

# THE WALL STREET JOURNAL.

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★★★★ \$3.00

DJIA 21397.29 ▼ 12.74 0.1% NASDAQ 6236.69 ▲ 0.04% STOXX 600 388.53 ▲ 0.01% 10-YR. TREAS. ▲ 1/32, yield 2.153% OIL \$42.74 ▲ \$0.21 GOLD \$1,247.60 ▲ \$4.20 EURO \$1.1153 YEN 111.33

## What's News

### Business & Finance

**B**ig U.S. banks survived the first round of the Fed's "stress tests," an outcome that could bolster the industry's case for cutting back regulations. **A1**

◆ **Qatar Airways** said it aims to buy a significant stake in American Airlines, a brash bid by the Mideast carrier to push into the U.S. **A1**

◆ **China's banking regulator** is conducting a sweeping check on the borrowings of some of the country's top overseas deal makers. **B1**

◆ **Buffett's rescue** of Home Capital is his latest move to secure generous returns from backing businesses that other investors are fleeing. **B1**

◆ **Foxconn** is looking at seven U.S. states for a site to make flat-panel screens and related equipment. **B1**

◆ **Lyft's market share** has grown amid turmoil at rival Uber, but its founders have cautioned staff not to gloat. **B1**

◆ **The USDA suspended** imports of fresh beef from Brazil, citing recurring safety concerns. **B1**

◆ **Altice USA shares rose** 9% in their market debut after one of the biggest U.S. IPOs of the year. **B10**

◆ **Health-care stocks** jumped in muted U.S. trading. The Dow eased 12.74 points to 21397.29. **B10**

◆ **Trump told** tech and telecom executives that the government will tackle restrictive regulations. **B2**

◆ **Boeing beat** Airbus in Paris Air Show orders, fueled by its launch of a new narrow-body jet. **B3**

### World-Wide

◆ **Senate GOP leaders** released a health overhaul that would undo major parts of the ACA and transform a large part of the health-care system. **A1, A6**

◆ **House Republicans** are struggling to agree on a budget plan as they debate more military spending. **A4**

◆ **Trump said** that he doesn't have recordings of his conversations with former FBI chief Comey. **A4**

◆ **Trump's approval rating** remains stable after one of the rockiest months of his presidency, a poll found. **A4**

◆ **A Supreme Court ruling** tightened the standards for stripping an immigrant of citizenship. **A3**

◆ **U.K. leader May** outlined an offer to EU counterparts on the rights of EU citizens in Britain following Brexit. **A7**

◆ **Migrants are returning** to the French port city of Calais as they try to enter Britain. **A8**

◆ **EU leaders backed** a new defense cooperation plan that could lead to more effective military spending. **A7**

◆ **A car bomb killed** 34 people in Afghanistan's Helmand province, where the Taliban have expanded control. **A8**

◆ **Southeast Asian nations** pushed for counterterrorism coordination as Philippine troops fought militants. **A8**

◆ **The U.S. accused** a former government employee of espionage for allegedly passing information to China. **A2**

◆ **Yellowstone grizzly bears** will come off the endangered list, the government said. **A3**

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# Battle Lines Drawn on Health Care

**WASHINGTON**—Senate Republican leaders released a health overhaul Thursday that would undo major parts of the Affordable Care Act and transform a large part of the American health-care system by changing and cutting the underlying funding for the Medicaid program.

By **Stephanie Armour, Kristina Peterson and Louise Radnofsky**

The bill would reverse the ACA's expansion of Medicaid, a move that could affect millions of people, and would for the first time limit states' overall Medicaid funding from Washington. It also would eliminate the requirement in the 2010 law that most Americans sign

up for health insurance, and instead provide less-robust tax credits than the ACA to help people afford insurance. It would repeal hundreds of billions of dollars in taxes on businesses and high-income households and retroactively cut taxes on capital gains.

The Senate plan in many ways echoes a health bill passed by the House last month, but it contains several differences. It isn't clear if those changes, such as the shape of the tax credits and a more gradual phasing-out of the Medicaid expansion, would be enough to attract more centrist Republicans without alienating the most conservative lawmakers in both chambers.

The challenge quickly be-

## How the Senate GOP Bill Would Change Current Law

**INDIVIDUAL MANDATE** Eliminates penalty for not having insurance

**MEDICAID** Pares back Medicaid expansion, caps overall federal spending

**TAXES** Repeals, delays or reduces many ACA taxes

**SUBSIDIES** Keeps tax credits used to buy insurance but cuts the size of those credits for some people

**COVERAGE** Lets states apply for waivers that could allow insurers to offer fewer benefits than now required

tors, Majority Leader Mitch McConnell can lose no more than two GOP votes for the bill to pass, because no Democrats are expected to support it.

Thursday's release of the 142-page bill, after its elements had been closely held by GOP leaders, launched a fast-moving process that top Republicans hope will culminate in a new health law's passage possibly before Congress's August recess. Senate GOP leaders say they plan to vote next week; if the bill passes, then the House could take it up, or *Please see HEALTH page A6*

◆ **Health-care sector assesses** bill's risk..... A6

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◆ **ACA fares better in poll..... A6**

## Friends and Family Bid Farewell to Otto Warmbier



**MARKING A LOSS:** Hundreds of people gathered Thursday to mourn Otto Warmbier, the 22-year-old student who was detained in North Korea for more than a year and died Monday after being returned to the U.S. in a coma. His funeral was in his hometown of Wyoming, Ohio. **A2**

# Qatar Seeks Stake in American Airlines

By ROBERT WALL, SUSAN CAREY AND DOUG CAMERON

Government-owned Qatar Airways said it aims to buy a significant stake in American Airlines Group Inc., a brash attempt by the fast-growing Middle East carrier to push into the U.S. amid political upheaval back home.

American Airlines, in a filing early Thursday, said Qatar Airways Chief Executive Akbar

Al Baker told the company of its plan to acquire up to a 10% stake. American said Qatar Airways said it intended to buy at least \$808 million of its stock on the open market, or roughly 16.7 million shares at Wednesday's closing price.

American Chief Executive Doug Parker said in an interview Thursday that he was "not happy" about the prospect and found the approach "puzzling and strange."

American, the world's largest airline by traffic and revenue, has a market value of roughly \$24 billion. American said Qatar Airways approached it in early June about the investment.

American Airlines shares finished up 54 cents, or 1.1%, at \$48.97.

Qatar Airways, in a statement, said it would seek to build a 4.75% stake initially—the maximum allowed without

American board approval—then add to it after winning consent from American Airlines directors and U.S. regulators. It said it sees American as a "strong investment opportunity" and intends the investment to be a "passive position."

Foreign ownership stakes in U.S. airlines are relatively rare

*Please see QATAR page A2*

◆ **Saudi firms send goods to** Qatar through Turkey..... A16

# Fed Tests Buoy Case For Easing Bank Rules

BY RYAN TRACY AND TELIS DEMOS

**WASHINGTON**—The largest U.S. banks survived a "stress test" and could continue lending even during a deep recession, the Federal Reserve said, a strong report card that could bolster the industry's case for cutting back regulation.

In the first part of its annual tests, the Fed on Thursday said 34 of the largest U.S. banks have significantly improved their defenses since the 2008 financial crisis. The results signal that many banks could win the Fed's approval to increase dividend payouts to investors next week, in the second round of the tests.

The outcome gives ammunition to the Trump administration and congressional Republicans who see some of the rules put in place after the financial crisis as excessive and want to ease them in the name of boosting economic growth. Supporters of the rules say healthy banks show the regulations are working, not that they need to be rolled back.

"Anticipation of some form of Trump-led deregulation could not be any higher," William Hines, an investment manager at Aberdeen Asset Management, wrote in an email Thursday. "The banks themselves are lobbying hard

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◆ **Heard on the Street:** Two big banks face a new risk..... B12

### INSIDE



**HOUSE PURCHASE, SIGHT UNSEEN**

**MANSION, MI**

# 'KING OF GOOD TIMES' GIVES DIAGEO A HANGOVER

Liquor giant's deal with Indian tycoon brings booming market, legal mess

By DANIEL STACEY

**MUMBAI**—India's liquor market was for years a thorn in the side of Diageo PLC, the world's largest spirits maker. Then it met the "King of Good Times."

Vijay Mallya, a billionaire fond of mullet haircuts, diamond earrings, sports and lavish parties, invited Diageo executives to his Mumbai residence in early 2012 and offered them a deal for a majority stake in India's largest liquor maker, which he controlled.

Diageo was desperate to break into India and had long coveted United Spirits Ltd. As the two sides began discussions, the challenge of absorbing the company and its freewheeling founder became increasingly obvious. The liquor company was intricately, and confusingly, intertwined with Mr. Mallya's wider business

empire, which was crumbling.

His airline company was low on cash. To prop it up, he had advanced money from his liquor business, recording the payments on a handwritten ledger he showed the Diageo executives gathered in his home, according to two people familiar with the meeting and the ledger itself, which was reviewed by The Wall Street Journal. The Diageo executives also learned payments were being made to political figures in some key Indian states where United Spirits operated, the two people say.

Diageo subsequently bought a 55% stake in United Spirits for \$3.2 billion, the largest food-and-beverage transaction in Indian history. Five years later, its gamble on Mr. Mallya's business has made India the second-largest market for its brands, which include Johnnie

*Please see DIAGEO page A9*

### China Moves on Debt

China's banking regulator is examining the borrowings of some of the country's top overseas deal makers. **B1**

#### Value of purchases abroad by Chinese firms



Note: Announced deals, through Thursday

\*Anbang Insurance Group, Fosun International, Wanda Group and HNA Group

Source: Dealogic

THE WALL STREET JOURNAL.

*Congratulations, Here's Your Fishing Prize! Now for the Polygraph*

\* \* \*

Because angling is full of tall tales, high-stakes tournaments are testing winners

By JOHN CLARKE

Phil Heasley, a fisherman from Naples, Fla., motored out of Harbour Island Marina in Ocean City, Md., with a crew on a Tuesday last August before



White marlin

dawn on board his 68-foot boat, the Kallianassa. Seventy miles out into the Atlantic Ocean, just after 8:30 a.m., they baited hooks and let out some line as they trolled the waters moving around 5 knots.

All was quiet until they got a bite at 8:48 a.m. and the yellow fishing line quickly unspooled off the reel. Mr. Heasley fought the fish for 10 minutes, his rod bending to the boat rails, before

*Please see FISH page A9*

### A WINNING STRATEGY IN AFGHANISTAN

**OPINION, A15**

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# U.S. NEWS

## Balancing Act



RECORD SETTING: Ashrita Furman broke, by more than 50 meters, his existing Guinness World Record for 'The farthest distance walked balancing a powered lawn mower on the chin.' Mr. Furman traveled 71.53 meters with the mower on Thursday in Queens, New York.

SHANNON STAPLETON/REUTERS

## STRESS

*Continued from Page One*  
for it, and a clear bill of health from the stress tests will help their cause. But it is anything but a foregone conclusion."

The exams are one of several new drills that banks must run in the name of preventing a repeat of the 2008 crisis and subsequent federal bailouts, from liquidity rules preventing a short-term cash crunch to "living will" bankruptcy plans.

This year's results come in the midst of a broad rethink of those rules. Last week, the Treasury Department released a banking policy report that recommended the Fed consider changes to the stress tests.

The Treasury report said no firm, even the largest, should have its capital plans rejected for solely "qualitative" reasons. Fed officials are already

considering that change. In the second round of the tests, scheduled to be released next week, the Fed typically judges banks' "qualitative" risk-management practices.

The report also said the tests should occur only once every two years, instead of annually, except "in the case of extraordinary events." It said the Fed should solicit public input on the tests, including the hypothetical scenarios and mathematical models.

Fed officials have resisted similar recommendations in the past when they were suggested by bankers, saying they would undermine the exams by making them less flexible. Fed governor Jerome Powell, the Fed's regulatory point man, said in Senate testimony Thursday that the Fed would solicit public input on how to make the tests more transparent.

Mr. Powell said he believes it would be appropriate to exempt "firms that achieve and

sustain high-quality capital planning capabilities" from the qualitative part of the exams, meaning the largest U.S. banks could win that exemption in future years.

He also said the Fed is open to other rule changes, but not a reduction in risk-based capital requirements. "I don't think what we're talking about here amounts to...broad deregulation," Mr. Powell told the Senate Banking Committee.

Any broad rollback of rules would take time. The Trump administration has few officials in place at the banking regulators. And efforts to change regulations in Congress must overcome potential opposition from Senate Democrats.

Sen. Sherrod Brown, the ranking Democrat on the Senate Banking Committee, said Thursday that policy makers could undo important consumer protections if they push to deregulate too far. "There is no evidence that relaxing rules

## New Chemical Rules Give EPA Testing Discretion

BY ELI STOKOLS

WASHINGTON—The Environmental Protection Agency on Thursday released rules enabling the agency to prioritize the testing of certain chemicals used in consumer goods and other products while forgoing the testing of others, overturning more sweeping Obama-era procedures that the chemicals industry deemed overly burdensome.

Under the new rules, the agency will have more discretion to determine which chemicals and uses are evaluated for environmental and public health risks and which aren't.

"Through the process of prioritization, EPA is ultimately making a judgment as to whether or not a particular chemical substance warrants further assessment," one of the new rules states.

Deputy Assistant Administrator Nancy Beck, who has led the process to complete the rules, called the existing directives unworkable because they required the agency to test every chemical for every potential use and misuse.

"Just because some people sniff glue, we're not going to spend time testing for that,"

Ms. Beck said. "We're not going to focus on intentional misuse. We're focusing on uses that may present the highest risk."

The new rules and documents were required by the 2016 Toxic Substances Control Act, which passed a year ago with bipartisan support and mandates the agency identify toxic chemicals used in commerce. The rules list the first 10 chemicals to be tested. They drew immediate criticism from environmentalists and consumer advocacy groups.

"We're frankly very concerned about the general direction this administration is taking," said Richard Denison, the lead senior scientist with Environmental Defense Fund.

"The notion that the EPA could simply set aside uses without strong evidence for doing so is really inconsistent with the law," he said.

The law, the product of long and contentious negotiations among lawmakers, environmentalists and the industry, was an effort to clarify federal testing guidelines and restore consumer confidence in the government's testing program.

The new rules lay out EPA

procedures to determine which chemicals currently used in manufacturing and commerce need to be evaluated for dangers to consumers, and mandate that the best scientific practices are employed to assess those risks. The rules also include new procedures to distinguish between chemicals that have been made, sold or used in the last decade and others no longer used in commerce.

Another new rule demonstrates EPA's commitment to "recognizing the value of designating chemicals as low priority when appropriate."

The industry has long lobbied for less stringent scientific assessments for newer chemicals that companies are trying to get into the marketplace.

The American Chemistry Council, an industry group, praised the new rules.

Ms. Beck previously worked as a toxicologist for the American Chemistry Council. Environmental groups, many of which have expressed concern about Ms. Beck's selection to implement TSCA rules, worry that the new rules will weaken environmental and consumer protections.

through problematic loans like soured mortgages, while steadily increasing loss-absorbing capital on their books as a result of stiffer postcrisis requirements.

Fewer banks are expected to come up short in the second round of tests next week than in previous years. This year, only 13 of the largest, most complex banks will have to take the qualitative exam. Fed officials say that reflects its conclusion that banks have improved their ability to track risks in real time.

Credit cards were one trouble spot, with loan losses rising 9% from last year's test to \$100 billion. U.S. card performance has recently been weakening at several lenders, driven in part by an increase in subprime borrowing. Fed officials said they were finding higher delinquency rates in bank card portfolios at the same time that card lending was increasing.

second round, which uses a broader set of criteria. Thursday's results don't include banks' individual capital-distribution plans.

The Fed said the banks would experience collective loan losses of about \$383 billion but still meet its required minimum capital ratios, even

**The Fed's test results come in the midst of a broad rethink of banking rules.**

in a hypothetical scenario that envisions the U.S. unemployment rate more than doubling to 10% and severe strains in corporate-loan and commercial real-estate markets.

Fed officials attributed the positive results to the fact that banks have worked

through problematic loans like soured mortgages, while steadily increasing loss-absorbing capital on their books as a result of stiffer postcrisis requirements.

The disclosure comes as the nation of Qatar copes with the economic embargo by Saudi Arabia, the U.A.E., Bahrain and Egypt. Mr. Al Baker criticized Mr. Trump for seeming to take sides in the dispute.

Qatar Airways has been hit especially hard. It relies heavily on Persian Gulf passengers traveling through its hub in Doha, Qatar. After the imposition of the blockade, Mr. Al Baker said traffic would suffer but he saw it as an opportunity to push growth in other markets, including the U.S.

The move on American Airlines could have broader strategic benefits for the tiny Persian Gulf state. It has long aligned itself against its much bigger neighbor, Saudi Arabia, in many regional economic, political and military conflicts, while taking on an outsized global diplomacy role, advertising itself to the U.S. and others as an honest broker in some regional crises. It also hosts the Al Udeid Air Base outside Doha, home to the biggest U.S. military presence in the region.

A big investment in American Airlines could help solidify Qatar's alliance with the U.S., said Hunter Keay, an analyst at Wolfe Research. A minority stake in American "intertwines" Qatar with U.S. interests a bit more," Mr. Keay said.

American's Mr. Parker said Mr. Al Baker approached him at an airline industry meeting in Cancún, Mexico, held from June 4 to June 6. Saudi Arabia and its allies unveiled its blockade on Qatar on June 5. Mr. Parker called the meeting a "short, private conversation."

Mr. Parker said he is "always excited to hear that people believe American is a great investment." But the proposed investment "is confusing to our team and we don't like that," he said.

*—Brent Kendall and Kate O'Keeffe in Washington, D.C., contributed to this article.*

## U.S. WATCH

OHIO

### Student Detained by North Korea Mourned

About 2,000 mourners gathered to celebrate the life of American college student Otto Warmbier, who was detained in North Korea for more than a year and died shortly after returning home in a coma.

A rabbi officiated at the service, which was held at a school in Mr. Warmbier's hometown of Wyoming, near Cincinnati.

Attendees included U.S. Sen. Rob Portman, a Republican from the Cincinnati area. Mr. Portman told reporters North Korea must be held accountable for what happened to the 22-year-old University of Virginia student, who died on Monday.

Mr. Warmbier, who was accused of trying to steal a propaganda banner in North Korea, was detained in January 2016 and later convicted of subversion. Family members said they were told he had been in a coma since shortly after he was sentenced to prison in March 2016.

—Associated Press

LOUISIANA

### Gulf Coast Storm Makes Move Inland

Tropical depression Cindy swept inland over Louisiana and continued to threaten the South-

east with tornadoes and flooding.

The storm claimed one life on Wednesday as a 10-year-old boy in Fort Morgan, Ala., was hit by a log that was swept up by a wave, authorities said.

Cindy made landfall as a tropical storm early Thursday, according to the National Hurricane Center. The storm was later downgraded to a tropical depression.

—Arian Campo-Flores

DEFENSE

### Contractor Charged In Espionage Case

A former U.S. military and State Department employee was arrested Thursday on espionage charges after he allegedly gave classified defense information to a suspected Chinese government agent.

Kevin Mallory, a self-employed consultant residing in Leesburg, Va., appeared Thursday in U.S. Court for the Eastern District of Virginia. He was remanded to the custody of the U.S. Marshals pending a detention hearing Friday. His public defender declined to comment.

Prosecutors allege Mr. Mallory, who they said is fluent in Mandarin Chinese, sent three documents containing classified information, one of which was top secret, to a suspected Chinese intelligence agent.

—Kate O'Keeffe

## QATAR

*Continued from Page One*  
but not unprecedented. U.S. law allows foreigners to hold up to 25% of voting shares and 49% economic interest in a U.S. airline.

Qatar and American have been on opposite sides of a bitter industry fight. Some U.S. and European carriers have accused Qatar Airways and two other Persian Gulf airlines, Emirates Airline and Etihad Airways, of benefiting from government ownership and subsidies. The fast-growing Gulf carriers have denied that.

At the same time, Qatar is in the middle of a conflict with its Persian Gulf neighbors including Saudi Arabia, who have accused Qatar of supporting Islamist groups and other extremists in the region. Qatar has denied those accusations.

President Donald Trump seemed to support the claim in a tweet, after Saudi Arabia, the United Arab Emirates, Bahrain and Egypt enacted an economic embargo on Qatar in early June. Since then, the State Department has walked back, insisting that Saudi Arabia, a staunch U.S. ally, and others provide evidence for their charges. Qatar is also a key Washington ally and hosts one of the biggest overseas U.S. military bases.

American said Qatar has

### Welcome Aboard?

The airlines already cooperate to funnel passengers through their networks. It's unusual for carriers to take equity stakes without seeking deeper integration.



Note: American is calendar year, Qatar to Mar. 31.

Sources: the companies; Oneworld

THE WALL STREET JOURNAL.

submitted its plans to U.S. antitrust regulators, which would include the Federal Trade Commission and the Justice Department. There isn't a recent track record of government antitrust enforcers challenging acquisitions at the size of 10%.

A deal would be unlikely to raise major red flags about competition, especially if Qatar Airways isn't seeking to obtain additional rights, such as board seats.

The Committee on Foreign Investment in the U.S., a secretive, multiagency body led by the Treasury Department, could also weigh in. It can recommend the president block foreign deals on national security grounds.

American, based in Fort Worth, Texas, said it hadn't sought the investment and the proposed move wouldn't affect its management or strategic direction, nor would it stop American from pursuing its subsidy claim against the Persian Gulf carriers.

On the surface, the move echoes Qatar Airways' investment in the parent of British Airways, International Consolidated Airlines Group SA. In 2015, Qatar Airways initially acquired 9.9% in IAG, then raised its stake to about 20% in several share purchases. It hasn't interfered with running the airline or taken a board seat, and cooperation between Qatar Airways and British Airways has blossomed.

Qatar Airways is one of the world's fastest-growing air carriers. Its stakes in other airlines include South America's Latam Airlines Group, and it has said it wants to set up a carrier in India.

"It's a strategic investment" in the U.S. market, said Daniel McKenzie, an analyst at Buckingham Research Group. The U.S. is Qatar's top destination and accounts for 8% of its to-

tal flying, he said.

The disclosure comes as the nation of Qatar copes with the economic embargo by Saudi Arabia, the U.A.E., Bahrain and Egypt. Mr. Al Baker criticized Mr. Trump for seeming to take sides in the dispute.

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Qatar Airways is one of the world's

## U.S. NEWS

# Opioid Addicts Turn to Streets for Help

Prescription drugs to treat addiction are traded alongside heroin and painkillers

BY KATE KING

CAMDEN, N.J.—Stuck on a waiting list for a prescription drug to help wean her off heroin, Diana Sherwood turned to the black market, buying the medication on the street for \$20.

Ms. Sherwood, who is 30 years old and homeless, said a controlled medication called Suboxone helps with “the sweats, the chills” she gets while in withdrawal.

She isn’t alone. William Sizemore, a 37-year-old homeless man, said he bought 8 milligrams of the same drug on the black market for \$10 after getting “tired of being sick” from his heroin habit. And when Stephanie Scorz found out she was pregnant, she bought 140 milligram bottles of methadone illicitly for \$35 because she believed it would be better for her unborn child than heroin.

With the opioid epidemic showing no signs of abating, prescription drugs designed to treat addiction are being traded alongside heroin and painkillers in Camden and other U.S. cities. Health-care providers say the thriving black market is symptomatic of inadequate access to treatment programs, particularly ones that use prescription medication to help patients overcome addiction.

Camden, a city of about 74,000, has had more fatal overdoses in the first six months of this year than in all of 2016. It is one of several places across New Jersey that has a high-level of unmet need for opioid treatment, according to a formula developed by the federal Substance Abuse and Mental Health Services Administration.

Addiction experts increasingly endorse prescription medications, when coupled with counseling, as an effective way of stemming the opioid and heroin crisis that claimed 33,091 lives nationwide in 2015.

Suboxone, made by the



Camden Police Sgt. Vince Robinson, center right, speaking with William Sizemore, far left, Diana Sherwood, and others in downtown Camden in May.

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### Officials Skeptical Of Drug Treatment

Some law-enforcement and public-health officials have expressed skepticism about using prescription medications such as Suboxone—which are technically opioids—to break the cycle of addiction.

In Camden, N.J., the county's

police chief, J. Scott Thomson, said improved health care is critical to solving the city's opioid crisis, but he is wary about the effectiveness of drugs like Suboxone and methadone.

“Replacing one drug with another is not the cure,” he said.

This concern was echoed by U.S. Health and Human Services Secretary Tom Price during a May visit to a fire station in West Virginia, where the

Charleston Gazette-Mail quoted him as saying medication-assisted treatment is “just substituting one opioid for another.”

Although federal regulations seek to limit abuse of Suboxone and similar drugs, misuse does occur. Diana Sherwood and William Sizemore, both homeless residents of Camden, said most people they know who buy it on the street use

the drug to get high.

Addiction experts say abuse is limited because it is difficult and costly to get high from buprenorphine-based medications.

“There are other alternatives that are less expensive and more potent,” said Cynthia Reilly, director of the Substance Use Prevention and Treatment Initiative at the Pew Charitable Trusts.

—Kate King

names on it. The average patient waits about four to five weeks for treatment.

“It’s the worst thing in the world, having that conversation with someone and saying, ‘Yes we provide treatment, no you cannot have it for no other reason than there’s not enough space,’ ” he said.

Only about 15% of opioid-addicted patients are able to avoid relapsing without medication, said Behshad Sheldon, a former chief executive at Braeburn Pharmaceuticals Inc. who now chairs the Female Opioid Research and Clinical Experts alliance.

“Clean is not the most important thing. The most important thing is alive and functional,” Ms. Sheldon said. “Most people who are addicted, after a while are no longer trying to get high. They’re just trying to feel normal.”

## Stabbing Suspect Had Tried To Get Gun

BY SHIBANI MAHTANI AND PAUL VIEIRA

The Canadian man charged with stabbing a police officer at the Flint, Mich., airport in a suspected terrorist attack had earlier tried to buy a gun but was unsuccessful, officials said Thursday.

Amor Ftouhi, a 49-year-old Montreal resident originally from Tunisia, has been charged with committing violence at an international airport, and is being held without bond. The charge is punishable by up to 20 years in prison.

On Wednesday, Mr. Ftouhi dropped his luggage in a restroom at Bishop International Airport, walked into the public area, pulled out a knife with an 8-inch serrated blade, yelled “God is great” in Arabic, and stabbed Lt. Jeff Neville in the neck, authorities said. He kept exclaiming “Allah” and referenced U.S. attacks on Syria, Iraq and Afghanistan, they said.

Officials said Thursday that Lt. Neville continues to improve and is in stable condition.

The Federal Bureau of Investigation doesn't know why Mr. Ftouhi, who entered the U.S. at Lake Champlain in New York state, chose to stage the attack in Flint or why he was in Michigan, said David Gelios, FBI special agent in charge.

“We continue to have no indication to suggest the attack was part of a wider plot,” Mr. Gelios said at a news conference. Mr. Ftouhi wasn’t on the radar of either Canadian or U.S. authorities, he added.

He declined to say where the suspect had tried to buy a gun.

Mr. Ftouhi is married and has three children, officials said in court Wednesday. He holds both Tunisian and Canadian citizenship, officials said.

## Yellowstone Grizzlies to Lose Protections

BY JIM CARLTON

The Trump administration said it will remove endangered-species protections for the Yellowstone grizzly bear, a move that was initiated by the Obama administration after the numbers of the West's largest land predator rebounded sharply over the past four decades.

The decision, criticized by environmentalists, paves the way for grizzly-hunting to resume in some places after a 40-year ban.

Grizzly bears in and around Yellowstone National Park had plummeted to as few as 136 by 1975, when they were listed as threatened under the Endangered Species Act.

Because of a ban on hunting and other protections, the number of grizzlies in a Greater Yellowstone ecosystem that includes parts of Idaho, Montana and Wyoming has increased more than five-fold to an estimated 700, according to the Interior Department.

The federal government aimed to boost the population to 500 grizzlies. The animal can weigh up to 600 pounds.

Interior Secretary Ryan Zinke, a former Montana congressman who announced the delisting Thursday, hailed the

cations are opioids—although less potent than heroin and methadone—and therefore are highly controlled by the federal government. Providers must complete 8 hours of training and apply for a waiver to prescribe these outpatient drugs.

More than 36,000 physicians are certified nationwide to prescribe buprenorphine-based drugs, according to federal statistics. Federal regulations previously limited to 100 the number of opioid patients prescribers are allowed to treat with buprenorphine-based medication.

Last year the Obama administration increased the patient threshold to 275 and began allowing nurse practitioners and

physician assistants to write prescriptions. So far only about 3,000 prescribers have received approval to treat up to 275 patients.

Brian Colangelo, the director of mental health for Project H.O.P.E., where Ms. Sherwood said she now receives Suboxone legally, said the center's waiting list has 700

recovery back by decades,” said Michael Brune, executive director of the Sierra Club, in a statement. “The end result will be fewer bears restricted to an even smaller area,” Mr. Brune said.

Supporters of the delisting, though, say there are so many Yellowstone grizzlies that conflicts with humans have increased, as well as attacks on livestock. “Grizzly bears have met or exceeded recovery objectives since 2003 and have long warranted delisting,” Wyoming Republican Gov. Matt Mead said in a statement.

The Wyoming governor, among other Westerners, asked the Obama administration to resume the delisting process. In 2016, the Fish and Wildlife Service issued a draft notice to take the bears off the list, as states including Wyoming gave assurances they would continue to manage the grizzlies so their numbers remained healthy.

The debate over grizzlies is reminiscent of the one over the gray wolf, another iconic predator that was reintroduced to Yellowstone in 1995 under endangered-species protection.

But as the number of wolves exploded, they were delisted in both Idaho and Montana.



