reporting requirements triggered by its frequent large cash deposits. Bi-County's accountant advised the company to stay below the \$10,000 limit, which, of course, drew the IRS's attention.

In January 2015, Loretta Lynch, then U.S. attorney for New York's Eastern District, signed a settlement returning the \$446,000 to the company. Bi-County survived because its vendors allowed it to postpone paying bills. At one point, Bi-County owed a supplier almost \$300,000.

Asset forfeiture imposes costs on the broader economy as well as individual businesses. Capital that is tied up in court proceedings or accounts payable is not available to finance productive enterprise. Instead of expanding this practice, Mr. Sessions should reform it. His recent directive took a tiny step in this direction by expediting both the notification and appeal processes.

But he should do more. The Justice Department should start keeping track of forfeitures that do not lead to charges and urge Congress and the states to pass reforms, especially an end to the practice of using the proceeds as a source of revenue for the government.

*Mr. Lima is a professor emeritus of economics at California State University, East Bay.*

## How O.J. Became Black America's Mr. Bad Example

By Jason Whitlock

**M**illions tuned in last week to see 70-year-old O.J. Simpson, inmate No. 1027820, ask a Nevada parole board to release him from prison. It was one more reminder of Mr. Simpson's outsize influence on American culture.

After serving nine years of a 33-year sentence for robbery and kidnapping, Mr. Simpson, with the parole board's blessing, will depart his cell in October for the comfort of a Florida condo. He'll still be dogged, however, by the 1994 double homicide for which a star-studded defense team won him acquittal.

Whether we like it or not, O.J. Simpson is an important figure in American history. His life and murder trial exacerbated race relations, helped polarize the media, and established him as a reviled killer in mainstream popular culture—and a reviled martyr in black popular culture.

Before 1994, mainstream and black media alike celebrated Mr. Simpson as a shining example of the liberal ideals of integration and assimilation. But when he was accused of murdering his ex-wife and her friend, the media flipped the narrative into one of black betrayal. His second marriage, to a young, white

waitress; his refusal to address racial issues; and his abandonment of black social circles now explained how and why a black man was able to rise from poverty to football star to broadcaster and pitchman: Orenthal James Simpson sold out.

**A**fter 1994 his success was attributed to race betrayal. Now no one wants to be Jay Z's 'Story of O.J.'

Over the course of two decades, Mr. Simpson's story became the most powerful African-American tale since Alex Haley chronicled the life of Malcolm X. The Simpson saga continues to grow in importance. Last month rapper Jay Z released the song and video "The Story of O.J." warning blacks against trying to transcend race: "O.J. like, I'm not black, I'm O.J.' Okay."

Mr. Simpson has become a negative standard-bearer for black athletes, celebrities and media figures—a sort of abusive, alcoholic father who serves as the example to avoid. This influence is omnipresent but seldom acknowledged. No black public figure wants to be "The Story of O.J." a

contemporary equivalent of "Uncle Tom's Cabin."

That is why many black personalities have abandoned the racial middle ground, compromise and even logic in their discourse. Expressing a moderate position publicly will invite accusations of selling out. So we feel pressured into a strident, illogical posture, even though many of the most militant voices in the black media are more assimilated in their private lives than their angry diatribes would have you believe. The gap between what we say privately and publicly about race has never been wider.

Advertising outrage at police misconduct is an old tactic to establish black credibility. Mr. Simpson benefited from this phenomenon when he teamed up with lawyer Johnnie Cochran during his murder trial. The famed rap group N.W.A has a library of records that dehumanize and marginalize black people. But the song everyone remembers is "F— tha Police," its only one on that subject.

Today the ultimate disguise for Simpson-like assimilation is proclaiming support for the Black Lives Matter movement. The mixed-race NFL quarterback Colin Kaepernick struggled to connect with his black teammates until he took a knee during the national anthem to protest police brutality. That made him a black hero.

If you are a black athlete, celebrity or media personality living, socializing, working, studying or dating in the white community, the easiest way to stop Twitter trolls from spamming your social media with accusations of race betrayal is to celebrate BLM. If you're an educated, nerdy, proper-speaking black person who has been chastised for "acting white" by your black peers, supporting BLM salvages your black image. Call it the O.J. Effect.

Black men used to measure ourselves by how we compared to Martin Luther King Jr. He was the good dad we modeled our behavior after. Now for two decades, we've learned

from Mr. Simpson's negative example. We've tried to do the opposite of our bad dad. This has crippled black public figures when it comes to discussing race.

So has black guilt—an individual or collective feeling among successful black people who recognize we've harmed poor blacks by abandoning them. We soothe our consciences with hashtag activism and feigned disdain for a country we'd never dream of leaving.

Last week Mr. Simpson sounded like a man fit for a world he helped shape. During the parole hearing he relitigated his robbery trial, ignored his murder trial, and pretended his serial domestic violence didn't impeach his claim of having lived a "conflict-free" life. He played the victim to an evil American criminal-justice system, and then smiled and laughed as if there's no place he'd rather be than in America.

*Mr. Whitlock is a co-host of "Speak for Yourself" on Fox Sports 1.*

## Notable & Quotable: Kushner

*From Jared Kushner's statement to congressional investigators, July 24:*

With respect to my contacts with Russia or Russian representatives during the campaign, there were hardly any. The first that I can recall was at the Mayflower Hotel in Washington, D.C. in April 2016. This was when then candidate Trump was delivering a major foreign policy speech. . . . I stopped into the reception to thank the host of the event, Dimitri Simes. . . . He introduced me to several guests, among them four ambassadors, including Russian Ambassador Sergey Kislyak. . . .

Reuters news service has reported that I had two calls with Ambassador Kislyak at some time between April and November of 2016. While I participated in thousands of calls during this period, I do not recall any such calls with the Russian Ambassador. We have reviewed the phone records available to us and have not been able to identify any calls to any number we know to be associated with Ambassador Kislyak and I am highly skeptical these calls took place. . . . Through my lawyer, I have asked Reuters to provide the dates on which the calls supposedly occurred or the phone number at which I supposedly reached, or was reached by,

Ambassador Kislyak. The journalist refused to provide any corroborating evidence that they occurred.

The only other Russian contact during the campaign is one I did not recall at all until I was reviewing documents and emails in response to congressional requests for information. In June 2016, my brother-in-law, Donald Trump Jr. asked if I was free to stop by a meeting on June 9. . . . That email was on top of a long back and forth that I did not read at the time. . . . Documents confirm my memory that this was calendared as "Meeting: Don Jr. Jared Kushner." No one else was mentioned.

I arrived at the meeting a little late. When I got there, the person who has since been identified as a Russian attorney was talking about the issue of a ban on U.S. adoptions of Russian children. I had no idea why that topic was being raised and quickly determined that my time was not well-spent at this meeting. Reviewing emails recently confirmed my memory that the meeting was a waste of our time and that, in looking for a polite way to leave and get back to my work, I actually emailed an assistant from the meeting after I had been there for ten or so minutes and wrote "Can u pls call me on my cell? Need excuse to get out of meeting."

## THE WALL STREET JOURNAL.

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## WORLD NEWS

# U.S. Envoy In Mideast As Jordan, Israel Spar

The White House on Monday worked to defuse tensions between Israel and Jordan after an Israeli security guard at the country's embassy compound in Amman shot and

By **Rory Jones**  
in Tel Aviv  
and **Suha Ma'ayeh**  
in London

killed two Jordanians when one attacked the guard with a screwdriver.

The incident came as the two key U.S. allies spar over Israeli moves to tighten security at a Jordanian-administered holy site in Jerusalem after Arab gunmen shot and killed two Israeli policemen there this month.

Jason Greenblatt, the White House envoy to the Israeli-Palestinian peace process, arrived in Israel Monday evening to speak with Prime Minister Benjamin Netanyahu before flying to meet with Jordanian officials in Amman.

His visit followed a weekend of violence over security at the Jerusalem site—known to Jews as the Temple Mount and to Muslims as the Noble Sanctuary—in which three Israelis and at least three Palestinians were killed.

The situation underscores the tinderbox nature of the stalemate in Israel and the Palestinian territories as peace talks remain stalled, and marks Mr. Greenblatt's first major diplomatic test.

The Israeli security guard in Amman on Sunday opened fire on a Jordanian worker who had entered the embassy compound under the guise of replacing furniture but instead attacked the Israeli with a screwdriver, Israel's foreign ministry said.

The Jordanian assailant was killed. The landlord of the building, who was also pres-

**The regional tensions represent Jason Greenblatt's first big diplomatic test.**

ent, was hit in the crossfire and later died of his wounds, the ministry said.

Jordan confirmed a shooting incident via its state news agency but didn't say one of its citizens had attempted to attack the Israeli guard.

The United Nations Security Council held an emergency meeting on Monday to discuss the situation in Jerusalem, a day before its quarterly Middle East briefing.

The U.N.'s envoy to the Middle East, Nickolay Mladenov, briefed the council and warned that the crisis must be contained before Friday, a day of communal prayers at the Al Aqsa mosque, otherwise protests and violence could escalate, moving the Israelis and Palestinians further away from achieving long-term peace.

Diplomats said the meeting had been productive and there was consensus among the 15-member council to condemn the violence and call for calm.

Jordan initially barred the Israeli guard from leaving for Israel, Israeli media reported. But the security guard and Israel's diplomatic envoys in Amman returned to Israel late Monday after a flurry of diplomatic efforts between Israeli and Arab officials, Mr. Netanyahu's office said.

Thousands of Jordanians took to the streets of Amman on Friday to protest Israel's installation of metal detectors at the Jerusalem shrine after a shooting incident the previous Friday at the compound left two Israeli policemen dead. On Sunday, it also introduced surveillance cameras at its entrance.

The moves, considered standard security measures by Israeli officials, have stirred widespread anger among Palestinians and Waqf, the Jordanian religious authority that administers the site.

Early Tuesday morning, Israel began removing the metal detectors from entrances to the shrine, according to the Associated Press. Israel's Security Cabinet said it would replace them with more advanced technologies, the AP said.



Turkish President Recep Tayyip Erdogan, British Prime Minister Theresa May and President Donald Trump at the NATO summit of heads of state and government in May.

# Political Rift Poses Risk for NATO

Dispute between Turkey and Germany threatens to curtail surveillance mission

BY JULIAN E. BARNES  
AND EMRE PEKER

BRUSSELS—The North Atlantic Treaty Organization is working urgently to defuse a dispute between Turkey and Germany that threatens its operations including counterterrorism missions in the Middle East.

The deepening political divide risks curtailing NATO surveillance flights over Turkey from an air base in Konya if German lawmakers aren't granted access to personnel stationed at Konya, in central Turkey.

German officials argue the visits are part of a mandate governing German military deployments abroad.

Last month Berlin ended German operations from nearby Incirlik air base, relocating troops to Jordan, after Ankara blocked a visit by German lawmakers.

Other NATO members and allies including the Netherlands, the U.S. and Austria have also gotten into their own spats with Turkey, unsettling relations inside the 29-country alliance.

NATO Secretary General Jens Stoltenberg last week was in contact with the Turkish and German foreign ministers seeking a compromise in the current dispute, a NATO official said.

On Monday, NATO announced a compromise that the German legislators visit the Konya base as part of a



German air force jets taxied at the Incirlik, Turkey, air base in June 2016. Berlin ended its operations from the base last month.

NATO delegation, spokesman Piers Cazalet said. Turkish officials didn't respond to requests for comment, but German lawmakers welcomed the NATO proposal.

NATO diplomats want to keep the German contingent at Konya because Germany provides roughly one-third of the air crew for the NATO Awacs surveillance planes.

NATO isn't directly involved in fighting Islamic State but provides valuable surveillance and air-traffic management to NATO member forces.

NATO is no stranger to quarrels between members, mainly border disputes, but has long managed to limit them. The latest disagreements are different, current and former NATO officials say.

Turkey and its NATO allies are now sniping over fundamental policy issues including human rights, designations of terrorist organizations and decisions on how to fight Islamic State.

The situation is alarming, NATO officials and diplomats said. "We cannot afford to have disagreements destroy

what has been created over decades to preserve security," said Lithuanian Foreign Minister Linas Linkevicius, an advocate for accommodating Turkey. "Let's go and talk."

Turkey's relations inside NATO have deteriorated since a failed coup attempt. President Recep Tayyip Erdogan responded with a crackdown that expanded from coup-plotters to opposition lawmakers, journalists, academics and human-rights advocates.

Some NATO members are increasingly critical of how Mr. Erdogan has consolidated power. Mr. Erdogan has responded by attacking NATO allies for supporting Kurdish and other terrorist organizations hostile to Turkey.

Turkish officials have leveled similar criticism at the U.S., a longtime Turkish ally. An adviser to Mr. Erdogan last year suggested a ban on U.S. operations from Incirlik over Washington's support for Syrian Kurdish forces that Ankara considers terrorists.

U.S. officials have played down the rift, saying relations are strong out of public view.

## Turkey's Tensions With the West

**July 2016:** Rogue factions in Turkey's military try to topple President Erdogan's government, which beats back the putsch and blames U.S.-based Turkish cleric Fethullah Gulen for the coup attempt.

**Sept. 2016:** Turkey officially requests Mr. Gulen's extradition, frustrated by U.S. pushback and the long judiciary process.

**Nov. 2016:** NATO says Turkish military officials are seeking asylum in allied countries, angering Ankara as Turkey demands their return.

**Feb. 2017:** NATO continues monitoring mission in the Aegean Sea to halt illegal migration over

informal objections of Turkey.

**March 2017:** The Netherlands and Germany block Turkish officials from campaigning ahead of a referendum in Turkey, eroding relations.

**May 2017:** Following repeated calls by Austrian officials for the EU to end Turkey's membership talks, Ankara freezes Vienna's partnership with NATO.

**May 2017:** U.S. announces it will provide arms to Syrian Kurdish forces over the objections of Ankara, which considers the militants as terrorists.

**June 2017:** Germany pulls out one deployment flying surveillance missions from Turkey following a political quarrel.

Source: WSJ staff reports

Still, the publication last week by a Turkish state-run news agency of a map purportedly showing the locations of U.S. forces deployed in Syria drew a warning from the Pentagon.

Wrangling with Turkey is being intensified by domestic politics in some European countries. Germany holds national elections in September and Austria one month later.

NATO in May delayed exercises with all its partners because of a dispute between Turkey and Austria after Austrian politicians criticized Mr. Erdogan. NATO agreed to Turkey's demands to put on hold its relationship with Austria, which isn't a member.