A grizzly bear roaming through the Hayden Valley in Yellowstone National Park in Wyoming.

recovery as one of the nation's greatest conservation success stories.

“As a kid who grew up in Montana, I can tell you that this is a long time coming and very good news for many communities and advocates in the Yellowstone region,” Mr. Zinke said in a statement.

Environmental groups condemned the move and vowed to try to fight it in the courts.

Lawsuits filed by environmentalists succeeded in blocking efforts by the Bush administration to delist the grizzly in 2007, when their numbers already were considered recovered by the U.S. Fish and Wildlife Service.

Environmentalists say grizzlies have a slow reproduction rate and would be imperiled as a result of hunting and other dangers.

Once the rule by the Fish and Wildlife Service takes effect later this year, states will regain their authority to resume trophy hunts that have been banned for 40 years.

The grizzlies would remain protected from hunting in Yellowstone and Grand Teton national parks.

“This premature decision to remove endangered-species protections could set grizzly

## Court Narrows Basis for Revoking Citizenship

BY JESS BRAVIN

WASHINGTON—The Supreme Court tightened standards for stripping an immigrant of citizenship, rejecting the government's position that any lie, no matter how minor, during the naturalization process can cost an individual her American nationality.

Instead, a jury must find that “a false statement sufficiently altered those processes as to have influenced the award of citizenship,” Justice

Elena Kagan wrote for the court.

The case involved a Bosnian Serb refugee, Divna Maslenjak, who immigrated in 2000 and later obtained American citizenship. Parts of her story later unraveled and she was stripped of citizenship after admitting she covered up her husband's service in a Bosnian Serb army unit that massacred 8,000 Bosnian Muslim civilians at Srebrenica in 1995.

Applicants for citizenship must possess “good moral

character,” and the government argued that accurate information regarding her husband's activities would have affected the decision to grant Mrs. Maslenjak citizenship. But at her trial for procuring citizenship illegally, the jury was instructed that any lie, even if it wasn't “material” and “did not influence the decision to approve [her] naturalization” was sufficient for conviction.

The Sixth U.S. Circuit Court of Appeals in Cincinnati upheld the conviction, putting it in

conflict with federal appeals courts in Boston, Chicago, Richmond, Va., and San Francisco, all of which had ruled that a challenged misrepresentation must be relevant to the naturalization decision.

The government's broad claim, under which lying about ever having driven over the speed limit theoretically could cost an immigrant citizenship, clearly troubled the justices at argument in April. Thursday's decision against the government was unanimous.

The ruling will give greater security to “millions of naturalized Americans,” said Christopher Landau, the attorney who argued Mrs. Maslenjak's case.

Mrs. Maslenjak, 54 years old, and her husband were deported last year to Serbia, Mr. Landau said. She “now looks forward to the opportunity to reclaim her citizenship under the correct legal standard,” he said.

A Justice Department spokesman declined to comment.

## U.S. NEWS

# House GOP Rift Delays Budget Deal

House Republicans are struggling to agree on a plan to fund the federal government for 2018, a critical task that they must tackle before moving ahead with ambitions for a tax overhaul.

By Kate Davidson,  
Kristina Peterson  
and Richard Rubin

Defense hawks want to boost military spending above levels imposed by spending curbs established six years ago. But many Republicans aren't willing to support the higher spending absent spending cuts elsewhere, as they are trying to balance the federal budget over the next decade without raising taxes.

The debate has delayed GOP efforts to move forward with a budget resolution—which Republican lawmakers plan to use as a tool to advance their tax plan—as well as spending bills needed to keep the government running once its current funding expires Oct. 1.

Time isn't on their side: Congress leaves for a week-long recess for the Fourth of July and will be out for five weeks starting July 28, leaving little room on the legislative calendar.

"The sticking points are all good sticking points," said

Rep. Jim Renacci (R., Ohio), a member of the budget committee who said the panel was trying to come up with a budget as quickly as possible. "You have people who want to spend more on defense. You've got people who want to curtail spending....In the end, we've got to do a little bit of both."

Some Republicans want to see military spending boosted to \$640 billion, well above current law's limit of \$549 billion for fiscal-year 2018. They argue that the spending caps are harming national security and should be lifted, especially at a time of heightened geopolitical risk.

"What we've done to our defense is nearly criminal, and our ability to defend ourselves has absolutely been impacted," said Rep. Chris Stewart (R., Utah), a former Air Force pilot who supports the \$640 billion level for military spending.

Most Republicans, however, wouldn't support increased military spending without corresponding cuts to other parts of the budget. The problem is that Republicans have spent years slimming down nondefense discretionary spending, leaving less to trim at this point. Many of them balked at cuts that President Donald Trump's budget proposed to

popular programs and agen-



Some Republicans want military spending raised to \$640 billion, but others won't support that level without offsetting spending cuts.

cies, such as the National Institutes of Health, the Centers for Disease Control and Prevention, and regional economic-development programs.

"While there is obviously waste and duplication, there are a lot of important things the federal government does, from defense, food safety, medical research, lots of things," said Rep. Frank Lucas (R., Okla.).

Democrats have said they are willing to boost military spending but not without an increase in nonmilitary spending, as well.

"We have to have a responsible budget," said Sen. Ben Cardin (D., Md.). "I don't think

you can just say add one and cut the other."

The House Budget Committee is aiming to mark up the budget resolution as early as next week. House Republicans said they were presented five options for how to proceed with the spending bills and a budget resolution this year at a meeting with GOP leadership Wednesday. But there was no consensus on the best path forward.

Many said they were inclined to try to pass an omnibus, a package of 12 spending bills set at levels that would represent a GOP wish list. Republicans acknowledged that this bill would stand no

chance of passing the Senate, where Democratic support will be needed. Spending bills require 60 votes to clear procedural hurdles in the Senate, and Republicans hold 52 seats.

Some House Republicans said they wanted to pass a bill that reflected their spending priorities to strengthen their hand in negotiations with Democrats. But others sounded a note of skepticism that the exercise would be meaningful, given the crowded legislative calendar.

"I prefer to do things for real," Mr. Lucas said.

Most House Republicans say they will ultimately have to deliberate with Democrats,

who will have leverage in both chambers, since House Republican leaders rarely have enough votes to pass spending bills with just GOP votes.

Without a bipartisan agreement, lawmakers would likely have to pass a short-term spending bill, "which isn't acceptable to most of us," said Rep. Charlie Dent (R., Pa.), a centrist and member of the House Appropriations Committee.

"Most people acknowledge that there will be a bipartisan budget agreement at the end of the year," said Mr. Dent, who also said he wants to tie the agreement to an increase in the debt limit.

## Trump Says He Made No Tapes of Comey

BY REBECCA BALLHAUS

### Trump Says Obama Failed to Stop Hacks

WASHINGTON—President Donald Trump on Thursday morning issued a series of Twitter missives blaming the Obama administration for not doing enough to protect against Russian hacking efforts in the 2016 election.

Mr. Trump seized on testimony by former Department of Homeland Security Secretary Jeh Johnson before a House panel on Wednesday to defend himself in the continuing probe of Russia's interference in the 2016 vote and its possible col-

lusion with Trump associates.

The Obama administration's Mr. Johnson and current DHS officials testified Russia had interfered in the U.S. election to boost Mr. Trump and hurt Democrat Hillary Clinton. Mr. Johnson asked whether he had seen evidence that Mr. Trump or his campaign had colluded with Russia, said he hadn't "beyond what has been out there open-source, and not beyond anything that I'm sure this committee has already seen and heard before."

That statement, Mr. Trump wrote on Twitter, made Mr. Johnson the "latest top intelligence official to state that there was no grand scheme be-

tween Trump and Russia."

"By the way, if Russia was working so hard on the 2016 Election, it all took place during the Obama Admin. Why didn't they stop them?" he added.

Mr. Johnson testified the Obama administration initially sought to avoid making announcements about Russian meddling efforts in order to not give the appearance it was taking sides in the election.

When the administration did address the efforts, in October, he said the news was pushed "below the fold" by the release of "Access Hollywood" tapes of Mr. Trump making lewd comments in 2005.

—Rebecca Ballhaus

Secret Service has no audio copies or transcripts of any tapes recorded within Mr. Trump's White House. The Secret Service handled recording systems within the White House for past presidents, including Richard Nixon and John F. Kennedy.

Since Mr. Trump fired Mr. Comey, the Justice Department appointed a special counsel to oversee the investigation of Trump associates' ties to Russia. The special counsel probe has widened to include examining whether Mr. Trump obstructed justice by firing Mr. Comey. Mr. Trump has called the probe a "witch hunt."

In Thursday's briefing, White House spokeswoman Sarah Huckabee Sanders declined to answer a question about why Mr. Trump had raised the prospect of "tapes" over a period of nearly six weeks.

"The president's statement via Twitter today is extremely clear," she said. "I don't have anything to add."

Asked whether Mr. Trump regretted the tweet, given its role in prompting Mr. Comey to authorize the release of his memos, Ms. Sanders said, "I don't think so."

—Byron Tau

contributed to this article.

## After Loss In Georgia, Pelosi Faces Criticism

BY REID J. EPSTEIN  
AND NATALIE ANDREWS

WASHINGTON—Rep. Nancy Pelosi became the target of blame almost instantly after Democrats lost a special U.S. House election in Georgia in which their candidate, backed by \$30 million, was relentlessly tethered to the chamber's long-time Democratic leader.

A corps of House Democrats, most of them young and without the tenure of the senior members who dominate party leadership, have reasserted their criticism that Mrs. Pelosi's unpopularity is a drag on them all. But the California lawmaker is unlikely to be dislodged as the House minority leader and it is more likely than not she will remain the chamber's senior Democrat after the 2018 election if she wants to be.

"I respect any opinion that my members have, but my decision about how long I stay is not up to them," Mrs. Pelosi said Thursday. "I think I'm worth the trouble."

About a dozen House Democratic lawmakers, led by Reps. Seth Moulton of Massachusetts and Kathleen Rice of New York, met on Thursday to discuss replacing Mrs. Pelosi.

"There were people from all sides of the ideological spectrum that were in the room today, and that are approaching us about the need for change," Mr. Moulton said.

Attacks tying Democratic candidates to Mrs. Pelosi do "still move the needle several points, and we've got to be cognizant of that and figure out how we're going to deal with that," said Rep. Tim Ryan, an Ohio Democrat who challenged Mrs. Pelosi in a leadership election in November.

The Congressional Leadership Fund, a super PAC tied to House Speaker Paul Ryan (R., Wis.), spent \$10 million on TV and mail attacking Georgia Democratic congressional hopeful Jon Ossoff and Rob Quist, the Democratic House candidate in the special election in Montana in May. Mrs. Pelosi was featured in every piece of mail and all but one of the group's TV ads.

A Republican analytics firm tracking the Georgia race found that of the 7,454 negative ads against Mr. Ossoff aired on broadcast television, 90% of them mentioned Mrs. Pelosi.

## Job-Approval Rating Holds Steady After Rocky Month

BY JANET HOOK

Public opinion of Donald Trump remains stable after one of the rockiest months of his presidency, a new Wall Street Journal/NBC News poll has found, but half of Americans hold negative views of his temperament, trustworthiness and level of knowledge needed for his job.

The June poll found that more people disapprove of Mr. Trump's job performance than approve, but in numbers that have barely changed in the weeks since the FBI confirmed that it was investigating Russia's alleged interference in the 2016 election and possible coordination with the Trump campaign. Some 40% in the survey approved of Mr. Trump's job performance, essentially unchanged from 39% a month earlier. Some 55% disapproved of his performance.

"There is nothing to indicate that weeks of dialogue on Russia have engaged the American public," said Bill McInturff, a Republican poll-

ster who conducted the survey with Democrat Fred Yang.

But the poll of 900 adults also pointed to a continuing weakness in Mr. Trump's standing as a leader. When people were asked to rate him on qualities of trustworthiness, temperament and knowledge needed to be president, about half—including 48% of independents—rated him negatively on all three qualities.

Mr. Trump and his party have an important thing going for them: the economy. When asked which party they trust more to handle the economy, people picked Republicans over Democrats, 36% to 29%. Six in 10 people think the economy has improved during Mr. Trump's presidency, and 38% give him some credit.

In the month since the last poll, Robert Mueller was appointed as special counsel to investigate alleged Russian meddling in the election, and there were reports that Mr. Trump's firing of James Comey as FBI director has become part of the investigation.

Russia has denied the allegations and Mr. Trump has called the probe a "witch hunt."

Republicans have been worried that those controversies and Mr. Trump's low approval ratings will be a drag on GOP candidates in the 2018 midterm elections. Party leaders were relieved when Republican Karen Handel beat Democrat Jon Ossoff in a special election for a U.S. House seat from Georgia this week.

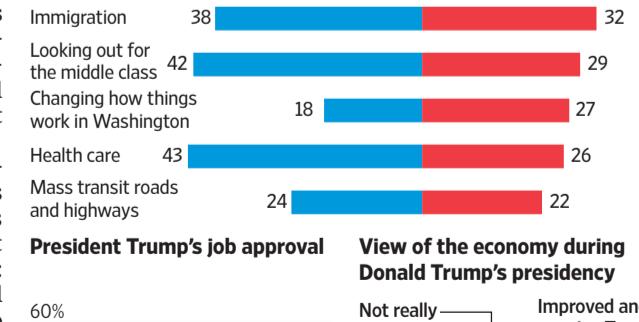
While Democrats are smarting from the loss and defeats in three other special elections recently, the poll found that Democrats have an advantage: 50% of registered voters said they wanted the elections to produce a Democratic-controlled Congress, while 42% wanted Republicans to retain control.

The Wall Street Journal/NBC News survey of 900 adults was conducted June 17-20. The margin of error was plus or minus 3.27 percentage points. For interviews with 765 registered voters, the margin of error was plus or minus 3.54%.

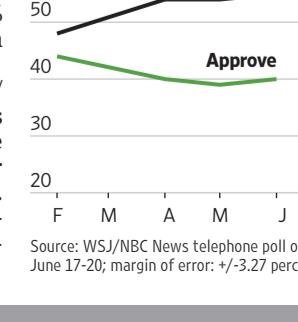
### Views of the President and the Parties

Despite a turbulent few months for President Donald Trump, views of his job performance have remained stable. The public sees Republicans as best able to handle the economy and Democrats as best on health care.

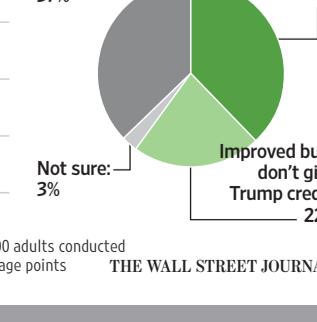
#### Party that does a better job



#### President Trump's job approval



#### View of the economy during Donald Trump's presidency



Source: WSJ/NBC News telephone poll of 900 adults conducted June 17-20; margin of error: +/- 3.27 percentage points

THE WALL STREET JOURNAL.



## THE SENATE HEALTH BILL

# Health Sector Assesses New Risks

By ANNA WILDE MATHEWS  
AND MELANIE EVANS

Senate Republicans' health overhaul carries big risks for many health-care companies because of its cutbacks to federal Medicaid funding and the uncertain impact of its broad changes to individual health-insurance markets.

The bill contains elements that will be seen as wins for some companies—particularly the repeal of a tax on health-insurance plans and of a levy on medical devices, both of which have been strongly opposed by those businesses.

But the proposed changes to Medicaid would be bad news, particularly over the long term, for hospitals and other health-care providers, as well as for insurers that manage Medicaid business, as those funds are curtailed, analysts and industry executives said.

"These numbers are staggering," said Pamela Morris, chief executive of CareSource, a Medicaid-focused insurer, of the proposed Medicaid cutbacks. The states help finance Medicaid and are already squeezed, she said, and if the proposed federal cutbacks occur, they would likely need to reduce eligibility and shrink payments to health-care providers under their Medicaid programs.

Georges Benjamin, executive director of the American Public Health Association, said the bill "would devastate the Medicaid program."

Like the bill earlier passed by Republicans in the House, the Senate bill would likely lead to an overall reduction in the



ANDREW HARRER/BLOOMBERG NEWS

Hospitals and Medicaid-focused insurers would be hit hard if the program for the poor is slashed.

number of people with health coverage, said Larry Levitt, a senior vice president at the Kaiser Family Foundation.

"By 2026, there will be substantially fewer people covered by Medicaid," he said, adding that the number of people enrolled in individual insurance would also likely shrink.

The Senate bill makes a tweak in the methodology the House bill used to set federal payments for Medicaid, which could lead to even lower fed-

eral funding levels than those contemplated in the House bill, said John Baackes, chief executive of L.A. Care Health Plan.

Mr. Baackes said he considered the Senate bill, "in the long run, substantially worse" than the House bill.

Hospitals that have served Medicaid patients newly insured under the Affordable Care Act's would likely see pressure on margins as the number of uninsured people rises, demand declines and

losses from unpaid medical bills increase, said Kevin Holton, a health-care analyst with Fitch Ratings.

Some stocks of hospital companies and Medicaid-focused insurers, including **Molina Healthcare** Inc. and **Centene Corp.**, rose after the bill's release. Analysts said the movement implied that investors thought the bill wasn't as bad for companies as they had feared, or believed it faces big barriers to quick passage.

But locking in the short-term federal cost-sharing payments, and the new stabilization money, "may help balance the bill," he said.

For health insurers, the bill's major changes to the consumer insurance markets are likely to be a mixed bag, with its ultimate effects far from certain. The bill ends enforcement of the current mandate for individuals to have insurance—a provision many insurers see as an important mechanism for keeping young, healthy people in the market.

On the upside for insurers, it preserves, for two years, federal payments to insurers that reduce costs for low-income people enrolled in individual plans—a guarantee insurers have said is vital for stabilizing markets next year.

The bill also includes funding that is supposed to be used to help steady the insurance marketplaces, which could blunt insurers' costs for the sickest enrollees, another goal of an insurance industry that has struggled with losses in existing ACA exchanges because of higher-than-expected costs. Industry officials said the money could be an important prop for the markets for as long as it is available.

Ending enforcement of the coverage mandate with no replacement provision to prod healthy people into the market "would be a very big problem"

and have a "significant impact" in pushing up premiums,

said Alan Murray, chief executive of CareConnect, a New York insurer and a unit of

Northwell Health.

But locking in the short-term federal cost-sharing payments, and the new stabilization money, "may help balance the bill," he said.

## President, Senators Speak Out On New Bill

"A little negotiation but it's gonna be good.... We're putting in a plan today that's going to be negotiated."

—President Donald Trump (Republican)

"I'm pleased that we were able to arrive at a draft that incorporates input from so many different members, who represent so many different constituents, who are facing so many different challenges."

—Senate Majority Leader Mitch McConnell (R., Ky.)

"Simply put, this bill will result in higher costs, less care and millions of Americans will lose their health insurance, particularly through Medicaid.... The president said the House bill was mean. The Senate bill may be meaner."

—Senate Minority Leader Chuck Schumer (D., N.Y.)

"There are some promising changes to reduce premiums in the individual insurance market, but I continue to have real concerns about the Medicaid policies in this bill, especially those that impact drug treatment at a time when Ohio is facing an opioid epidemic."

—Sen. Rob Portman (R., Ohio)

"I just didn't run on Obamacare-lite. I didn't run on replacing it with more government programs. I didn't run on allowing the death spiral of Obamacare to continue just to subsidize it with taxpayer money."

—Sen. Rand Paul (R., Ky.)

"Are we just putting the bill out there knowing it's going to fail? The answer to that is no. The bill will continue to change, and this is going to be an ongoing negotiation until Tuesday or thereabouts."

—Sen. John Cornyn (R., Texas)

"I am opposed to the defunding of Planned Parenthood. I think it's unfair and shortsighted to take one provider out of the Medicaid program. There already is a ban on the use of federal funds for abortions."

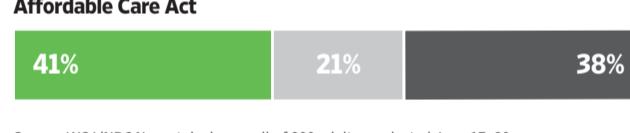
—Sen. Susan Collins (R., Maine)

## Affordable Care Act Fares Better in New Poll

### Getting a Checkup

How poll respondents judged the current health law and the House Republican plan

### House GOP plan



### Affordable Care Act



Source: WSJ/NBC News telephone poll of 900 adults conducted June 17-20; margin of error: +/- 3.27 percentage points

THE WALL STREET JOURNAL.

BY JANET HOOK

Far more Americans approve of the Affordable Care Act than the House Republican bill to repeal and replace it, but many still want Congress to fix former President Barack Obama's signature health-care law, a new Wall Street Journal/NBC News poll finds.

Asked how they viewed the 2010 health law widely known as Obamacare, 41% of respondents said it was a good idea, and 38% said it was a bad idea, according to the poll.

The GOP health-care bill passed by the House in May was resoundingly panned in the poll: Just 16% said the

House repeal-and-replace bill was a good idea. That is even less popular than the 23% approval it drew in a poll taken shortly after the bill was passed.

Some 48% viewed the House GOP bill as a bad idea, including 41% who strongly believed so. Senate Republicans have drafted their own version of legislation to repeal and replace the ACA, with plans to bring it to a vote as early as next week.

The current health law grew more popular this year as President Donald Trump and Congress began talks to repeal it.

The share viewing the law

as a good idea has slipped, from 45% in January to 41%. Some 38% think Obamacare is a bad idea, the least negative rating since the law passed.

Thirty-eight percent said efforts should continue to repeal and replace the law. Some 39% said they didn't want that effort to continue, but only 9% wanted the law to be left unchanged. Some 28% wanted the law to be fixed but not repealed, and 2% wanted it repealed but not replaced.

The Journal/NBC poll was conducted June 17-20 and included 900 adults. The margin of error was plus or minus 3.27 percentage points.

—Janet Hook

## How Bills Compare With Obamacare

BY STEPHANIE ARMOUR

Now that Senate Republican leaders have released their health bill, it is possible to see how it diverges from the House-passed version and from the 2010 Affordable Care Act.

### HELPING UNINSURED

**What the ACA does:** People who don't get insurance on the job can get tax credits to offset their premiums, and in some cases to lower their out-of-pocket costs, for plans purchased on the exchanges.

**What the House bill would do:** People without employer-sponsored coverage can get tax credits, but they would vary largely based on age. For many, the credits would be smaller than under the ACA. Individuals can use the credits for plans sold on the exchanges.

**What the Senate bill would do:** The Senate's approach is closer to the ACA's.

The tax credits would be larger for people with low incomes, those who live in areas with high medical costs, or older Americans. As in the House bill, many people would get smaller tax credits than under the ACA.

### MEDICAID

**What the ACA does:** The law provides enhanced federal funding to states that expand Medicaid eligibility for residents up to 133% of the poverty level. About 14 million new enrollees have been added as 31 states and the District of Columbia expanded that eligibility, with states picking up very little of the cost.

**What the House bill would do:** The Medicaid expansion would freeze in 2020, becoming

ing limited to current enrollees. States would have to make up the difference in cost if they wanted to maintain the expansion for new enrollees.

Funding for the broader Medicaid program would change from a guaranteed matching-fund system to either a block grant or a per capita cap. The result would be 14 million fewer Medicaid beneficiaries through 2026, compared with the ACA, according to the Congressional Budget Office.

**What the Senate bill would do:** Enhanced federal funding for the expansion would roll back over three years, beginning in 2021. States could choose between block grants or per capita caps, but both options would curb their overall federal Medicaid funding. States could add a requirement that some people must work to get Medicaid.

**TAXES**

**What the ACA does:** Obamacare imposed a number of taxes to help fund health-insurance subsidies. These include a tax on health insurers, a so-called Cadillac tax on generous employer health plans (which has been delayed), a medical-device tax and a tax on individuals who earn more than \$200,000 a year.

**What the House bill would do:** The majority of the ACA's taxes would be repealed, amounting to more than \$590 billion in tax cuts over 10 years.

**What the Senate bill would do:** The bill also knocks down many of the ACA's taxes, including a 3.8% tax on investment income. It would repeal limits on contributions to flexible-spending accounts and stop taxes on health-insurance premiums.

## HEALTH

Continued from Page One  
the two chambers could try to reach a compromise.

The Senate bill, mirroring its House counterpart, keeps some of the ACA's provisions in place, like the tax credits to subsidize health coverage. But it would shift the income eligibility and some of the structure for those credits, which in some cases could reduce their size for older Americans, in particular.

In other areas the bill takes fuller aim at the ACA, former President Barack Obama's signature law. The enhanced federal funding the 2010 law provided for states to expand Medicaid would be phased out starting in 2021 and eliminated by 2024. States could still keep the expansion, but they wouldn't get the additional federal funds.

Beyond that expansion, federal funding for Medicaid would be capped for the first time, with states given a choice on whether they'd prefer block grants or a per-capita payment for beneficiaries.

In 2025, the bill would lower the growth rate for Medicaid spending, a move that alarmed some centrist Republicans. "That translates into literally billions of dollars, and it would result in states either cutting back on eligibility or rural hospitals going under because of uncompensated care," said Sen. Susan Collins of Maine. "Those are serious problems."

In a provision that cheers some Republican senators and disappoints others, the bill would strip federal funding from Planned Parenthood Federation of America for one year, while prohibiting health-care tax credits from being used to purchase plans that offer abortion coverage.

### Subsidy Scale

Under the Senate Republican health-care bill, older Americans would likely pay more than they did under the Affordable Care Act, or Obamacare, because of less-generous subsidies. The GOP proposal also limits ACA subsidies to those making 350% of the poverty level or less, compared with 400% or less under Obamacare.

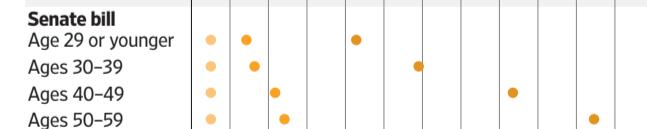
#### Average monthly cap on health-care premiums

Single with yearly income of: ■ \$15,000 ■ \$35,000 ■ \$45,000\*



\*Senate bill has no cap on premiums for single people making more than \$42,210 per year

Family of four with yearly income of: ■ \$25,000 ■ \$40,000 ■ \$80,000



Note: Ages for head of household

Sources: Department of Health and Human Services (poverty level); U.S. Senate; HealthCare.gov (ACA)

for insurers to offset subsidies that reduce costs for low-income consumers could provide a guarantee that the companies have said is vital for stabilizing unsteady markets.

Insurance-market woes in some states have prompted health plans to withdraw entirely, citing a combination of problems succeeding under the ACA and additional turbulence under Republicans.

GOP leaders were quick to note that the text was subject to change.

"Right now we've got members who are going to be interested in seeing it, digesting it, and then looking to see if there are things we can do to refine it, make it more acceptable to more members in our conference to get to 50" votes, said Sen. John Thune (R., S.D.).

Other Republicans, like Mr. Paul, said the law didn't go far enough in repealing the ACA.

"The bill needs to look more like repeal of Obamacare, and less like we're keeping Obamacare," Mr. Paul said.

If the Senate splits 50-50, Vice President Mike Pence would break the tie.

Mr. McConnell has set a rapid-fire timeline. An analysis by the nonpartisan Congressional Budget Office, laying out the bill's effect on cost and coverage, could come as early as Monday. Senate Republicans plan to vote on the bill days later, and then it would be taken up by the House.

The CBO report on the House bill showed it would leave 23 million more people uninsured while reducing the cumulative federal deficit by \$119 billion in the next decade compared with current law.

At the White House, Mr. Trump said he hoped the Senate would pass a health bill "with heart" and that he was pleased with the legislation.

—Byron Tau  
and Natalie Andrews  
contributed to this article.

Among Republicans' loudest complaints about the ACA, popularly referred to as Obamacare, was its new taxes, and the GOP push would undo most of them

## WORLD NEWS

# U.K.'s May Broaches EU Citizens' Rights

British leader presents plan to European counterparts on rights in post-Brexit Britain

BY JENNY GROSS  
AND VALENTINA POP

BRUSSELS—All European Union citizens currently in Britain would have a pathway to apply for permanent residency under an offer British Prime Minister Theresa May outlined Thursday evening to her European Union counterparts.

Delivering some detail on one of the first issues to be discussed in divorce negotiations between the U.K. and the EU, Mrs. May attempted to find common ground with the rest of the EU in what British officials said was a generous offer.

Mrs. May said EU citizens who have arrived in Britain before a yet-to-be-determined date—likely between this year and 2019—and have remained in the country for at least five years could apply to stay indefinitely and receive the same rights as U.K. citizens. Those who have stayed for fewer years would have a path to eventually apply for that status.

"The U.K.'s position represents a fair and serious offer and one aimed at giving as much certainty as possible to citizens who have settled in the U.K., building careers and lives and contributing so much to our society," the prime minister said.

While the proposals may be palatable to EU leaders in their general outline, tougher challenges are likely to emerge in working out the details, such as rights of family members of EU citizens and which courts would rule on disputes over those rights.

Speaking on her way out of the meeting, German Chancellor Angela Merkel described Mrs. May's offer on citizens'



French President Emmanuel Macron, German Chancellor Angela Merkel and U.K. Prime Minister Theresa May in Brussels on Thursday.

EMMANUEL DUNAND/AGENCE FRANCE PRESSE/GETTY IMAGES

rights as "a good start" but said "many, many other questions remain," for instance on Britain's financial settlement with the EU and on issues regarding the border between Northern Ireland and EU member Ireland.

Leaders didn't respond to Mrs. May's offer while she was in the room, as they had previously said negotiations would be left to the two sides' negotiating teams. Once she left the room they briefly discussed her presentation, according to an EU official who was present.

"Once she was gone we said, 'OK, that was interesting, but now it's for [EU negotiator] Michel Barnier to evaluate it,'" Dutch Prime Minister Mark Rutte said.