Former NATO Deputy Secretary-General Alexander Ver-

shbow said the latest fights are particularly difficult because many are rooted in Mr. Erdogan's belief that he and his country are being slighted by Europe.

The Turkish president has repeatedly criticized NATO allies for being slow to condemn the coup and offer him their support.

"It got much more personal," said Mr. Vershbow, a senior adviser at Rasmussen Global, a consulting firm run by previous NATO Secretary-General Anders Fogh Rasmussen. "That is what is different from some of the substantive issues of past."

—Ned Levin in Istanbul and Andrea Thomas in Berlin contributed to this article.

## EUROZONE

### Economy Slowed In July, Survey Says

The euro currency area's economy slowed in July, according to a survey of businesses, an indication that it may not perform as strongly in the second half of the year as it has in the first.

The eurozone has been one of the positive surprises this year, as its economy outpaced that of the U.S. in the first quarter and appeared to have accelerated further in the three months through June.

Reflecting that surprising strength, the International Monetary Fund on Sunday raised its growth forecast for the eurozone in 2017 to 1.9% from 1.7%, even as it cut its forecast for the U.S. to 2.1% from 2.3%.

The unexpected acceleration has brought the European Central Bank's stimulus measures into focus, with policy makers set to consider whether to extend a bond-buying program—a stimulus measure known as quantitative easing—and if so at what scale, in September or October.

Speaking on Thursday, ECB President Mario Draghi said the currency area is "finally experiencing a robust recovery."

However, a survey of purchasing managers at 5,000 manufacturers and service providers across the currency area suggests the recovery may al-



TWO-WHEELER: A rickshaw puller took his fare along a flooded street in Kolkatta on Monday.

ready have peaked.

Data firm IHS Markit on Monday said its composite Purchasing Managers Index for the eurozone fell to 55.8 in July from 56.3 in June. That was below the 56.2 reading expected by economists who were surveyed by The Wall Street Journal last week, and a six-month low.

A reading above 50.0 signals an increase in activity, while a reading below signals a decline.

—Paul Hannon

## SOUTH KOREA

### Government Raises 2017 Growth Outlook

The government lifted its growth and inflation forecasts for this year, citing an economy strengthening on improving exports and likely support from extra fiscal spending approved by parliament over the weekend.

The Ministry of Strategy and Finance raised the 2017 gross-domestic-product-growth esti-

mate to 3% from December's projection of 2.6%, following 2.8% growth last year, it said Tuesday in its biannual outlook. The economy next year is expected to grow 3% as well, the ministry said.

The upgraded growth outlook came after South Korea's parliament Saturday passed the government's nearly \$10 billion supplementary budget to create more jobs and spur growth under new left-leaning President Moon Jae-in, after weeks of leg-

islative debate.

The government said the new growth outlook takes into account the estimated effect of extra spending to add 0.2 percentage point to annual economic growth projections this year and next, in addition to other factors.

—Kwanwoo Jun

## MEXICO

### Inflation Steadied In July's First Half

Inflation showed signs of stabilizing in the first half of July as the annual rate slowed from the end of June, although core inflation continued to move higher.

The consumer-price index rose 0.24% in the first two weeks of the month, and the annual rate slowed to 6.28% from 6.31% at the end of June, the National Statistics Institute said Monday.

But core CPI, which excludes energy and fresh fruit and vegetables, rose 0.19% in the first half of July, pushing the annual rate up to 4.92% from 4.83% at the end of June.

A decline in energy costs and core nonfood goods prices in the first half of the month was offset by the higher costs of services such as tourism packages and airfares. Prices of agricultural produce also rose sharply and were up 10% from a year before.

—Anthony Harrup

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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S&P 2469.91 ▼ 0.11%

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## Venezuela Debt Plummets as Political Crisis Deepens



RONALDO SCHEIDT/AGENCE FRANCE PRESSE/GETTY IMAGES  
STANDOFF: A march toward Venezuela's Supreme Court on Saturday. Prices of the country's debt have plunged in the past week amid threats of U.S. sanctions. B11

## Investor Shows No Fear, Bets Big on VIX

BY GUNJAN BANERJI

One investor has bet on a powerful resurgence in market turbulence—a wager that could net a profit of about \$265 million if Wall Street's fear gauge more than doubles in the next three months.

An unknown investor made a massive trade via the options market Friday, as the CBOE Volatility Index, the fear gauge that tracks investor expectations for equity volatility, fell to its lowest since December 1993.

About one million options contracts changed hands on a bet that the CBOE volatility gauge, called VIX, will rise to 25 by October. That's a level the VIX hasn't reached since June 2016, when the U.K. surprised global markets by voting to exit from the European Union. The VIX finished at 9.43 on Monday.

If he or she is correct, the investor could see a payout of about \$265 million, according to Stefan Wintner, vice president who covers volatility strategies at the commodity-trading adviser Dunn Capital Management, which is based in Stuart, Fla.

In the three-legged trade, the investor bought about 260,000 calls, or bullish options, that expire in October with a strike price of 15, according to Trade Alert. The strike is the level at which the contracts can be exercised.

The investor also sold roughly the same number of October puts, or bearish contracts, with a strike of 12. On top of those two trades, the investor sold more than 500,000 calls expiring in October with a strike of 25.

He or she collected about \$5 million on the contracts that were sold, according to a Trade Alert note. The calls with a

Please see TRADE page B2

## OPEC Takes Blame for Low Price

Group looks to rein in members that skirt quotas as Saudis aim to limit oil exports

ST. PETERSBURG, Russia—Internal discord among OPEC members and big oil-producing allies spilled into public view as the group struggles

By Georgi Kantchev,  
Nathan Hodge  
and Benoit Faucon

with its efforts to raise prices for crude.

Until now, the Organization of the Petroleum Exporting Countries had largely blamed

low prices on U.S. shale drillers, which are at the heart of an American oil boom that has decimated the group's power. Oil prices have actually fallen since OPEC's 14 members and 10 other big producers struck a deal in December to withhold 2% of global oil supply, in part because U.S. producers ramped up output.

OPEC officials said they were now looking inward and contemplating a crackdown on members that aren't keeping their promises to limit output. OPEC production rose again in July to over 33 million barrels a day, a Petro-Logistics report said last week, near the group's record levels of 2016.

OPEC officials expressed

frustration with a new truth of the oil market: The group no longer has much power to lift prices, but it can certainly send prices lower with too much production. Iraq, the United Arab Emirates and others haven't cut as much output as promised.

"We are not doing this to allow other countries to free ride and undercut the agreement by overproducing," said Khalid al-Falih, the Saudi Arabian energy minister, in unusually blunt remarks following a meeting Monday with national representatives from oil-producing countries.

Mr. Falih said Saudi Arabia, the world's top oil exporter, announced it would go further

than cutting its production and would also limit its exports at 6.6 million barrels a day in August. He said he wanted other countries to follow suit, noting figures that showed some were exporting large amounts of oil even as they say they are cutting output. OPEC also secured a production commitment from Nigeria, a group member exempted from last year's deal, although that isn't likely to have an immediate effect on the crude market.

Crude prices rose after Monday's meeting. Brent crude, the international benchmark, gained 1.1%, to settle at \$48.60 a barrel, while West Texas Intermediate, the

benchmark for U.S. oil, rose 1.2%, to \$46.34.

Mr. Falih's focus on exports was new. He pointed to discrepancies between countries' production and export figures, calling the difference "a matter of concern."

"Exports have become the key metric for financial markets, and we need to find a way to reconcile credible export data with production data," he said.

Mr. Falih is under pressure to keep the OPEC deal from falling apart and raise prices. The Saudi kingdom is preparing to publicly list its state oil company in 2018, and its valuation will depend in part on oil prices.

## Samsung Enters U.S. Drug Market

BY TIMOTHY W. MARTIN  
AND JONATHAN D. ROCKOFF

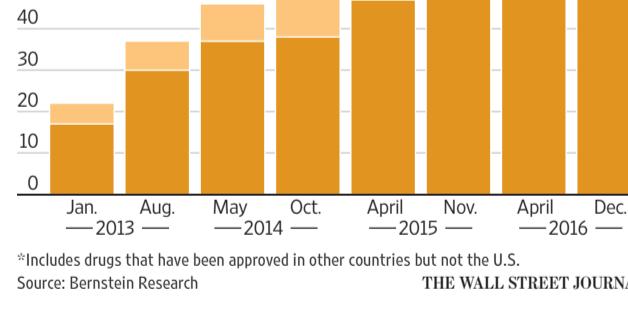
Americans suffering from arthritis can now seek relief from an unexpected new player in the pharmaceuticals market.

South Korea's Samsung conglomerate, best known for its smartphones and televisions, introduced in the U.S. on Monday its lower-price copy of Johnson & Johnson's blockbuster rheumatoid-arthritis drug Remicade, the second such alternative on the market. The Samsung-developed drug will be marketed to health-care providers by Merck & Co.'s U.S. sales team and will be sold for about a 35% discount off Remicade's current list price.

The move follows an approval by the Food and Drug Administration in April. It is the Samsung business empire's debut treatment in the world's biggest drug market and reflects its desires to diversify

### In the Pipeline

Number of biosimilar drugs in development and approved, world-wide.



\*Includes drugs that have been approved in other countries but not the U.S.

Source: Bernstein Research

beyond electronics.

Samsung Bioepis Co., the group's new biotechnology company, is targeting the creation of near replicas of branded "biologic" drugs, like Remicade, which are made out of living cells and address complex diseases including cancer or arthritis. So-called

biosimilars are sold more cheaply than brand-name treatments that often cost tens of thousands of dollars a year.

The lucrative biologic drug market will gradually open up as patent protections of those treatments expire, creating opportunities for biosimilars made by Samsung and others.

Biologics had \$202 billion in world-wide sales last year, and the drugs are expected to have \$214 billion in sales this year, according to EvaluatePharma, a source of pharmaceutical market data and analysis. It estimates sales will reach \$276 billion in 2020.

Samsung said in a statement its new drug, called Renflexis, would be priced at about \$750 per vial.

Pfizer Inc. and partner Celltrion Inc. launched their own Remicade near-copy in November, selling it then at 15% below J&J's list price. But J&J has said patients pay significantly less than list price for Remicade after discounts.

What remains unclear is to what extent U.S. doctors and patients will embrace these new types of medication amid concerns about the safety and efficacy of biosimilars.

Adoption across Europe, where biosimilars have been available for years, has im-

Please see DRUG page B2

## Travel Giants Trek Onto Airbnb's Turf

Expedia, Priceline map growth with home-rental options near hotel listings

BY CHRIS KIRKHAM

Big travel portals Expedia Inc. and Priceline Group Inc. are racing to catch up to Airbnb Inc. as the vacation-rental market explodes in popularity.

Expedia and Priceline, which have dominated hotel bookings for two decades, are now betting big on the rental sector by boosting their inventory of home-rental options that can be booked similarly to a hotel, with just a few clicks.

The home-rental market is about one-fifth the size of the hotel market based on revenue in the U.S., but it has been growing faster than hotels since 2015, according to data from travel industry research group Phocuswright.

Revenue in the U.S. private accommodation market—which includes vacation

rentals, homes or rooms rented out on a short-term basis—grew 11% last year from the year earlier, and is projected to grow 8% this year to more than \$34 billion. The U.S. hotel industry grew 5% last year to \$151 billion and is projected to do the same this year, according to the data.

As the vacation-rental sector has expanded, online intermediaries such as Airbnb, Priceline, Expedia and TripAdvisor have grabbed larger shares of the listings.

Airbnb remains the leader, particularly for rentals in urban locations, with an estimated 15% of global room nights in private accommodations last year, compared with 12% for Expedia and 9% for Priceline, according to Susquehanna International

Please see AIRBNB page B4

HEARD ON THE STREET By Charley Grant

## Rebates Help to Explain High Pharma Costs

A new drug launch meant to save money in the health-care system could instead spotlight why high drug prices are so persistent.

Merck & Co. and Samsung

Bioepis began selling anti-inflammatories

Renflexis in the U.S. on Monday. The new drug is the second non-branded version of Johnson & Johnson's blockbuster

Remicade to hit the U.S. market. Renflexis will sell for one-third below Remicade's list price. That is significantly cheaper than the first biosimilar to Remi-

cade, which sells at a 15% discount to list price.

The news would appear problematic for Johnson & Johnson. The company booked more than \$2.2 billion in U.S. Remicade sales in the first half of this year, which accounted for more than one-fifth of total U.S. pharmaceutical sales over that period. In a normal commercial market, a product that does the same thing and sells with a big discount would fly off the shelves.

But sales of the first Remicade biosimilar were just

\$17 million in the first quarter. And while U.S. Remicade sales were down nearly 14%

in the second quarter, Johnson & Johnson said biosimilars sales have been weaker than expected. It is more likely that the company has lost market share to rivals in what is the best-selling class of drugs in the world, AbbVie's Humira and Amgen's Enbrel. Both companies report results this week.

Biosimilars are fairly new to the U.S., and unlike traditional generic drugs, aren't exact copies of the prescription drugs. That could limit enthusiasm among doctors and patients for switching treatments. Yet biosimilars have long been sold in Europe, and there is no evi-

dence that they haven't worked just as well as branded drugs.

A much bigger obstacle to biosimilar use is the convoluted U.S. system of rebates and discounts from the sticker price. It is impossible to tell from the outside what kind of savings these new drugs actually offer, despite the high list discount. A recent paper in the Journal of the American Medical Association said that rebates offered by drug companies to payers such as insurance companies could halve the price of the branded drug for a patient. But if a payer does

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## China Self-Drive Firm Gets Daimler Funding

By LIZA LIN

SHANGHAI—Mercedes-Benz parent Daimler AG is investing in a Chinese self-driving startup, in another instance of a Western auto maker seeking out a Chinese partner to get a foothold in a challenging market.

The Stuttgart, Germany-based automotive giant made its first-ever investment in a Chinese startup this week, taking part in a \$46 million funding round for Momenta, a Beijing-based firm providing road sensors and high-definition mapping software.

Other investors in Momenta include NIO, an electric-vehicle maker backed by Tencent Holdings that has pledged to sell fully autonomous cars in the U.S. in 2020.

Daimler declined to comment.

It joins peers such as Hyundai Motors Co. in aligning with Chinese firms as the race to develop an autonomous vehicle revs up.

Western auto makers face high hurdles entering China because the country considers the kind of mapping needed to make self-driving cars work a national-security issue and limits it to domestic companies. Foreign software and car companies also could face difficulty gaining approval to conduct test drives in the country, The Wall Street Journal recently reported.

China has made self-driving cars part of its national agenda, setting autonomous vehicle targets and creating sandboxes to test such technology, as Beijing makes a big push to dominate the world's artificial-intelligence industry by 2030.

In a plan unveiled by the State Council on July 20, China pledged to invest and groom technologies, from autonomous driving to computer vision, for use in sectors such as national security and manufacturing. By 2030, China forecasts its core AI industries will be worth 1 trillion yuan (\$148 billion).

"I am convinced that the good experiences we've seen in Europe will be repeated in the U.S.," Mr. Falk said. "That said, there is still a way to go in educating the relevant stakeholders about the science behind biosimilars."

A vial of J&J's Remicade lists for more than \$1,100, with a year's treatment typically listed at more than \$30,000. It is among the top-selling drugs in the U.S. with \$4.5 billion in sales last year.

Adoption of the Pfizer-Celltrion copy of Remicade—called Inflectra—has been limited. Pfizer reported the biosimilar generated just \$17 million of U.S. sales in the first quarter. In its second-quarter earnings call last week, J&J finance chief Dominic Caruso described the impact of biosimilar competition on Remicade sales as less than J&J expected. Pfizer declined to comment.

Samsung, whose biotechnology push is five years old, has muscled into the drug world on an unusually fast time schedule, industry analysts say. Its association with South Korea's largest conglomerate gives the Bioepis

## BUSINESS & FINANCE

# HNA Details New Owner Structure

BY ANJANI TRIVEDI  
AND JULIE STEINBERG

One of China's most acquisitive conglomerates, closely held **HNA Group**, has unveiled a new ownership structure in a bid to eliminate doubt over who ultimately controls the company.

In a document released by the company on Monday and viewed by The Wall Street Journal, HNA Group listed 15 individuals and entities who it said are the group's ultimate owners.

In the biggest change from previous disclosures, the international arm of HNA's charitable foundation, which was set up in New York last year, has become the company's largest beneficial owner, with a nearly 30% stake. Together with the domestic arm, formed in 2010, the foundation entities now own more than 50% of HNA Group.

Other large stakeholders include HNA founders and chairmen of the board Chen Feng and Wang Jian, who each own nearly 15%. Adam Tan, HNA Group's chief executive and vice chairman, who is seen as the man behind HNA's sprawling investments, holds almost 3%. HNA says it plans to update its ownership disclosures annually.

The changes in shareholding, which took place this year, put the ownership of HNA Group entirely in the hands of HNA-related entities and individuals, and eliminate stakes that had been held by private investors outside the group, said a personal familiar with the group's strategy.

They also move the ownership of nearly a third of the company outside of China. And they shed more light on HNA as the group—as well as other Chinese conglomerates that have aggressively in-



HNA Chief Adam Tan seeks answers from Bank of America.

the holdings by the arms of HNA's charitable foundation—**Hainan Province Cihang Foundation** and **Hainan Cihang Charity Foundation**—which disclose little about how they are operated, who controls them and what they do. HNA initially established the domestic foundation with a \$3 million donation, which it focused on disaster relief, medical care and education, according to a 2015 Harvard Business School-funded case study. In 2013, HNA donated 22% of its shares to the foundation.

In the U.S. and Europe, bodies that approve foreign investment are becoming wary of Chinese investors, probing their ties to government as well as the motives for their purchases. In China, the government is investigating the debt levels of several big closely held conglomerates that have invested heavily overseas, including HNA, property company **Dalian Wanda Group** and **Anbang Insurance Group**.

The Chinese government has banned state-owned banks from making new loans to Wanda, which has announced plans to unload the bulk of its domestic hotels and theme parks. HNA, which announced \$5.68 billion of overseas investments this year following \$20 billion last year, has told some people involved in its deals to put a hold on them for now, people familiar with the matter say.

Meanwhile, HNA has been bedeviled by questions of who owns the company and how that ownership is structured, along with concerns over how funds move within the group's labyrinthine structure.

HNA's acquisitions have used a host of entities to take stakes and acquire companies abroad.

## Group Asks Bank To Clarify Stance

**HNA Group** has told **Bank of America Corp.** that it is surprised by reports that the bank no longer wishes to do business with it and has asked for clarification, according to a letter viewed by The Wall Street Journal.

The letter is dated July 21 and addressed to Bank of America Chief Executive Brian Moynihan from HNA CEO Adam Tan. In it, Mr. Tan said the bank's "team from Asia just this morning expressed strong interest to my team in continu-

ing to work with us in a deal in the U.S. as a financial adviser."

That is in apparent contradiction to an internal Bank of America email that reportedly stated the bank would no longer be involved with HNA because of uncertainty about the company's ownership and corporate structure. The email, from Bank of America's Asia-Pacific chief, Matthew Koder, was reported last week by the New York Times.

A spokesman for Bank of America declined to comment. A spokesman for HNA said the company "actively partners with various global investment banks...and continues to do so."

vested overseas—faces scrutiny by regulators at home and abroad about its large acquisitions and the way they were financed.

"It is only natural that as we touch many more stakeholders, there is a great deal of interest in who we are and how we are structured," HNA

said in the document.

The company decided to disclose the new structure after accumulating large stakes in companies such as

**Deutsche Bank AG** and **Hilton Worldwide Holdings Inc.**, according to the person familiar with the company's strategy.

The changes nearly double

## TRADE

Continued from the prior page strike price of 15 were bought at \$1.45 each. The investor collected premiums on the puts and calls that were sold for 75 cents and 45 cents, respectively.

Should the prolonged calm that has dominated markets continue—and the VIX stay at its recent lows—the investor could get burned and lose about \$60 million, according to Mr. Wintner, since he or she is essentially short the puts that were sold. The investor could also lose money if the VIX climbs far above 25, he said, because of the 500,000 calls that were sold.

"I've never seen anything bigger," said Mark Caffray, a managing director at PTR Inc., a floor broker at the Chicago Board Options Exchange specializing in the VIX and S&P 500. "It's pretty aggressive, and very bullish on VIX."

He added that the bet was particularly remarkable given where the VIX has been trading. The index has been below 10 for its longest stretch ever.

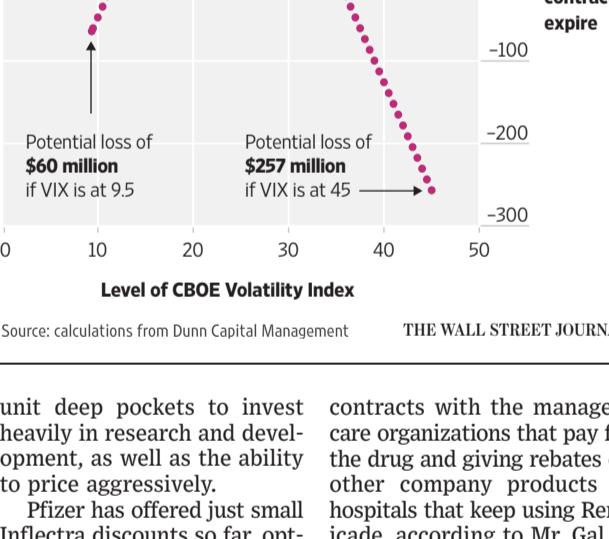
The VIX is a measure of expectations for market swings over the next 30 days and is based on option prices on the S&P 500 index. It tends to rise along with investor anxiety, as stocks fall.

October has historically been a more turbulent month for the stock market. The investor may expect volatility to pick up after the summer, an outlook shared by others in the market, according to Pravit Chintawongvanich, head of derivatives strategy at Macro Risk Advisors.

In the last year, the trader dubbed "50 Cent" by market watchers has been periodically scooping up bullish options on the VIX, paying a price of about 50 cents for each contract. It doesn't appear that trader is at work in this instance, said Mr. Chintawongvanich.

## Rolling the Dice

An options bet by an unknown investor on Friday could deliver massive profit or losses when the contracts expire in October.



Source: calculations from Dunn Capital Management

THE WALL STREET JOURNAL.

## DRUG

Continued from the prior page proved "drastically," while perceptions are getting better among U.S. health-care providers, Klaus Falk, a Samsung Bioepis vice president who heads commercial strategy, said in an email.

"I am convinced that the good experiences we've seen in Europe will be repeated in the U.S.," Mr. Falk said. "That said, there is still a way to go in educating the relevant stakeholders about the science behind biosimilars."

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Pfizer has offered just small Inflectra discounts so far, opting not to lower prices to spur sales, according to Sanford C. Bernstein & Co. analyst Ronny Gal.

Mr. Gal said Merck and Samsung would probably have to discount Renflexis even further during contract talks with health plans, if the biosimilar is going to succeed in getting Remicade patients to switch over. J&J is already heavily discounting off Remicade's list price. J&J says the average sales price of Remicade, after discounts, is a little more than \$800 a vial or \$21,000 a year, about a third less than the list price.

J&J has acted forcefully to protect its franchise by, for instance, negotiating exclusive

contracts with the managed-care organizations that pay for the drug and giving rebates on other company products to hospitals that keep using Remicade, according to Mr. Gal.

J&J said Remicade, which gained approval in 1998, has a long history of safe, effective use, and that the company was working to make sure patients who are doing well on Remicade can stay on it and aren't forced to switch to one of the copies.

"We are confident in our competitive strategies to win in a market with multiple biosimilars," the company said.

Samsung sells two of its drugs already in Europe. Last month, a third received a positive opinion from the European Medicines Agency. A fourth drug, for treating breast cancer, was submitted for regulatory approval in Europe last year.

Continued from the prior page

use the biosimilar, the drug-maker could pull its rebate for all of its patients.

That means if some, but not all, patients switch to the cheaper drug, the payer's total drug expense could rise. And for all the outrage over high-profile episodes of generic price gouging, U.S. sales of Remicade and its two branded peers were nearly \$21 billion last year.

Politicians of all sorts have spent the past two years investigating and decrying the high price of prescription drugs. One answer to their criticisms could be to pull the veil off rebates and other efforts by drug-makers to obscure how much their products really cost.

Continued from the prior page

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Politicians of all sorts have spent the past two years investigating and decrying the high price of prescription drugs. One answer to their criticisms

## BUSINESS NEWS

# Barnes & Noble Again Faces Call To Sell the Chain

BY DAVID BENOIT  
AND JEFFREY A. TRACHTENBERG

An activist investor wants Barnes & Noble Inc. to try again to sell itself, arguing the bookseller needs an owner who can invest in its beleaguered operations.

Sandell Asset Management Corp. has recently started buying a stake in the New York bookstore chain and is already among its 10 biggest investors, according to people familiar with the matter.

Sandell believes the company could attract a bid of more than \$12 a share, com-

**Activist investor Sandell argues bookseller can benefit from fresh funding.**

pared with a closing price Monday of \$7.10, according to a letter reviewed by The Wall Street Journal that is to be released Tuesday.

Even though physical bookstores have declined in popularity in the U.S. in the internet age, Sandell reckons they aren't going away and that Barnes & Noble's status as the only national chain could attract a well-heeled private-equity firm or another retailer.

Barnes & Noble declined to comment.

The company has explored several possible deals to sell or break itself up over the years, including a buyout attempt by its chairman, Leonard Riggio. But none of the plans came to fruition and the stock has slumped 60% in the past two years, with the company's market value plunging to just above \$500 million.

Like many retailers, Barnes & Noble has struggled to compete with Amazon.com Inc., which dominates the online sale of physical and digital books. For the fiscal year ended in April, Barnes & Noble's revenue declined 6.5% to \$3.9 billion, while earnings rose to \$22 million. The bookseller, which has more than 600 stores, said it expects sales at stores open at least a year to show a percentage drop in the low single digits in fiscal 2018.

In June, Demos Parneros, the retailer's chief executive, said: "We're examining every aspect of the business and our customer value proposition." Mr. Parneros, who had spent nearly 30 years at office-supply retailer Staples Inc., joined Barnes & Noble in November 2016 and was named chief executive in April. He is the chain's fifth CEO in four years.

Sandell believes Barnes & Noble investors are overreacting to the broader retail malaise, according to the letter. The activist says it takes solace in Amazon's planned purchase of Whole Foods Market Inc. as well as the recent proposed leveraged buyout of Staples, arguing those deals show there is still value in traditional retail.

Attempts to sell the company date back to at least 2010. After the company announced a sale process that year, Mr. Riggio, then and now the largest shareholder, said he was considering forming an investor group to buy the business.

In May 2011, John Malone's Liberty Media Corp. offered \$1.02 billion. Nearly two years later, Mr. Riggio said he was interested in buying Barnes & Noble's consumer bookstores. Later that year, he dropped those plans.



The publication's growing events business stands to benefit from a new investor. Solange at Essence's New Orleans festival this month.

# Essence Stake Up for Sale

Time explores adding strategic partner for African-American women's magazine

BY JEFFREY A. TRACHTENBERG

Time Inc. is looking to sell a majority stake in Essence, the monthly African-American women's lifestyle publication focused on entertainment, fashion and beauty and culture, the first big move by the publisher since it decided against selling the entire company this spring.

"We want to unlock the value here," said Rich Battista, Time Inc.'s chief executive, in an interview. "We think the best way to do that is to bring in a strategic partner with investment capital. We're keeping an interest because we see real upside."

Mr. Battista said he hopes to complete a transaction by the end of the year.

Time Inc., which is strug-

gling with declining print advertising revenue like much of the publishing industry, ended discussions with potential buyers in late April.

The media company said at the time it intended to focus on its core brands, among them People, InStyle, Real Simple and TIME. Time Inc. also said it would look to outright sell some of its noncore assets.

Mr. Battista said he viewed Essence as core despite the decision to look for a majority investor with complementary media assets.

Mr. Battista cited Essence's events business, its growing digital presence and its long relationship with big marketers as reasons for optimism.

A new investor might have the resources to enable Essence to expand its growing events business at a time when many publications are seeking new revenue opportunities.

On the digital front, Essence is the only African-American

brand with a dedicated Snapchat Discover channel, said Michelle Ebanks, president of Essence Communications, which includes the magazine and related properties.

In early May, Essence partnered with Twitter to live-stream the weekly talk show "Essence Now," which made its debut this month.

"African-American women are deeply engaged with mobile and social media," said Ms. Ebanks. Essence.com attracted 3.7 million multiplatform unique visitors in June 2017, up from 2.2 million in June 2015, according to media measurement firm comScore Inc.

The recent Essence Festival in New Orleans attracted more than 470,000 people, compared with more than 450,000 in 2016. The second Essence Festival Durban will take place in South Africa later this year.

In 2015, Joe Ripp, then CEO of Time Inc., said in an interview that the Essence Festival in New Orleans earned more

money than the magazine made in a year.