Mrs. May, speaking at the end of a dinner with the other 27 EU leaders, said she wanted to provide clarity to the

roughly three million EU citizens living in the U.K., whose future status there has hung in question since the U.K. voted a year ago to leave the bloc.

She said her offer would stand only if the EU agrees to give reciprocal rights to the roughly one million British people living in the EU.

The EU has already said it was seeking the full range of rights and benefits EU and British citizens currently enjoy on each others' territories.

The host of the Brussels summit, Donald Tusk, played down expectations about a detailed Brexit discussion during the dinner.

"It must be clear that the European Council is not a forum for the Brexit negotiations. We have our negotiators for this, and so leaders will only take note of these intentions," he said ahead of Mrs. May's presentation.

Britain's vote last year to leave the EU has significant

consequences, both for British people living in other parts of Europe and for Europeans living in the U.K., and her plan for these people left a lot of questions unanswered. Mrs. May has said the U.K. would in the future no longer abide by European rules on the free movement of people, which allows citizens to live and work anywhere in the bloc.

Mrs. May was meeting EU leaders in Brussels for the first time since she lost her parliamentary majority in an election that dented her standing at home and abroad. The response of EU officials in the coming weeks will be an early test of her strength in the negotiations.

Differences between the two sides may emerge over the cutoff date for migrants to have arrived in the U.K. for the proposed rights to apply, as well as over what rights would apply to the families of EU citizens living in the U.K. Another divisive issue may be whether the top European court has jurisdiction to enforce the rights of EU citizens in the U.K. A British government official said U.K. courts would have jurisdiction over EU citizens in Britain.

Mrs. May declined to go into detail about some of the more difficult issues, saying they would be laid out in a paper the government will publish Monday.

### U.K. Warns of Risks To More High-Rises

Cladding suspected in spread of fire may cover other towers

LONDON—The U.K. government warned that hundreds of public-housing high-rises across the country could be covered with the same cladding suspected of contributing to the quick spread of a fire that in-

cinerated an apartment tower in London last week, killing at least 79 people.

The government on Thursday said it had identified about 600 publicly owned residential towers that had installed some form of cladding—an exterior facade often used to make a building more energy efficient or improve its outward appearance. Authorities are now testing the cladding on those buildings to determine how many used the same material as Grenfell Tower, the site of the disaster.

Prime Minister Theresa May, in an appearance before Parliament on Thursday, said a number of buildings had already been found to contain "combustible" cladding.

A spokesman for the prime minister's office said that so far cladding samples from seven high-rise public-housing buildings in four local government areas have failed the inflammability tests.

During a refurbishment of Grenfell Tower completed last

year, contractors installed a widely used material on the exterior of the building. It consists of an aluminum shell and a flammable plastic filling.

The cladding has become a focus for authorities in the aftermath of the fire because video footage of the blaze appeared to show flames spreading fast up the building along its exterior.

—Denise Roland  
and Wiktor Szary



German troops participated in a NATO exercise in Stasenai, Lithuania, on Tuesday.

## Europe Leaders Back Plan For Deeper Defense Ties

BY LAURENCE NORMAN  
AND JULIAN E. BARNES

BRUSSELS—European Union leaders backed a new defense cooperation plan, potentially allowing groups of member states to jointly purchase critical equipment or launch overseas missions together.

Key details of the pact must still be agreed upon in coming months and defense experts warned the initiative could still collapse. But European officials and analysts said the deal, along with other defense initiatives, could open a new era of closer cooperation and more effective military spending in Europe.

European leaders made "real advances in the area of defense," said French President Emmanuel Macron. "We've adopted a more comprehensive strategy."

The initiative, known as "Permanent Structured Cooperation," or PESCO, was first proposed when the EU updated its basic treaty law in 2009.

The plan was essentially shelved due to British concerns that EU defense ambitions could weaken or duplicate work done by the North

Atlantic Treaty Organization.

With Britain leaving the bloc and President Donald Trump demanding increased military spending from NATO partners, Brussels has accelerated its ambitions for greater defense cooperation.

EU leaders on Thursday also broadly backed a plan for a new half-billion-euro EU defense fund that would provide financial incen-

*The pact would let EU member states buy equipment or launch missions together.*

tives for defense companies to cooperate across borders on common projects.

PESCO will provide an EU structure for common projects or missions that don't require backing of all 28 member states at each step, as many joint projects now do.

At Thursday's meeting, EU leaders fixed a three-month deadline for agreeing on critical elements of the plan.

EU foreign-policy chief Federica Mogherini has said she

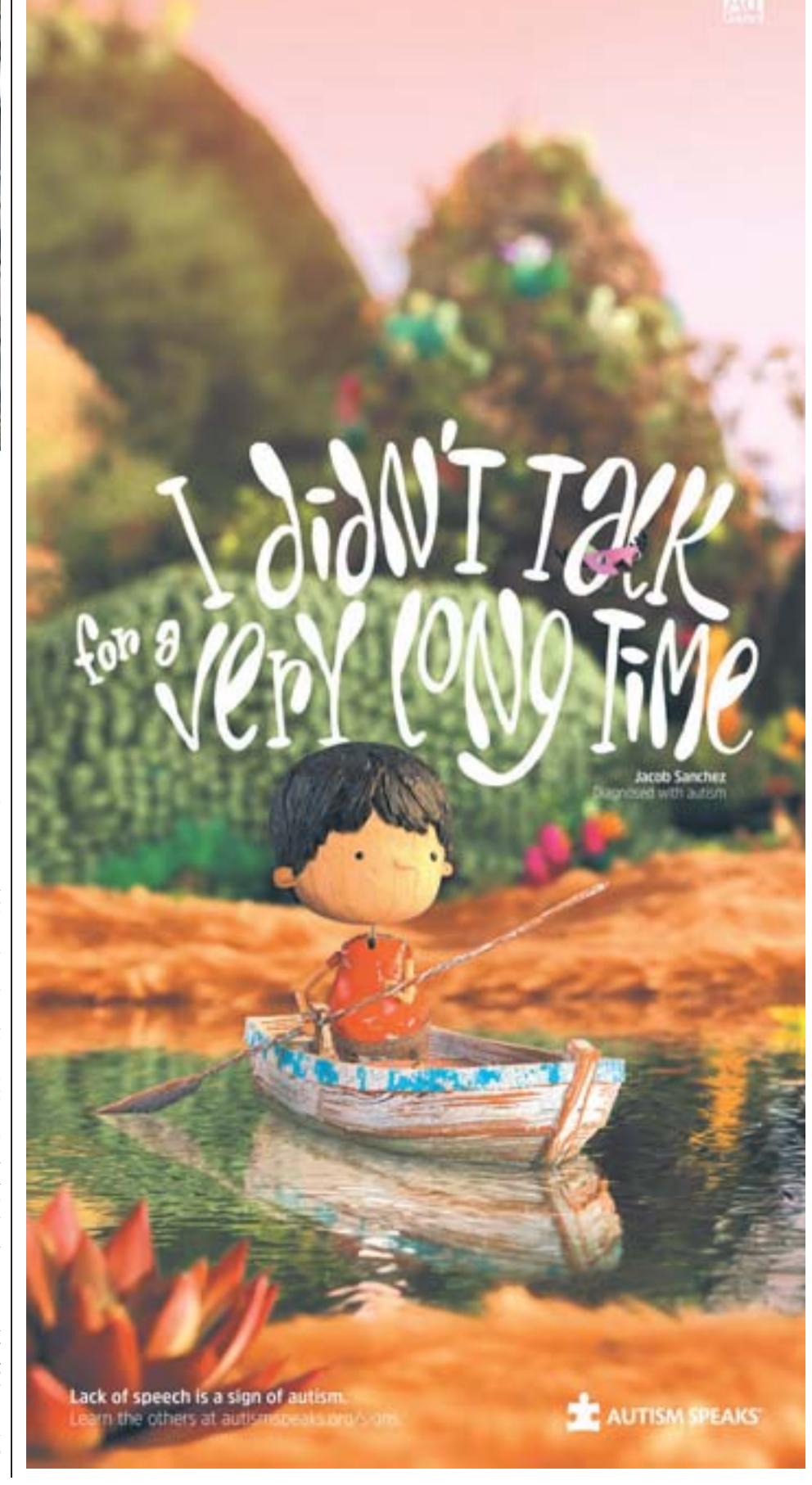
hopes to launch PESCO by year-end, a goal EU leaders backed Thursday, according to people briefed on discussions.

Still, important differences remain. Some countries, particularly Germany, have pushed for easier entry criteria, allowing more countries to participate.

France, in contrast, wanted to ensure that participating countries made ambitious pledges of money and material from the outset. That could allow PESCO to provide a platform for groups of EU countries to undertake demanding overseas operations.

German officials have said they favor early projects that don't involve combat operations. They have suggested the first projects should focus on a common European medical evacuation facility or drone technology. German Chancellor Angela Merkel acknowledged "conceptual differences" between France and Germany.

But EU diplomats say differences between Berlin and Paris may be narrowing. They say while France is signaling more patience on how quickly to scale up PESCO projects, Germany is signaling it will make a serious commitment to joint initiatives.



## WORLD NEWS



Migrants gathered earlier this month on a pile of loose dirt in the port town of Calais, France, near the site of the former refugee camp known as the Jungle.

# Migrants Stream Back to 'Jungle'

Hundreds take refuge in French port town, a gateway for refugees trying to reach the U.K.

BY NOEMIE BISSEBRE

CALAIS, France—Migrants are returning to the French side of the English Channel, saddling France's newly elected president with a humanitarian and diplomatic challenge that has long bedeviled the European Union.

Hundreds of migrants from Afghanistan, Syria, Iraq and Africa have taken refuge in wooded areas around the port town of Calais, which for decades has served as a gateway for refugees trying to reach the U.K. The seasonal flow defies efforts by the predecessor of President Emmanuel Macron to dismantle the notorious refugee camp known as

the Jungle. Last year, Paris relocated thousands of refugees to other parts of France.

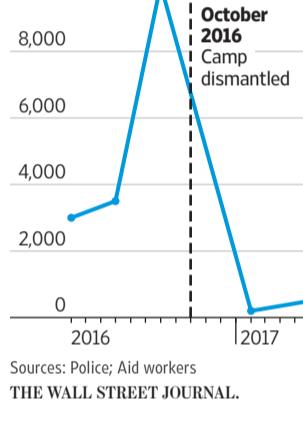
Their return is likely to exacerbate tensions along the channel just as Brexit negotiations get under way. Immigration to the U.K. of both documented and undocumented migrants was a major factor in Britain's vote last year to leave the economic bloc. Mr. Macron has said that in light of Brexit, France and the U.K. should renegotiate a 2003 border treaty that put the onus on France to secure the border.

Under that agreement, known as the Touquet accords, London provides some border agents and helps finance security walls and razor wire on the French side of the channel to keep migrants from entering the tunnel that carries trains and trucks under the waterway.

But France processes the vast majority of asylum claims made by those hoping to reach

### Back to Camp

Some migrants have returned to Calais since the 'Jungle' settlement was dismantled.



Sources: Police; Aid workers

THE WALL STREET JOURNAL.

the U.K. French police also deploy in large numbers across the port to not only bar entrance to the tunnel, but also maintain public order in areas that are seasonally flooded

with migrants.

On Tuesday, a truck driver died in an accident after migrants placed tree trunks on the highway, police said. Migrants typically obstruct the roadways leading into the tunnel so they can clandestinely board the vehicles and sneak into the U.K. Nine Eritreans were detained by French police.

About 30 migrants are discovered every day hiding in the back of a truck at border controls, said Gilles Debove, a police officer in Calais. "It's starting again."

The perennial problem has fueled support around Calais for the far-right National Front. Half of the eight National Front candidates elected to Parliament last week—including party leader Marine Le Pen—will represent areas around Calais.

For more than a decade, migrants have taken advantage of the free movement within the EU to hopscotch across the

region and reach their preferred destinations. The U.K. remains a magnet because of its looser labor rules, multicultural cities and the ability of many migrants to speak at least some English.

Mr. Macron says the solution to stemming the flow of migrants is to reinforce the borders of countries at the edge of the EU, such as Greece and Italy. A staunch pro-European, he doesn't want to restrict travel between France and its European neighbors—a measure favored by Ms. Le Pen.

One way for Mr. Macron to relieve political pressure is to make it easier for migrants bottled up in Calais to leave France. The Touquet accords aren't part of Brexit negotiations, and Mr. Macron has pledged not to engage in separate bilateral talks with the U.K. that might undercut negotiators in Brussels. Still, the accords allow either of the signatories to withdraw unilaterally.

# Philippine Conflict Spurs Call For Unity

BY BEN OTTO

MANILA, Philippines—Three Southeast Asian nations pushed for better counterterrorism coordination amid a battle between government troops and Islamic State-aligned militants in the southern Philippines.

Military and police chiefs and foreign ministers from the Philippines, Indonesia and Malaysia on Thursday discussed boosting intelligence sharing and cutting off terrorism financing, part of efforts to block Islamic State's expansion into the Philippines and the wider region.

Officials also said they would review each other's terrorism laws "with a view to enhancing legislation," consider the provision of specialized military and law enforcement training, and seek ways to stem the movement of terrorists, among other measures.

"Our enforcement agencies must constantly engage with one another," Malaysian Foreign Minister Anifah Aman said.

Indonesian Foreign Minister Retno Marsudi described the regional security threat as "imminent." Officials said they would hold a follow-up meeting in Indonesia.

Philippine troops have been battling militants linked to Islamic State for a month in Marawi, a city of 200,000 on the predominantly Muslim island of Mindanao. More than 300 people have been killed and 180,000 displaced in the fighting, and the military estimates around 500 civilians remain trapped in the city. President Rodrigo Duterte placed the region under martial law in May.

Muslim-majority nations Indonesia and Malaysia fear the battle could spill onto their shores or inspire local terrorist cells as foreign jihadists attempt to join the conflict or as militants attempt to flee the Philippines. Dozens of Islamic State-aligned militants from Indonesia, Malaysia, Saudi Arabia and other countries are in Marawi, authorities say.

The conflict in Marawi pushed Indonesia, the Philippines and Malaysia this week to begin long-delayed, joint patrols in the Sulu Sea, a vast, little-policed area between the three nations where kidnappings and piracy are common.

Elsewhere Thursday, Philippine presidential spokesman Ernesto Abella told journalists that Mr. Duterte spoke with Indonesian President Joko Widodo by phone a day earlier, with both leaders affirming "the need to step up cooperation to address threats posed by terrorism and violent extremism."

# Car Bomb Kills Dozens in Southern Afghanistan



An injured man is carried from the site of the deadly blast.

BY HABIB KHAN TOTAKHIL

KABUL—A car bomb killed 34 people in the southern Afghanistan city of Lashkar Gah, an Afghan official said, the latest in a string of attacks in Helmand province where Taliban militants are closing in on the provincial capital.

The Taliban claimed responsibility for Thursday's bombing, which targeted a branch of the New Kabul Bank, said Omar Zwak, spokesman for the provincial governor. The group has carried out attacks in the

past targeting civilians and government employees in Kabul Bank branches.

"The car bomb hit a crowd of people who had gathered to withdraw cash from the bank," Mr. Zwak said. "Civilians and government employees are among the casualties."

In addition to the 34 killed, he said more than 60 people were wounded, most of them civilians.

The Taliban have expanded territory under their control in Helmand province, capturing many districts and closing in

on the provincial capital, Lashkar Gah. The deteriorating security situation in the province has led to the redeployment of hundreds of U.S. Marines after their full withdrawal in 2014.

There are 8,500 American troops in the country, along with 6,500 troops representing members of the North Atlantic Treaty Organization.

Following the Taliban spring offensive, Afghanistan has witnessed attacks including a truck bombing in late May in the capital Kabul that killed more than 150 people.

## WORLD WATCH

### UNITED KINGDOM

#### Church Colluded With Abuser: Report

Top leaders in the Church of England colluded with a disgraced former bishop over two decades, ignoring warnings and concealing evidence of his sexual abuse of young men, an independent report said Thursday.

The report said church officials supported former Bishop Peter Ball "unwisely and displayed little care for his victims," whom he abused from the 1970s to 1990s. Mr. Ball was convicted in 2015, jailed and released early this year.

The church allowed Mr. Ball to minister at schools, and it failed to pass on letters detailing allegations to the police, the report said, calling it a failure that "must give rise to a perception of deliberate concealment."

—Amanda Coletta

### BELGIUM

#### Four Held Following Attack Are Released

Federal prosecutors said that four people who had been taken into custody for questioning as part of a probe into the attempted terrorist attack at the main train station in Brussels earlier this week were released.

A soldier shot dead a 36-year-old Moroccan man in the station on Tuesday after he tried to use a homemade, nail-packed bomb. The attempted at-

tack caused no other casualties.

Authorities released the four people without charges on Thursday afternoon, prosecutors said.

—Natalia Drozdiak

### MEXICO

#### Central Bank Raises Overnight Rate to 7%

The central bank lifted the overnight interest-rate target by a quarter percentage point to 7%, the highest level since early 2009, and indicated that the tightening cycle that began in September has ended for now.

In its statement, the central bank made it clear it considers the current rate level as appropriate. "The reference rate has reached a level congruent with meeting the 3% inflation target," the bank said. One member voted to keep rates unchanged.

—Juan Montes

### BRAZIL

#### At Least 21 Die After Truck Hits Vehicles

A truck laden with rocks collided with a bus and two ambulances, killing at least 21 people and injuring nearly 30 in southeastern Brazil, police said.

The accident occurred Thursday near the city of Guarapari in the state of Espírito Santo when the truck slammed into the bus and two ambulances behind it that were coming in the opposite direction.

—Associated Press

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## IN DEPTH

# DIAGEO

Continued from Page One

Walker whisky and Smirnoff vodka. The man who orchestrated the deal for Diageo, then-Chief Operating Officer Ivan Menezes, has become chief executive.

Yet the commercial success has been accompanied by lots of trouble. Diageo is in the crosshairs of Indian authorities and entangled in multiple legal proceedings stemming from the acquisition. The authorities are looking into whether Mr. Mallya used the deal to launder money, and Mr. Mallya's creditors have sought the return of shares purchased by Diageo.

Mr. Mallya, who Diageo alleges diverted nearly \$500 million from United Spirits and didn't pay it back, said in an email to the Journal that Diageo had "complete knowledge" of the money he had taken out of the company to support his other businesses. Diageo was "happy with the transactions happening at United Spirits" and "analysed all the underlying documents" before signing a deal, he said.

Diageo spokesman Dominic Redfearn disputed Mr. Mallya's version of events. "At no time were we made aware of the diversions of funds that Dr. Mallya now suggests Diageo was 'happy with,'" Mr. Redfearn said in an email. "His claims that we 'analysed all the underlying documents' and were therefore 'happy with the transactions happening at USL' are false." He said "evidence of diversion of funds only became clear after the closing of the transaction."

### Unpaid debts

London-based Diageo cut ties with Mr. Mallya last year, and he left India amid criminal investigations of unpaid debts and possible money laundering and tax evasion. He resurfaced in a London townhouse. India sought extradition, and bank creditors who claim they are owed \$1.6 billion say they hope to see him imprisoned. In April, he was arrested in London and released on £650,000 bail, pending an extradition hearing. Mr. Mallya has said he did nothing illegal.

Other Western firms betting on the world's fastest-growing large economy also have run into trouble in India. Last year, BP PLC was hit with a \$1.55 billion fine in connection with a gas-drilling joint venture in India. Vodafone PLC, after buying India's largest telecommunications company for \$16.4 billion, received a \$2.2 billion tax bill when India changed its tax laws in 2012. BP and Vodafone say they are contesting the findings.

Diageo's spokesman said the United Spirits transaction, despite its complexity, "was a fantastic opportunity in a key market." He said Diageo "knew from the start there were aspects of governance and controls that would need to be brought into line with international best practice." Since Diageo took control, he said, United Spirits has strengthened its corporate governance, compliance practices and controls systems, and its board has ordered two forensic audits, sharing the results with Indian authorities.

One Indian court handling claims by Mr. Mallya's creditors



Vijay Mallya left Westminster Magistrates' Court in London earlier this month. He was arrested in April and faces extradition to India.

has ruled Diageo's deal to buy United Spirits was designed by Mr. Mallya's holding company to "keep creditors in the dark." In February another court paved the way for a group of state banks to demand at least \$350 million worth of shares Mr. Mallya sold to Diageo.

An Indian money-laundering investigation of Mr. Mallya, in cooperation with the U.K.'s Serious Fraud Office, is broadening to look at whether Diageo helped him shift assets offshore through side deals connected to the United Spirits takeover, according to an official at India's Enforcement Directorate.

In January, India's securities regulator said it had ordered Diageo to compensate United Spirits shareholders for a \$140 million payment it made last year to pay off one of Mr. Mallya's overseas debts. Diageo is appealing.

Mr. Mallya said he had become "a political football."

United Spirits' shares are 25% lower than when Diageo

recently. Mr. Mallya embodied India's new spirit. Parties at his villa in Goa drew business and political luminaries and featured performers such as Enrique Iglesias and Bollywood's Sonu Nigam.

He owned more than 200 luxury and vintage cars, a 311-foot yacht, a French castle and a Formula One team, Sahara Force India. He personally selected each air hostess at his airline company, Kingfisher Airlines, according to local news reports.

Kingfisher Airlines, however, was in financial trouble. Crippled by high fuel costs and a slump in the Indian economy, it was on the brink of bankruptcy in 2012, court documents indicate, forcing Mr. Mallya to consider a sale of United Spirits.

In United Spirits' Bangalore headquarters, Diageo's finance team pored over the liquor company's accounts, while Mr. Menezes listened to presentations there and at Mr. Mallya's Goan villa, says a former United Spirits executive. Mr. Menezes, a 57-year-old graduate of Northwestern University's Kellogg School of Management, peppered United Spirits senior managers with questions.

Seeking to comply with the U.S. Foreign Corrupt Practices Act, a Diageo in-house lawyer requested sales records from distributors and interviews with individual distillers, according to internal emails reviewed by the Journal. A year earlier, Diageo had been fined \$16 million for breaching that U.S. law after being caught paying bribes in India and elsewhere.

India's liquor trade is rife with unorthodox practices and allegations of corruption.

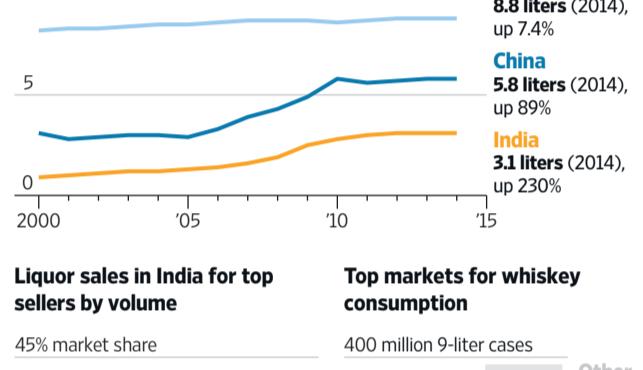
Political figures in states with monopoly retailing laws often have sought payments to allow drinks brands to sell their products there, court records show.

At the meeting in Mumbai in early 2012, Mr. Mallya pulled out a handwritten document that two people in attendance say outlined diversions of money aimed at propping up non-liquor businesses of Mr. Mallya's that were struggling. It also outlined some payments to people in India's political system that Mr. Mallya said were to secure distribution rights, according to those two people and a document reviewed by the Journal.

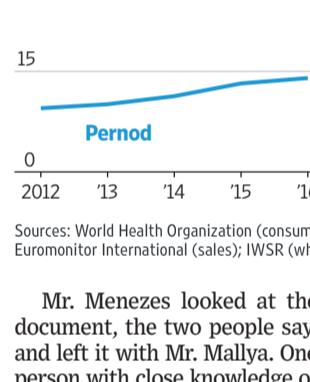
### Intoxicating Growth

India's increasing appetite for alcohol, particularly whiskey, has made it an alluring market for international drinks brands.

#### Per-capita alcohol consumption

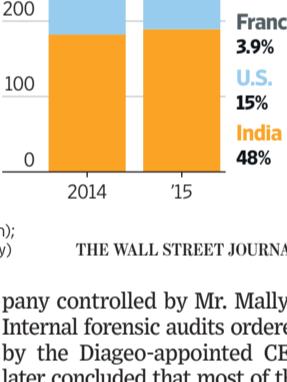


#### Liquor sales in India for top sellers by volume



Sources: World Health Organization (consumption); Euromonitor International (sales); IWSR (whiskey)

#### Top markets for whiskey consumption



THE WALL STREET JOURNAL.

company controlled by Mr. Mallya. Internal forensic audits ordered by the Diageo-appointed CEO later concluded that most of the money had been used to pay jet-fuel bills. A bottling plant had borrowed \$7 million to upgrade its facilities, then advanced the money to Mr. Mallya's holding company, the spreadsheet and other company documents showed. Auditors later concluded the cash had been sent to Kingfisher Airlines.

Overall, United Spirits advanced \$340 million to Mr. Mallya's other companies and creditors, the spreadsheet showed.

Mr. Mallya said Diageo received this spreadsheet "periodically during due diligence." The Diageo spokesman said the company hadn't received it until later, after agreeing to the terms of a deal in November 2012. Diageo bought its first tranche of shares in May 2013.

Diageo offered Mr. Mallya a range of sweeteners to get the

deal done. The two companies agreed to a deal in November 2012 that called for Diageo to buy shares in United Spirits. Diageo bought one tranche of shares from another company of Mr. Mallya's. Court documents from a subsequent judicial action by creditors show that Diageo knew the creditors considered those shares collateral against their unpaid loans, and that Diageo might have to give the shares back to those creditors later.

### Strategy conflicts

Conflicts soon erupted over the strategic direction of United Spirits. The Diageo-appointed CEO and board hired forensic auditors to comb through accounts. They confiscated hard drives of United Spirits' top executives and, using Mr. Mallya's emails, began piecing together a picture of his collapsing empire, according to documents reviewed by the Journal.

The emails appeared to show that Mr. Mallya cajoled and pressured his management team to divert money from United Spirits to save his other ventures, even as he was wrapping up a deal with Diageo.

In July 2012, when Diageo was still doing due diligence, Mr. Mallya emailed United Spirits' chief financial officer asking for \$1.5 million to pay salaries at his U.K.-based Formula One team. "The Brits will be very upset," he wrote. "You need to perform some magical balancing act." In another email, he instructed the CFO to send \$7 million to pay for taxes owed by his airline.

According to auditors, Mr. Mallya secretly pledged thousands of crates of whiskey to an Indian billionaire in exchange for a \$30 million loan to his airline, and he asked India's cricket board to use \$12 million owed to a cricket team owned by United Spirits to pay off a sponsorship agreement his airline was struggling to pay.

Mr. Mallya said in his email to the Journal that forensic auditors "didn't understand the underlying business principles of United Spirits and so jumped to wild conclusions."

After its first forensic audit in 2015, United Spirits' board asked Mr. Mallya to step down as chairman. When he refused, the CEO wrote to the chief of Bangalore's police department, alleging money had been "wrongfully diverted" as part of a "criminal breach of trust." Diageo never filed an official complaint with the court. Mr. Mallya resigned as chairman in February 2016, after agreeing to a \$75 million severance package.

Forensic auditors brought in by United Spirits after the deal alegge at least about \$500 million was advanced from United Spirits to Mr. Mallya's other companies and never paid back.

In February, Mr. Mallya's other creditors won the right to liquidate one of Mr. Mallya's companies that sold shares to Diageo, and are seeking to have 7% of United Spirits' shares returned to them, or to strike a cash settlement with Diageo,

Mr. Mallya said Diageo received this spreadsheet "periodically during due diligence." The Diageo spokesman said the company hadn't received it until later, after agreeing to the terms of a deal in November 2012. Diageo bought its first tranche of shares in May 2013.

Diageo offered Mr. Mallya a range of sweeteners to get the

—Saabira Choudhuri contributed to this article.

# FISH

Continued from Page One  
the crew gaffed and hauled it on board.

It was the fish of a lifetime—a 76.5-pound white marlin that won him the world's largest annual billfish tournament, the White Marlin Open, and \$2,818,662 in prize money.

He swears it happened just like that.

Fishing is full of tall tales about the one that got away, and polygraph tests, more common in police interrogation rooms than on marina docks, are now used in high-stakes fishing tournaments. Mr. Heasley, like many winners, was required to take the test.

Polygraph tests aren't perfect, but they help deter cheating, say organizers of the White Marlin Open, which draws more than 300 boats and 2,000 anglers who pay \$1,000 each year to compete. Polygraph tests are required for its winners of amounts greater than \$50,000.

One day after boating the multimillion-dollar fish, Mr. Heasley and his captain, David Morris, took turns sitting before a polygrapher in a second-floor



This team of anglers claimed a win in the 2016 White Marlin Open in Ocean City, Md.—until flunking the polygraph test.

room in an Ocean City hotel. Then came the questions:

"Did you commit any tournament violations Tuesday?"

"Did you commit any tournament violations on your vessel?"

"Did you commit any tournament violations?"

Mr. Heasley wiggled his toes and bounced his legs, according to court depositions. "I'm not a stationary person—I'm fidgety," he said. His captain was nervous, hung over, and complained of claustrophobia, according to the deposition. Both answered "no" to the questions.

Capt. Morris said, also in a written statement this week: "I am a fisherman, it's who I am. My word is my reputation, it follows you in this business. My

crew and I are honorable fishermen, nothing will ever change that, not skewed polygraphs nor distorted and fabricated timelines. My crew and I stand by our word and our reputation."

Mr. Heasley's lawyer said Mr. Heasley and his crew abided by all of the tournament rules and regulations.

Mr. Heasley said in a deposition he may have tripped up over questions about the tournament rules—he was familiar with the four pages of regulations, but didn't have them memorized. He said he was confused about how to answer some of the questions, and thought the polygraph test was more of a formality, like signing a scorecard after a golf tournament. "I was as truthful as yes and no answers will let anyone be," he said in court documents.

A few weeks later, Mr. Heasley, along with two crew mates, one of whom said he was hung over after drinking 15 beers the night before, according to court documents, took another polygraph test. All three failed.

According to the test results, Mr. Heasley and the two mates were deceptive about whether or not they violated any tournament rules.

In addition to the failed poly-

graphs, the tournament record showed signs of misconduct, according to event organizers. The record was initially marked down with a catch time of 8:15 a.m. That time was crossed out and changed to 9:05 a.m. before Mr. Heasley submitted it to officials. Tournament rules prohibit fishing before 8:30 a.m.

After his second failed polygraph test, tournament officials announced Mr. Heasley was in violation of the rules and wouldn't receive the prize money.

The matter moved to federal court in Baltimore, with contest organizers asking to redistribute the \$2.8 million first prize to 13 competitors who won other categories during the tournament.

After a two-week trial, the judge ruled on June 14 that Mr. Heasley and his crew failed the required test and, according to tournament rules, wouldn't receive the winnings.

The judge also found Mr. Heasley and the Kallianassa crew violated the tournament's time ruling. "Specifically, it is clear from the evidence and testimony presented in this case that the Kallianassa's fishing lines were deployed and in the water before 8:30 a.m. on Tues-

day, August 9, 2016."

Mr. Heasley's defense relied heavily on discrediting the accuracy of lie-detector tests. "Polygraphs are not like a pregnancy test, where you dip in a stick and you get your answer—yes or no. They're highly, highly subjective tests," Chris Sullivan, Mr. Heasley's attorney, said in court in December, explaining courts don't allow polygraphs as admissible evidence, and studies show them to be only 50% accurate. "It has nothing to do with catching the winning fish."

"The polygraph tests worked," said White Marlin Open founder Jim Motsko. "I'm not calling anyone a cheater. But this could have changed the playing field in every tournament. This is a professional sport. You need to enforce the rules."

Anglers beware—organizers of other fishing tournaments are watching carefully Mr. Motsko said. "My phone hasn't stopped ringing."

Capt. Morris defended his boss as the most ethical and honest person he knows—"straight as can be," he said in a deposition. When asked why he was nervous during the test, he said, "I don't know, man. I'm just a fisherman."

# GREATER NEW YORK

## School-Control Fight Goes On

Legislators deadlocked as the session ends, but they might return; mayor is left in limbo

BY LESLIE BRODY  
AND MIKE VILENSKY

A day after New York's legislative session officially ended with no agreement on renewing mayoral control of New York City schools, lawmakers kept sparring on the issue and remained at an impasse Thursday.

The legislative session adjourned late Wednesday until 2018. Gov. Andrew Cuomo and legislators said Thursday they would be willing to reconvene for a special session to resolve mayoral control, but they made no plans to do so and legislators remained uncertain they could find common ground on the issue at all.

Mr. Cuomo and legislative leaders typically hold a group news conference in the Capitol Red Room to mark their accomplishments when the session ends. This year Mr. Cuomo appeared alone.

"For a legislature to leave with one million children returning to what we know was a failed management system is a dereliction of duty," he said.

Assembly Speaker Carl Heastie, a Democrat, released a statement mid-Thursday promoting the bill his chamber introduced in May, which tied mayoral control to reauthorizing counties' power to raise their sales taxes, a measure important to Senate Republicans.

"If the governor and/or the Senate is asking us to engage, we would be derelict in our duties not to consider those requests," Mr. Heastie said. "With that being said, there is no plan to return."

A spokesman for the Senate Republicans said: "We will continue to have productive conversations with the executive and the mayor, and are confident we can reach a final agreement that extends mayoral control, but no one can



Mayor Bill de Blasio wants the state Legislature to renew his control over New York City schools.

### Other Legislation Left on the Table

**MTA Funding:** Legislators made a last-minute push for a surge of cash to the Metropolitan Transportation Authority amid a series of subway breakdowns, but no such measure passed. "The MTA needs more funding," Sen. Michael Gianaris, a Queens Democrat, said Thursday. "Now is not the time to point fingers, it is the time to find solutions."

say that our Senate Majority hasn't done the people's business."

The mayoral control law expires June 30. If lawmakers don't renew it, the nation's largest school district would revert to a complex and decentralized system that many called dysfunctional and rife with corruption. Some critics of mayoral control, however, say it vests too much power in one politician and parents have too little voice in their children's schools.

Both the Republican-controlled Senate and Democratic-controlled Assembly have introduced bills renewing mayoral control, but their ver-

**Child Victims Act:** Advocacy groups pushing to widen the statute of limitations for child sex-abuse victims had high hopes this year when Gov. Andrew Cuomo called it a priority and offered his own version of the bill. But the Senate Republican majority didn't move on the bill, which is opposed by church groups.

"It's another year that survivors of child sexual abuse are waiting for justice," said Michael Polenberg, vice president of government affairs for Safe Horizon, a New York-based advocacy group.

**Procurement Reform:** A former Cuomo aide was indicted last year for an alleged scheme involving the exchange of bribes for lucrative state contracts. He has pleaded not guilty. In the wake of that scandal, legislators and the comptroller pushed a bill giving the comptroller more oversight review of state contracting, but Mr. Cuomo opposed it, saying it wouldn't help combat corruption and was duplicative of existing practices. The bill didn't move in either chamber despite bipartisan support among rank-and-file legislators.

—Mike Vilensky

sions had different strings attached. One of the Senate bills would lift the cap on the number of charter schools that could open in New York City, a condition that the Assembly has so far balked at.

If mayoral control lapses, Mayor Bill de Blasio would lose his authority over the system for 1.1 million children and his ability to pick a chancellor who reports directly to him.

The city would revert to a seven-member central board of education that would choose the chancellor. The mayor would pick two members, and each borough president would choose one.

Mr. de Blasio said repeatedly this week that voters hold him accountable for schools, and under the old system, there was no one fully responsible for them. His office estimated that reconstituting a central Board of Education and holding local elections would cost \$1.6 billion over the next decade, but skeptics have doubted that figure.

"Everyone in this city should be deeply concerned that the Legislature had a chance to resolve this by the end of their formal session and didn't," the mayor said Thursday on a WNYC radio interview. "Things can spin out of control in Albany."

settlements through the New York fund ranged from \$150,000 to \$350,000 each.

The announcement about the latest fund came after state lawmakers adjourned the current session Wednesday without taking action on legislation that would have widened the statute of limitations for claims by victims of sexual abuse. Currently, victims have until the age of 23 to pursue a civil or criminal case.

The New York State Catholic Conference opposed the legislation, which passed the Assembly with bipartisan support but stalled in the Republican-led Senate.

The fund's timing "means the bishops were, or are, very concerned" the legislation will pass, said Barbara Dorris, managing director for the Survivors Network of those Abused by Priests, an advocacy group based in St. Louis.

Victims essentially must choose between seeking compensation now through the

**280**

Initial estimate of sexual-abuse victims in the Brooklyn Diocese.

fund or waiting to see if the law changes. Those who receive fund payments must agree not to sue.

The biggest downside of compensation programs is that the names of accused priests haven't been released publicly, Ms. Dorris said. "Unless you reveal the names of the predators, they are still out there," she added.

Church officials have said victims aren't bound by any confidentiality deal. A spokesman for the Archdiocese of New York said it alerts people when a priest is accused of abuse.

—Mike Vilensky  
and Mariana Alfaro contributed to this article.

## A Ceiling Masterpiece Reproduction on Show



UP CLOSE: Near-life size reproductions of Michelangelo's frescoes that adorn the Sistine Chapel in Rome are on display at the Oculus at Westfield World Trade Center in New York City. The exhibit, which opened on Thursday, will run through July 23.

## Buttons for Pregnant Women on Slow Track

BY PAUL BERGER

The subway isn't the only MTA service suffering from delays.

The Metropolitan Transportation Authority launched a program for pregnant women on May 14, offering them a free Baby on Board button to nudge other passengers to give them seats.

Expectant mothers had to fill out a simple online form and wait two to three weeks. Many women say they have waited up to five weeks for the button to arrive in the mail.

On Facebook, Elizabeth Rafferty wrote that she received her button on June 20, one

week before her due date and one week after she began working from home because she couldn't tolerate subway delays and overcrowding. "They have been terrible and it's just not worth taking," she wrote.



Kathy Murray posted that she received her button on June 21—the same day her water broke. "I had been so excited to wear it," she said Thursday from the delivery room of Mount Sinai West medical center.

MTA spokeswoman Beth DeFalco said the delays are due in part to the program's success. So far, 15,200 buttons have been ordered, she noted.

"We are working hard to speed the process up and are looking at the possibilities of getting buttons directly to OB-GYNs and other places that can help us better distribute them to customers more quickly," Ms. DeFalco said.

Because the MTA doesn't supply an order confirmation for the buttons, Cara McIlwaine said that after a few weeks' wait she began to wonder "did I do something wrong?" The button arrived on June 20 and she wore it the following day. "I easily got a seat and it was great," she said.

## Mayor Details Plan To Close Rikers Jail

BY CORINNE RAMÉY  
AND MARA GAY

Mayor Bill de Blasio's administration laid out its plan to close the Rikers Island jail complex on Thursday, saying doing so would take at least a decade.

The proposal primarily relies on reducing the city's jail population from a daily total of 9,400 today to 5,000. Officials said they would accomplish this by helping people pay bail, reducing the number of inmates with mental illnesses and speeding up case-processing.

Closing Rikers would require building new jails in the boroughs, officials said.

"This plan will not be easy," a city report detailing the proposal said. "Historically, community opposition, land-use requirements, and the high cost of acquiring and developing new land have prevented the city from siting new jails or even expanding existing jails. And it will not be fast."

The city wants to close Rikers and build jails that are "smaller, safer and fairer" in locations that would help inmates maintain community ties. Rikers—a 400-acre island complex located in the East River between the boroughs of Queens and the Bronx—is far from courthouses and many inmates' families.

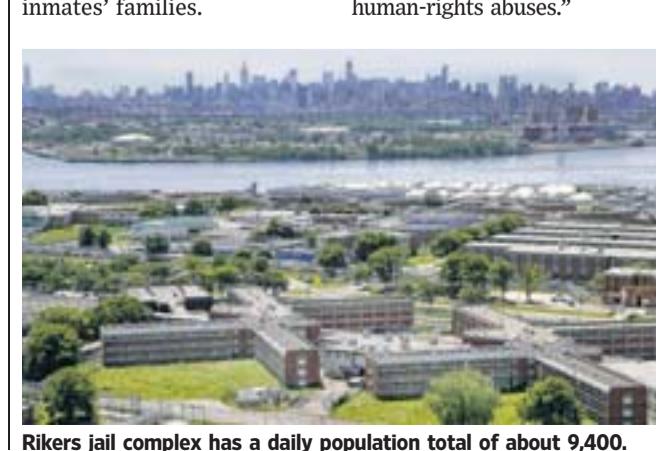
Mr. de Blasio, a Democrat, said Thursday on radio station WNYC that City Council members should allow jails to be built in their districts. Staten Island wasn't included in the plan, he said, because it has a small population of inmates, and officials don't want a jail in their borough.

Council Member Stephen Levin, whose downtown Brooklyn district already has a jail, said neither Mr. de Blasio nor anyone in his administration had reached out to him about expanding that facility or building another one.

Mr. Levin, a Democrat, said he had received one complaint about the Brooklyn House of Detention, a jail in his district. "It's not a credible argument to say there's a negative impact on the community," he said.

In April, an independent commission, led by New York state former Chief Judge Jonathan Lippman, released its own recommendations for closing Rikers Island, which it said would cost more than \$10 billion over 10 years. The city report says it "builds upon the work of many," including that of the independent commission.

Critics have called the mayor's timeline too long. Glenn Martin, of the #CLOSErikers campaign, said many of those held now at Rikers "face routine human-rights abuses."



Rikers jail complex has a daily population total of about 9,400.

## GREATER NEW YORK

# Unflattering Spotlight Shines on Trump

Several shows are parodying the new president and our roiling political climate

BY CHARLES PASSY

Forget Bette Midler. The reigning star of the New York theater scene is proving to be none other than President Donald Trump.

And his presence goes far beyond the Public Theater's controversial recent production of Shakespeare's "Julius Caesar" at Central Park in which the Roman leader took on the guise of our current commander in chief.

A number of other shows that parody Mr. Trump or speak to the political climate under his watch are playing in New York City or slated to open in the coming weeks. And while most are targeted to a left-leaning audience—no surprise in a heavily Democratic city—they could provoke a strong response from the right, with a potential host of consequences, financial and otherwise.

The productions often are marked by a vein of anger, frustration and distrust when it comes to Mr. Trump. But they also look at the president with a comedic eye, lampooning his physical presence in some instances.



AGATON STROM FOR THE WALL STREET JOURNAL

A scene from 'Me The People: The Trump America Musical,' above, and at right, 'Faust 3: The Turd Coming, or The Fart of the Deal' are two New York City shows that parody Donald Trump.

Producers and creators say they are simply speaking to today's political reality.

"We have to react to what's going on," said Nancy Holson, who wrote the book and lyrics for "Me The People: The Trump America Musical."

Ms. Holson's show, which starts running at off-Broadway's Triad Theater this weekend, skewers the president and the broader conservative agenda.

Such shows aren't likely to play well with conservatives, though they say they didn't expect much else from the cultural community. "Being in poor taste is nothing new for the art world," said New York City Councilman Joseph Borelli, a Republican from Staten Island who endorsed Mr. Trump

during his presidential run.

Mr. Borelli added that while he was a proponent of free speech, he wouldn't be surprised if this next wave of anti-Mr. Trump productions was greeted with protests, especially from a young generation of conservative activists. Indeed, protesters interrupted performances of "Julius Caesar" toward the end of the show's run.

The White House declined to comment on the spate of Trump-related shows.

The New York theater world has something of a tradition of putting presidents under the critical microscope. The '60s saw "MacBird!," a satirical show that reimagined the Lyndon B. Johnson presidency as



JONATHAN SLAFF

Shakespeare's "Macbeth" and played in a Greenwich Village theater for close to a year.

Some of the new productions take the critiques and portrayals of the president to a whole other level. Consider Paul David Young's "Faust 3: The Turd Coming, or The Fart of the Deal," now playing at the Judson Memorial Church in Manhattan. Mr. Young, a playwright whose work previously has been staged in New York, views Mr. Trump through the

devilish lens of the Faust story, but with a darkly comic—and very scatological—twist.

Provocative film director Michael Moore will debut on Broadway with a one-man show starting July 28. Dubbed "The Terms of My Surrender," the production is being billed as an anti-Mr. Trump diatribe.

Parodying the president can have financial consequences.

The nonprofit Public Theater saw the loss of two corporate sponsors, Bank of

America and Delta Air Lines, as a result of its "Julius Caesar" production.

The move by the companies came after some on the right said the staging crossed a line, most notably because Caesar is assassinated in the show.

This may be less of an issue for the new presidential-themed theatrical offerings because they are being produced by for-profit enterprises and aren't reliant on outside support. Still, producers need to sell seats.

## GREATER NEW YORK WATCH

### NEW YORK

#### Council Urges Action After 2012 Shooting

New York City lawmakers are asking the police department and mayor to speed up the disciplinary proceedings for other officers involved in the 2012 killing of an unarmed teen in his apartment.

Members of the City Council's progressive caucus wrote a letter Thursday saying they were disappointed with how the city has handled the aftermath of

the killing of 18-year-old Ramarley Graham.

Mr. Graham, suspected of having drugs, was shot dead by former police officer Richard Haste, who had chased the teen into his apartment.

Mr. Haste said he thought Graham had a gun. He quit his job after a misconduct proceeding. Federal prosecutors declined to bring charges against him.

Lawmakers also demanded that all reports on Mr. Haste be made public.

—Associated Press

### TRENTON

#### Lawmakers Pass Bill Raising Smoking Age

New Jersey lawmakers have again sent a measure to Gov. Chris Christie to raise the smoking age in the state to 21.

The Democratic-controlled state Assembly on Thursday approved raising the age to 21 from 19 for purchasing tobacco or electronic cigarette devices.

The Senate previously approved the measure. It is now up

to Mr. Christie, a Republican, who vetoed a similar measure in January 2016. It isn't clear how he will act this time. If Christie signs the legislation, New Jersey would be the second state to have a smoking age of 21, along with Hawaii.

—Associated Press

### NEW YORK

#### Ex-U.S. Attorney Gets Book Deal

Preet Bharara, the former U.S. attorney fired earlier this

year by President Donald Trump, has a book deal.

Alfred A. Knopf announced Thursday that Mr. Bharara was working on a book about the "search for justice" that would come out early in 2019.

Mr. Bharara was U.S. attorney for the Southern District of New York for 7½ years. He said in a statement issued through Knopf that his book, not yet titled, was about law, but also "integrity" and "moral reasoning."

—Associated Press

### On a Roll



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VICTOR: Sierra Ricci won the girls National Marbles championship.

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# LIFE & ARTS

FIM REVIEW | By Joe Morgenstern

## A Cure for the Common Comedy

**MAYBE THE TITLE** of "The Big Sick" could be improved (or maybe not; the third word does stick in your mind), but everything else conspires to make this romantic comedy a cockeyed classic. It's hilariously hyperverbal, yet wonderfully heartfelt. Will the lovers and those around them ever stop talking? You wish they wouldn't, because the flow of language is such giddy fun. You hope they will; quiet time is required for deeper connections. No need for concern on either count, though. Here's a movie in which wishes and hopes are eventually granted.

The lovers, Kumail and Emily, are played, respectively and brilliantly, by Kumail Nanjiani and Zoe Kazan. He's an aspiring stand-up comic and sometime Uber driver. She's a graduate student and future therapist. They meet between sets at a comedy club. You may know Mr. Nanjiani—who, like his character, was born in Pakistan—from his role as Dinesh on the HBO comedy series "Silicon Valley." He and his wife, Emily V. Gordon, wrote "The Big Sick" as a liberties-taken version of their romance, which was interrupted when she fell victim to a mysterious illness that threatened to kill her. The film was directed by Michael Showalter—if there's a false note in his work I missed it—and produced by Judd Apatow and Barry Mendel. (Producers seldom get mentioned in movie reviews, but Mr. Apatow, the guiding spirit of such memorable comedies as "The 40-Year-Old Virgin," "Knocked Up" and "Trainwreck," has left his mark on every elegantly crafted scene of this one.)

These days, when so many feature films are dumbed down to marketable proportions—or created for overseas consumption, and domestic audiences be damned—there's reason to be grateful for any straightforward story that's ex-



AMAZON STUDIOS/LIONSGATE

Zoe Kazan as Emily and Kumail Nanjiani as Kumail in 'The Big Sick,' which was directed by Michael Showalter and produced by Judd Apatow and Barry Mendel.

ecuted competently. "The Big Sick," by contrast, interweaves at least four strands of a complex sequence of events that changes tone, switches moods and pauses for grace notes or casual lunacies, but never loses track of its characters' emotional cores, or their screwball-urgent zest for life.

Kumail and Emily play out a love story, and subsequent break-up, with witty words that can defeat passion; he's the comic, but she's his equal in nervous banter and reflexive self-irony. (He looks a bit too old for her, but that loses significance as the relationship progresses.) Kumail is trapped in a classic tale of incomplete assimilation; his love for Emily conflicts with his traditional parents' insistence on an arranged marriage.

Emily's illness transforms everything; what was funny is now suddenly and inexplicably a matter of life or death (though funny makes its first, sly comeback when Kumail uses his unconscious beloved's thumb to unlock her phone so he can contact her parents.)

Everything is transformed again by the arrival of Emily's father, Terry (Ray Romano), and her mother, Beth (Holly Hunter), a pair of cuckoo-birds with territorial instincts; they see Kumail only as an ex-boyfriend who has forfeited his right to have any say in her care. (All his frustrations explode when he can't get four slices of cheese on the same burger in the best food-ordering scene since "Five Easy Pieces.")

Earlier in the film we've had a

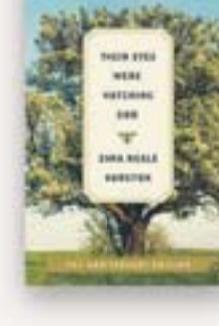
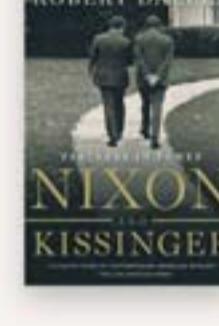
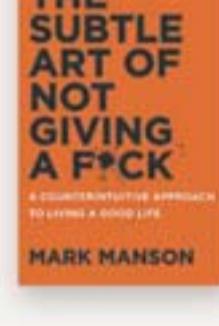
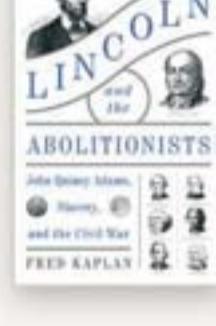
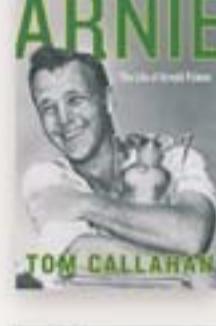
strong sense of who Emily is: tender, vulnerable, quick to embrace Kumail as the soulmate he is but slow to see the red flag of reticence he's been waving. Now, with Emily's parents taking charge, we get a sense of what made her who she is.

These two were not cut out for parenting, or marriage. Beth is a loose cannon on a runaway tank—a compact tank, given Ms. Hunter's stature, but an unstoppable one, given the gorgeous ferocity of her portrayal. (After all her distinctive performances over the decades, this one is astonishing.) Terry is interestingly bookish, even thoughtful, but his mind is linked to his mouth by the neural equivalent of a slipping transmission. "Love isn't easy," he tells Kumail at one point. "That's why they call it love." Kumail, baf-

fled, says, "I don't get that." Terry, rueful, replies, "I know. I thought I could just start talking and something smart would come out."

Everyone talks compulsively—clouds of words and sentences that come out funny, more than anything else, but also smart and, best of all, charged with honest feeling. That's the signal achievement of the screenplay, and of Mr. Nanjiani's sweetly soulful presence at the center of the action. As a stand-up comic, Kumail is desperate—to please, to break free, to succeed. As a man, his struggle is to strengthen his spine, stand up to his life and take his place with Emily, however long her life may last. It's a lot for any movie to take on. "The Big Sick" pulls it off with unquenchable humor and ineffable grace.

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## LIFE & ARTS



Olivia Wilde and Tom Sturridge, at center, in Robert Icke and Duncan Macmillan's stage version of '1984'

**THEATER REVIEW** | By Terry Teachout

# Big Brother Worth Watching

New York

**LIKE ALL GREAT** parables, George Orwell's "Nineteen Eighty-Four" long ago cast off from the dock of its original intent and set sail on the sea of ambiguity. When Orwell published the book in 1948, he meant for it to be read as a plausible nightmare, a cautionary portrait of (in his words) "what communism would be like if it were firmly rooted in the English-speaking countries, and was no longer a mere extension of the Russian Foreign Office." But a quarter-century after the dissolution of the Soviet Union, anyone who now puts the novel on the stage or screen is more likely to have a different tale to tell, and a different reason for telling it.

Enter Robert Icke and Duncan Macmillan, whose freely adapted 2014 stage version of "1984" has just transferred to Broadway from London's West End. Messrs. Icke and Macmillan, who double as the show's directors, have updated the tale of Winston Smith (played by Tom Sturridge) by using a huge video screen suspended over the stage to portray the modern digital technology with which Big Brother and his henchmen spy on the hapless Winston and his fellow citizens. The idea, I assume, is to make "Nineteen Eighty-Four" more immediately relevant to our latter-day age of digital post-privacy.

We may also safely assume, however, that those responsible for bringing "1984" to Broadway were well aware of the fact that Orwell's novel shot to the top of the U.S. best-seller lists in the immediate wake of Donald Trump's election to the presidency. Lest we forget, Win-

ston Smith worked in the Ministry of Truth, Orwell's fictional purveyors of "fake news" and "alternative facts" *avant la lettre*, which explains the sudden explosion of interest in the book. But while theater in America lately seems to be aspiring to the condition of All Trump, All the Time, no attempt has been made to shoehorn boohiss-stone-him-to-death references to the president into this play or its production. What we have here, in-

This Trump-free adaptation of Orwell's classic is good old-fashioned dystopia.

stead, is a multimedia extravaganza à la "The Curious Incident of the Dog in the Night-Time," one whose moral, insofar as I can tease it out, is that Big Brother is watching us right this second.

Whatever else that is, it isn't stop-press news, and it doesn't help that "1984" is framed by a pair of coyly postmodern scenes in which a gaggle of sober-sided scholars tries to figure out whether Winston's diary is fact or fiction. If you're not familiar with the novel going in, you're likely to find these scenes confusing, and even if you know it well, I doubt you'll find them dramatically compelling.

The rest of "1984," however, is broadly faithful to the novel, with Orwell's moral—that the unforgivable sin of totalitarianism is to erase the past and make all truth

relative—left wholly intact. The continuing applicability of this moral to current events makes it regrettable that "1984" isn't more theatrically potent than it turns out to be. Some scenes, the Two Minutes Hate in particular, do have tremendous punch, perhaps because they are near-literal visualizations of Orwell's text. It helps, too, that Tom Gibbons's sound design and Natasha Chivers's lighting are so fine, and two of the performances are equally noteworthy: Olivia Wilde is passionate and immediate as Julia, Winston's lover, while Reed Birney plays O'Brien, his torturer, not as a Snidely Whiplash-type villain but as a bland bureaucrat, an interpretation all the more effective for its understatement.

Mr. Sturridge isn't as memorable as his colleagues, though one aspect of his performance stands out, which is that he plays Winston in an unambiguously contemporary dude-where's-my-freedom manner (think Keanu Reeves). This helps to place "1984" more specifically in the present, something that the rest of the production largely fails to do. To be sure, lip service has been paid to giving us an up-to-the-minute "1984," most notably in a newly written line spoken by O'Brien: "The people are not going to revolt. They will not look up from their screens long enough to notice what's really happening." For the most part, though, this "1984" floats free of historical specificity, just as the violence of the climactic torture scene is strangely lacking in visceral impact.

The Icke-Macmillan "1984" would hit home harder were it set not in a sort-of-nowish not-quite-London but in, say, Pyongyang—or on an American college campus. But, then, it wouldn't be fiction anymore, would it?

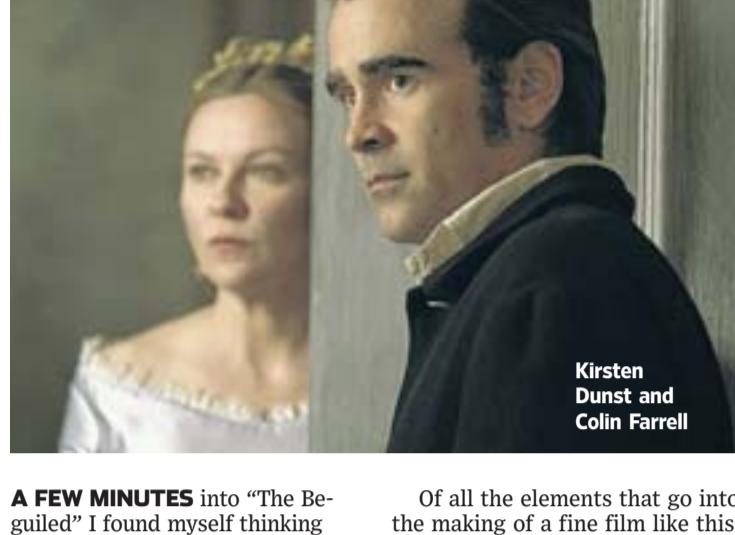
### 1984

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Mr. Teachout is the Journal's drama critic.

**FILM REVIEW** | By Joe Morgenstern

# SEXUAL TENSION DOWN SOUTH



Kirsten Dunst and Colin Farrell

FOCUS FEATURES

**A FEW MINUTES** into "The Beguiled" I found myself thinking about Tesla, of all things. Not the car, since this is a period piece, set in rural Virginia during the Civil War, but the Tesla coil, a 19th-century invention that builds up an electrical charge, then lets it loose in a spectacular display. The charge in Sofia Coppola's remarkable film is sexual, and intense. (At last month's Cannes Film Festival Ms. Coppola won the Palme d'Or for best director, the second woman to do so in the festival's 70-year-history.) When that charge is released, the result is both spectacular and thoroughly, if eerily, satisfying.

The physical setting is eerie too—a Greek Revival mansion, with a wrought-iron gate, that houses a finishing school for girls. There, within earshot of the war's contending cannons, lissome young women in white linen dresses conjugate French verbs and dine decorously by candlelight in the course of learning to be ladies. But their fragile state of grace is shattered by a new arrival—a badly injured Union soldier, John McBurney (Colin Farrell), found in the nearby woods by one of the school's youngest students and brought into the house for treatment of his wound.