Essence, which publishes 12 issues a year, says 30% of its audience has a household income of more than \$75,000. Newsstand sales account for 4.6% of total circulation. The magazine has a cover price of \$3.99.

The magazine's total paid and verified circulation has remained steady at about 1.1 million over the last five years, but its newsstand sales have dropped, by about two-thirds to 49,000 for the six months ended Dec. 31, 2016, compared with 149,000 for the six-month period ended Dec. 31, 2011, according to the Alliance for Audited Media.

The first issue of Essence was dated May 1970 and boasted a circulation of 50,000, according to the publication's website. Time Inc., then a unit of Time Warner Inc., acquired a minority stake in Essence Communications in 2000, and later bought the entire business in 2005.

# WebMD Agrees To Buyout By KKR

BY MATT JARZEMSKY  
AND BOWDEYA TWEH

Private-equity firm KKR & Co. has reached a deal to buy WebMD Health Corp. for \$2.8 billion.

The New York-based health-information provider had been running an auction after publicly putting itself in play earlier this year.

KKR's Internet Brands plans to launch a tender offer to acquire WebMD shares for \$66.50 each in cash, WebMD said Monday.

The shares were trading at just over \$50 when WebMD said it would consider a sale. They rose 20% to \$66.10 on Monday. WebMD said the acquisition is expected to close during the fourth quarter.

WebMD was founded in the late 1990s by Jeffrey Arnold, who became a billionaire at age 29 when the company merged with Healthon Corp. in 1999. In addition to its namesake website, featuring a symptom checker and glossary of medical terms, the company operates physician-focused Medscape.com, among other services.

The expected takeover comes as uncertainty surrounding health-care policy and drug pricing has damped demand for pharmaceutical marketing such as advertising on WebMD's websites. Executives noted that backdrop in February, as the company forecast slowing 2017 revenue and said it would explore a sale.

"We believe that this transaction will provide additional flexibility and resources to deliver increased value to consumers, health care professionals, employers, and health plan participants," said Dr. Steven L. Zatz, CEO of WebMD, in prepared remarks.

WebMD on Monday also issued estimates for second-quarter revenue and profit that were above analysts' expectations.

## BUSINESS WATCH



RUSSELL BOYCE/REUTERS

Ryanair notes strong bookings during the Easter vacation period.

PAYLESS SHOESOURCE

### Reorganization Plan Wins Court Approval

Payless ShoeSource Inc.'s reorganization plan won court approval Monday, moving the discount shoe retailer closer to exiting bankruptcy protection.

The plan will allow Payless to eliminate 40% of its \$838 million in funded debt from its balance sheet by giving lenders equity stakes in the company in exchange for debt forgiveness. Senior lenders, owed \$506 million, will share in a 91% equity stake, while junior lenders owed \$145 million, are slated to take the remaining 9% stake.

Payless sought bankruptcy protection in April.

The company will now be under the control of its senior and junior lenders, which include

Blackstone Group's GSO Capital Partners, Alden Global Capital LLC, Axar Capital Management LP, Credit Suisse Asset Management and Octagon Credit Investors LLC.

—Lillian Rizzo

RYANAIR HOLDINGS

### Ticket Prices Boost Quarterly Earnings

Ryanair Holdings PLC said Monday that net profit rose 55% in its fiscal first quarter, bolstered by strong ticket prices, but warned that overcapacity will continue to pressure fares.

Ryanair said profit reached €397 million (\$463 million) in the quarter ended June 30, up

from a year-earlier €256 million, beating expectations. Sales rose 13% to €1.91 billion.

Ryanair, Europe's largest airline by passenger numbers, said average ticket prices rose 1%, aided by strong bookings during the Easter vacation period.

—Robert Wall

TELECOM ITALIA

### CEO Exits Amid Vivendi Tensions

Telecom Italia SpA on Monday said Chief Executive Flavio Cattaneo had resigned, amid mounting tensions with shareholder Vivendi SA.

Mr. Cattaneo is the second CEO to leave the company in little over a year as Vivendi, led by French billionaire Vincent Bollore, exerts control over the Italian carrier. Mr. Cattaneo had held the top job since March 2016 when he took over from Marco Patuano, who left after a disagreement with Vivendi over strategy. Mr. Cattaneo walks away with a payout of €25 million (\$29.2 million).

Telecom Italia said Mr. Cattaneo's exit was related to his meeting financial targets ahead of time and the need for a manager with different skills. But people familiar with the matter said it follows disagreements between Vivendi management and the Italian executive. Mr. Cattaneo didn't respond to an email seeking comment.

Vivendi didn't make a statement on Monday.

—Nick Kostov

and Eric Sylvers

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## TECHNOLOGY



## SoftBank Seeks Big Stake In Uber

**SoftBank Group Corp.** is pushing to take a commanding stake in the ride-hailing market, angling for a piece of **Uber Technologies Inc.** after spreading its bets across a trio of Asian startups.

By Greg Bensinger,  
Joann S. Lublin and  
Liza Lin

The Japanese investor has approached Uber about taking a multibillion-dollar stake in the San Francisco company, people familiar with the matter said, an offer that would muddy an already confusing mix of alliances and competitors in the global ride-hailing business.

SoftBank is a big investor in the three largest Asian ride-hailing companies—Singapore's **GrabTaxi Holdings Pte.**, India's **Ola** and China's **Didi Chuxing Technology Co.** On Monday, SoftBank confirmed it and Didi would lead a \$2.5 billion round in Grab, giving the startup more ammo in its battle against Uber across populous Southeast Asia.

SoftBank's talks with Uber are described as preliminary and one-sided, and any deal would likely be on hold until Uber hires a new CEO, which isn't expected for weeks, the people familiar with the matter said. Uber declined to comment. SoftBank didn't immediately respond to a request for comment.

With Grab, SoftBank and Didi will pour as much as \$2 billion into the company. Grab intends to raise an additional \$500 million from investors, the company said.

The deal would value Grab at more than \$6 billion, making it the region's most-valuable startup, according to a person familiar with the situation. The Wall Street Journal reported earlier this month on the fundraising round.

—Newley Purnell  
and Mayumi Negishi  
contributed to this article.

# Foxconn Sets Sights on Wisconsin

BY YOKO KUBOTA  
AND TAKASHI MOCHIZUKI

Taiwan's Foxconn Technology Group, which assembles **Apple Inc.'s** iPhones, is nearing a decision to invest in Wisconsin and could hold an event in Washington, D.C., as soon as this week to discuss U.S. investment plans, people familiar with the matter said.

In Wisconsin, Foxconn is looking at producing display panels that can be used in large-screen television sets, three people briefed on the plans said.

The people cautioned that a final decision hasn't been set and that Foxconn could make last-minute changes. They said Foxconn was contemplating events in Washington, D.C., and Wisconsin to discuss its plans.

Foxconn, formally known as

**Hon Hai Precision Industry** Co., has said publicly that it is looking at seven states in the U.S., where it would invest a total of \$10 billion or more to manufacture flat-panel screens and related equipment. In June, a company executive identified the seven as Illinois, Indiana, Michigan, Ohio, Pennsylvania, Texas and Wisconsin.

In addition to Wisconsin, Foxconn is looking in the Detroit area for a possible plant, two people familiar with the plans said. It wasn't clear what that plant would make.

The people cautioned that a final decision hasn't been set and that Foxconn could make last-minute changes. They said Foxconn was contemplating events in Washington, D.C., and Wisconsin to discuss its plans.

In an emailed statement, Foxconn said it was reviewing "potential locations for establishing manufacturing facilities in the U.S." but declined to name them.

In June, Foxconn Chief Executive Terry Gou said his company would work with **Sharp Corp.**, a Japanese electronics maker in which Foxconn acquired a controlling stake last year, to develop U.S. manufacturing plans. A Sharp spokeswoman declined to comment.

Mr. Gou has been meeting U.S. political leaders to discuss possible sites, people familiar with the talks said. House Speaker Paul Ryan, a Republican who represents a district in southeastern Wisconsin, said earlier this month that he has met Foxconn officials.

Foxconn is the world's largest electronics contract manufacturer, assembling iPhones, videogame machines and other products. Its factories are mostly in China, and previous discussions to expand manufacturing to the U.S. haven't materialized.

In 2013, Foxconn said it might invest \$40 million in Pennsylvania for manufacturing and research facilities. In 2014, Mr. Gou said he was studying the feasibility of an advanced-display manufacturing plant in the U.S., because it was expensive to ship large-screen TV sets from Asia. Neither idea made headway.

Foxconn is building an \$8.8 billion flat-panel factory in southern China's Guangzhou province, where the company will build advanced liquid-

crystal displays with technology from Sharp.

Sharp's display panels are used in a wide variety of products including large-screen TV sets, smartphones and tablet computers. If Foxconn decides to make displays in the U.S., it would need to find customers among makers of those products or perhaps build its own factories for the products.

A number of other Asian manufacturers have been looking at expanding U.S. production. In June, Samsung Electronics Co. announced a \$380 million investment to expand its U.S. home-appliance manufacturing operations in South Carolina. Also in June, Humvee maker AM General said it is selling an assembly plant in Indiana to China-backed SF Motors for \$110 million.

## AIRBNB

*Continued from page B1*  
Group. But Priceline Group and Expedia are increasingly displaying vacation rental properties alongside hotel rooms on their sites. Executives said the goal is to provide travelers with the most comprehensive listings for any destination.

"We think vacation rentals are at the very early stages of being wired up on a global basis," said Expedia Chief Executive Dara Khosrowshahi. "To the extent that you as an e-commerce player can wire up these fragmented marketplaces, you can add significant value to both the supplier and also to consumers."

Expedia's 2015 purchase of vacation rental site HomeAway Inc. has given the company about 1.4 million online bookable listings that it is beginning to roll out on sites such as Expedia.com and Hotels.com. HomeAway saw a 48% increase in online vacation rental bookings in the first quarter compared with a year earlier, to nearly \$2.7 billion.

Priceline Group's Booking.com has expanded its vacation rental inventory by 50% to 613,000 properties and 2.5 million listings over the past year, according to its most recent filing. Booking.com, a dominant player in Europe, has seen its inventory of vacation rentals grow at more than twice the rate of other properties, including hotels, over the past year.

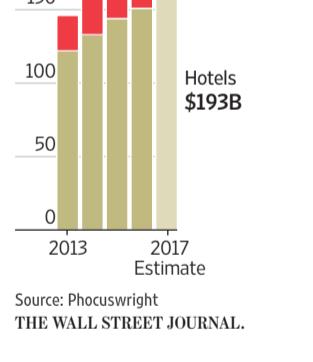
"For a very, very long time people have wanted to have this type of product," said Priceline Group CEO Glenn Fogel. "It's not so much that people have changed. I believe technology has enabled this type of rental property to be so much easier for people to find."

An Airbnb spokesman distinguished the company's platform from others, saying a vast majority of listings on the site can only be found

## Going Places

Private accommodations are expected to reach 18% of U.S. lodgings in 2017, from 16% in 2013.

### U.S. Lodging revenue



Source: Phocuswright  
THE WALL STREET JOURNAL.

there.

"Unlike the more conventional places to stay offered by others, Airbnb offers the unique accommodations and experiences travelers want," said spokesman Nick Papas.

There are growing pains as the vacation-rental sector increases in size and sophistication. Perhaps most important, a home is a very different kind of asset than a hotel.

Hotels vary widely in amenities, but most customers know what to expect.

Homes, however, come in all shapes and sizes, making direct comparisons trickier. There is no 24-hour front desk attendant on hand, and owners often have extensive lists of special instructions about properties.

As online travel sites seek to transform vacation rentals into a hotel-like commodity, owners increasingly are handing over control of their businesses in exchange for the online exposure.

Brian Harris of Harris Properties Management Inc., which manages about 90 vacation rental properties along the Alabama Gulf Coast, has listed on home rental site VRBO (now owned by HomeAway and Expedia) since the mid-2000s. The business model has shifted from a listings

site, where property owners pay an annual fee to advertise, into a booking platform where travelers pay a fee to book on the site.

Mr. Harris said he feels increasingly distanced from his customers. Rather than listing a phone number to contact owners with questions before booking, HomeAway recently started listing the number for a company call center.

The switch has presented challenges. Mr. Harris said a recent guest was trying to book a home near family in Gulf Shores, Ala., and was told by a customer service agent that the listing was close by. It turned out to be 20 miles away, and the customer was upset, Mr. Harris said.

"One of the main advantages we've got is this staff that's knowledgeable about the properties," he said. "This is more about VRBO and HomeAway keeping that guest in their pipeline and getting the guest fee, rather than what the guest wants."

HomeAway President John Kim said the goal is to prevent fraud and give guests a consistent customer-service experience.

"There's a lot of consumers who get lost in the conversation" if emails are coming from a property manager they don't recognize, he said. The company said the guest can still contact an owner directly after the property is booked, and can communicate through a secure messaging system before booking.

Another challenge is the move toward home rentals that can be booked instantly, which bypasses the typical approval process between owner and guest.

Booking.com's vacation rental inventory is all instantly bookable.

Airbnb has more than doubled its instantly bookable properties over the past year while HomeAway has increased them more than fourfold, according to lodging search website AllTheRooms.com.

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**Issuance of a New Global Pre Qualification Bid Notice**  
A new Global Pre Qualification Bid Notice (PQBN) No. 224/2017-18 has been notified for supply of security features for Indian Banknotes, which is available on RBI website ([www.rbi.org.in](http://www.rbi.org.in)) under the section "Tenders".

**Chief General Manager**  
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**GLOBAL NOTICE INVITING TENDER**

M/s Engineers India Ltd. on behalf of M/s Hindustan Petroleum Corporation Ltd. invites digitally signed & sealed (encrypted) e-tenders (online bid to be submitted only at site <https://etender.hpcl.co.in>) under single stage two bid system i.e. unpriced bid and priced bid in prescribed bid document from eligible bidders for "SUPPLY OF PUMP CENTRIFUGAL, MULTISTAGE (SPP) for MDPL Capacity Expansion and Palanpur-Vadodara Pipeline Project" (Tender No : 17000043-HD-10129). Pre Bid meeting : At 1330 Hours IST on 31.07.2017. Tender submission due date: Up to 17.08.2017 (1600 Hours IST).

The tender details/documents including EMD requirement etc. can be viewed and downloaded 17.07.2017 onwards from our web site <https://etender.hpcl.co.in> and [www.hindustanpetroleum.com](http://www.hindustanpetroleum.com) (under tender section: link "Tenders & Contracts")

All revisions, clarifications, corrigenda, addenda, time extensions etc. to the tender will be hosted on <https://etender.hpcl.co.in> and [www.hindustanpetroleum.com](http://www.hindustanpetroleum.com). Bidders should regularly visit these websites to keep themselves updated.

Dy. General Manager, Engineers India Ltd.

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## BUSINESS NEWS

# Arconic Weighs In on Deadly London Fire

By BOB TITA

**Arconic Inc.** said it had no control over the use of the aluminum composite panels on the exterior of a London apartment tower where a fire last month killed 80 people, but will continue to refrain from selling the product for use in high-rise buildings.

Investigators suspect that Arconic's Reynobond PE panels contributed to the spread of the June 14 fire at Grenfell Tower. The panels' polyethylene cores are believed to have ignited during the fire, which investigators suspect started in an apartment and spread to the building's exterior cladding.

The potential fallout from the fire has added to the pressures on a company that also had to fight a proxy battle earlier this year and address quality issues related to parts used in aircraft engines, a key growth market.

Interim Chief Executive David Hess said Monday that Arconic continues to support the

Grenfell investigation. "We believe we've been compliant in the sale of our product," he told analysts after Arconic reported forecast-beating profit and boosted its full-year guidance.

Arconic announced June 26 that it would stop selling the panels for use in high-rise buildings, though the company continues to sell them for use in low-rise structures. The company also markets panels with fire-retardant cores that can be used in high rises. World-wide sales of Reynobond PE panels for building applications were less than \$60 million last year, Arconic said. The U.K. accounted for about 5%, or \$3 million, of those sales.

The company said the Reynobond PE panels are certified for use as a construction material in the U.K. and other countries, and it sells them with the expectation that they will be used in accordance with local building regulations.

Mr. Hess sidestepped a question about the company's ability to handle potential liability costs for the Grenfell fire, saying only that "we have appropriate insurance coverage. I really can't speculate on our exposure." Concerning the fire, Mr. Hess said, "We extend our deepest sympathies to those who have lost so much."

New York-based Arconic has stressed that the Reynobond panels were one component of a wall-cladding assembly on Grenfell Tower featuring insulation and other materials that were put together by architects, contractors, fabricators and others who are responsible for complying with specific regulations.

"When we sell that material, we don't know where that material is headed when it's sold," Mr. Hess said. "We supply the building material. We do not control the ultimate design and installation."

Mr. Hess said the search for a permanent CEO at Arconic continues, and an executive search firm has been hired to help the board. Activist investor Elliott Management agreed in May to call off its proxy



A June 14 fire killed 80 people at Grenfell Tower in London.

fight in exchange for additional appointments to the Arconic board.

It is believed that Elliott's preferred candidate for the job, veteran aerospace executive Larry Lawson, is among those under consideration. Mr. Hess declined to comment on the candidates or the selection process.

Former CEO Klaus Kleinfeld left abruptly in April after heavy pressure from Elliott, which blamed him for lowering profit targets and failing to cut expenses.

Arconic raised its full-year outlook, lifting the range of expected sales to \$12.3 billion to \$12.7 billion from previous

guidance of \$11.8 billion to \$12.4 billion. Arconic also boosted the floor on its adjusted per-share earnings forecast by 5 cents, to a range of \$1.15 to \$1.20.

The company has been under pressure to cut costs since splitting from aluminum maker Alcoa Inc. in November. The company's adjusted earnings margin before taxes rose to 14.9% from 14.7%.

Arconic reported profit of \$212 million, or 43 cents a share, compared with \$135 million, or 27 cents a share, a year earlier. Revenue edged up 0.8% to \$3.26 billion.

—Imani Moise contributed to this article.

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## CLASS ACTIONS

### If you bought Aegerion Pharmaceuticals, Inc. stock between April 30, 2013 and May 11, 2016, you could get a payment from a class action settlement.

A settlement has been proposed in a class action lawsuit captioned *KBC Asset Management NV, et al. v. Aegerion Pharmaceuticals, Inc., et al.*, No. 14-cv-10105-MLW, concerning the price of Aegerion Pharmaceuticals, Inc. stock. The settlement will provide \$22.25 million to pay claims from Aegerion investors who bought or acquired the company's stock from April 30, 2013, through and including May 11, 2016. If you qualify, you may send in a claim form to get benefits, or you can exclude yourself from the settlement, or you can object to it.

A hearing will be held on November 30, 2017, at 2:00 p.m. ET, before the Honorable Mark L. Wolf, at the John Joseph Moakley U.S. Courthouse, 1 Courthouse Way, Boston, MA 02210, to consider whether to approve the settlement and a request by the lawyers representing all Class Members for an award of attorneys' fees of 25% of the \$22.25 million settlement amount, plus expenses not to exceed \$250,000, and a request by each of the Lead Plaintiffs for reimbursement of their time and expenses in representing the Class in an amount not to exceed \$17,500 in the aggregate.

If you purchased or acquired Aegerion publicly traded common stock between April 30, 2013 and May 11, 2016, inclusive, your rights may be affected by this Litigation and the settlement thereof. If you have not received a detailed Notice of Proposed Settlement of Class Action and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *Aegerion Securities Litigation*, Claims Administrator, c/o Gilardi & Co. LLC, P.O. Box 30253, College Station, TX 77842-3253 or by downloading this information at [www.aegerionsecuritieslitigation.com](http://www.aegerionsecuritieslitigation.com). You may also review the Stipulation of Settlement and all other settlement-related documents at [www.aegerionsecuritieslitigation.com](http://www.aegerionsecuritieslitigation.com), or you may contact the Claims Administrator at 1-844-319-2120 for further information regarding the Settlement. You may also contact representatives of counsel for the Class: Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, 1-800-449-4900, or Gregg S. Levin, Christopher F. Moriarty, Motley Rice LLC, 28 Bridgeside Blvd., Mt. Pleasant, SC 29464, 1-843-216-9000.

If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release online at [www.aegerionsecuritieslitigation.com](http://www.aegerionsecuritieslitigation.com) by November 17, 2017, or postmarked no later than November 17, 2017, establishing that you are entitled to a recovery. You will be bound by any judgment rendered in the Litigation unless you request to be excluded, in writing, to *Aegerion Securities Litigation*, Claims Administrator, EXCLUSIONS, c/o Gilardi & Co. LLC, 3301 Kerner Blvd., San Rafael, CA 94901, postmarked by October 31, 2017.

Any objection to any aspect of the settlement must be filed with the Clerk of the Court on or before October 31, 2017, and also delivered by hand or first-class mail to:

ROBBINS GELLER RUDMAN & DOWD LLP  
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The Court has retained the discretion to alter any of the deadlines or requirements outlined above for good cause shown.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.

DATED: June 29, 2017

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

## NOTICE OF SALE

### Notice Of Secured Party's Public Sale Of Collateral Under Uniform Commercial Code

**PLEASE TAKE NOTICE** that on **Tuesday, August 1, 2017, at 10:00 A.M. local time**, West 126th Street Mezz Lender LLC ("Secured Party"), will offer for sale at a public auction, and sell to the highest "qualified bidder," at the office of Cole Schotz P.C., 1325 Avenue of the Americas, 19th Floor, New York, New York 10019, 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 Columbia Lawrence Holdings 1 LLC, a New York limited liability company ("Debtor 1") and Columbia Lawrence Holdings 2 LLC, a New York limited liability company ("Debtor 2," together with Debtor 1, the "Debtors") in 100% of the membership interests in 126 Columbia Tower 1 LLC, a New York limited liability company, and 126 Columbia Tower 2 LLC, a New York limited liability company (collectively, the "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 known as: 402-410, 412-414, 416, 418, 420 and 422 West 126th Street, NY, NY; 429 West 126th Street, NY, NY; 422 West 127th Street, NY, NY; and 423 West 126th 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 November 19, 2015, and (ii) those

certain two (2) LLC Membership Interest Pledge Agreements dated as of November 19, 2015, executed by Debtor 1 and Debtor 2, respectively, 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) 516-0015 or [jpcuticelli@sheldongood.com](mailto:jpcuticelli@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 Tuesday, August 1, 2017. The sale will be conducted by Jonathan Cuticelli, Sheldon Good & Company, a New York licensed auctioneer, license No. 1387302.

## BANKRUPTCIES

## NOTICE OF COURT MEETING IN THE GRAND COURT OF THE CAYMAN ISLANDS

## FINANCIAL SERVICES DIVISION

## CAUSE NO.: FSD 100, 101, 102 and 103 of 2017

## IN THE MATTER OF SECTION 86 OF THE COMPANIES LAW (2016 REVISION)

## OF THE CAYMAN ISLANDS AND

NOTICE IS HEREBY GIVEN that, by orders dated soon thereafter as the UDW meeting is complete, the Grand Court of the Cayman Islands (the "Court") has directed that four separate meetings (the "Scheme Meetings") be convened of certain creditors of Drillships Financing Holding Inc. ("DFH"), Ocean Rig UDW Inc. ("UDW"), Drill Rigs Holdings Inc. ("DRH") and Drillships Ocean Ventures Inc. ("DOV") (each in provisional liquidation) (each a "Company" and together, the "Companies") for the purpose of considering, and, if thought fit, approving (with or without modification) a scheme of arrangement (together the "Scheme") for the benefit of each Company pursuant to section 86 of the Cayman Islands Law (2016 Revision of the Cayman Islands' (the "Companies Law") proposed to be made between each of the Companies and their respective Scheme Creditors.

**Scheme Creditors.** The Scheme Creditors are as follows:

## UDW Scheme Creditors

• the persons with a beneficial interest as principal in the 7.25% per cent senior unsecured notes due 30 April 2019 issued by UDW pursuant to an indenture dated 26 March 2014 (the "2019 Notes");

• the lenders of record under the DFH credit facility dated 12 July 2014 having guaranteed claims against UDW pursuant to the terms of the DFH credit agreement dated 12 July 2013 (the "DFH Credit Facility");

• the persons with a beneficial interest as principal in the 6.5% per cent senior secured notes due 1 October 2017 issued by DRH securing guaranteed claims against UDW pursuant to the terms of the DRH indenture dated 20 September 2012 (the "2017 Notes");

## DRH Scheme Creditors

• the persons with a beneficial interest as principal in the 2017 Notes;

• the lenders of record under the DFH Credit Facility;

## DOV Scheme Creditors

• the lenders of record under the DOV Credit Facility.

**Location of Scheme Meetings.** Each of the Scheme Meetings will be held at the offices of Maples and Calder, Ugland House, South Church Street, George Town, Cayman Islands on 11 August 2017 at the following times:

• UDW: 10 a.m. (Cayman Islands time);

• DFH: 10:30 a.m. (Cayman Islands time) or as

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# Jury Backs AbbVie Payment

By PETER LOFTUS

Gel in the U.S. in 2012.

The jury in U.S. District Court for the Northern District of Illinois found AbbVie not strictly liable or negligent in Mr. Mitchell's heart attack, according to court records. But it found the company liable for misrepresentations about the safety of the testosterone-replacement therapy AndroGel, according to court records.

The case was the first to go to trial of more than 4,000 lawsuits against AbbVie claiming AndroGel harmed patients, and that the North Chicago, Ill., company failed to properly warn doctors and patients about its risks.

Mr. Mitchell's attorney,

Troy Rafferty, said the jury found that AbbVie's fraudulent

guidance of \$11.8 billion to \$12.4 billion. AbbVie also boosted the floor on its adjusted per-share earnings forecast by 5 cents, to a range of \$1.15 to \$1.20.

The company has been under pressure to cut costs since splitting from aluminum maker Alcoa Inc. in November. The company's adjusted earnings margin before taxes rose to 14.9% from 14.7%.

Arconic reported profit of \$212 million, or 43 cents a share, compared with \$135 million, or 27 cents a share, a year earlier. Revenue edged up 0.8% to \$3.26 billion.

—Imani Moise contributed to this article.

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## MARKETS DIGEST

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## Futures Contracts

### Metal & Petroleum Futures

	Contract	Open	High	hi	lo	Low	Settle	Chg	Open	interest
	Open	High	hi	lo	Low	Settle	Chg	Open	interest	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2,7205	2,7360	2,7205	2,7290	0,0140	1,196				
July	2,7205	2,7360	2,7205	2,7290	0,0140	1,196				
Sept	2,7255	2,7445	2,7210	2,7365	0,0140	142,116				
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1256,00	1256,00	1254,10	1253,90	-0,40	22				
July	1256,00	1256,00	1254,10	1253,90	-0,40	22				
Aug	1255,50	1259,00	1252,00	1254,30	-0,60	149,651				
Oct	1258,10	1262,00	1255,30	1257,60	-0,30	26,132				
Dec	1261,40	1265,10	1258,10	1260,70	-0,30	239,920				
Feb'18	1265,20	1268,00	1263,30	1264,20	-0,40	15,629				
June	1270,70	1274,60	1270,70	1271,10	-0,40	7,993				
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	854,60	854,90	854,60	854,05	4,70	7				
July	854,60	854,90	854,60	854,05	4,70	7				
Sept	843,95	851,40	837,85	849,05	4,70	29,095				
Dec	837,40	845,00	833,00	843,65	4,70	3,380				
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	920,00	920,00	920,00	929,40	-5,30	8				
July	920,00	920,00	920,00	929,40	-5,30	8				
Oct	940,40	943,60	930,30	932,30	-5,10	65,012				
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	16,415	16,465	16,355	16,398	-0,012	134				
July	16,500	16,575	16,405	16,443	-0,014	150,061				
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	45,62	46,53	45,40	46,34	0,57	621,054				
Sept	45,78	46,68	45,58	46,51	0,56	178,863				
Dec	46,35	47,10	46,10	46,95	0,50	327,941				
Jan'18	46,58	47,31	46,35	47,17	0,48	117,287				
June	47,32	47,90	47,12	47,79	0,45	125,534				
Dec	47,82	48,45	47,75	48,34	0,44	170,878				
<b>NY Harbor U.S.D (NYM)</b> -42,000 gal.; \$ per gal.	1,5147	1,5216	1,5023	1,5169	0,0017	41,563				
Sept	1,5191	1,5367	1,5061	1,5221	0,0021	121,251				
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1,5775	1,5787	1,5444	1,5568	-0,0065	36,777				
Sept	1,5311	1,5508	1,5172	1,5336	-0,0066	126,678				
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2,914	2,955	2,880	2,899	-0,71	55,704				
Sept	2,921	2,942	2,866	2,882	-0,79	304,041				
Oct	2,953	2,978	2,903	2,917	-0,81	196,440				
Nov	3,029	3,052	2,982	2,998	-0,73	84,292				
Jan'18	3,281	3,296	3,232	3,246	-0,70	116,857				
April	2,850	2,862	2,813	2,823	-0,056	102,769				
	2,860	2,862	2,813	2,823	-0,056	102,769				