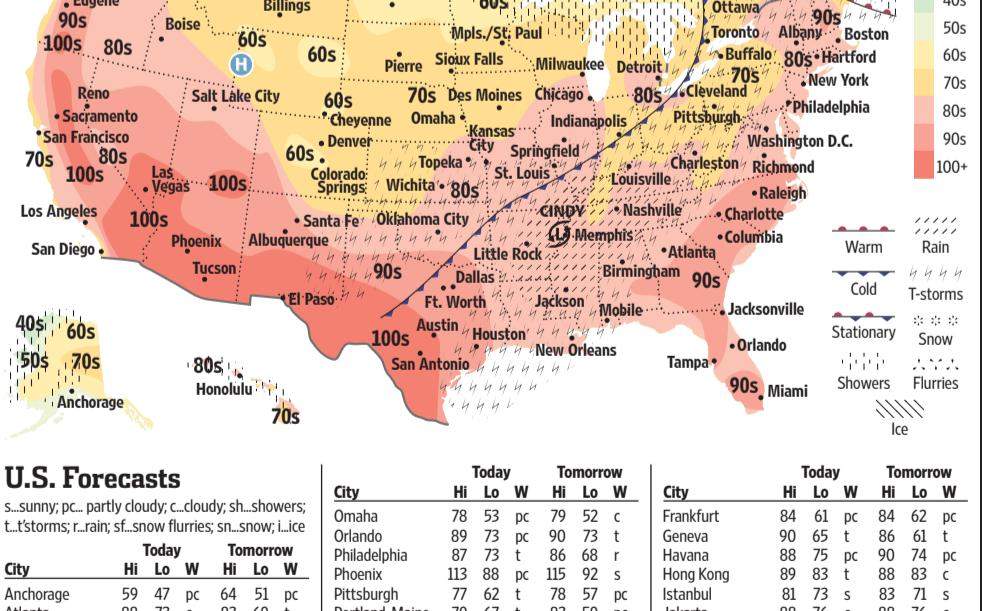
"You are a most unwelcome visitor," the soldier is promptly told by the school's headmistress, Martha Farnsworth; she's played exquisitely by Nicole Kidman. Nothing could be further from the truth. For Martha's wide-eyed charges, who include Elle Fanning's Alicia, and for their spinster teacher, Edwina (Kirsten Dunst), McBurney is an object of desire, though unstated at first, and unwavering fascination. Courteous for a northerner—actually an immigrant Dubliner who joined the Union army—McBurney is vividly aware of his impact, especially on the student body's bodies. "Grateful to be your prisoner," he says dryly, an enemy of the Confederacy caught up in a fateful skirmish of the sexual wars.

Of all the elements that go into the making of a fine film like this one, the most elusive may be tone. What gave Ms. Coppola's "Lost in Translation" such distinction was its delicate tone of longing. The prevailing tone here is no less delicate, until the story explodes into gothic horror. It's all about repression and curiosity giving way to jealousy and carnal energy. Martha has her own imperatives—all we know for a while is that her frostiness will not prove to be permafrost—and Ms. Kidman brings her own dramatic logic to her role. She seems to have reached a point of such confident control in her career that she can speak volumes without raising her voice, as in "Lion," or cut through emotional chaos, as she does here, with little more than a clear-eyed glance. (I couldn't resist seeing Martha as a relentlessly sane version of Blanche DuBois.)

This is the second theatrical feature to be adapted from the novel of the same name by Thomas Cullinan. The first, released in 1971, was directed by Don Siegel and starred Geraldine Page as Martha and a hunky Clint Eastwood as McBurney. It's an interesting production, occasionally a weird one—the soldier plants ardent kisses on the lips of the 12-year-old girl who finds him in the woods—and clearly a film made by men from a strong male's point of view.

Ms. Coppola's production, beautifully photographed by Philippe Le Sourd, gives the man all the power due him, while Mr. Farrell's terrific performance takes McBurney all the way from suspect courtesy to primal rage. Yet the strength of her film transcends the soldier's power to seduce. We're beguiled, as an audience, by seeing this male animal as he is seen, and for better and worse experienced, by a diverse and dynamic group of females. And by seeing, in the end, how "The Beguiled" gives new and memorable meaning to the notion of a finishing school.

## Weather



## U.S. Forecasts

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

**Today** Hi Lo W **Tomorrow** Hi Lo W

**City** Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Denver Detroit Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

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# SPORTS

YOUTH SPORTS | By Jason Gay

## LET'S PUT BAD SPORTS PARENTS IN A BOX

The Washington Post recently published an alarming story detailing the shortages of referees for youth sports in the D.C. region. Sports like baseball, soccer and football have all been impacted. The head of a Mid-Atlantic officials association said the baseball umpire shortage was the worst in 25 years. In football, the referee pool dropped a grim 40%.

Officiating youth sports isn't a glamour job, to say the least. The pay isn't life-changing, travel can be a pain, and it's often weekend and evening work. On top of that, you have to watch a lot of terrible youth sports.

But numerous sources gave the Post a different reason for the current referee shortage:

Parents.

That's right: yelling, complaining, entitled, know-it-all, rotten, difficult, impossible, no-good parents—driving away perfectly decent citizens making small wages trying to help their children play meaningless games for exercise and fun.

"There's no moral fiber left in our society," Dennis Hall, the Virginia Football Officials Association commissioner, told the Post. "People think because they paid to get into the game, they can say and do anything they want, and they think they know the rules better than the officials because they watch television."

Yowza. Just out of curiosity: What is the penalty for the decline of moral fiber in society?

It's got to be at least 15 yards.

I read the Post story with a combination of horror and utter lack of surprise. If you've ever walked within a quarter mile of a youth sporting event in America, you've probably witnessed some ugly parental behavior.

As a former Little League ump and youth basketball ref, I'm sadly familiar with the rage of fathers and mothers—as well as their spit-teeth.

It sounds like things today are far, far worse.

I've never understood crazy sports parents—what motivates an otherwise law-abiding citizen to act out on the sidelines of a game played by children. What satisfaction do they find by hounding coaches for playing time, or harassing referees for perceived mistakes? Do these parents think



JOÃO FAZENDA

they're being constructive? Are they acting out past childhood traumas? Are they Knicks fans?

It's tempting to see a correlation between the decline of civility in American public life and parental obnoxiousness in sports. If we can't board an airplane without the chance of a fistfight—or log on to Facebook without being bombarded by all-caps invective from relatives we never even knew we had—it's no wonder that a kiddie soccer game could lead to adult-size trouble.

It doesn't make it any less pathetic. For all the talk radio ranting about everybody-gets-a-trophy culture in youth sports, it's parents who are truly the toxic sauce. The Post story makes clear: Referees are not quitting because everybody's getting a trophy. They're quitting because they're sick of parents chasing them to their

Mazdas in the parking lot.

And we haven't even gotten to the impact upon the children themselves, looking over at the sidelines and seeing Dad and Mom behaving like deranged lunatics. What is the long-term cost there?

### SCENE: 30 YEARS FROM NOW THERAPIST

Why are you nervous all the time?

### FORMER YOUTH ATHLETE

I don't know. I just think it goes back to the time my Dad tackled the umpire at home plate and sat on him.

I guess I could come up with some long-term strategy here, in which I propose an awareness campaign and a cultural shift in which parents learn to respect refs and coaches and stop obsessing

over 12-and-under games. That's a nice if quixotic idea, and I encourage anyone to pursue it.

For the record, I'm also OK with light prison sentences for bad sports parents. They don't have to be imprisoned with the general population—just keep them in a separate wing where they can prep snacks and orange slices.

I doubt I can rally support for incarceration, however. So I'm suggesting something else:

A plastic box.

That's right: a 10x10 plexiglass box, with small air holes at the top, set down on the sidelines of all youth sports fields in America. Problem parents would be escorted into the plastic box, where they could yell and scream and rudely gesticulate as much as they wanted, and the coaches, referees and the rest of us could enjoy the

game in peace.

I don't mean to brag, but I think this idea is a winner. I believe there'll be parents who will volunteer to stand in the plastic box.

(I know you're worried about costs, but it wouldn't be so expensive. Just put a small tax on every uniform or ice cream sold at the ice cream truck. Parents are already paying a fortune for youth sports—they won't even notice the plastic box tax.)

Yes: we've got to do better as a country. We've allowed human interaction to coarsen to the point where courtesy feels not like a baseline requirement, but a luxury. We've got to stop all the useless yelling: in the workplace, in politics, online, and definitely on the youth sports arena.

Until then, however, I suggest a plastic box.



### NBA

## FULTZ IS NO. 1; BUTLER TO T-WOLVES

BY LAINE HIGGINS

The Philadelphia 76ers took Washington guard Markelle Fultz (pictured) with the top pick in Thursday's NBA Draft, but it was the Minnesota Timberwolves that made the night's biggest splash.

The Timberwolves agreed to trade Kris Dunn, Zach LaVine and their seventh pick, Arizona forward Lauri Markkanen, to the Bulls in exchange for All-Star Jimmy Butler and Chicago's No. 16 pick, Creighton center Justin Patton. Butler will join former coach Tom Thibodeau and a roster that includes Karl-Anthony Towns and Andrew Wiggins.

The 2017 draft set a record when the top seven players selected were all freshmen. After Fultz, the Lakers took UCLA guard Lonzo Ball, flanked by his outspoken father LaVar, at No. 2. Based on the purple and yellow-tipped shoes the younger Ball immediately slipped on, the move was far from shocking. A flurry of forwards followed, with Duke's Jayson Tatum going third to the Celtics, Josh Jackson of Kansas picked by the Suns at No. 4, and FSU's Jonathan Isaac to Orlando at sixth.

After making noise about possibly trading Kristaps Porzingis, the Knicks stood pat at No. 8 and took French point guard Frank Ntilikina.



everyone else. He scored at a level that few professionals, let alone amateurs, have ever approached.

But in his own way, Furyk also embodies what makes the sport so maddening to most everyone that plays it. The round of his life came at age 46 with virtually no advance hint of what was to come. Now 47, on the down slope of a career highlighted by his win at the 2003 U.S. Open, Furyk remains in a process that is familiar to even the lowliest weekend hacker: finding his best golf and losing it, only to wonder how and when he will discover it again.

His round of 58 at TPC River Highlands came on a Sunday when he was out of contention and plodding through a recovery

from injury. This year, he missed six cuts in a row heading into last week's U.S. Open, a stretch that left him confused about the state of his game. Then he finished tied for 23rd at Erin Hills.

"The game is strange," Furyk said. "Sometimes you feel like you're so far away. It feels like a total breakdown, then you make one minor tweak, and all of a sudden, 'There it is. That feels good.'

Most modern golf stars stand out in a way that is more exceptional than relatable. With their chiseled physiques and 300-plus-yard drives, the likes of Dustin Johnson and Rory McIlroy look like they are playing a different game than everyone else. That has always been less so with Furyk.

Jim Furyk reacts after shooting a 58 at the 2016 Travelers Championship.

Part of it is his gangly frame. Part of it is his unconventional, upright swing, which was once described by television analyst David Feherty as looking "like an octopus falling out of a tree."

Even his otherworldly round last summer revealed something that is hardly unique to touring pros: just how fickle golf can be.

After shooting a 72 the day before, Furyk went to the driving range in the evening feeling perplexed. He had his caddie, Fluff Cowan, send a swing video to his father and swing coach, Mike. But the response wasn't a magical swing fix. Mike Furyk told his son his swing looked great.

If anything, Furyk's prevailing thought before his morning tee time that Sunday wasn't a swing thought at all. It was about the afternoon flight home he had already booked. After a month on the road, he knew he would spend that night in his own bed. He woke up in a better mood.

"Then you get some momentum and some confidence, and you start firing at flags," he said. "All of a sudden, you don't see trouble. You see the center of the fairway and the pin."

Where the mental side ends and the mechanical side begins remains a mystery to Furyk. Did he reel off 10 birdies and an eagle that day because the thought of going home put him at ease? Or did his efforts to shorten his swing all week finally just pay off?

The ambiguity makes it hard for him to draw much from that day that he can apply to future rounds. On Tuesday night, he watched a one-minute video clip the PGA Tour made of the highlights from his 58. But the value was more nostalgic. For him, golf remains an endless search.

"I forget what famous pro said this: You never really have it. You just borrow it for a while," Furyk said. "Just when things are going well and you're hitting it great—it's almost like you get this feeling of invincibility—that's when it bites you in the ass."

(L-R) BRAD PENNER/REUTERS; STEVEN RYAN/GETTY IMAGES

Cromwell, Conn.

**THE DAY BEFORE** he shot the lowest single-round score in PGA Tour history, Jim Furyk was miserable. It was the middle of last summer, at the end of a stretch in which he played four weeks in a row in three different countries. He was striking the ball poorly, by his standard, and no amount of work on the driving range seemed to transfer to the course.

And then? "It clicked," he said. Furyk's record round of 58 at the Travelers Championship, where he returned this week, was on the face of it what makes the best golfers in the world different than

# OPINION

## Will Democrats Pound SALT?

By Donald L. Luskin

After a humbling loss in Tuesday's special election in Georgia, Democrats may be wondering if they ought to stop demonizing President Trump and instead work with him to kick-start economic growth.

An often overlooked but critical feature of Mr. Trump's tax-reform proposal gives Democrats the perfect opportunity to meet him at the bargaining table. When Mr. Trump introduced "the biggest individual and business tax cut in American history," he said he would "eliminate targeted tax breaks"—including the federal deduction for state and local taxes. Also known as the SALT deduction, this \$100 billion annual tax break to state and local governments has been on the books since 1913, even surviving Reagan tax reform. But this time, threatening the federal deduction may seal a tax deal for the GOP. Here's why:

First, it's hard for Democrats to argue that the tax reductions in Mr. Trump's plan are budget-busters when killing the SALT deduction would add \$1.3 trillion to federal coffers over a decade, according to the nonpartisan Tax Policy Center. That would pay for a lot of personal and business tax cuts, even without factoring in the faster growth that could pay for those cuts over time.

Second, Democrats can't say Mr. Trump's plan isn't

real reform. The SALT deduction is a distortive subsidy to states. It encourages them to raise taxes, because voters can deduct those higher taxes from their federal tax bill.

Third, there's little in this for red states, because they generally have lower tax rates to begin with. Therefore, according to the Internal Revenue Service, blue states with higher tax rates receive about two-thirds of this break. In

### Proposing to abolish the state and local tax deduction is the best GOP reform hope.

fact, half of the \$100 billion tax break goes to six deep-blue states: California, Illinois, Maryland, Massachusetts, New Jersey and New York. Democrats in favor of preserving the SALT deduction are simply self-interested.

Fourth, eliminating the SALT deduction makes it harder for Democrats to label the Trump tax reforms "a sop to the rich." It mainly applies to higher-earning taxpayers who itemize deductions, so the richest 20% of taxpayers get 14 times the benefit from it enjoyed by the poorest 20%, according to the Congressional Budget Office.

What scares Democrats most, however, is that the GOP can take away the SALT deduction—and achieve any-

thing on taxes—without a single Democratic vote in the Congress.

To be sure, there are Republican legislators in blue states who might not like the idea of being the collateral damage of reform. Initially a couple GOP representatives expressed qualms, but they understand this is a bargaining maneuver. Even so, the stakes are more daunting for the Democrats: Losing the SALT deduction begins a slippery slope toward losing more subsidies.

To spur growth, President Trump's main goal is to lower income and business tax rates. But putting the SALT deduction on the chopping block gives him the leverage he needs to force Democrats to work with him.

There's really only one kind of help Mr. Trump needs. Under Senate rules currently, a tax-reform bill could be passed with 52 GOP votes (or as few as 50, with Vice President Pence casting the tie-breaker). But if the bill isn't revenue-neutral and increases the forecast deficit, it would have to expire automatically after 10 years or so. Ideally, tax reform would be permanent, allowing businesses and individuals to make long-term plans. But that would take a filibuster-proof 60 votes. This is where the SALT deduction becomes Mr. Trump's chief bargaining chip: Republicans could offer to keep the SALT deduction, in exchange for

eight yeas from the Democrats.

There are 10 Democratic senators who face re-election in 2018 in states Mr. Trump carried last November. Three of them—Heidi Heitkamp of North Dakota, Joe Manchin of West Virginia and Joe Donnelly of Indiana—voted with the GOP majority to confirm Neil Gorsuch to the Supreme Court, risking their party's disfavor. They might also be inclined to support Mr. Trump's tax reforms—and five more could easily join them when they realize their seeming defection could win them votes in a tough midterm election.

Surely this is what Mr. Trump meant in his speech in Iowa on Wednesday, when he challenged Democrats to help on tax reform: "If we had even a little Democrat support... we'd be willing to change it and make it even better."

But the GOP wins either way. If they make no deal with the Democrats, tax cuts may not be permanent, but they can be even bigger thanks to the revenue from abolishing the SALT deduction. And a 10-year automatic expiration of reform leaves a lot of time to come up with eight votes.

Mr. Luskin is chief investment officer at Trend Macro-lytics LLC.

Kimberley A. Strassel is away.

## Ramadan, American Style

HOUSES OF WORSHIP  
By Sabeeha Rehman

Observing Ramadan, a monthlong ritual of fasting, is one of the five "pillars of Islam." But not every Muslim experiences Ramadan the same way. As this year's commemoration comes to a close on Saturday, I've been thinking about what my move to the U.S. from Pakistan taught me about Ramadan, myself, my family and our community.

My earliest memories of Ramadan are in Rawalpindi, Pakistan. For one month, Muslims do not eat or drink from daybreak to sundown. At age 7, I would plead with my mother to let me fast as the adults do. Three years later she let me, but only for a half a day one Sunday. At 13, I was formally inducted into the class of fasting young adults.

A new moon in the evening sky marks the beginning of Ramadan—we follow the lunar calendar—and the whole nation rejoices. Ramadan greetings are heard in homes, stores, everywhere. The neighborhood mosques are in their glory, the faithful singing, glorifying God and the Prophet Muhammad. All of Pakistan seems to come alive at night during Ramadan.

We would wake around 3 a.m. for a meal before dawn. At the first appearance of light and the sound of "Allahu

akbar," the call to prayer, my fast would begin. I'd spread my prayer rug facing Mecca and stand in the presence of God to offer my prayer. A few minutes later I'd be in bed, trying to get some sleep.

It's a whole different world when everyone is fasting. The nation slows down. No tea breaks in offices, no lunch hours, no ladies' coffee parties. Our teachers would remind us that on Ramadan there is no fighting, lying or cheating. I'd feel lazy and sleepy in class. I'd come home from school to the murmurs of elders reciting the Quran and then take my delicious afternoon nap. An hour before sundown, I'd retrieve a copy of the Quran—wrapped in green velvet—from the highest shelf of the mantle, kiss it, touch it against my forehead, and recite lines from it.

Shops on the street open late, close again for siesta, and then reopen with a bang. Shoppers flood the bazaar, buying dates, samosas, and freshly baked naan from clay ovens. The shops close right before sundown, and everyone heads home to break the fast.

Then I came to the U.S., and Pakistan's palpable energy was gone. For a decade my husband and I did not fast. Only when my children started growing up did we feel compelled to return to the ritual. Our hiatus ended when our 11-year-old son arrived

home one day and asked: "Ramadan starts tomorrow. Aren't you going to fast?"

The first day I got a splitting headache from caffeine withdrawal. I wondered, is this how it's going to be for an entire month? But by the third day my headaches were gone and I wasn't thinking much about food or water.

### My father, visiting from Pakistan, told me he'd never seen such a celebration.

The only real struggles were staying awake and deciding how to explain my religious beliefs to coworkers. During a meeting, when I fumbled for a date to break my fast, someone called for a 10-minute break, and another brought me coffee and a cupcake.

In Pakistan, iftar—the meal eaten after sunset during Ramadan—was a family affair. We didn't have many relatives here, so other Muslim families in New York became our extended family. Every weekend one of the families would host an iftar at their home. Just before Ramadan started, I would start getting calls about who was hosting one and when.

If you didn't like someone, too bad, you had to invite ev-

eryone. I'd spend the whole day cooking a feast, the aroma whetting my appetite. Guests would start arriving an hour before iftar, remove their shoes in the foyer, take a seat on the carpet and recite the Quran. If 30 people came, each would take a volume. By sundown, we collectively would read the entire Quran.

The home, family and guests would be blessed with positive energy and blessings from the divine word. We'd break fast together, pray together; and at dinner, the sounds of chatter and children playing would energize my home.

One year my father, on a visit from Pakistan, remarked he'd never seen anything like our Ramadan celebration. He was referring to the communal spirit, the iftars, the reading of the Quran and the congregational prayers in the home.

In New York we were compelled to build a community for our children, and communal iftars were the perfect setting for them to develop reverence for their faith and to get comfortable in their skin. It took a while, but I realized that what I thought I had been missing by moving to the U.S. had been there all along.

Ms. Rehman is the author of *"Threading My Prayer Rug: One Woman's Journey from Pakistani Muslim to American Muslim"* (Arcade, 2016).

## In Defense of Net Neutrality

By Tim Berners-Lee

As the battle around net neutrality rages again, we need to take stock, and ask ourselves: What is the debate really about, and why should business leaders and entrepreneurs care?

Businesses of all sizes create value, jobs and investment opportunities online. Their innovation and value creation are wholly dependent on access to internet connectivity. Net neutrality is the principle that all content must be treated without discrimination, be it commercial or political. Neutral networks are critical to ensuring fair, open competition in the content market and driving America's growth in the digital era.

Net neutrality allowed me to invent the World Wide Web without having to ask anyone for permission or pay a fee to ensure that people could use my idea. Now imagine what would happen if internet service providers—usually a handful of big cable companies that control the connectivity market—were allowed

to violate net neutrality. Their gatekeeping powers could be used to require businesses and individuals to pay a premium to ensure their content is delivered on equal terms—or even at all. This would create barriers that disadvantage small businesses and startups across all sectors that rely on the internet in any way.

### It's how I could invent the World Wide Web without permission.

In the early days of the web, ISPs saw demand for their services surge as people encountered content like never before. As more people got connected, they created more content. A virtuous circle of growth and innovation ensued. You could always access any website over any connection. The technology of the underlying internet advanced dramatically from phone modems to fiber, with speeds available in a home connection growing by a factor of a mil-

lion. Connectivity and content saw an explosion in growth as separate markets.

But a power struggle emerged as both markets evolved and incentives for ISPs to abuse their abilities to increase profit margins became stronger. Court battles followed, and enforceable net-neutrality rules became a necessity. In 2015 the Federal Communications Commission responded by classifying internet access as a Title II service. That establishes broadband as a vital utility, giving the FCC the requisite authority to enforce net neutrality.

Today, with billions of dollars at stake in the competition for views, sales and clicks, the incentives for ISPs to violate net neutrality for profit have never been greater. Yet the FCC is now proposing to roll back the rules that were put in place to neutralize those perverse incentives.

Do we want a web where cable companies determine winners and losers online? Where they decide which opinions we read, which creative ideas succeed? That's

not the web I want. To judge by support in opinion polls for upholding net neutrality, it's not the web you want either.

The future of innovation, freedom of speech and democracy in America depend on strong, and enforceable net-neutrality rules. So the question is: Will we fight hard for the web we want?

The last time this war was waged, more than a million people submitted comments to the FCC. On July 12, the Day of Action for Net Neutrality, 90 businesses and organizations will join forces to protect the open internet. Participating companies will display alerts on their home pages simulating "blocked" messages that users would receive regularly in a world without net neutrality. These home-page alerts will give users the option to send a message to Congress and the FCC before clicking out. Join us in sending a message.

Mr. Berners-Lee is inventor of the World Wide Web and founding director of the World Wide Web Foundation.

BOOKSHELF | By Daniel Akst

## Low Wit in Its Highest Form

### Away With Words

By Joe Berkowitz

(Harper Perennial, 272 pages, \$15.99)

As a critic, I've been around the block, buster. It's a risky business—the margins are paper-thin—so I work in my best cellar, a bomb shelter where pros can sing. The book stops here, ok? And if it won't hold still I hit it with a pan. Is that really so novel?

As that paragraph gratingly demonstrates, puns can be irritating. Yet the vast and diverse English language practically cries out for antics of this sort, and some people are so good at it that punning has evolved into a form of competitive sport. "Way more pun competitions exist than most sane civilians might presume," we learn from "Away With Words," Joe Berkowitz's diverting account of the subject. "There's Minnesota's Pundamonium, Orlando Punslingers, the UK Pun Championships, the Almost Annual Pun-Off in Eureka, California, and several others."

Mr. Berkowitz, a staff writer at Fast Company, rashly immerses himself in this world over the course of a year, palling around with punsters and competing repeatedly in Brooklyn's Punderdome and once at the exalted O. Henry Pun-Off World Championships in Austin, Texas.

"The O. Henry is without a doubt the Olympics of pun competitions," he says, while "Punderdome is their X Games."

The narrative engine of "Away With Words" is the author's progress through this quirky landscape, from his first anxious appearance at Punderdome right up through his star turn in Austin. The competitions require firing off puns—preferably as part of a comic narrative—on a given or chosen topic, such as vegetables or fine arts, in front of a raucous crowd. Mr. Berkowitz is no wilting flower, but the performing isn't easy for him. Competitions involve intense time pressure and one-on-one pun-offs; if words fail you, you're out. (The O. Henry is governed by persnickety judges; in Brooklyn, applause rules.)

At this level, even the strangest topics provide almost inexhaustible fodder. At Punderdome's fifth anniversary show, for example, the category is Italian food. On introduction: "I never sausage a crowd." Want to try something weird? "I said 'wine not'... because I'm a pro sicko." About cheating to win an award: "I think I could rig a Tony." On reproductive rights: "The government wants to put its laws on your bodies," one punster declares. "And I don't want 'em to put their laws-on ya!" On the wonders of modernity: "How did scientists date anything before the carbon era?"

Puns are a kind of verbal preening, usually praised more 'for their ingenuity than for their humor,' as a 16th-century observer put it.

By now you may be reaching for the Alka-Seltzer, which illustrates the author's problem: A little punning goes a long way, and at some point indigestion is inevitable. Mr. Berkowitz also tries readers' patience with one or two ill-advised digressions, although his firsthand account of the dimly earnest North East Texas Humor Research Conference is a source of fun in spite of his sufferings there. Fortunately, the puns mostly come in concentrated outbursts, and Mr. Berkowitz works so furiously to entertain us the rest of the time that you can practically see the flop sweat.

"Away With Words" is peopled, moreover, by a colorful and touchingly nice cast of punsters. With their noms-de-pun (e.g., Groan Up, Lex Icon), they are tough to keep straight but, like witty strangers at a cocktail party, amusing nonetheless. Benjamin Ziek, the Babe Ruth of competitive punning, is easy to remember, "buzz-cut and built like a cross between a circus strongman and *Sopranos* consigliere." The book culminates in a thrilling Texas gunfight between a contingent of Punderdome all-stars and O. Henry veterans. One of the stars, Southpaw Jones, soars with a prepared riff on birds: "Beek kind to me, don't thrush to judgment, I'm not robin anyone, hawking anything, talon tails out of school, ducking responsibilities or emulating anyone." In a face-off segment, punster Jerry Yan is assigned the topic of pregnancy and starts on a pious note: "Baby Jesus didn't diaper your sins."

One question remains: Why has punning, which is as old as language, fallen into such bad odor that most of us feel compelled to groan when we encounter it, no matter how witty the wordplay? John Pollack, in his thoughtful 2011 book, "The Pun Also Rises," notes that punning's popularity has long ebbed and flowed. A case in point: Puns used to flourish in headlines, including at this newspaper. Oh, for the days of "Paramount in the Dark Before the Don," an article concerning studio jitters about a forthcoming "Godfather" film. Nowadays cooler heads prevail, in part because the news has moved online, where wordplay in headlines is death for search-engine optimization. The rapid globalization of culture may also play a role. The English writer Kazuo Ishiguro has confessed to avoiding wordplay and colloquialisms in order to facilitate the translation of his works. World trade, it seems, is taking the pun out of literature.

Ultimately, the problem may be that pun-making is a kind of preening. Puns "are more usually praised for their ingenuity than for their humor," a 16th-century courtier's handbook observed, and pedantic vanity will always rub people the wrong way—especially in these times of disdain for the special claims of authority.

Back in Austin, after the final O. Henry round pits one of Brooklyn's best against a four-time national champ, Mr. Berkowitz hears talk among the sloshed New Yorkers of getting a pun tattoo. What should it say? "We can write 'ling,'" suggests one wag, "and it will be an 'inkling.'"

But it's clear that a pun tattoo—the absurd made flesh—would be going too far. Mr. Berkowitz is sensitive throughout to the evanescence and contingency of punning and to the fleeting chemistry of a live pun-on-pun matchup crackling with energy. "A tattoo could never bring it back," he writes. "You had to be there."

Mr. Akst writes the Journal's weekly news quiz.

### Coming in BOOKS this weekend

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## OPINION

# Getting an Edge in the Long Afghan Struggle

By David Petraeus  
And Michael O'Hanlon

**C**an the U.S. succeed in Afghanistan? Not without a sustained, and sustainable, commitment. President Trump's decision to give Defense Secretary Jim Mattis the authority to add several thousand more U.S. troops to the 8,400 currently deployed is encouraging—but only if it is a first step in a comprehensive approach.

Army Gen. John Nicholson, commander of U.S. and allied forces in Afghanistan, should also receive greater leeway in the use of U.S. and

**Trump's early approach holds promise if backed with a sustained, and sustainable, commitment.**

NATO air power. And officials should remain open to the possibility of reconciliation with some insurgents, probably just those that break off from the central Taliban.

An intensified military effort could arrest the gradual loss of territory held by the government in recent years—now estimated by U.S. Central Command at only 60% of the country—and to regain battlefield momentum. Congress should enable all this by appropriating the \$5 billion or so a year above current levels that such a strategy will require.

America's leaders should not lose sight of why the U.S. went to, and has stayed in, Afghanistan: It is in our national interest to ensure that country is not once again a sanctuary for transnational extremists, as it was when the 9/11 attacks were planned there. We have been accomplishing that mission since the intervention began in October 2001. Although al Qaeda in Afghanistan and Pakistan is diminished, it could rebound if given the opportunity. Islamic State could expand its new-found Afghan foothold as well.

The augmented troop levels Mr. Trump has authorized would be only 12% to 15% of the peak U.S. force levels, in 2010-11. The country can sustain that level of commitment. While all casualties are tragic, our losses in Afghanistan would likely remain far fewer than the losses from another major terrorist attack in the U.S.