### Contract

Open	High	hi	lo	Low	Settle	Chg	Open	interest

### Agriculture Futures

Corn (CBT)	5,000 bu.; cents per bu.							
Sept	375,50	377,50	371,00	377,25	-2,50	563,573		
Dec	389,00	391,25	384,75	390,75	-2,75	558,683		
Sept	293,00	297,50	282,25	288,75	-7,00	1,436		
Dec	295,00	299,50	284,25	287,25	-9,00	4,935		
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.	100,000 lbs., cents per lb.							
Aug	10,000	10,050	9,857,5	9,975,10	-11,50	59,857		
Sept	10,135	10,130	10,010	10,125	-12,35	347,787		
Dec	10,150	10,150	10,030	10,135	-12,35	57,581		
<b>Coffee (ICE-US)</b> -37,500 lbs.; cents per lb.	10 metric tons; \$ per ton.							
Sept	135,55	135,80	132,40	132,55	-4,00	104,206		
Dec	139,20	139,30	135,95	136,15	-3,95	57,581		
<b>Sugar-World (ICE-US)</b> -112,000 lbs.; cents per lb.	100 metric tons; \$ per ton.							
Oct	14,38	14,48	14,18	14,40	-4,00	421,545		
March'18	15,15	15,21	14,94	15,16	-0,01	183,464		
Sept	26,81	26,81	26,55	26,81	-0,64	2,005		
Nov	26,52	26,52	26,25	26,55	-0,65	2,158		
<b>Cotton (ICE-US)</b> -50,000 lbs.; cents per lb.	100 metric tons; \$ per ton.							
Oct	69,35	69,35	69,07	69,00	-0,14	164		
Dec	68,79	68,90	67,84	68,29	-0,13	160,228		
<b>Orange Juice (ICE-US)</b> -15,000 lbs.; cents per lb.	100 metric tons; \$ per ton.							
Sept	130,35	130,35	129,10	134,50	-4,10	8,416		
Nov	131,95	135,10	129,80	134,00	-3,10	2,118		

### Interest Rate Futures

Treasury Bonds (CBT)	\$100,000; pts 32nds of 100%							
Sept	154-200	154-270	154-050	154-080	-17,0	720,600		
Dec	153-090	153-130	152-300	152-310	-17,0	704		
<b>Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	100,000; pts 32nds of 100%							
Sept	126-090	126-120	126-025	126-050	-5,0	3,112,917		
Dec	126-020	126-020	125-245	125-265	-5,0	21,624		
<b>5 Yr. Treasury Notes (CBT)</b> -\$100,000; pts 32nds of 100%	100,000; pts 32nds of 100%							
Sept	118-080	118-095	118-035	118-050	-3,2	2,950,924		
Dec	117-317	117-317	117-275	117-270	-3,2	7,175		
<b>2 Yr.</b>								

# BIGGEST 1,000 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.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, July 24, 2017

**NYSE**

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	23.55	-0.25	BT Group	BT	20.14	-0.10	Chubb	CB	146.89	-0.11	Kellogg	K	66.83	-0.39	PLDT	PHI	33.73	-0.42
AES	AES	11.32	-0.10	BakerHughes	BHGE	34.36	-0.24	KeyCorp	KEY	18.30	-0.28	FederalRealty	FRT	131.26	-0.78	FederalRealty	FRT	131.26	-0.78
Aflac	AFL	77.62	-0.05	BancOneBanc	BCH	84.45	-0.12	KeysightTechs	KEYS	42.50	-0.53	FirstEnergy	FDX	212.68	-0.17	FirstEnergy	FEE	31.25	-0.49
AGCO	AGCO	71.74	-0.08	BancoMacro	BMA	88.01	-0.14	FlatChrysler	FCAU	11.75	...	FlatChrysler	FCAU	11.75	...	FlatChrysler	FCAU	11.75	...
AT&T	T	36.23	-0.28	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AXIS Capital	AXIS	65.10	-0.16	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AbbottLabs	ABT	50.80	-0.04	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AbbVie	ABBV	73.91	-0.72	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Accenture	ACN	128.01	-0.84	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AcuityBrands	ABY	206.68	-1.42	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Adient	ADNT	67.93	-0.50	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AdvanceAuto	AAP	103.17	-2.10	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AdvSemInnrg	ASX	6.55	-0.06	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Aegon	AGE	5.43	-0.06	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AerCap	AER	49.40	-0.11	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Aetna	AET	156.08	-0.23	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AffiliatedMtrs	AMG	179.05	-0.70	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AgilentTechs	ALD	61.50	-0.13	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AgnicoEagle	AGU	45.92	-0.13	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Agricore	AGU	99.88	-0.08	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AirProducts	APD	144.94	-0.70	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AlaskaAir	ALK	87.01	-1.24	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Albermarle	ALB	118.86	-0.26	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AlexandraReal	ARE	120.52	-0.48	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AlibabaCloudHrv	AMC	17.75	-0.34	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Alibabagroup	AMC	17.75	-0.34	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AlitzeUSA	ATUS	30.96	-0.14	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Altria	MO	72.64	-0.78	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AlumofChina	ACX	14.99	-0.08	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Ambev	ABEV	5.92	-0.02	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AmericaMovil	AMX	17.75	-0.34	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Amcor	AMC	17.75	-0.34	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Amgen	AMGN	179.05	-0.70	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Amway	AMW	107.50	-0.72	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
ArrowElec	ARW	82.65	-0.25	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Arvest	ARV	128.01	-0.84	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
Artisan	ART	120.52	-0.48	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AspenTech	AT	156.08	-0.23	BancoSantander	SDA	6.71	-0.10	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40	FidelityAttnFin	FIFN	47.17	-0.40
AtmosEnergy	ATM	10.95	-0.04	BancoSantander	SDA	6.71	-0.												

## BANKING & FINANCE



A new partnership will allow customers at BP gasoline stations in Australia to use Western Union to send money overseas.

# Send Money and Get Gas

By MIKE CHERNEY

SYDNEY—Western Union Co. is turning gas-station attendants in Australia into money-transfer agents, reaching out to customers like Uber Technologies Inc. drivers who fill up at all hours of the day.

A new partnership with BP PLC in Australia will allow customers at BP gas stations to use Western Union to send money overseas, with an attendant completing the transaction. Western Union's mobile app is already available around the clock in Australia for sending money using a credit card, but customers will now be able to set up a transaction using the app and then pay in cash at the gas stations.

The Englewood, Colo., company is facing competition from financial-technology startups such as TransferWise, which are eating into its core business by making it easier for consumers to transfer money internationally using mobile phones or home

computers.

The service will be enabled in 302 BP stores—150 with a stand-alone kiosk; in the rest customers will use the app—as Western Union seeks to squeeze more growth out of its bricks-and-mortar retail network. The company says the kiosks are its first globally at gas stations, and if they are a hit, similar programs could be rolled out in other countries.

With a population of 24 million, Australia is a small market for Western Union, but international companies frequently test services or products there for developed markets.

The new service aims to increase convenience for customers who prefer to send money outside of normal business hours, said Simon Millard, Western Union's country director for Australia. Many of the company's retail agents in post offices, travel agencies or currency-exchange outlets are closed at

night and on weekends; many gas stations, by contrast, are open 24 hours a day. Potential customers being targeted include taxi and Uber drivers, many of whom are immigrants and often send money to family overseas.

Western Union has en-

*The company seeks to squeeze more growth out of its bricks-and-mortar retail network.*

hanced its retail presence elsewhere with kiosks at Walgreens stores in the U.S., WHSmith bookstores in the U.K. and Franprix supermarkets in France. It has also explored ways to boost its online-transfer business by joining with messaging apps Viber and WeChat.

Hikmet Ersek, Western Union's chief executive officer,

said in an interview in Sydney that a lot of growth will come from these digital offerings, which in the first quarter generated 26% more revenue than a year earlier but remain relatively small. Revenue from consumer-to-consumer transactions, which make up 78% of the company's total, was flat in the first quarter.

Another potential challenge for Western Union is the pending acquisition of rival MoneyGram International Inc. by Alibaba Group Holding Ltd.'s Ant Financial. The deal would create a bigger international competitor with a significant footprint in China and the U.S., but the purchase still awaits approval from U.S. regulators.

Shares of Western Union, which has a market cap of \$9 billion, have fallen more than 12% this year through Monday, even as the broader U.S. market recently hit records. They closed Monday at \$19.17.

Western Union is slated to report second-quarter results on Aug. 3.

another exchange to offer swaps based on it.

CFTC acting Chairman Christopher Giancarlo has said that he's optimistic about blockchain technology's future, but he hasn't commented on LedgerX. Blockchain is a digital ledger and the technology that underpins bitcoin. LedgerX's Mr. Chou is on the CFTC's Technology Advisory Committee.

A CFTC spokeswoman said,

"No committee, including the Technology Advisory Committee, plays any role in any registration decision."

An approval "recognizes the important and legitimate uses of digital currencies that are spreading throughout the world," said Jeremy Liew, a partner at **Lightspeed Venture Partners**, in an email before the CFTC's decision Monday. The venture-capital firm

# \$45B

Market capitalization of the virtual currency bitcoin

has a stake in LedgerX.

Proponents say an options exchange will spur trading and attract investors who are fearful of entering what has so far been an unregulated market, dominated by coders and entrepreneurs.

A CFTC-regulated venue could assuage institutional concerns about the virtual-currency landscape. Bitcoin has won over unlikely champions as it gains mainstream acceptance, including **Fidelity Investments** Chief Executive Abigail Johnson.

It might also be welcome news for traders who thrive on volatility. Bitcoin's value has more than doubled this year to \$2,762.63 as of Sunday, but the currency is prone to violent swings. Within one day in January, it approached a record before entering bear market territory.

information garnered in its board capacity to do the deal.

Representatives for Crédit Mutuel declined to comment.

A spokesman for Spain's market regulator said the ties between Crédit Mutuel and Banco Popular were disclosed and detailed to investors in the bank's annual reports.

A Banco Popular spokeswoman declined to comment on corporate governance issues. The ECB declined to comment on specific cases.

Banco Popular's board members also approved deals that made it appear the bank was on sounder financial footing than it was, according to analysts.

In mid-2014, as Banco Popular was struggling to recover from Spain's financial crisis, the bank sold the rights to the future profits generated by some of its insurance and pension products. The buyer was a newly created firm managed by a sole administrator who was also an employee of Banco Popular, according to the bank's 2014 and 2015 annual reports.

Banco Popular booked a €97 million profit from the sale.

The bank had also financed 48% of the deal, according to its annual reports. That means Banco Popular was financing its own profits.

That approach can mask the true value of a transaction and is often done when a company is in financial trouble, said James Shein, a professor at Northwestern University's Kellogg School of Management who studies corporate governance.

"Almost 100% of time there are bank failures, first there was a governance problem," Mr. Shein said.

Banco Popular said in its annual reports that the deal was done at arm's length and evaluated by an independent expert.

The bank's spokeswoman declined to comment.

—Giovanni Legorano  
in Rome  
contributed to this article.

# Options Exchange Cleared for Bitcoin

By GUNJAN BANERJI

Traders tired of quiet U.S. markets may soon have something more volatile to bet on: bitcoin options.

On Monday, a bitcoin options exchange called LedgerX won approval from the Commodity Futures Trading Commission to clear bitcoin options, making it the first U.S. federally regulated platform of its kind.

The venue will allow traders to place options bets on virtual currencies, which have recently posted some of the wildest swings across global markets.

LedgerX, which plans to launch in the fall, will offer institutional investors bitcoin puts and calls, contracts that allow them to sell or buy, respectively, at designated prices.

The CFTC's decision marks a victory of a three-year-plus effort by founders of New York-based LedgerX, overseen by **Ledger Holdings** Inc. Co-founders Paul Chou, chief executive officer, and Juthica Chou, president, were traders at **Goldman Sachs Group** Inc. before taking the helm of LedgerX. Chief Technology Officer Zach Dexter, also a co-founder, was a software engineer.

The CFTC's approval also represents a divergence to how two U.S. regulatory agencies have treated bitcoin, the largest virtual currency with a market capitalization of about \$45 billion, according to coinmarketcap.com.

In March, the Securities and Exchange Commission denied an application for the first exchange-traded fund that would track bitcoin on concerns the virtual currency could be manipulated. The SEC declined to comment on LedgerX.

Most bitcoin markets are unregulated and outside of the U.S. Bats BZX, an exchange owned by **CBOE Holdings** Inc., asked the SEC to reverse the bitcoin ETF decision, saying that the CFTC calls bitcoin a commodity and had allowed

# Lax Governance Cited in Spanish Bank's Collapse

When Europe's central bank orchestrated an overnight rescue of Banco Popular Español SA in June, the immediate spark was a bank run that left the Spanish lender close to collapse.

By Jeannette Neumann  
in Madrid and  
Patricia Kowsmann  
in Frankfurt

But Banco Popular's problems ran deeper, touching an area that has been difficult for European regulators to address: poor governance.

The bank's problems, governance specialists say, included board members who weren't independent enough from management and deals with companies that had ties to the board.

Corporate governance shortcomings are more common in European banks compared with the U.S., some say. Some attribute the difference to a fragmented continent where countries' capital markets are in varied stages of development and have different rules and regulations.

"In Europe, you have 28 different banking systems, which were created nationally under different mandates," said Tom Kirchmaier, deputy director of corporate governance at the **London School of Economics**.

Since the European Central Bank assumed supervision of major eurozone banks in November 2014, it has stepped up the focus on corporate governance, pressing lenders, for instance, to ensure boards include a sufficient number of independent directors. Since then, the ECB conducted 94 on-site visits to examine governance issues, the second-highest number of inspections after loan risk.

When the ECB began to regulate Banco Popular, Spain's No. 6 lender by assets, it inherited a bank that analysts say was riddled with governance problems.

In its 2016 annual report, the bank said seven of 15 board members were indepen-

dent. However, four had long-standing links to Banco Popular, ties that governance specialists say undermined their ability to challenge executives' decisions.

One had served as finance director and chief executive at the bank immediately before becoming a board member. Governance specialists say there should be at least a few years' "cooling off" period for a director in that situation to be considered independent.

Another member sat on the board for nearly 10 years, a duration governance specialists consider too long to be deemed independent.

A third filled in for her father when he stepped down from the board after serving for more than two decades.

A fourth previously had been a non-independent director representing an investor who remained a significant shareholder.

A Banco Popular spokeswoman said Spain's securities regulator reviewed and had no objection to the bank's designation of the board members as independent.

A board member can be considered independent for up to 12 years under Spanish law, she noted.

Analysts say that coziness between the board and management contributed to the board's slowness to remove Ángel Ron as executive chairman, despite investor concern the bank wasn't doing enough to shed roughly €37 billion (\$43.2 billion) in sour loans.

Mr. Ron was replaced in December after 12 years at the helm and more than a 90% drop in the bank's share price.

The bank spokeswoman declined to comment on Mr. Ron's departure.

Mr. Ron has said the liquidity problems that ultimately triggered Banco Popular's takeover began after he stepped down, according to people familiar with his reasoning.

"Truly independent board members are key to avoid conflicts of interest that end up impacting stakeholders," said



Analysts say Banco Popular's board moved too slowly in removing Ángel Ron as executive chairman.

## Problems at Banks Prevalent in Europe

Corporate governance shortcomings are common in Europe's banks, some say.

For example, when two Italian banks decided to merge last year, the lenders wanted to cut the newly combined board to 24 members from 47. After a month-long battle between the European Central Bank and the two lenders, the ECB forced the banks to cut the total number of directors down to 19.

Peter Nathaniel, co-director of a program on banking gover-

nance at Europe's **Insead** business school, said while there is no rule, boards should typically have between eight and 15 directors, depending on the complexity of the business.

At unlisted Italian lenders **Banca Popolare di Vicenza** SpA and Veneto Banca SpA, which were liquidated by the government on June 25, boards of both banks had assigned prices to their shares that analysts and other bankers considered generous.

While the practice was legal, analysts said the assigned share prices were unrealistic.

Executives and board members at the banks had previously

Carlos Garcia, an analyst with financial services firm Kepler Cheuvreux SA. "Popular is an example of why governance matters."

Another issue for Banco Popular was its relationships with firms that had representation on its board.

For example, on June 2

said shareholders had signed off on the assigned prices.

In Germany, state lender HSH Nordbank is looking to find a buyer or could face liquidation after large losses on souring shipping loans.

Those loans were given out for years under the supervision of politicians and shipping magnates who sat on the bank's supervisory board and encouraged it to become the world's biggest shipping lender.

Some say the setup created a conflict of interest and exposed the lender to too much risk in one sector.

An HSH Nordbank spokesman declined to comment.

Banco Popular was rescued and sold to Spain's Banco Santander SA for a token €1.

Mr. Kirchmaier said unless the purchase of the stake was ordered by regulators amid the resolution process, which remains unclear, the move raises questions about whether Crédit Mutuel used

another

to offer swaps based on it.

CFTC acting Chairman Christopher Giancarlo has said that he's optimistic about blockchain technology's future, but he hasn't commented on LedgerX. Blockchain is a digital ledger and the technology that underpins bitcoin. LedgerX's Mr. Chou is on the CFTC's Technology Advisory Committee.

A CFTC spokeswoman said,

"No committee, including the Technology Advisory Committee, plays any role in any registration decision."

An approval "recognizes the important and legitimate uses of digital currencies that are spreading throughout the world," said Jeremy Liew, a partner at **Lightspeed Venture Partners**, in an email before the CFTC's decision Monday. The venture-capital firm

## MARKETS

# Greece Returns to Global Debt Markets

Bond swap represents nation's first foray into sector since brief participation in 2014

Greece is returning to international bond markets for the first time in three years, seeking to swap a bond coming due in 2019 for a new one that will mature in 2022.

By Nektaria Stamouli  
in Athens  
and Emese Bartha  
in Frankfurt

The country on Monday offered holders of a 2019 bond with a 4.75% coupon the potential option to cash in their securities; it will complete the deal if it gets enough demand for replacement bonds. It hasn't determined the price and terms for the replacements. The deal is expected to close Tuesday.

Greece isn't expected to raise extra debt in the deal; the stretching out of maturities is meant as a show of confidence—and a way to deal with a big hump of debt repayments in 2019.

The 2019 bond has just over €4 billion (\$4.67 billion) outstanding, and bondholders who participate in the swap will have made a hefty return: Greece will pay €102.60 per €100 face value—close to the market price on Friday. A year ago, the bond was trading below €90.

The banks mandated as joint lead managers are BNP Paribas, Bank of America Merrill Lynch, Citigroup, Deutsche Bank, Goldman Sachs and HSBC.

Athens has been shut out of international bond markets since 2010, except for a brief



A woman used an ATM as police stood ready at a protest against austerity measures in Athens in 2010. Athens has been nearly shut out of debt markets since then.

window in 2014. The move aims to build on the positive momentum created since the government concluded the bailout negotiations with its international creditors, recent upgrades by credit-rating firms and a rally in Greek bonds in recent weeks.

Greece has about €34 billion in outstanding euro-denominated bonds in private hands—10% of its debt load.

The government hopes that the swap, along with a few

more similar moves before the end of its bailout, could mark the beginning of the end of eight years of economic and social upheaval.

Greece's current bailout program ends in July 2018. After that, the country needs to be able to fund itself from the capital markets, or it would require another bailout to remain solvent. The European Union, including Germany, would like to end the bailouts that have caused

great political friction for the currency bloc, according to EU officials.

Greece tapped the markets in 2014 with five-year and three-year bond issues in April and July 2014, respectively. The first transaction exceeded expectations and the issue was seven times oversubscribed, raising €3 billion at a yield of 4.95%, but the next sale found just enough buyers, raising €1.5 billion.

Later in 2014, Greece also

persuaded some Treasury-bill holders to exchange their bills for the bonds.

Before its bailout era began, Greece was last in the markets in April 2010, when it sold seven-year debt at a 6% yield. That issue was barely covered by investor demand, and within weeks Greece was forced to seek aid from its eurozone peers and the International Monetary Fund. It has since then agreed to three bailout programs.

### AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield accepted. Rates are determined by the difference between that price and the face value.

#### 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$111,826,414,400	\$96,107,354,500
Accepted bids	\$39,000,064,400	\$33,000,144,500
"noncomp	\$574,089,900	\$455,177,500
"foreign noncomp	\$1,000,000,000	\$1,000,000,000
Auction price (rate)	99.701722 (1.180%)	99.428722 (1.130%)
Coupon equivalent	1.200%	1.152%
Bids at clearing yield accepted	67.70%	34.87%
Cusip number	912796L20	912796NPO

Both issues are dated July 27, 2017. The 13-week bills mature on Oct. 26, 2017; the 26-week bills mature on Jan. 25, 2018.

## Analysts Help Lift Blue Apron Shares 13%

BY AMRITH RAMKUMAR

Shares of **Blue Apron Holdings** Inc. had their best day ever after several of the banks that helped the company go public sounded a bullish note.

Overall, eight of the 12 underwriters for its initial public offering recommend buying the stock.

Blue Apron shares rose 13% to \$7.41, their best performance in the 17 trading sessions since their debut in late June.

Still, two of the four lead underwriters of Blue Apron's IPO gave the meal-kit delivery company "equal-weight" ratings, defying the usual Wall Street convention of initiating coverage with a bullish outlook.

Analysts at banks that have a hand in underwriting an IPO must wait for a time after the debut before issuing stock-recommendation ratings. Analyst reports from those banks are sometimes viewed by investors with a skeptical eye, because banks collect fees for taking a company public. Banks maintain their research is independent from the deals side of the business.

A similar flood of analyst notes boosted shares of another recent high-profile IPO, **Snap Inc.**, in late March.

Some of those analysts have since tempered their enthusiasm, and Snap shares fell 8.9% earlier this month when Morgan Stanley, one of the lead underwriters, cut its price target. Snap closed Monday at \$14.08, 17% below its \$17 IPO price.

Blue Apron investors have also had a rough ride. The company's shares made their debut on June 29 at \$10 but fell on nine of their first 13 trading days.

The stock has traded down on concerns about Blue Apron's high marketing costs and the heavy competition in the meal-kit business and took a big hit last week on the news that Amazon.com Inc. had filed a trademark for prepared food kits.

They closed at \$6.55 Friday—about 35% below the IPO price.

## Venezuela Bonds Fall After Sanction Threat

BY CAROLYN CUI

Venezuelan bond prices tumbled to their lowest levels of the year as default fears grew following U.S. President Donald Trump's threat to impose sanctions on the country.

State-owned oil producer **Petróleos de Venezuela SA**'s bonds due in November fell 2.9% late in New York trading Monday and have tumbled 7.6% over the past six sessions, now at their lowest levels since December, according to Thomson Reuters data. The government's bonds due in

2038 were down 10% during the period after falling 4.3% Monday.

A sell-off in the country's debt has accelerated since Mr. Trump's statement a week ago, which followed a referendum by millions of Venezuelans that rejected President Nicolás Maduro's plan to rewrite the country's constitution. Mr. Trump said that the U.S. "will take strong and swift economic actions" unless Mr. Maduro abandons plans to pick a new constituent assembly on July 30, which could bypass the current congress under the opposition's control.

The statement has fueled concerns that the U.S. might

unveil a new round of sanctions on Venezuela that could cripple the country's energy sector. Oil exports are the primary source of dollar revenues for Venezuela, analysts say. Meanwhile, the head of Pdvsa's union is calling for oil workers to join an anti-Maduro strike, which could also lead to disruptions to the country's oil production.

"If there's a sudden interruption in terms of cash flow, they are not going to pay anything," said Siobhan Morden, head of Latin America fixed-income strategy at Nomura Securities International. "The perception is for near-term default."

So far the U.S. administration hasn't detailed the possible sanctions, but a senior official said last week one option could be to ban Venezuela's crude-oil exports to the U.S.

Buying Venezuelan debt was a winning trade last year. For years, some investors have been scooping up near-term bonds issued by Venezuela at deep discounts, collecting coupon payments and betting that the government would service its debt as long as it can. That trade returned 53% in 2016, a top performer in emerging markets, according to J.P. Morgan Securities LLC. For the first half of 2017, these bonds were up 2.5%, while emerging-

market debt gained 6.2%.

Lately, the combination of a challenging political environment and strained finances has raised questions over the government's willingness and ability to pay. Between its sovereign and PdVDA bonds, Venezuela still has about \$5 billion in principal and coupon payments until the end of 2017. Its international reserves, including gold, have fallen to about \$10 billion, a 15-year low, according to its central bank.

Given the severe economic and humanitarian crisis in Venezuela, some analysts say they are skeptical the U.S. will impose harsh sanctions on the country's oil sector.

## Stocks Are Mixed Ahead of More Results, Fed Statement

BY MIKE BIRD  
AND GUNJAN BANERJI

Major U.S. stock indexes were mixed Monday, with the Dow Jones Industrial Average and S&P 500 posting their third consecutive session of declines while the Nasdaq Composite closed at a record.

U.S. stock-trading volumes were below 2017's daily average. Some investors said they were awaiting several earnings results this week and a policy statement from the Federal Reserve due Wednesday.

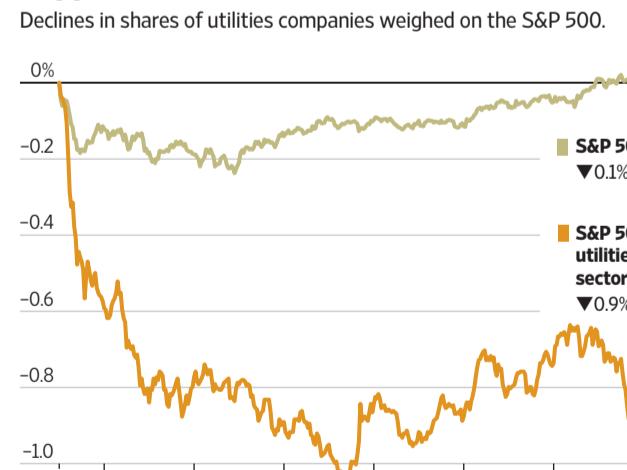
Economists don't expect a change in U.S. interest rates, but the central bank could announce the beginning of its balance-sheet reduction.

The Dow industrials fell 66.90 points, or 0.3%, to 21,513.17. The S&P 500 shed 2.63 points, or 0.1%, to 2,469.91. The Nasdaq Composite rose 23.05 points, or 0.4%, to 6,410.81, helped by gains in biotechnology shares.

Shares of toy makers were among the biggest decliners in the S&P 500 and its consumer-discretionary sector after **Hasbro**'s quarterly results disappointed investors. The owner of Monopoly, whose stock is up 35% so far this year, posted sales growth that fell short of what analysts polled by Thomson Reuters expected. Shares of Hasbro fell \$10.95, or 9.4% to \$105—posting the biggest

### Sapped

Declines in shares of utilities companies weighed on the S&P 500.



percentage decline in the S&P 500 on Monday—and **Mattel** declined 83 cents, or 3.8%, to 20.80.

A number of technology heavyweights are scheduled to report earnings this week, including **Facebook** and **Amazon.com**.

"Some of the nervous traders are dipping and ducking" in anticipation of earnings, said Chris Bertelsen, chief investment officer of Aviance Capital Management.

Also Monday, shares of utilities companies fell alongside U.S. government-bond prices. The rate-sensitive sector slid 0.9%, while the yield on the 10-year Treasury note rose to 2.253% from 2.232% Friday.

Yields rise as prices fall.

The dollar was steady after the WSJ Dollar Index, which measures the U.S. currency against 16 others, fell to its lowest close since Sept. 30 on Friday. Concern about policy direction from the White House and Capitol Hill since the failure to repeal the Affordable Care Act and investigations into contacts with Russians before November's election have helped fuel dollar selling.

The Stoxx Europe 600 index fell 0.2%, weighed down by a 1% drop in British and German stocks.

Early Tuesday, Japan's Nikkei was up 0.1% and Australia's S&P ASX 200 was up 0.7%.

## Volatility Still Possible For Tech Heavyweights

BY GUNJAN BANERJI

Traders expecting muted moves for some technology stocks after their earnings reports may want to think again.

**Facebook** Inc. and **Amazon.com** Inc. will both report earnings this week, with **Apple** Inc. following next week.

Options traders have cast muted expectations for post-earnings-report fluctuations in the shares of some tech heavyweights. That is in part because of the run-up in their share prices this year, which some argue will limit any pop following their results.

Shares of **Netflix** Inc. blew past the expectations of options traders last week as its subscriber trends wowed investors. The stock jumped almost 14%, well above the roughly 8% move that options forecast ahead of the report.