Today the U.S. and its coalition partners lack the capacity to train and assist Afghan forces adequately in the field. As recently as 2015, the allied forces did not even have a full-time advisory presence for the main Afghan army corps in Helmand province. Largely as a result, the Taliban gained control of much of the province. Nor did the coalition have adequate advisers to help the smaller Afghan formations near Kunduz before that city fell to the Taliban in 2015. It was later liberated only at high cost, especially to Afghan forces and civilians. Restrictions on coalition air power reduced America's ability to help Afghan partners.

Adding some 3,000 to 5,000 U.S.



GETTY IMAGES

Defense Secretary Jim Mattis in a helicopter over Kabul, April 24.

and allied troops could provide the capacity for several dozen deployable mentoring teams. That is far from enough to assist each Afghan brigade or battalion. But it could support the units that are engaged in the toughest fights and are most intensively involved in rebuilding their capabilities. Supporting those teams logistically and with air power, and providing quick-reaction forces in several parts of the country to help them if they get in trouble, would drive additional requirements for coalition troops into the low thousands.

On the civilian side, President Ashraf Ghani and Chief Executive Abdullah Abdullah need to continue their efforts against corruption, which have shown gradual, modest results to date. With U.S. help, they

need to reform the electoral commissions that will oversee parliamentary and presidential elections over the next two years.

Then there is Pakistan, where the U.S. needs a tougher approach. Washington reduced aid to Islamabad by more than half over the past five years. More can be cut. President Trump and Congress could also designate Pakistani individuals and organizations supporting the Taliban and impose sanctions on them. The U.S. could show less restraint in striking Taliban targets within Pakistan.

There are carrots available too: trade concessions, increased aid, more assistance to the Pakistani army's fight against internal extremists, dialogue with New Delhi to mitigate

Pakistan's worries about India's role in Afghanistan. But these must come on the condition that Islamabad put greater pressure on the Taliban (whose headquarters is in the Quetta area) and on the Haqqani insurgent network (in North Waziristan). None of this will work unless Pakistani leaders recognize that allowing these groups' leaders sanctuary on their soil is foolish and dangerous. Given the way extremist groups collaborate in Central and South Asia, that approach will inevitably continue to backfire. After all, the greatest existential threat Pakistan faces is internal extremism, not India.

President Trump's early approach holds promise. In Afghanistan today, the military needs to revisit the phase of the mission it largely skipped in the years after the surge of 2010-12 or so, when it downsized too quickly and too far. This approach will not achieve "victory" in Afghanistan, after which all troops can be withdrawn. That is an impossible goal in the near-term. But it will be sustainable and it can improve the prospects of shoring up our eastern flank in the broader battle against Islamist extremism—a fight that likely is to be a generational struggle.

*Mr. Petraeus, a retired Army general, commanded coalition forces in Iraq (2007-08) and in Afghanistan (2010-11) and later served as director of the CIA (2011-12). Mr. O'Hanlon is a senior fellow at the Brookings Institution.*

## Index Funds Are Great for Investors, Risky for Corporate Governance

By M. Todd Henderson  
And Dorothy Shapiro Lund

**A**merican investors are increasingly acting on the realization that a broad-based indexing strategy is superior to investing in individual stocks or actively managed funds. That's great news for investors, who will pay less and get better returns. But it has troubling implications for corporate governance.

No passive investor cares much about governance of a particular company. The impact on an index when a single company underperforms is usually either slight or offset by gains from its competitors. It may be rational for index funds to ignore governance, since the money they spend on improving it benefits not just them but also rival funds that invest in the same stocks.

So it's a problem when these investors control voting outcomes for the companies that they invest in. This is often the case, since 88% of public companies count one of three large institutional investors—State Street Global Advisors, Vanguard, and BlackRock—as their largest investor. All investors have a stake in companies being well-run, but they

aren't always willing to pay higher fees for monitoring or governance. And because there is no such thing as universally good governance, the blind application of one-size-fits-all governance solutions across vastly different companies often has negative effects.

So how can the law ensure that these institutions make informed decisions about corporate governance? Three approaches are possible.

The first is to encourage them to rely on third-party corporate governance experts. Proxy adviser firms like ISS and Glass Lewis sell their expertise, making recommendations to investment funds about how to vote. But while outsourcing a fund's votes may be efficient in theory, academic critics have identified cases of biased and self-serving behavior on the part of these advisers. Blind reliance on third-party recommendations is increasingly viewed as an abdication of a fund's duty to act in its investors' best interest.

In response to these critics, a second approach is growing in popularity: creating in-house governance teams that make recommendations to a fund's managers. Several large institutional investors now rely on

these teams to prepare corporate-governance reports, issue and evaluate governance guidelines, and engage with management and the board.

But there is reason to believe that these teams are not up to the task. As of October 2016, Vanguard's governance team employed 15 people to

**One solution is to abstain from voting, leaving decisions to those with an incentive to be informed.**

cover some 13,000 companies; BlackRock employed about 20 for its 14,000 companies; and State Street employed fewer than 10 for about 9,000 companies.

The recent proxy battle for control of Arconic, a metal-parts company spun off from Alcoa in 2016, illustrates the problem. Last January, the hedge fund Elliot Management Corp., which owns about 13% of Arconic, nominated new directors to Arconic's board after voicing displeasure with management's poor performance and

the company's outmoded governance. Elliot took the matter to Arconic's largest institutional investors, creating a 300-page slide deck to make its case.

But the governance teams at BlackRock, State Street and Vanguard reportedly refused to support Elliot's position—despite contrary advice from ISS and Glass Lewis, as well as active-fund managers—and instead pressured both parties to settle. It appears that the giant index-fund managers did not want to have to cast the deciding vote—a vote they would be required to disclose under securities law—in Elliot's favor. One reason might be that these institutions face a conflict of interest: Challenging management of a company can threaten their ability to retain that company as a client for corporate retirement fund assets.

It may be necessary, therefore, for the law to create incentives for institutional investors to focus more on governance. This could be accomplished by providing a legal cause of action to shareholders that are harmed by uninformed or conflicted voting decisions. But this would be a blunt tool for curbing abuse.

This leads to option three: encour-

aging passive institutional investors to abstain from voting altogether. The law currently pushes institutional investors to play an active role in governance. But it would be far better if passive investors, who lack the will to make informed choices and suffer from major conflicts of interest, could step out of the process. Their abstention would concentrate the voting power of active investors that have the motive and information to vote intelligently. By all accounts, if the passive institutional investors had not been in the picture, the Arconic proxy battle would have been settled months earlier, saving millions for shareholders.

Reform is clearly needed, as shareholder voting has become heavily stressed by the rise of passive investing. This stress will increase as passive investing continues to surge, leading to serious problems for shareholders, employees, consumers and the economy. Passive investors should be required to become more informed—using intermediaries or not—or stay out of governance fights.

*Mr. Henderson is a professor and Ms. Lund a teaching fellow at the University of Chicago Law School.*

## A Government Agency That Produces Real Innovation

By Mike Kalutkiewicz  
And Richard L. Ehman

**I**n a budget proposal generating a quick rebuke on Capitol Hill, President Trump calls for a 22% cut to the National Institutes of Health—a move that would take \$7.7 billion away from research on diseases like Alzheimer's, cancer and heart disease. This is an unfortunate request. The NIH is one of our most strategically important federal assets.

Rather than hacking away at the topline budget, the administration should play to the innovative strengths of NIH. This may mean a more mission-oriented approach—using science to help create new sectors and fields. But it could also mean a more market-oriented approach that prioritizes the development of high-quality patents.

In a new Manhattan Institute report, we find that NIH does particularly well in this regard: Its patent

portfolio produces 20.4% more market value than average patents, with every \$100 million in NIH funding associated with \$598 million in downstream private research and development. For some of NIH's most productive programs, total downstream R&D is as high as \$3.3 billion for every \$100 million in grant funding.

Patents aren't everything—scientific knowledge is the main product of public R&D. But slashing away so much potential new technology via broad budget cuts will endanger discoveries that serve as the commercial foundation for new companies, jobs and exports in biotech and the life sciences.

By contrast, Mr. Trump's budget proposal would provide the Defense Advanced Research Projects Agency a 10% increase. If the administration likes Darpa's impressive record of radical innovation, it should love NIH's patent hubs, particularly the Institute of Biomedical Imaging and

Bioengineering and the Human Genome Research Institute. These two NIH programs produce twice as many direct and indirect patents as the renowned defense program.

While the research community sometimes considers patents to be a "less pure" derivative of science, patentable discoveries have been an integral part of some of medicine's most innovative and transformative breakthroughs. Our research also shows that of NIH's 33 teams of Nobel laureates between 1990 and 2010, more than 75% patented their discoveries at a prolific rate. They weren't always blockbuster new drugs. Most of the time, new patents represent advancements that push an existing field of research forward, or allow entirely new lines of inquiry to be examined.

The product of a grant from NIH's Heart, Lung and Blood Institute, the "lab on a chip" is a series of microscopic valves and tubes, which combine to create a "fluidic circuit" that can be used to diagnose infectious diseases quickly and cheaply. It is among the NIH innovations most cited by downstream developers in the life-science sector. The NIH's In-

stitute of Diabetes and Digestive and Kidney Diseases invented a tiny under-the-skin sensor that continuously monitors blood-sugar levels in patients with diabetes, a big upgrade in accuracy and patient comfort.

### What does Trump have in common with the National Institutes of Health? Patents.

Fostering patentable innovation should appeal to President Trump. He is the only U.S. president other than Abraham Lincoln to have his name on a U.S. patent header. Though he wasn't the inventor, Trump Taj Mahal Associates' 1996 patent for a "Proportional payout method for progressive linked gaming machines" makes Mr. Trump, at least indirectly, the second presidential patentee.

But unlike Lincoln's invention, a method of lifting boats over shoals that was cited only 10 times as prior art by subsequent inventors, the

Trump Taj Mahal patent has accrued an incredible 1,066 citations. These citations are a key metric for judging economic significance and downstream impact. For someone who loves ratings, Mr. Trump must surely be pleased that his patent topped the charts.

Should the president's current budget proposal pass, however, we estimate NIH's total annual patent output will fall by about 1,700. That would eat into domestic patent production by more than a full percentage point. Because patents, especially NIH's high-quality discoveries, have a direct and significant correlation to economic growth, these lost patents would be associated with nearly a quarter-point drop in GDP over the next decade. For an administration that says it wants 4% growth, every quarter-point should matter.

Instead of simply cutting NIH, Congress should take a different approach: Provide sustainable support across the agency, but with modest, targeted scale-ups in NIH's patent hubs, such as the aforementioned imaging and bioengineering, basic science, and genomic institutes. A five-year growth-oriented plan along these lines would instead increase total domestic patent output. We estimate a resulting 0.22-point gain in economic growth and subsequent \$800 billion in deficit reduction over 10 years.

It's clear that cutting NIH funding harms growth, more than short-term budget savings could ever help to mitigate. On the other hand, investing more strategically in NIH, which produces some of the highest-quality intellectual property anywhere, could help the Trump administration meet its goals for long-term budget reduction and economic growth.

*Mr. Kalutkiewicz is founder of Belle+Preuve Public Affairs LLC. Dr. Ehman is a professor at the Mayo Clinic.*

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## Notable & Quotable: Motive

Alan Dershowitz writing in the Washington Examiner, June 21:

My academic and political colleagues who insist that President Trump has obstructed justice point to his allegedly "corrupt motive" in firing former FBI Director James Comey....

"Corrupt motive" is an extraordinarily vague and open-ended term that can be expanded or contracted at the whim of zealous or politically motivated prosecutors. It is bad enough when this accordion-like term is used in the context of eco-

nomic corruption, but it is far worse, and more dangerous to liberty, when used in the context of political disagreements.

In commercial cases where corrupt intent may be an element, the act itself is generally not constitutionally protected. It often involves a gray area financial transaction. But in political cases, especially those not involving money, the act itself is constitutionally protected, and the motive, which is often mixed, is placed on trial. It becomes the sole criteria for turning a constitutionally authorized political act into a felony.

## WORLD NEWS

# Fixing Economy Will Test Saudi Heir

Crown prince pushes his ambitious plan to modernize, but law, tradition curb results

BY NICOLAS PARASIE

DUBAI—Now that he has secured his place as next in line to the Saudi throne, Mohammed bin Salman faces his next big test: overhauling the kingdom's ailing economy.

As deputy crown prince, Mohammed bin Salman last year championed a plan to transform the kingdom's oil-dependent economy by creating jobs, boosting the private sector and attracting foreign capital.

But more than a year later, the so-called Vision 2030 overhaul plan has made little headway. Saudi Arabia's revenues still largely rely on oil sales and with crude prices low, the kingdom has been forced to borrow heavily to shore up its finances.

The troubles bolster a perception that now-Crown Prince Mohammed has been fast to promise and slow to deliver. More important, they raise the prospect that the most unpopular economic overhauls he has promoted could be reversed.

"The promulgation of the new vision went at supersonic speed," said Florence Eid-



Shops have closed in Riyadh. So far, Mohammed bin Salman's reform plan has made little headway.

Oakden, chief economist at Arabia Monitor, a London-based research and strategy firm. "The implementation is going more slowly."

The crown prince's push has come up hard against the bureaucratic and legal obstacles that have long made Saudi Arabia a difficult place to do business. In the World Bank's Doing Business Index, Saudi Arabia ranks 94 out of 190 economies. For ease in starting a business, the kingdom ranks 147, trailing Gulf neighbors Qatar and the United Arab Emirates.

There also remain pockets

of resistance to an overhaul among members of the royal family, the religious establishment, the business elite and the civil service, analysts say.

Not all members of the Allegiance Council, which has the final say over the issue of succession in the Saudi royal family, voted in favor of Prince Mohammed's promotion. This suggests there are still some in the royal family who aren't fully behind him.

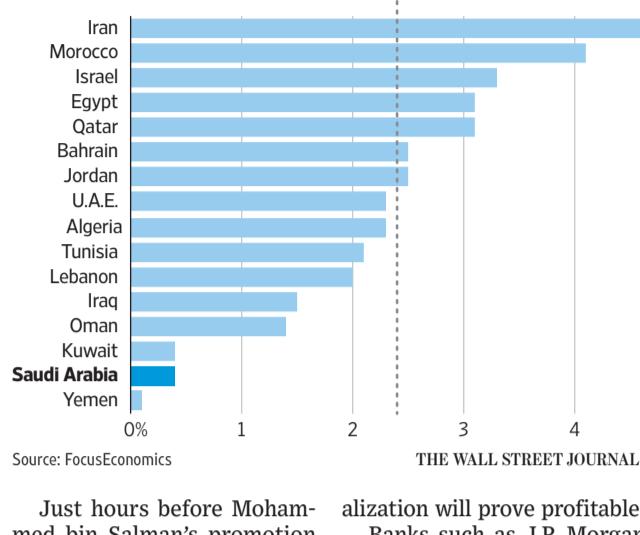
Still, some analysts say the crown prince is better positioned to push ahead with an overhaul now that he is next in

line to the Saudi throne, supplanting his more-cautious cousin Mohammed bin Nayef. He can consolidate domestic power and more effectively counter opposition to the 2030 plan, these people say, and eventually redirect and revitalize the region's biggest economy.

"The change in succession cements the prospects of the successful implementation of Vision 2030," said Giyas Gokkent, an economist at the Institute of International Finance, a Washington, D.C.-based trade group representing global financial institutions.

### Lagging Behind

Saudi Arabia's GDP growth is projected to be one of the lowest in the region this year



Source: FocusEconomics

2.4% Average for Middle East/North Africa

alization will prove profitable.

Banks such as J.P. Morgan Chase & Co. play a key role in advising and financing Vision 2030 overhauls, such as the listing of Saudi National Oil Co., or Aramco, a state asset that the new crown prince has previously valued at \$2 trillion. Citigroup Inc. recently obtained a much-coveted banking license. General Electric Co. and other companies have pledged to invest billions of dollars in the Saudi economy.

During his recent visit to Saudi Arabia, President Donald Trump also provided a vote of confidence. Mr. Trump was accompanied by a large delegation of prominent business leaders eager to explore opportunities in the kingdom and betting that its economic liber-

◆ Low oil prices limit the kingdom's options..... B11

## Saudi Firms Send Goods to Qatar Through Turkey

BY YELIZ CANDEMIR

ISTANBUL—Several Saudi companies are completing plans with Turkish logistics companies to transport goods to Qatar, according to Turkish businessmen, an arrangement that illustrates how profits are being made even as diplomatic relations in the region remain tense.

Turkish companies have been a major beneficiary of the break in diplomatic—and some commercial—relations that Saudi Arabia, Bahrain, the United Arab Emirates and Egypt have made with Qatar in protest at what Riyadh has claimed is Doha's "financing, adopting and sheltering extremists."

Qatar has called the measures unjustified and denied interfering in the domestic affairs of other members of the six-member Gulf Cooperation Council.

Turkey's increasing reliance on business with the Gulf Arab states, especially in light of Ankara's deteriorating relations with its European allies, is a major reason President Recep Tayyip Erdogan is working to mediate the dispute that has destabilized regional energy, retail and air markets, officials and analysts said. So far, Turkish diplomacy hasn't adversely affected business on either side of the dispute, according to Turkish businesses.

Teksan Lojistik, one of Turkey's largest logistics companies, says its orders have jumped 110% since the political crisis erupted June 5. General manager Serdar Aydin said clients booking shipments are mainly Turkish companies selling to Qatar firms, but he is also negotiating with several big Saudi companies trying to honor contracts with Qatari clients that have found themselves blocked from sales or deliveries by Riyadh's embargo on Doha.

He said that his company is negotiating the delivery of 50 to 60 tons of Saudi products, and the main issue delaying Saudi transshipments is a lack of capacity on boats or cargo planes. "We are having a problem to find space in flights to deliver goods," Mr. Aydin said.

Cargo space is completely full for all orders to Qatar right now, according to Mr. Aydin and officials from other Turkey-based logistics companies. He said capacity should open up next week, after the religious Eid holiday.

Turkish Economy Minister Nihat Zeybekci said that 105 Turkish cargo planes have so far delivered goods to Qatar, where public-service advertisements have appeared on social media explaining the Turkish words for basic goods, such as milk, for Arabic-speaking Qataris.



Port workers unloaded a container ship in Doha, Qatar, last week.

## Mosul Aims to Oust Militants' Families

BY BEN KESLING AND GHASSAN ADNAN

BAGHDAD—Local governments in northern Iraq are seeking to punish the families of Islamic State members, in defiance of warnings by the nation's leader that the policy will further fragment the country as it emerges from years of war.

The city council of Mosul passed an ordinance this week saying it would expel all families of those who had joined the extremist group, as a neighboring province said it would refuse to accept any of those forced to leave.

U.S.-backed Iraqi forces have battled for eight months to push Islamic State from Mosul, the militant group's last major stronghold in the country. Tensions have been high, as residents who have lived under three years of brutal occupation clamor for retribution, sometimes with public protests.

The federal government fears that large-scale retaliation could inflame resent-

ments. Iraqi Prime Minister Haider al-Abadi, once criticized for being slow to address the issue, has said a family shouldn't be punished for the crimes of just one person, citing verses from the Quran to support his position.

He has empowered federal forces to prevent such punishments, either through force or

**Iraq's prime minister has given federal forces the power to try to prevent expulsions.**

by refusing to take part in such efforts. A member of the National Security Service, the country's intelligence force, near Mosul said it has orders to prevent a deportation from Mosul.

During its 2014 blitz though vast swaths of the country, the Sunni radicals of Islamic State took over much of the three Sunni-majority provinces of

Shiite-dominated Iraq—Anbar, Salahuddin and Nineveh, where Mosul is located. As Islamic State loses territory to Iraqi forces, families across the country who have been pushed out of their homes can end up in displaced person camps with no real prospects.

"Kicking out Daesh families is a key thing and a natural reaction by people to what they have been subject to by Daesh terrorists," Zuhair al-Jabouri, a Mosul district councilman, using the Arabic acronym for Islamic State, said following the Monday vote. The council, which was exiled to nearby Erbil during Islamic State occupation, re-formed in Mosul after much of the city was retaken.

While Mosul councilmen have said they hope the families will be sent to some sort of rehabilitation camp, the governor of neighboring Salahuddin province said Wednesday that he would refuse to accept any of those expelled.

"Let deported Daesh families go somewhere else," said Kha-

lid al-Khazraji, a Salahuiddin provincial council member. "We try to keep our province safe."

Mosul's city council would need approval from higher-ranking provincial authorities to enforce the ordinance. Officials in Nineveh province have indicated they could approve the move as soon as next week.

In Anbar, tribal authorities came together last year to expel such families from their homes in cities, and eventually the provincial government also supported the move, saying that leaving families in place could foster a cycle of revenge.

At the time, the central government did little to prevent such actions.

"It was incredibly disturbing to see last year that you had provincial councils pass this without any pushback from Baghdad," said Belkis Wille, senior Iraq researcher with Human Rights Watch, who said the recent action from Mr. Abadi is crucial because the federal government is the main bulwark against local retribution.

## Macron Says France No Longer Demands Removal of Syria's Assad

BY MATTHEW DALTON

PARIS—French President Emmanuel Macron said removing Syrian leader Bashar al-Assad from power shouldn't be a precondition for a peace deal in the war-torn nation, a shift in French policy after years of Paris calling for Mr. Assad to step aside.

"The real update I have done on this subject," Mr. Macron said in an interview with European newspapers, when asked about Syria, "it's that I

have not announced that the removal of Bashar al-Assad is a precondition for everything. Because no one has showed me a legitimate successor."

Mr. Macron's comments mark his first major foreign-policy departure from his predecessor, François Hollande, who insisted since the early days of Syria's civil war that Mr. Assad should step down.

Mr. Macron added that he had found some common ground with Russian President Vladimir Putin, a key sup-

porter of Mr. Assad, on the question of Syria. The two leaders met in Versailles outside Paris last month.

"We've been blocked for a long time on the figure of Bashar al-Assad," Mr. Macron said. "But Bashar, he is not our enemy. He is the enemy of the Syrian people."

Mr. Macron, however, drew a "red line" against Mr. Assad using chemical weapons, after the international community accused the Syrian regime of unleashing sarin gas in April on

rebel-held areas, killing scores of people. President Donald Trump ordered cruise missile strikes against a Syrian military air base in retaliation. Mr. Macron said that France would conduct airstrikes if Mr. Assad used chemical weapons again, with or without French allies.

"If it's found that chemical weapons are used on the ground and that we know the origin, France will then proceed to strikes to destroy stocks of chemical weapons," he said.

Mr. Macron's remarks could

spark debate within Europe about the bloc's diplomatic stance on the Syrian conflict. European diplomats have long called on Mr. Assad to step aside after six years of brutal war, in which tens of thousands of people have died at the hands of regime forces.

France is a major contributor to the U.S.-led military coalition fighting Islamic State in Iraq and Syria. French jets fly bombing missions out of regional air bases, while French artillery batteries and

special forces are fighting the extremist group on the ground.

Tensions have flared recently between Russia and the coalition.

A U.S. jet fighter shot down a Syrian government plane that dropped bombs near U.S.-backed forces that are bearing down on Raqqah, Islamic State's de facto capital in northern Syria. Russia responded by threatening to shoot down coalition planes operating west of the Euphrates River.

# BUSINESS & FINANCE

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\* \* \* \*

THE WALL STREET JOURNAL.

Friday, June 23, 2017 | B1

## S&P 2434.50 ▼ 0.05% S&P FIN ▼ 0.64% S&P IT ▲ 0.05% DJ TRANS ▲ 0.29% WSJ \$IDX ▼ 0.06% LIBOR 3M 1.296 NIKKEI 20110.51 ▼ 0.14%

## China Probes Deal Makers' Debt

See more at [WSJMarkets.com](http://WSJMarkets.com)

China's banking regulator is conducting a sweeping check on the borrowings of some of the country's top overseas deal makers, according to people with knowledge of the matter, in one of the most forceful attempts yet to get a grip on runaway debt.

By Lingling Wei  
and Wayne Ma in  
Beijing and James T.  
Areddy in Shanghai

The list covers some of the highest-flying private conglomerates in China, known for flamboyant owners, political connections and acquisitive appetites. One is **Anbang Insurance Group** Co., whose chairman, Wu Xiaohui, has been detained by investigators of economic crimes, said people familiar with the matter.

Also on the list is **HNA**



One firm under scrutiny, Rossoneri, owns soccer's AC Milan.

Group Co., one of China's most aggressive overseas investors; **Fosun International** Ltd., whose chairman dubs himself China's Warren Buffett; and

**Dalian Wanda Group**, a property giant that recently branched into entertainment. The fifth company on the list is **Rossoneri Sports Investment**

**Management Changxing** Ltd., which made headlines this year of Italian soccer powerhouse AC Milan.

The five are known for bold international bets on big brand names, opaque structures and a dizzying amount of deal making. Excluding Rossoneri, they accounted for a whopping \$57 billion in overseas investment since the beginning of 2015—15% of Chinese companies' total, according to Dealogic.

"They're all guys that have engaged in high-profile marquee international acquisitions," from soccer clubs to Hollywood businesses, said Bill Bowler, an equity-sales trader at Forsyth Barr Asia in Hong Kong.

The regulator's move has already sent shock waves through Chinese markets and could rock the deals world.

Fosun and Anbang have relied on insurance units to build scale and pivot overseas. While neither is well-known outside business circles, each boasts landmark assets. Fosun owns Cirque du Soleil and Club Méditerranée SA, while Anbang owns New York's Waldorf Astoria and Essex House hotels. HNA bought 25% of the Hilton hotel group last year.

The investigation started June 6, when officials at the China Banking Regulatory Commission held what were described as "urgent" conference calls, asking lenders to look over loans made to the five groups as well as the guarantees provided by banks to let them borrow overseas.

The goal, one of the people said, is to "examine those companies' leverage situations and risks." Banks are required to

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## Berkshire Rescues Mortgage Lender

By JACQUIE McNISH  
AND NICOLE FRIEDMAN

TORONTO—Warren Buffett's rescue of struggling Canadian mortgage lender Home Capital Group Inc. is his latest move to secure generous returns in exchange for backing businesses that other investors are fleeing.

By agreeing to provide a loan for 2.4 billion Canadian dollars (\$1.8 billion) and the purchase of a minority stake in the lender, Mr. Buffett's Berkshire Hathaway Inc. is betting against scores of bearish investors who recently sold Canadian bank stocks and wagered against shares of smaller mortgage lenders amid worries about overpriced Canadian real estate.

The deal, announced Wednesday night, provided a much-needed boost to Home Capital. Director Alan Hibben said in an interview that the board weighed several financing offers, but it opted for Mr. Buffett's because it brought the kind of "pay attention" backing the company needed to restore confidence after a devastating deposit flight.

"He's the best hope of getting that validation," Mr. Hibben said.

Talks were initiated after Mr. Buffett was approached by Home Capital's bankers, the director said.

Berkshire has long benefited from Mr. Buffett's reputation as a skilled judge of businesses who is known for closing deals quickly without teams of bankers or consultants. Berkshire earned more than \$10 billion on deals Mr. Buffett struck during and after the financial crisis with blue-chip companies, including Goldman Sachs Group Inc., Dow Chemical Co., General Electric Co. and Bank of America Corp.

The deal with Home Capital was another bold move, because some analysts have said that if Canada's real estate bubble bursts, midsize lenders like Home Capital could be among the most vulnerable to losses.

Berkshire secured generous terms, getting a nearly 40% stake at a steep discount. Mr. Buffett's company also agreed to extend a C\$2 billion line of credit at a rate of 9.5%, as well as 175% fee on undrawn funds.

Berkshire held \$96.5 billion in cash as of March 31, and Mr. Buffett has been looking for ways to spend it. The recent deal offers Berkshire attractive returns and demonstrates "the benefit of having that kind of cash available a phone

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## Uber Competitor: This Isn't a Time to Gloat

As Lyft grabs market share, staff told not to be distracted by the 'faults' of its rival

BY CAT ZAKRZEWSKI  
AND PATIENCE HAGGIN

As **Uber Technologies** Inc. was grappling with leadership turmoil that ultimately led to its chief executive's resignation, the founders of rival ride-hailing company **Lyft** Inc. sent a companywide email.

"This isn't a time to gloat," they said.

Schadenfreude might have been understandable at Lyft, which has been locked in a bitter, cash-burning battle with Uber for years. The San Francisco-based companies have slugged it out with competing fare cuts to woo customers, and dueling subsidies to poach drivers—each quickly matching new features when the other rolls them out on its app.

Lyft, by far the smaller of the two, has long tried to build a reputation as the better-behaved ride-sharing company, with a playful pink logo that stands in contrast to Uber's austere black-and-white emblem. Last November, well before Uber's string of scandals started, Lyft began running a series of TV commercials portraying executives at a fictitious competitor—a thinly veiled sendup of Uber—scheming against Lyft and ridiculing its practice of letting riders tip drivers.

That left Lyft's brand extraordinarily well-positioned when Uber's travails began in February with a blog post by a female former engineer alleging sexual harassment and discrimination at Uber. That was followed by problems including a legal battle with Alphabet Inc.'s Waymo unit over au-



Lyft, in its battles with larger competitor Uber, has fostered a reputation as the better-behaved ride-sharing company.

### Hitching a Ride

As Uber navigates a string of scandals, rival Lyft is in a position to catch up. Here's a look at the competing ride-hailing companies:

CURRENT VALUATION

LYFT \$7.5B

UBER \$68B

FUNDING \$2.6B

\$12.9B

CITIES/REGIONS 350

450

EMPLOYEES 1,700

12,000

CO-FOUNDER/CEO Logan Green

Travis Kalanick (ex-CEO)

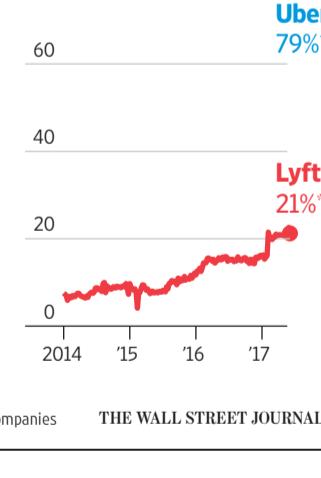
INVESTORS Alibaba, Andreessen Horowitz, Founder Fund

Bezos Expeditions, Google Ventures, Baidu

\*Week starting May 29, 2017

Sources: Dow Jones VentureSource (valuation/funding); Second Measure (marketshare); the companies

MARKET SHARE IN THE U.S.  
(based on credit-card transactions)



THE WALL STREET JOURNAL.

STREETWISE By James Mackintosh

## Blind Faith in Bezos May Sting Investors

Investors think Jeff Bezos has the magic touch. Few companies other

than **Amazon.com** Inc. could announce a nearly \$14 billion takeover of a mature firm, give no details of why they are buying the very business model they're trying to disrupt, and have their market value rise by more than the takeover price.

Since Amazon said last week that it would buy upscale grocery chain Whole Foods Market Inc., multiple theories have circulated about what it is up to. Some think it is about convenience shopping. Some that it is about customer data. Some

suggest logistics, the grocery supply chain, or an extra distribution channel for the company's growing range of own-brand electronics. Still others think Amazon hasn't really got a strategy yet.

What all seem to agree on is that Amazon will make it work, and other grocers should be cowering in the their freezer cases.

Amazon doesn't inspire the near-religious fervor found among Apple's true believers, but the online-shopping-to-movie-studio conglomerate does depend on faith, hope and charity. Faith in Mr. Bezos's inventiveness provides the essential underpinning for Amazon shares, while investors hope that he

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## Foxconn Focuses U.S. Hunt

By YOKO KUBOTA

TAIPEI—Taiwan's **Foxconn Technology Group**, which assembles Apple Inc.'s iPhones in China, is looking at seven states in the American heartland where it would invest \$10 billion or more to manufacture flat-panel screens and related equipment.

"Over the years, manufacturing of consumer goods has shifted out of the U.S.," Terry Gou, the chairman of the company formally known as **Hon Hai Precision Industry** Co., told reporters after the company's annual shareholders meeting Thursday. "We will bring our advanced technology there to revive American manufacturing."

Foxconn's U.S. ambition, which Mr. Gou flagged in January, comes amid a flurry of U.S. investments announced by Asian companies as President Donald Trump seeks to stimulate American manufacturing.

A Foxconn executive said the seven states under consideration are Illinois, Indiana, Michigan, Ohio and Wisconsin. Foxconn will work together with **Sharp Corp.**, the Japanese electronics maker acquired by Foxconn last year, on the U.S. plants, he said.

*The iPhone assembler considers seven states as it makes plans to invest \$10 billion.*

Foxconn also plans to build supply chains and introduce automation technologies to its U.S. operations, Mr. Gou said. The company will decide on more details by early August, he said.

Mr. Gou said that he has met with three state gover-

nors, without specifying which ones. Governors from Michigan, Ohio and Wisconsin have visited Japan to meet Mr. Gou, according to people familiar with the matter.

A Foxconn spokesman declined to comment.

In January, Mr. Gou said he hoped to invest \$7 billion in the U.S. The investment could create 30,000 to 50,000 jobs in the U.S., he has said.

In the shareholders meeting, Mr. Gou also said Foxconn hasn't given up on its efforts to buy **Toshiba Corp.**'s memory-chip unit, which the Japanese electronics maker is seeking to sell for some \$20 billion. On Wednesday, Toshiba said it had chosen as its preferred bidder a consortium that includes a Japanese-backed investment fund and a state-owned bank. "We still have a chance," Mr. Gou said.

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## BUSINESS & FINANCE



OLIVER DOULL/REUTERS/EUROPEAN PRESSPHOTO AGENCY

The meeting with President Trump focused on existing barriers to investments in technology and network infrastructure.

# Telecom Told to 'Dream Big'

By DREW FITZGERALD  
AND REBECCA BALLHAUS

President Donald Trump on Thursday told technology and telecom executives the government will tackle federal regulations they consider too restrictive but stopped short of announcing any specific policies aimed at their industries.

The White House meeting drew executives from two dozen companies, including AT&T Inc., Honeywell International Inc. and General Electric Co. The discussions focused on sectors subject to complex government oversight, such as wireless broadband, and others still too new for fully developed rules, like airborne drones.

"We want our innovators to dream big," the president said. "We want them to create new companies and to create lots of jobs." He criticized federal

regulations that are "so bad, so out of line."

The president congratulated GE Chief Executive Jeff Immelt on his recently announced retirement plans and praised AT&T CEO Randall Stephenson—who was seated next to the president—for having done "really a top job."

The president didn't address his administration's oversight of corporate mergers—one persistent focus for the telecom sector—though some attendees have big deals awaiting the government's blessing. AT&T last year announced an \$85 billion takeover of Time Warner Inc., owner of CNN and Turner's cable networks. CenturyLink Inc. CEO Glen Post attended as his company seeks regulatory approval for a \$25 billion merger with rival Level 3 Communications Inc.

Thursday's meeting instead

focused on the barriers to investments in technology and network infrastructure. Much of the chatter dealt with the fifth-generation wireless technology that phone companies are developing to support faster connections to cars, ap-

*The president criticized federal regulations that are 'so bad, so out of line.'*

pliances and industrial systems. Mr. Stephenson touted the importance of the 5G network's rollout, saying, "If we get this right, we probably lead the world for another era in terms of broadband."

"Everybody was zeroing in on

the same thing, and that's about speed," Verizon Communications Inc. executive John Stratton said in a later interview. "If you don't remove those barriers and friction to deployment, you slow the pace of investment."

Mr. Stratton said much of the policy work discussed Thursday was already in the works at the Federal Communications Commission and on Capitol Hill. But, he added, it was "helpful to have the guy at the top taking an interest in your industry."

The event piggybacked off another White House tech summit on Monday. Leaders from Amazon.com Inc., Microsoft Corp., Oracle Corp. and others volunteered their help modernizing government IT systems, though White House officials' comments on their initiatives shed little light on what policies, if any, the administration plans to change.

Berkshire agreed to purchase an additional 24 million shares for C\$246.8 million, or about C\$10.30 a share. This investment will be subject to shareholder approval at a special meeting in September.

When the purchases are complete, Berkshire said it would only vote 25% of its Home Capital stock, to comply with Canadian regulations that restrict investors from voting more than 25% of bank shares.

—Vipal Monga contributed to this article.

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comes as governments in Ontario and British Columbia have taken steps to restrain housing speculation, slowing the pace of house sales in the two provinces' largest cities. This month, Bank of Canada Gov. Stephen Poloz sought to quell concerns that Home Capital's problems reflected an underlying malaise in Canada's mortgage-finance system, saying its issues were due to "firm-specific factors."

Home Capital is one of Canada's largest mortgage lenders to higher risk borrowers. The lender relies primarily on independent brokers to underwrite its mortgages and it terminated more than 40 brokers in 2014 after it discovered the incomes of borrowers hadn't been verified.

Home Capital experienced an outflow of about 95% of its more than C\$2 billion in high-interest savings deposits in April and May after Canada's securities regulator alleged the company and three executives misled investors about

the full extent of the mortgage fraud problem.

The company and the executives last week struck settlements, without admitting wrongdoing, to pay C\$29.5 million in penalties and other payments to the regulator and shareholders.

Berkshire said it would acquire a minority stake in Home Capital for about C\$400 million through two private placements at an average price of C\$10 a share, 33% less than the company's C\$14.94 closing

share price on Wednesday.

The initial purchase of a 20% stake, set to close June 29, calls for Home Capital to issue new shares for C\$153 million, or C\$9.55 a share. The company said the purchase amounts to a 20% discount to the weighted-average price for the 20 days before the announcement. The stock purchase isn't subject to a shareholder vote because Toronto Stock Exchange rules allow buyers to bypass it at a time of financial hardship.

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When the purchases are complete, Berkshire said it would only vote 25% of its Home Capital stock, to comply with Canadian regulations that restrict investors from voting more than 25% of bank shares.

—Vipal Monga contributed to this article.



Lyft co-founder John Zimmer at a company rally for drivers in 2015.

Continued from the prior page

spond to a request for comment.

Lyft is trying to avoid seeming to take advantage of its rival's misfortunes. The firm has shifted from advertising that took swipes at Uber to positive messaging about Lyft itself. And its founders are counseling humility.

"The faults of our competition don't do anything to deliver a better experience for our customers," Lyft co-founders John Zimmer and Logan Green wrote in the company-wide email, which was sent last Friday.

Still, Lyft isn't letting the opportunity slip. It is aggressively recruiting new riders, people familiar with the matter say. The company also entered 150 new cities this year, exceeding the 100 cities it said it would launch in during the year in only six months.

Lyft has formed a partnership with Alphabet Inc. unit

Waymo to collaborate on self-driving cars, and struck a deal with Boston driverless-car company NuTonomy. This month it signed a deal with Land Rover to collaborate on autonomous driving technology, with the British luxury vehicle company investing \$25 million in Lyft.

Lyft also raised \$600 million in fresh funding this year at a valuation of \$7.5 billion. And the events at Uber appear to have benefited Lyft's share price on the secondary market for private shares, said Ken Sawyer, managing director of Saints Capital, which buys shares from venture-capital firms.

"Since the beginning of this year, the ask [for Lyft] has definitely gone up," said Mr.

Sawyer, whose firm doesn't own shares in Lyft or Uber.

"It's definitely trading higher than it was when all this started."

Morgan Housel, partner at Collaborative Fund, an early Lyft investor, said Lyft is capitalizing on the moment even if it isn't trumpeting it.

## STREET

Continued from the prior page doesn't really think of the company as a charity to finance wacky new ideas.

Amazon—like Google and Facebook—has a successful core business, pays little heed to shareholders and plows its spare cash back into expansion and research and development rather than dividends. In the 20 years since it listed, it has made a total of \$5.7 billion in net income, more than half of that in the past two years. It has spent \$64 billion on R&D in the same period, including \$4.8 billion in the first quarter alone.

Mr. Bezos set out his principles in 1997. "We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions," he told shareholders.

Investors have bought in to the idea that by not maximizing profit in the short term, Amazon can maximize profit in the long term—even if, 20 years later, the long term still hasn't arrived. At most listed companies, the exact opposite is true, with management under constant pressure to boost dividends and buybacks.

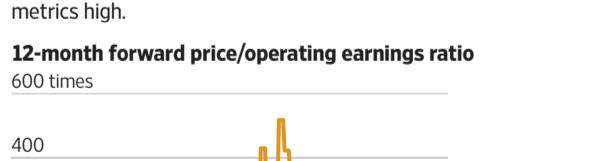
"It's become easier to invest as a private company than as a public company," says James Anderson, a partner at Edinburgh-based Baillie Gifford & Co., whose biggest holding is Amazon.

"There's a small number of companies that appears permitted to do this, and it's very difficult for most other public companies."

### Big, Bigger, Biggest

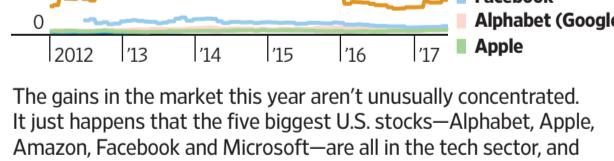
Amazon shares have soared along with the biggest technology stocks this year...

#### Total return, cumulative change



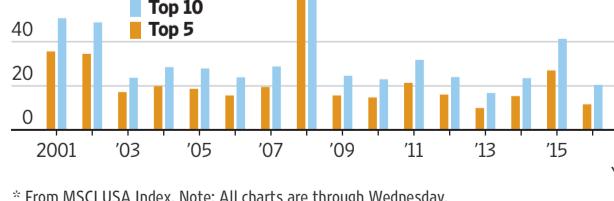
..While Amazon's expansion keeps profits low, and simple valuation metrics high.

#### 12-month forward price/operating earnings ratio



The gains in the market this year aren't unusually concentrated. It just happens that the five biggest U.S. stocks—Alphabet, Apple, Amazon, Facebook and Microsoft—are all in the tech sector, and all beat the market.

#### Top market-value gainers as a percentage of all winners\*



\* From MSCI USA Index. Note: All charts are through Wednesday.

Sources: Thomson Reuters Datastream (return, P/E ratio);

SG Cross Asset Research/Equity Quant (gainers)

THE WALL STREET JOURNAL.

Holding shares in Amazon requires the belief that Mr. Bezos will find enough good investments to offset the mistakes—such as cash Amazon put into Pets.com, the epitome of badly-thought-through dot-com

bubble catastrophes. So far, just one of his successes would cover a lot of mistakes, with Amazon Web Services alone making almost 90% of operating profit in the first quarter.

Investors also need to be

lieve that eventually Mr. Bezos will start paying out some of the cash. The value of a company ultimately comes from future dividends—and Amazon has yet to pay a cent.

The long-term danger is that instead of paying dividends, the cash is wasted. History is littered with examples of chief executives indulged by shareholders who become so enamored of their own brilliance that they fritter away shareholder money on wasteful expansion.

So far, the founders of the big tech stocks have mostly made good decisions, and while they aren't exactly humble, hubris isn't apparent either. But their secrecy on display again with the lack of explanation of the Whole Foods deal—shows a degree of contempt for investors.

The short-term danger doesn't involve Amazon, but its shareholders. Investors seem to have suspended disbelief. However brilliant Mr. Bezos is, it is extraordinary that he is able to launch a big takeover without offering any strategic or financial rationale. The same glass-half-full attitude was behind shareholder acceptance of nonvoting shares in Snap Inc.'s initial public offering. When doubt returns, as it always does, Amazon shares will suffer.

In many ways, Amazon is an exemplar for investors. In most companies, shareholders should encourage more R&D spending, worry less about quarterly targets and tell managers to focus on the business, not the share price. In Amazon's case, the willingness to accept no explanation at all for a \$13.7 billion purchase suggests faith has run too far.

## BUSINESS NEWS

# New Push to Alert Pilots About Hackers

Fears of cyberthreats spur efforts to devise real-time warnings; consensus is lacking

By ANDY PASZTOR

LE BOURGET, France—Escalating concerns about cyberthreats are prompting the aviation industry to devise an unlikely new safeguard: real-time warnings to pilots about potential hacking attempts.

Work to develop such systems, which have prompted disagreements between some in the industry, are part of separate efforts by France's Thales SA, Raytheon Co. and other companies to expand cyber protections for aircraft.

Airbus SE and Boeing Co. support the pilot-alerting goal, reflecting a desire to try new things as global threats intensify and evolve.

But interviews at the Paris Air Show showed there isn't an industrywide consensus on the concept, a version of which is under development and could start to be tested on some commercial aircraft by late 2018. Large suppliers such as Honeywell International Inc. and Rockwell Collins Inc.—which provide cockpit equipment for many airliners—are skeptical about the need for such proposed capabilities.

The debate isn't likely to affect cybersecurity systems on today's airliners or even those built in the next few years, though it could have an impact on how the digital cores of fu-

ture models will be protected.

Proponents of alerting see advanced systems on aircraft as being able to identify attempted or successful cyberintrusions, with the data feeding into artificial intelligence features powerful and adaptable enough to automatically respond to the hazard. "The conventional ways by which we've protected ourselves in cyber may need to change" as threats evolve, said Greg Hyslop, Boeing's chief technology officer.

Allan McArtor, chairman of the Airbus unit that operates in the U.S., Canada and Latin America, also sees a need for greater industry sophistication in battling potential cyberthreats. "We haven't been able to make a very convincing argument" to the public about

why aircraft are safe from outside intrusion, he said. What is missing, he added, is "a convincing cyberthreat architecture that allows us to be aware of attacks" when they take place, including warnings going directly to the cockpit.

*Aviators aren't cybersecurity experts, so 'what could pilots do about it anyway?'*

The push for new approaches generally tracks recommendations from an earlier U.S. government-backed study group. The group of experts also concluded that airline

vulnerabilities extend to maintenance operations.

In September, the Federal Aviation Administration's top technical advisory group adopted language seeking to ensure that cybersecurity protections would be incorporated into all future industry standards.

Thales decided years ago that it wasn't sufficient to merely devise elaborate protections. "We must have some real-time capabilities to detect and respond" if an intrusion is under way, said Thomas Hutin, one of the company's top cybersecurity officials.

Carl Esposito, president of Honeywell's Electronics Solutions Business unit, sees no need for such drills, pointing to the extraordinary rigor and care avionics suppliers use in

writing code. Existing safety systems are effectively impenetrable from the outside, he said, because of "encryption, security keys and end-to-end verification" of users already embedded in the software. In the event a warning comes to the cockpit, he maintained, aviators aren't cybersecurity experts, so "what could the pilots do about it anyway?"

These different assessments of the industry's cyber vulnerabilities—and what leaders should do combat future attacks—partly reflect the uncertain nature of threats. Industry officials agree there hasn't been a single verified instance of safety systems being breached on a large commercial jetliner. But experts' warnings are getting louder about the dangers.

## Kalanick's Exit Called Rare Win For Women

By GEORGIA WELLS

The resignation of Uber Technologies Inc. Chief Executive Travis Kalanick was widely viewed by women in the industry as a rare victory for those speaking out about inequality in the workplace.

For them, it was a blog post by former Uber software engineer Susan Fowler Rigetti four months ago alleging sexism and harassment that sparked the sequence of events leading to Mr. Kalanick's exit on Tuesday.

The allegations that Uber's workplace was hostile to women—and other freewheeling practices under the leadership of Mr. Kalanick—led investors to pressure him to resign, according to people familiar with the matter.

"This is bigger than just Uber, and bigger than just the tech industry," said Anita Hill, professor of social policy, law and women's studies at Brandeis University.

Ms. Hill put sexual harassment on the map as a workplace issue in 1991 when she testified that then-U.S. Supreme Court nominee Clarence Thomas had sexually harassed her when he was her boss.

Not everyone was cheering Mr. Kalanick's exit as CEO. An internal petition circulating among Uber's staff to bring back Mr. Kalanick garnered more than 1,000 votes as of Thursday afternoon, according to an employee. The votes represent a sliver of Uber's 15,000 employees, a number Uber updated on Thursday.

"Employees, we need to revolt this!" urged a message, reviewed by The Wall Street Journal, that linked to the digital petition. "We cannot accept investors [caving in] to the media to remove TK."

The tech industry—and Silicon Valley, in particular—have for years battled a reputation as being a difficult industry for women to succeed in. About two-thirds of the employees of Facebook Inc., Alphabet Inc.'s Google and Apple Inc. are men, despite their recent efforts to recruit more women.

The accusations of harassment at Uber were seen by industry observers as evidence of why women struggle to fit in the tech workplace. But Ms. Hill and others praised Uber for taking Ms. Fowler Rigetti's accusations seriously. Ms. Fowler Rigetti's blog post led to an investigation by former U.S. Attorney General Eric Holder that recommended an overhaul of Uber's workplace practices and the dismissal of many employees.

"Susan is a hero for sharing her story publicly and pushing the culture to change," said Joelle Emerson, chief executive of Paradigm, a consultancy that advises many Silicon Valley companies on diversity.

Ms. Fowler Rigetti didn't respond to a request for comment.

Mr. Kalanick condemned the behavior described by Ms. Fowler Rigetti in a statement following her blog post in February.

—Greg Bensinger

## Boeing Is Top Seller at Paris Air Show



Boeing Co. beat Airbus SE in the annual jetliner-orders bonanza at the Paris Air Show, but both companies came out winners in one crucial way: Demand for both plane makers' most-popular single-aisle jets remains buoyant.

Overall orders for planes have slowed recently after a long run of growth fanned by fast-growing budget carriers and cash-rich Middle East buyers. Those buyers have stayed away from bigger jets, making the so-called narrow-body, or single-aisle, mar-

ket the key to the industry's medium-term health.

At the end of the show, Boeing claimed \$75 billion in deals for 571 new planes. Airbus said it secured \$42 billion in deals for 144 firm orders, along with 202 other looser commitments for planes. That was better than many analysts had expected.

The orders and commitments secured by Boeing, the world's No. 1 plane maker, were fueled by its launch of a new narrow-body model, the 737 Max 10. Boeing got 16 customers to sign

up for the plane, including United Continental Holdings Inc. It leaves the Paris show with 361 deals for the plane.

"There is a very strong, robust market for the single-aisle" aircraft, said Boeing's new chief plane salesman, Ihssane Mounir, at his first big event since taking the job.

Rival Airbus lagged behind with 286 single-aisle deals.

"This is a slower year for orders than previous years," said John Leahy, chief plane salesman for Airbus.

Iranian airlines have become a customer base for both jet makers after global powers in 2015 lifted sanctions on the country in return for Tehran agreeing to limits on its nuclear program.

Airbus on Thursday announced deals with two Iranian carriers for 73 planes, though the U.S. government still has to provide the licenses required because of American content on the planes.

Though orders get much of the attention at the air show, plane makers and investors are more focused on aircraft deliver-

ies that correlate more closely with cash flow.

The Paris deals underscored Airbus and Boeing plans to build more of their popular single-aisle planes, both companies said.

David Joyce, president of General Electric Co.'s aviation unit, said the company would be building 800 more engines than planned in the coming three years for Airbus and Boeing to meet strong demand. It builds those engines in cooperation with France's Safran SA.

—Robert Wall

## Asia Startups Rush to Seize on Uber's Setbacks

Travis Kalanick's ouster as chief executive of Uber Technologies Inc. dealt a blow to its efforts in Asia, where the ride-hailing company is locked in a multibillion-dollar battle with local rivals.

By Newley Purnell in New Delhi, Liza Lin in Shanghai and Dan Strumpf in Hong Kong

Uber retreated from China last year, selling its business there following a costly battle with homegrown rival Didi Chuxing Technology Co. Afterward, Uber said it was sharpening its focus on India and Southeast Asia. But investors and analysts say the San Francisco company's worries at home may add momentum to startups capitalizing on a home-field advantage, local knowledge and good relationships with regulators.

Mr. Kalanick was critical in turning Uber into a company valued at nearly \$70 billion, said investors at Beijing-based Magic Stone Alternative Investments, an Uber investor since 2015.

"The business in which Uber is engaged is an all-out battle, a constant daily battle against city regulators, against taxicab unions," said Ben Harburg, managing partner at the firm.

"Travis, while he had many flaws, greatly personified this warrior ethos and was able to execute on this vision and grow the company at such a pace and such a valua-

tion."

His departure follows hard on Uber's firing of its Asia president, Eric Alexander.

Singapore-based GrabTaxi Holdings Pte., known as Grab, led Uber in all Southeast Asian markets except Singapore in cumulative downloads for the 12 months ending in May, according to data from mobile app analytics firm App Annie. Uber did win in India, slipping ahead of Bangalore-based ANI Technologies Pvt.'s Ola. Ride-

sharing companies typically don't disclose rides per day.

"Uber is losing the race in Asia," said Rushabh Doshi, a Singapore-based analyst at researcher Canalys. "In the two largest markets here, India and Indonesia, Uber is under serious attack by Ola and Grab, respectively."

In addition to having local connections, Asia's ride-sharing companies are more agile, can adapt quickly to domestic rules and are ensuring better

service to keep driver retention high, he said.

An Uber spokesman declined to say whether its strategy may change in the region following Mr. Kalanick's departure.

In India, where the rise of the cheap smartphone is creating millions of potential new customers, Uber has said it is investing more than \$1 billion—boosting its mapping capabilities, hiring more engineers and training new drivers. But Ola, valued at \$5 billion

and backed by investors including Japan's SoftBank Group Corp., operates in more cities and says it has more drivers, offering features like auto-rickshaw rides. An Ola spokeswoman declined to comment on Mr. Kalanick's departure.

A woman who in 2014 was raped by an Uber driver in India is suing the company in the U.S., saying Mr. Kalanick, Mr. Alexander and another top deputy who also left the company breached her privacy by obtaining and publicizing her medical records. In a statement, an Uber spokesman said: "No one should have to go through a horrific experience like this, and we're truly sorry that she's had to relive it over the last few weeks." Mr. Kalanick and Mr. Alexander didn't immediately respond to requests for comment.

Southeast Asia is another key battleground.

While Uber has tangled with regulators and taxi unions globally, Grab has said it works with authorities and even has partnerships with local taxi companies. It has expanded to offer mobile payments. Grab is valued at \$3 billion and is also backed by SoftBank, among others. "We're well-positioned to win," a spokeswoman said, though she declined to comment on Mr. Kalanick.

Another rival in Southeast Asia is Indonesia's Go-Jek, a fast-growing motorcycle-hailing startup backed by KKR, Warburg Pincus LLC and others.



Uber had already lost out in China, where homegrown rival Didi Chuxing ended up buying it out.

QUAN SHEN/BLOOMBERG

## TECHNOLOGY



Customers were greeted at a store in New Delhi for the midnight launch of the iPhone 6s in 2015. Apple's share of the Indian smartphone market remains very small.

# Apple Recharges Effort in India

The introduction of Indian-made iPhones could allow for more competitive pricing

Apple Inc. is broadening its push into India, perhaps the iPhone's last great growth market.

By Newley Purnell and Rajesh Roy in New Delhi, and Tripp Mickle in San Francisco

The company's first Indian-made iPhones began selling locally this month with hopes reduced prices will boost sales in the sprawling country where Apple has just 3% of the smartphone market.

The Cupertino, Calif., company is considering opening flagship stores in India's megacities and is helping hundreds of third-party resellers open new shops at an unprecedented pace. It also has set up development centers to build apps for Indian customers and enhance local mapping capabilities.

While Apple's strategy typically is to sell high-price handsets to telecommunications carriers, its effort in India reflects the realities of an emerging market where wages are low, cellular speeds are sluggish and consumers mostly buy phones from small, unaffiliated shops. The company also must overcome weak brand awareness and its rela-

tively late arrival in a market where Samsung Electronics Co. has a head start.

"It's not a push for premium—it's a push to sell an Apple device by any means necessary," said Lauren Guenveur, an analyst with market-research firm Kantar Worldpanel.

India, already the world's second-largest mobile market after China, is expected to add more mobile subscribers—310 million—than any other country in the four years through 2020, according to estimates from GSMA, a global association of mobile-service providers. Apple wants to make sure all the growth doesn't go to Samsung and rising Chinese competitors such as Xiaomi Corp. and Lenovo Group Ltd.

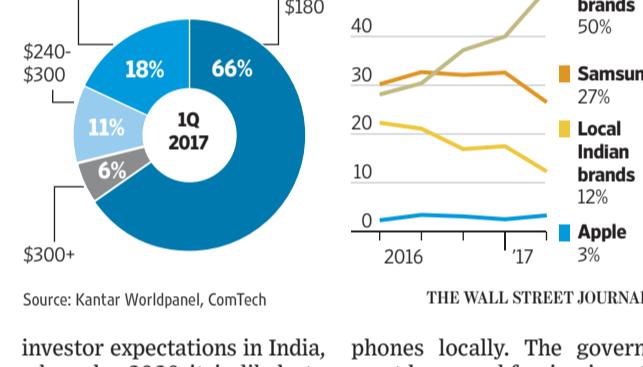
There is "a lot of headroom [in India] in our mind, and so we are working very hard to realize that opportunity," Chief Executive Tim Cook said on a call with investors in October.

Samsung, which holds 27% of India's smartphone market, announced this month it was doubling its capacity in India with a \$760 million investment in its smartphone and refrigerator factory outside India's capital. Chinese brands such as BBK Electronics Corp.'s Oppo and Vivo are rapidly gaining ground, with their 50% share of the smartphone market in the first quarter representing a doubling from a year earlier, according to Kantar Worldpanel.

Apple might need to temper

### Tough Territory

With the iPhone SE selling for about \$325, Apple may face obstacles as it expands in India.



Source: Kantar Worldpanel, ComTech

investor expectations in India, where by 2020 it is likely to increase its market share to just 5% worth about \$10 billion, not much for a company with more than \$215 billion in annual revenue, said Mizuho Securities analyst Abby Lamba.

"They can't ignore it," Mr. Lamba said. "But it's not enough to move the needle."

India is using its giant domestic market to woo global manufacturers, charting a different path to development than that of the export-powered economies of Japan, South Korea and China. If a lower-cost iPhone becomes popular with a rising middle class of Indian consumers, production could be expanded and more jobs could be created.

India has worked hard to persuade Apple to produce

phones locally. The government has eased foreign-investment restrictions, with an eye toward fostering an ecosystem of phone-parts manufacturers to supply international electronics makers.

When the company decided to make its own phones here, Apple picked Taiwan's Wistron Corp. to begin assembling the iPhone SE, its least-expensive model, with production starting in May.

The high prices on iPhones are the biggest reason Apple can't sell more in India. Analysts estimate more than 75% of the smartphones sold in the country sell for less than \$250 and 95% sell for less than \$500. The iPhone SE was introduced last year at about \$600 and now sells for around \$325—and could fall further to a level more Indians can afford.

### U.K. Chip Designer Puts Itself on Block

Imagination Technologies Group PLC, a small U.K. technology firm that has been an important Apple Inc. supplier, said it has put itself up for sale after receiving takeover overtures.

Imagination, which is an intellectual-property-based business worth about \$500 million in market value, said it is in "preliminary discussions with potential bidders," but didn't provide further details.

In April, Imagination said Apple would stop using its technology, sending its shares tumbling more than 70%. The stock rose sharply Thursday but remains below where it was trading earlier this year.

Imagination said at the time that Apple was working on its own designs for graphic processing units, the technology Imagination supplied to the iPhone maker. GPUs power videos and other animations on smartphones, computers and other gadgets.

The firm has said it was pursuing a dispute-resolution process with Apple. It was unclear how those talks were proceeding, though Imagination said Thursday it remains in dispute with Apple. Officials at Apple weren't available for comment.

—Rory Gallivan

# Tesla Says It May Put Auto Plant In China

By TIM HIGGINS AND TREFOR MOSS

Tesla Inc. said it is exploring with government officials in Shanghai the possibility of opening a facility to build electric vehicles for the Chinese market.