The mammoth postearnings jump "is a reminder that even as internet bellwethers have achieved significant scale, they remain volatile around events," wrote Jim Strugger, derivatives strategist at MKM Partners, in a note last week.

Even though Amazon.com's earnings tend to spur volatility, it is relatively cheap to hedge using options ahead of their release, wrote Goldman Sachs Group analysts in a July 19 report.

Options forecast a 4.3% shift in either direction after results are reported on Thursday, well below the average 5.4% move over the past eight reports, Trade Alert data

show. The projections are based on an options strategy called a "straddle," which entails purchasing both put and call options contracts—giving holders the right to sell or buy securities at a set price—at the same strike price.

Options traders aren't anticipating increased turbulence for Facebook, either, which reports results after the market closes Wednesday. Traders forecast a 4.7% swing in the stock in either direction, below its average move.

Earnings releases have become an outsize factor for single stocks, even as major stock indexes remain placid. Last quarter, stocks moved four times their average daily price swing on earnings reports, wrote Goldman analysts. In many sectors, more than 30% of stocks' quarterly returns came during earnings week.

For the so-called "FAAMG" stocks—Facebook, Amazon, Apple, **Microsoft** Corp. and Google parent **Alphabet** Inc.—more than 50% of their quarterly returns were fueled by earnings, according to Goldman. Its analysts said that stock volatility has shifted to the earnings report, but "the options market has not adjusted to reflect the increasing importance of earnings for stock returns."

Following the market's close Monday, Alphabet said quarterly profit slid 28% because of a \$2.7 billion fine from European regulators. In after-hours trading, its shares fell \$31.65, or 3.2%, to \$966.66.

# MARKETS

# Investors on Edge Over Borrowing Limit

Treasury-bill yields get jarred amid doubts on Congress's ability to smoothly reach accord

By BEN EISEN

Wall Street is getting worried about the debt-ceiling debate in Washington.

Bond traders, concerned about protracted sparring over the federal government's borrowing limit, are pushing up the yields on short-term Treasurys. The three-month yield, the shortest-term of the U.S. government-debt offerings to mature after the coming debt-ceiling deadline, now pays more than a security whose term is twice as long. It is a rare "inversion" that hasn't happened in this corner of the market since the throes of the financial crisis.

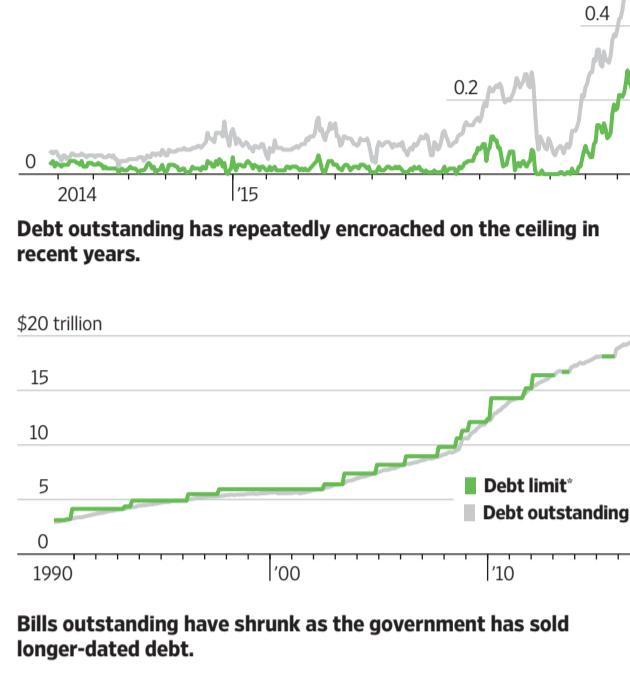
A brief default on government debt would hit short-term T-bills first, so they have typically turned volatile ahead of deadlines in Washington for lifting the government's cap on borrowing. But the magnitude and timing of the moves—well before October, the Congressional Budget Office's estimated deadline for a deal—suggest investors are on edge about what's to come.

"We are all attuned to the dysfunction in Washington," said Priya Misra, head of Global Rates Strategy at TD Securities in New York. "It's making an early resolution seem very unlikely. Even though the Republicans control the House, Senate and White House, it's not a unified party per se, and that's what creates the risk of a policy mistake."

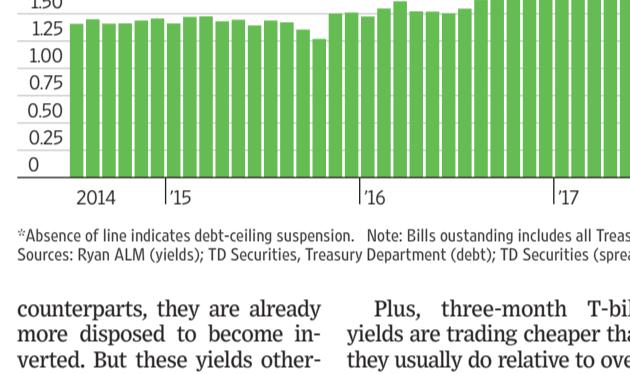
To be sure, analysts say yields in the \$1.7 trillion T-bill market can become jumbled for reasons besides a debt debacle, such as when the Federal Reserve is in a rate-lifting cycle, as it is now. When rates are rising, pushing up short-term yields relative to their longer-term

## Dancing on the Ceiling

Traders are growing concerned that the U.S. will run out of room to borrow in coming months as debt outstanding hits its congressionally set 'ceiling,' raising the risk of default—a fear evident in the recent inversion in which three-month bill yields exceeded those of six-month bills.



Bills outstanding have shrunk as the government has sold longer-dated debt.



\*Absence of line indicates debt-ceiling suspension. Note: Bills outstanding includes all Treasurys maturing in 52 weeks or less.

Sources: Ryan ALM (yields); TD Securities, Treasury Department (debt); TD Securities (spread); Wrightson ICAP (bills outstanding)

counterparts, they are already more disposed to become inverted. But these yields otherwise haven't inverted on a closing basis during the central bank's cycle of rate increases that began in late 2015.

Plus, three-month T-bills yields are trading cheaper than they usually do relative to overnight index swaps, an interest-rate derivative in which investors bet on the Fed's interest-rate policy. That suggests other



The three-month-bill selloff has put yields above comparable index swaps.

Spread between three-month yield and overnight index swap



The yield curve has flattened, as rising short-term rates have been matched by falling long-term ones.

Yield on 10-year Treasury note



THE WALL STREET JOURNAL.

factors are at play than the outlook for the Fed. T-bills on Monday were cheaper than OIS for the first time since 2009, according to TD Securities.

The debt-ceiling debate has become common in recent

years, with a particularly contentious debate taking place in 2011. It was followed by a debate in 2013 that also sent short-term yields higher, and another one in 2015. That has led investors to routinely demand more yield on

the bills most at-risk if the government were to temporarily stop repaying its debt.

This time around, the debate adds a new dimension because it will force different factions within the Republican party to come to an agreement. And they will also have to reach across the aisle to avoid a filibuster, since the Senate will likely need 60 votes to pass a debt-limit increase.

The Treasury reached its \$20 trillion ceiling in March, but has raised cash through a series of extraordinary measures. Now lawmakers have until early-to-mid October to lift the ceiling before cash balances are exhausted, according to the CBO. In the meantime, some market participants expect the Treasury will reduce its issuance of T-bills.

Some investors are doubtful about Congress's ability to smoothly reach an agreement to lift the debt limit given its divides on a health-care bill. And Treasury Secretary Steven Mnuchin has said he doesn't want to attach conditions to a bill lifting the debt ceiling while White House budget director Mick Mulvaney has long advocated tying it to spending cuts or other legislation. President Donald Trump has said Mr. Mnuchin is the point-person on the matter.

While most expect a debt-ceiling deal to be ironed out eventually, some worry about knock-on effects in the meantime. In addition to the remote possibility of a short-term delay in debt payments, a debate that comes down to the wire could impact the Fed's decisions on the timing of interest-rate increases. The Fed has penciled in one more increase this year.

The Treasury Department auctioned \$39 billion of three-month T-bills Monday at a yield of 1.18%, above where the market was trading, analysts said. That is another sign investors are demanding more yield to own three-month T-bills.

# HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS & COMMENTARY

[WSJ.com/Heard](http://WSJ.com/Heard)

## Car Makers' Diesel Woes Persist

This was supposed to be the year Volkswagen drew a line under its diesel-emissions scandal. Instead the scandal seems to be spreading to the other German car giants.

The latest allegation is that Volkswagen, Porsche and Audi—all owned by Volkswagen Group—together with Mercedes maker Daimler and BMW have engaged in collusive practices since the 1990s, including on emissions-reducing technology linked to the VW fraud revealed by the U.S. Environmental Protection Agency in 2015. The European Union's top antitrust regulator has confirmed that it is investigating the industry following a tip-off from VW last year. More than €11 billion (\$12.8 billion) has been wiped off the combined market value of the three listed groups since the weekly magazine Der Spiegel published details of what it labeled "the cartel" on Friday.

The Der Spiegel report describes how teams from each of the big five German car makers met to coordinate an-

### Going Nowhere

Forward price/earnings ratios



Source: FactSet

THE WALL STREET JOURNAL.



Cars parked at Volkswagen's plant in Salzgitter, Germany

swers to questions posed by new technology or regulations. Notably, a crucial component for the reduction of noxious nitrogen-oxide emissions from diesel engines was allegedly scaled back for commercial reasons. This eventually led VW and Audi to pass tougher U.S. tests by cheating.

EU antitrust penalties can theoretically be as much as 10% of sales, which for the German car makers would be €46 billion. Any charge is

likely to be far lower. The \$2.7 billion fine announced last month against Google for skewing internet searches to favor its own comparison-shopping service works out to 2.9% of parent company Alphabet's sales.

The largest cartel fine yet issued by the EU was to the truck industry: Four manufacturers, including Daimler, were forced to cough up about \$3.3 billion last year following a five-year investigation into price fixing. The

car industry is larger, but the practices unearthed by Der Spiegel imply fixing technical standards rather than the more serious business of fixing prices.

The other worry is that the diesel scandal just won't die. Early last week Daimler issued a commitment to recall and update over three million diesel cars in Europe at a cost of €220 million, even as it admitted no guilt. On Sunday, BMW denied accusations of collusion or underpowered emissions technology, but it also committed to update its older diesel cars.

German car makers are in a bind: To meet tightening European regulations they need to rehabilitate diesel's image with customers and regulators. But doing so increases the cost of engines. It is hard not to see the latest stock-market selloff as an overreaction, particularly since car company valuations are already at rock bottom. Given the challenge of technology transition, however, any opportunity is one for traders, not long-term investors.

—Stephen Wilmot

## OVERHEARD

Dive! Dive! Dive! Greek bulk carrier Dry-Ships has been doing a nice submarine impression since its mysterious 1,500% spike in November, shedding 99.9% of its value as millions of new shares have been issued with seemingly little regard for their price.

Yet the company's very own Captain Nemo, Chief Executive George Economou, outdid himself last Friday as the stock executed its latest reverse split.

It plunged by nearly 58% in the early hours of trading on a split-adjusted basis, coming close to breaking below the \$1-a-share mark that had spurred its previous seven reverse splits in record time.

Then it unexpectedly released ballast. The share price tripled in afternoon trading before closing down by what for most companies would be a shocking 28%. Who needs to go to a cruise-ship casino when this dry bulk carrier offers such exciting action right on the Nasdaq?

## Traffic Costs Jam Results At Google

Google generates a lot of clicks. But they aren't free—nor always cheap.

Second-quarter results from parent company Alphabet Inc. were a good reminder of both. Google showed an unprecedented ability to generate economic activity out of its massive internet search engine. Paid clicks, which measure the frequency that Google users click on advertisements, surged 52% year over year. That is the biggest jump in at least seven years—notable considering the company's advertising revenue base has grown nearly fourfold in that time.

But that growth comes with a cost—\$5.1 billion in this case. That is what Google expended for the quarter in traffic acquisition costs, a record. More important, traffic-acquisition costs, which rose 28% in the second quarter compared with last year, outpaced revenue growth for the first time in five years.

Traffic-acquisition costs are what Google pays to drive people to its ads. These costs have been rising.

Operating income would have hit a record \$6.9 billion if not for the record-setting \$2.7 billion fine from the European Union. But that represents growth of only 15% year over year—the company's slowest in two years.

Alphabet's shares slipped 3% after hours following the results, reflecting both the earnings deceleration and the stock's 26% run so far this year. Investors shouldn't panic, as Google is still an unmatched profit machine relative to most of its internet peers. But it is worth remembering that growth has its price.

—Dan Gallagher

## Bringing In Wealth Better Than Trading It for Julius Baer

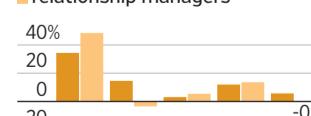
Managing money for the rich looks like a better business than trading and investment banking. That is the upshot of half-year results for Swiss bank Julius Baer and the theme of last week's U.S. bank results.

But Julius Baer's success in recent years has been driven by growth in its army of relationship managers, the gate keepers to wealthy clients' cash, which raises the question whether that trend can continue.

Right now, the story looks good. The bank saw strong growth in assets

### Rich Relations

Growth in Julius Baer's assets under management and relationship managers



\*Includes acquisition of Merrill Lynch international wealth business. †First-half Source: the company

the first half of 2016.

This was due to a continuing lack of activity among clients, which has been apparent at rivals Credit Suisse and UBS since last year, and reflects the wider malaise for financial trading in global markets beset by low volatility. That hit U.S. bank trading revenue, which was down overall in first-half results last week.

At Julius Baer, the growth in assets came largely from Asia and the Middle East, where the Swiss bank focused a heavy round of hiring last year, expanding its total number

of advisers by more than 160, or close to 14%.

Such hires are meant to bring a large chunk of their clients (and their clients' assets) with them from former employers. This doesn't always happen, and those who fail to bring in new money over their first few years will be let go.

This year, Julius Baer has been weeding out such underperforming advisers, which has led to a slight net reduction in numbers so far. The competition for good relationship managers is fierce, especially in Asia, where many banks are scrambling to up their

game. This could make client assets more difficult or more costly to gather for all.

Julius Baer has been well rewarded by investors for not being an investment bank and for the lower volatility of its results. It trades at 2.1 times 2017 forecast book value per share, which compares with UBS's 1.2 and Credit Suisse's 0.8.

To stay ahead of the pack, Julius Baer will have to prove it can add to assets when good private bankers become harder to find—and keep.

—Paul J. Davies