The Silicon Valley auto maker reiterated Thursday that it plans to define its production plans for China by year-end. China, the world's largest market for new-car sales and a big consumer of luxury vehicles, is a crucial market for Tesla.

"Tesla is deeply committed to the Chinese market, and we continue to evaluate potential manufacturing sites around the globe to serve the local markets," Tesla said in a written statement. "While we expect most of our production to remain in the U.S., we do need to establish local factories to ensure affordability for the markets they serve."

Tesla didn't mention a local joint-venture partner. China requires foreign auto makers to operate factories with local partners, though officials have signaled a willingness to relax such requirements.

In May, Tesla Chief Executive Elon Musk, who had recently visited China, suggested such rule changes would be "good timing."

By making cars in China, Tesla could cut the prices of its vehicles by one-third by reducing shipping costs and avoiding import duties, Mr. Musk has said.

In trading in New York on Thursday, Tesla's shares rose 1.7% to \$382.61. The stock is up about 80% this year.

China charges a 25% duty on all imported cars, but the hefty markup hasn't deterred affluent buyers who regard a Tesla as a prestige item.

One Chinese Tesla owner, Chen Zhanchong, said he paid \$176,000 for a Tesla Model S P90D in late 2015, well over the sales price in the U.S. But the 31-year-old Guangzhou resident, who recently left his job at an internet company, said it was still a good value for a high-performance electric car. "If a cheap Model 3 is produced in China in large quantities, local companies won't be able to compete," Mr. Chen said. "Tesla will enjoy explosive growth."

Tesla reported more than \$1 billion in revenue in China in 2016, a figure that analysts say equates to about 11,000 vehicle sales. The company sold just over 76,000 cars globally last year.

—Junya Qian contributed to this article.

## Samsung Discusses Adding U.S. Factory

By TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. is in late-stage discussions to invest about \$300 million in a factory soon to be vacated by Caterpillar Inc., according to people familiar with the matter.

The facility that Samsung is considering is in Newberry, S.C., about 150 miles northwest of the port of Charleston, the people said, with plans to shift over some production of oven ranges now made in Mexico. The investment could generate about 500 jobs, and though the start date is unclear, produc-

**Samsung could eventually increase U.S. manufacturing of appliances.**

tion would likely begin next year, the people said.

Samsung could eventually increase U.S. manufacturing of refrigerators, washers, dryers and other home appliances in subsequent years, the people said. Final details over incentives and other matters are still being determined in talks between Samsung and South Carolina officials, the people said.

An announcement could come as early as next week, the people said, but the timing could still change. South Korea's newly elected president, Moon Jae-in, is scheduled to meet President Donald Trump for the first time next week in Washington.

A Samsung spokeswoman declined to comment.

Samsung's interest in a U.S. factory was influenced by the election of Mr. Trump, who vowed on the campaign trail to bring more manufacturing jobs back into the country, The Wall Street Journal reported in March.

Crosstown Samsung rival LG Electronics Inc. said in February that it planned to build a washing-machine factory in Tennessee, the company's first major U.S. plant.

Samsung had previously said it started reviewing U.S. options in the early fall last year, meaning before Mr. Trump's victory in November. At least five states were under consideration at the time, the Journal reported.

The South Korean electronics company, the world's largest manufacturer of smartphones, memory chips and televisions, had initially looked at a site near Blythewood, S.C., but another company landed the facility, people familiar with the matter said.



## Facebook Looks to Build More Groups

By DEEPA SEETHARAMAN

Facebook Inc. Chief Executive Mark Zuckerberg is taking another step toward defining a new vision for the social-media company as it grapples with its growing power in the world.

Over the next decade, Facebook's focus will be creating tools to build more community and bring the world closer together—a shift from its long-time motto "connect the world."

"I used to think that if we just gave people a voice and helped them connect, that

would make the world a lot better by itself," Mr. Zuckerberg said Thursday at an event in Chicago for about 300 leaders of some of Facebook's largest and frequently used groups on the platform.

"But our society is still divided. Now I believe we have a responsibility to do even more," he said.

Facebook executives have been contemplating the company's mission while dealing with several controversies, from criticism over its perceived role in spreading misinformation during the U.S. pres-

idential election to its handling of violent live videos posted on the social network.

Roughly four months ago, Mr. Zuckerberg posted a broad manifesto positioning Facebook as the world's "social infrastructure." He has traveled the U.S. to better understand how Facebook, founded in 2004, can help solve some of humanity's biggest problems, from terrorism to climate change.

Facebook sees expanding Groups, a seven-year-old product that provides an online forum for people to discuss specific interests, as key. But the

product has largely languished while other company services, such as Messenger, have racked up hundreds of millions of users.

Mr. Zuckerberg has said 100 million Facebook users engage in Groups in a socially meaningful way, and that he wants to increase such membership to a billion within a few years.

One goal would be to help people build more robust communities offline, which Mr. Zuckerberg believes would help reverse what he has said is declining involvement in community anchors.

# TECH'S MOST AMBITIOUS MINDS, ON STAGE AND ON THE RECORD

2017 SPEAKERS INCLUDE:

**SAM ALTMAN**

President, Y Combinator

**CHIP BERGH**

President and CEO, Levi Strauss & Co.

**BETH COMSTOCK**

Vice Chair, GE

**KHANYI DHLOMO**

Founder and CEO, Ndalo Media

**BARRY DILLER**

Chairman and Senior Executive, IAC and Expedia, Inc.

**DAVID EUN**

President, Samsung NEXT

**JEFFREY KATZENBERG**

Partner, WndrCo

**MARC LORE**

President and CEO, Walmart eCommerce

**MARISSA MAYER**

President and CEO, Yahoo! (2012-2017)

**JENNIFER NASON**

Global Chairman, Investment Banking, J.P. Morgan

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# China-Tied Firm To Buy U.S. Plant

By JOHN D. STOLL

tional gasoline engines.

AM General is known for its deep ties to the defense industry, and it is unclear if those relationships present a challenge to closing the deal with NFE. The agreement still needs to receive Chinese and U.S. regulatory approvals to close by the end of 2017 target.

AM General developed the mealy Humvees, or "Hummer," decades ago and has been producing or developing rugged off-rovers, including Jeeps, for more than a century. Its light-vehicle plant, which is walled off from military-supply operations, has been underutilized since GM stopped making its Hummer trucks about the time of its 2009 bankruptcy. At one point, it worked with Ford Motor Co. on electric vans.

Many subsidiary companies operating in California have deep financial ties with much larger companies in China, where demand for electric vehicles is growing but engineering capabilities are limited.

Electric cars have failed to gain traction in the U.S. market but are being introduced in droves as car companies aim to meet stricter regulations. Companies like SF, if successful with car buyers, can theoretically follow Teslin's lead in selling regulatory credits to established manufacturers that may need help meeting emissions standards because they primarily profit from selling trucks, SUVs and other vehicles with conven-

## PROBE

Continued from page B1

report the results of their checks to the regulator, which then will assess whether lenders should cut down exposure to the companies, the people said.

Liu Zhiqiang, an official at the banking regulator, declined to comment on the issue beyond. The agreement still needs to receive Chinese and U.S. regulatory approvals to close by the end of 2017 target.

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mealy Humvees, or "Hummer," decades ago and has been pro-

ducing or developing rugged off-rovers, including Jeeps, for more than a century. Its



Wang Jianlin's Dalian Wanda Group is among those being probed.

light-vehicle plant, which is walled off from military-supply operations, has been underutilized since GM stopped making its Hummer trucks about the time of its 2009 bankruptcy. At one point, it worked with Ford Motor Co. on electric vans.

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many cases have ties to the party elite and hold positions on top advisory bodies. But Chinese President Xi Jinping has appeared less enamored than past administrations with the country's "red capitalists."

Mr. Wu's disappearance this month was the biggest name to face investigators since the brief disappearance in 2015 of Fosun co-founder Guo Guangchang for what the company said provides assistance as

with investigations.

Anbang has described Mr.

Wu as having an unwelcome

presence for the Manhattan redevelopment owned by the family of Jared Kushner, U.S.

President Donald Trump's son-

in-law and adviser.

A surprise of this is regulators' questioning of high-pro-

file private tycoons, who in

the article.

—Phred Dvorak and Julie

Steinberg in Hong Kong and

Chao Deng and Grace Zhu in

Beijing contributed to this article.

Hong Kong-listed HINA

## BUSINESS NEWS

### Continued from page B1

The headline-grabbing growth of businesses such as Fosun, Wanda, HNA and Anbang has appeared out of sync as China battles soaring debt levels and other economic challenges.

Of particular concern to regulators has been a surge in capital outflows, which pressured the Chinese yuan to weaken and shook confidence in the government's economic management. Since late last year, authorities have restricted the ability of Chinese companies to invest overseas and erected more hurdles for individuals to take money out.

At a March forum, Pan Gongsong, a vice governor of China's central bank, called some companies' overseas investment "irrational and abnormal," chastising them for making those investments with borrowed money and only for the purpose of transferring assets offshore.

Overseas direct investment by Chinese companies dropped 56% in the first four months of this year from a year earlier, compared with a 44% surge in such deals in 2016, according to official data. Meanwhile, capital outflows have slowed in recent months, and the country's foreign-exchange reserves rose for four months in a row to \$3.054 trillion in May.

Shenzhen-listed shares of Wanda Film Co., the entertainment unit of Wanda Group, which is controlled by billionaire Wang Jianlin, were suspended in the early afternoon Thursday after falling nearly 10%. In a statement, the company denied that banks had

had frozen Wanda's bonds.

Fosun, the Chinese

company that

bought the

Assets of

AM General, has

said it will

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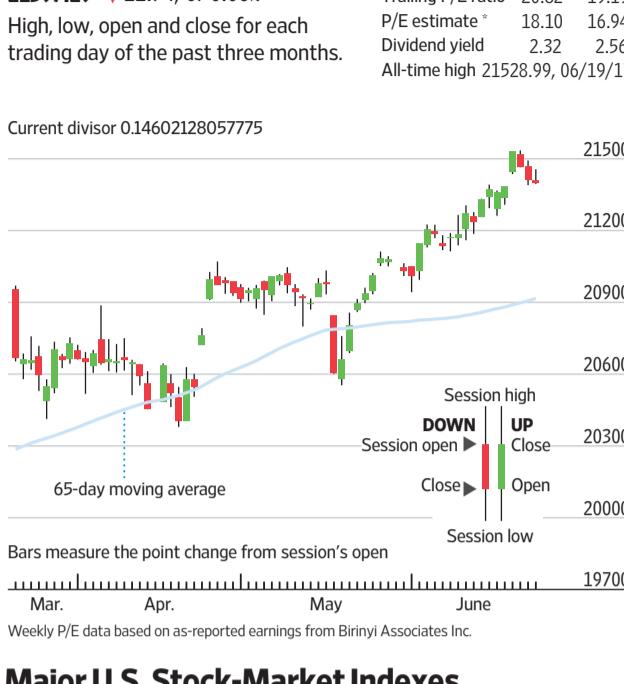
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## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index



#### Nasdaq Composite Index



#### Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.
Industrial Average	21456.47	21394.81	<b>21397.29</b>	-12.74	-0.06	21528.99	17140.24	18.8	8.3	8.1
Transportation Avg	9338.65	9256.07	<b>9319.84</b>	27.23	0.29	9593.95	7093.40	21.5	3.1	4.3
Utility Average	732.31	727.15	<b>727.44</b>	-2.42	-0.33	737.51	625.44	6.6	10.3	8.7
Total Stock Market	25264.18	25166.13	<b>25194.26</b>	2.00	0.01	25399.65	20583.16	15.5	8.2	7.0
Barron's 400	643.23	638.53	<b>641.69</b>	0.97	0.15	650.48	491.89	21.4	6.7	6.2

Nasdaq Stock Market		Most-active issues in late trading									
Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low			
General Electric	GE	9,579.3	27.57	0.02	0.07	27.74	27.54				
Altaba	AABA	7,046.4	54.68	0.12	0.22	54.87	54.56				
SPDR S&P 500	SPY	6,730.4	242.82	-0.02	-0.01	243.15	242.68				
Cemex ADR	CX	3,753.5	9.14	...	unch.	9.15	9.10				
iShares MSCI Emg Markets	EEM	3,365.2	41.28	...	unch.	41.38	41.13				
iShares MSCI Japan ETF	EWJ	3,006.5	54.09	...	unch.	54.09	53.92				
Calpine	CPN	2,518.0	13.65	...	unch.	13.66	13.62				
Kate Spade Co.	KATE	2,445.4	18.50	0.02	0.11	18.50	18.48				

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE MKT and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
General Electric	GE	9,579.3	27.57	0.02	0.07	27.74	27.54	
Altaba	AABA	7,046.4	54.68	0.12	0.22	54.87	54.56	
SPDR S&P 500	SPY	6,730.4	242.82	-0.02	-0.01	243.15	242.68	
Cemex ADR	CX	3,753.5	9.14	...	unch.	9.15	9.10	
iShares MSCI Emg Markets	EEM	3,365.2	41.28	...	unch.	41.38	41.13	
iShares MSCI Japan ETF	EWJ	3,006.5	54.09	...	unch.	54.09	53.92	
Calpine	CPN	2,518.0	13.65	...	unch.	13.66	13.62	
Kate Spade Co.	KATE	2,445.4	18.50	0.02	0.11	18.50	18.48	

#### Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	852,732,575	11,314,905
Adv. volume*	499,287,346	7,861,178
Decl. volume*	337,520,874	2,964,202
Issues traded	3,111	330
Advances	1,723	197
Declines	1,231	104
Unchanged	157	29
New highs	93	3
New lows	69	1
Closing tick	214	30
Closing Arms*	0.90	0.89
Block trades*	7,085	129
Nasdaq		NYSE Arca

Total volume\* 2,134,702,356 243,513,510

Adv. volume\* 1,159,499,490 152,455,264

Decl. volume\* 909,380,269 89,252,989

Issues traded 3,015 1,323

Advances 1,677 824

Declines 1,182 471

Unchanged 156 28

New highs 108 34

New lows 44 36

Closing tick 20 75

Closing Arms\* 1.11 1.06

Block trades\* 13,501 1,579

\*Primary market NYSE, NYSE MKT NYSE Arca only. (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	The Global Dow	<b>2764.52</b>	2.60	<b>0.09</b>	9.2
	The Global Dow Euro	<b>2333.02</b>	-0.84	<b>-0.04</b>	3.2
	DJ Global Index	<b>360.24</b>	0.38	<b>0.11</b>	10.5
World	DJ Global ex U.S.	<b>240.84</b>	0.54	<b>0.23</b>	12.6
Americas	DJ Americas	<b>583.64</b>	0.28	<b>0.05</b>	8.0
Brazil	Sao Paulo Bovespa	<b>61272.22</b>	510.47	<b>0.84</b>	1.7
Canada	S&P/TSX Comp	<b>15219.90</b>	71.37	<b>0.47</b>	-0.4
Mexico	IPC All-Share	<b>49017.43</b>	33.98	<b>0.07</b>	7.4
Chile	Santiago IPSA	<b>3614.16</b>	3.41	<b>0.09</b>	12.1
Europe	Stoxx Europe 600	<b>388.53</b>	0.03	<b>0.01</b>	7.5
Euro zone	Euro Stoxx	<b>384.48</b>	-0.30	<b>-0.08</b>	9.8
Belgium	Bel-20	<b>3853.35</b>	-16.59	<b>-0.43</b>	6.8
France	CAC 40	<b>5281.93</b>	7.67	<b>0.15</b>	8.6
Germany	DAX	<b>12794.00</b>	19.74		

# COMMODITIES

WSJ.com/commodities

## Futures Contracts

### Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	25,000 lbs., \$ per lb.	3,259	3,303	3,224	3,259	.001	111,739	
June	2,5990	2,5990	2,5940	2,5980	-0.040	871		
Sept	2,6065	2,6290	2,5850	2,6100	-0.0050	101,330		
Gold (CMX)	100 troy oz.; \$ per troy oz.	2,841	2,853	2,816	2,835	-0.004	83,499	
June	1251.00	1252.70	1246.30	1247.60	4.20	572		
Aug	1246.40	1256.00	1246.40	1249.40	3.60	307,252		
Oct	1251.30	1258.90	1251.30	1253.10	3.70	13,849		
Dec	1254.00	1262.90	1254.00	1256.60	3.70	90,493		
Feb'18	1260.00	1265.10	1259.70	1259.90	3.70	11,362		
June	1267.00	1270.70	1267.00	1266.50	3.70	6,905		
Palladium (NYM)	50 troy oz.; \$ per troy oz.	889.55	903.30	888.10	888.40	3.95	24	
July	889.65	889.65	878.40	879.90	-7.75	38		
Aug	889.85	889.85	889.85	881.15	-6.70	4		
Sept	881.65	887.00	874.80	880.50	4.05	34,117		
Dec	865.20	874.90	874.90	864.55	871.25	7.10	2,538	
Platinum (NYM)	50 troy oz.; \$ per troy oz.	925.40	926.80	925.40	924.70	-1.40	4	
July	928.30	935.20	922.40	925.60	-1.40	38,812		
Silver (CMX)	5,000 troy oz.; \$ per troy oz.	16.440	16.440	16.490	16.490	0.135	23	
Sept	16.465	16.705	16.465	16.573	0.139	92,082		
Crude Oil, Light Sweet (NYM)	1,000 bbls., \$ per bbl.	42.55	43.32	42.26	42.74	0.21	536,841	
Aug	42.72	43.54	42.49	42.97	0.22	296,587		
Nov	43.26	44.00	42.98	43.45	0.23	112,142		
Dec	43.48	44.26	43.24	43.74	0.23	306,018		
June'18	44.82	45.42	44.66	44.98	0.17	122,147		
Dec	45.91	46.39	45.69	45.98	0.13	155,882		
NY Harbor UlSD (NYM)	42,000 gal.; \$ per gal.	1.3619	1.3886	1.3579	1.3716	.0068	42,084	
Aug	1.3675	1.3955	1.3651	1.3785	.0066	112,253		
Gasoline-NY RBOB (NYM)	42,000 gal.; \$ per gal.	1.4033	1.4379	1.3974	1.4239	.0198	122,103	
Natural Gas (NYM)	10,000 MMBtu's; \$ per MMBtu	2.896	2.962	2.855	2.894	.001	78,194	
Aug	2.921	2.980	2.875	2.915	.001	254,992		
Sept	2.918	2.977	2.879	2.913	-.001	179,045		
Oct	2.949	3.005	2.912	2.945	...	176,915		

## Cash Prices | WSJ.com/commodities

Thursday, June 22, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Thursday Thursday Thursday

Energy	Coins, wholesale \$1,000 face-a	12608	Thursday	Soybeans, No.1 yellw IL-bp.u	8.7800
Other metals	LBMA Platinum Price PM	*917.0		Wheat, Spring 14% pro Mnpls-u	8.0275
	Platinum, Engelhard industrial	936.0		Wheat, No.2 soft red St.Louis-bp.u	4.7500
	Platinum, Engelhard fabricated	1036.0		Wheat, Hard-KC (USDA) \$ per bu-u	4.3025
	Palladium, Engelhard industrial	892.0		Wheat, No.1 soft white, Portlnd, OR-u	4.9625
Metals	Aluminum, LME, \$ per metric ton	*1865.5		Food	
Gold, per troy oz	Copper, Comex spot	2.5980		Bee, carcass equiv. index	
Engelhard industrial	1256.08		choice 1-3,600-900 lbs.-u	209.22	
Engelhard fabricated	1350.29		select 1-3,600-900 lbs.-u	181.86	
Handy & Harman base	1250.80		Broilers, dressed 'A'-u	n.a.	
Handy & Harman fabricated	1388.38		Broilers, National comp wghtd-u.w	1,0779	
LBMA Gold Price AM	LBM Gold Price PM	*1247.05		Butter, AA Chicago	2,5850
LBMA Gold Price PM	*1242.50		Cheddar cheese, bb, Chicago	134.00	
Kruegerrand, wholesale-e	1298.49		Cheddar cheese, blk, Chicago	154.50	
Maple Leaf-e	1310.98		Milk, Nonfat dry, Chicago lb.	84.25	
American Eagle-e	1310.98		Cocoa, Ivory Coast-w	2278	
Mexican peso-e	1513.38		Coffee, Brazilian, Comp	1,1941	
Austria crown-e	1226.83		Coffee, Colombian, NY	1,4257	
Austria phil-e	1310.98		Eggs, large white, Chicago-u	0.5650	
Silver, troy oz.	Hogs-Lean (CME)	40,000-lbs. cents per lb.	Flour, hard winter KC	16.65	
Engelhard industrial	16,6200		Hams, 17-20 lbs, Mid-US fob-u	0.72	
Engelhard fabricated	19,9440		Hogs, Iowa-No. Minnesota-u	85.19	
Handy & Harman base	16,5700		Pork bellies, 12-14 lb Mid-US-u	1,2029	
Handy & Harman fabricated	20,7130		Pork loins, 13-19 lb Mid-US-u	1,2278	
LBMA spot price	£13,0860		Steers, Tex-Oka, Choice-u	171.08	
(U.S.\$ equivalent)	16,5800		Steers, feeder, Okla. City-u	w	
Fibers and Textiles	Burlap, 10-40-inch NY yd-n.w	0.5825	Cattle-Live (CME)	40,000-lbs. cents per lb.	
	Cotton, 1/16 std lw-mdlMphs-u	0.6653	choice 1-3,600-900 lbs.-u	209.22	
	Cotlook 'A' Index-t	*83.00	select 1-3,600-900 lbs.-u	181.86	
	Hides, nvy native steers piece fob-u	n.a.	Broilers, dressed 'A'-u	n.a.	
	Wool, 64s, staple, Terl del-u.w	n.a.	Broilers, National comp wghtd-u.w	1,0779	
Grains and Feeds	Barley, top-quality Mnpls-u	n.a.	Butter, AA Chicago	2,5850	
	Bran, wheat middlings, KC-u	65	Cheddar cheese, bb, Chicago	134.00	
	Corn, No.2 yellow, Cent IL-bp.u	3,4100	Cheddar cheese, blk, Chicago	154.50	
	Corn gluten feed, Midwest-u.w	73.2	Milk, Nonfat dry, Chicago lb.	84.25	
	Corn gluten meal, Midwest-u.w	479.4	Cocoa, Ivory Coast-w	2278	
	Cottonseed meal, u.w	178	Coffee, Brazilian, Comp	1,1941	
	Hominy feed, Cent IL-u.w	80	Coffee, Colombian, NY	1,4257	
	Meat-bonemeal, 50% pro Mnpls-u.w	263	Eggs, large white, Chicago-u	0.5650	
	Oats, No.2 milling, Mnpls-u	2,9275	Flour, hard winter KC	16.65	
	Rice, 5% Broken White, Thailand-lw	450.00	Hams, 17-20 lbs, Mid-US fob-u	0.72	
	Rice, Long Grain Milled, No. 2 AR-u.w	21.50	Hogs, Iowa-No. Minnesota-u	85.19	
	Sorghum, (Milo) No.2 Gulf-u	n.a.	Pork bellies, 12-14 lb Mid-US-u	1,2029	
	Soybean Meal, Cent IL, rail, ton48%-u	295.80	Pork loins, 13-19 lb Mid-US-u	1,2278	
			Steers, Tex-Oka, Choice-u	171.08	
			Steers, feeder, Okla. City-u	w	
			Cattle-Live (CME)	40,000-lbs. cents per lb.	
			choice 1-3,600-900 lbs.-u	209.22	
			select 1-3,600-900 lbs.-u	181.86	
			Broilers, dressed 'A'-u	n.a.	
			Broilers, National comp wghtd-u.w	1,0779	
			Butter, AA Chicago	2,5850	
			Cheddar cheese, bb, Chicago	134.00	
			Cheddar cheese, blk, Chicago	154.50	
			Milk, Nonfat dry, Chicago lb.	84.25	
			Cocoa, Ivory Coast-w	2278	
			Coffee, Brazilian, Comp	1,1941	
			Coffee, Colombian, NY	1,4257	
			Eggs, large white, Chicago-u	0.5650	
			Flour, hard winter KC	16.65	
			Hams, 17-20 lbs, Mid-US fob-u	0.72	
			Hogs, Iowa-No. Minnesota-u	85.19	
			Pork bellies, 12-14 lb Mid-US-u	1,2029	
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			Cocoa, Ivory Coast-w	2278	

## MARKETS & FINANCE

# Buffett Sings the Praises of Israel Bonds

'You're going to get paid back,' celebrated stock picker assures wealthy investors

BY NICOLE FRIEDMAN

Warren Buffett, the world's most famous stock picker, has a new sales pitch: Buy Israel's bonds.

The billionaire investor and **Berkshire Hathaway** Inc. chairman hosted a lunch and dinner in New York last week to encourage investments in Israeli bonds. The events raised about \$150 million in investments, according to the Development Corp. for Israel, the broker-dealer that sells Israeli bonds.

Mr. Buffett, of course, is better known as a booster of stocks. He recommends that nonprofessional investors put their wealth in low-cost stock index funds and often says the stock market will continue to rise in the coming decades.

But he said many wealthy

people hold bonds because they are more concerned with maintaining their wealth than achieving the highest returns. The wealthy are whom Mr. Buffett has targeted with his pitch.

"I do not tell them that bonds are a place to put your money generally, but I will tell them that you're going to get paid back" by investing in Israeli bonds, said Mr. Buffett in an interview. When Mr. Buffett was 7, he requested a book called "Bond Salesman" for Christmas.

He said he likes to invest in Israel because it is a success story, similar to the U.S. Both are relatively new countries that have been founded on open markets and an entrepreneurial spirit.

"From the standpoint of accomplishments beyond the financial returns...I think that it's an excellent choice."

Mr. Buffett's ties to Israel and to the American Jewish community go back decades. Mr. Buffett told attendees at last week's dinner that many of the most important men-



Warren Buffett with developer Larry Silverstein, left, and Israel Bonds CEO Israel Maimon, at right, at an event last week.

tors in his life were Jewish, said real-estate developer Larry Silverstein, who attended the event.

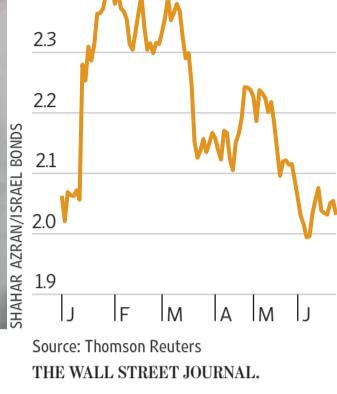
The yield on the benchmark 10-year Israel government bond was 2.032% Thursday, according to Thomson Reuters, down from 2.063% at the end of last year. Yields fall when bond prices rise. Israel's economy expanded 4%

last year and is projected to grow by 3.25% this year, according to the Organization for Economic Cooperation and Development. Israel's currency has risen against the dollar this year, and the country's central bank opted last month to keep its benchmark interest rate at a record low.

Mr. Buffett's connection to Israeli bonds started last

### Buffett Backed

Yield on the benchmark 10-year Israel government bond



Source: Thomson Reuters  
THE WALL STREET JOURNAL.

rector wrote a letter to Mr. Buffett, who called back, agreed to reinvest and invited Israel Bonds officers to visit him in Omaha, Neb.

"He really liked the fact that he could support Israel...through the purchase and investment in Israel bonds," said Stuart Garrawitz, Israel Bonds vice president of sales, who visited Mr. Buffett in Omaha in April 2016.

Mr. Buffett subsequently hosted a dinner for 40 in Omaha in November, which raised \$60 million for Israeli bonds, including \$5 million of Mr. Buffett's personal money.

Berkshire invested \$4 billion in Israeli metalworking company **Iscar** in 2006, the conglomerate's first foreign acquisition, and Mr. Buffett traveled to Israel to see the operation. He later toured Europe with Iscar executive Eitan Wertheimer to try to drum up more overseas deals.

Mr. Buffett also donated \$10 million to a hospital in Israel in 2013, according to press reports at the time.

## Altice Starts Public Trading With 9% Advance

BY NICK KOSTOV  
AND CORRIE DRIEBUSCH

Shares of Altice USA Inc. traded higher in their market debut, marking the successful conclusion of one of the biggest U.S. IPOs of the year.

The U.S. arm of Altice NV rose 9% to \$32.71, valuing the newly public company at roughly \$24 billion. The deal also paves the way for the cable operator's U.S. expansion.

Patrick Drahi, the French billionaire who founded Altice, has spent the past two decades building a cable empire that spans from Israel to the Dominican Republic. Altice USA was formed last year through the merger of Cablevision Systems Corp. and Suddenlink Communications. Its initial public offering raises funds that could be used to expand an operator that is present in 21 states and serves 4.9 million customers, according to a regulatory filing.

When asked Thursday about the company's plans for deal making, Altice USA Chief Executive Dexter Goei said that expanding in cable would be more of a focus in the short term than investing in wireless. "We like to grow through acquisitions," Mr. Goei said. "We're going to be reactive to opportunities that arise, but we don't know what those are going to be."

Altice faces a tough test in the U.S., where competition is stiff. A move away from traditional TV services toward internet streaming has led to a wave of consolidation in the U.S. cable industry. At the same time, cable companies including Comcast Corp. and Charter Communications Inc. have been making moves to



Altice founder and French billionaire Patrick Drahi, center, rings the opening bell at the New York Stock Exchange on Thursday.

get a piece of the wireless phone-service business.

When Altice USA was pitching its IPO to potential investors recently, executives were pressed about the company's plan to convert its systems into an ultrafast fiber-to-the-home network and the cost savings that it still expects to wring from merging Cablevision with Suddenlink, according to a person familiar with the company's roadshow.

Mr. Goei also said Thursday that the company plans to spend some of the IPO proceeds to pay down some of Altice USA's more expensive debt. Wednesday's offering

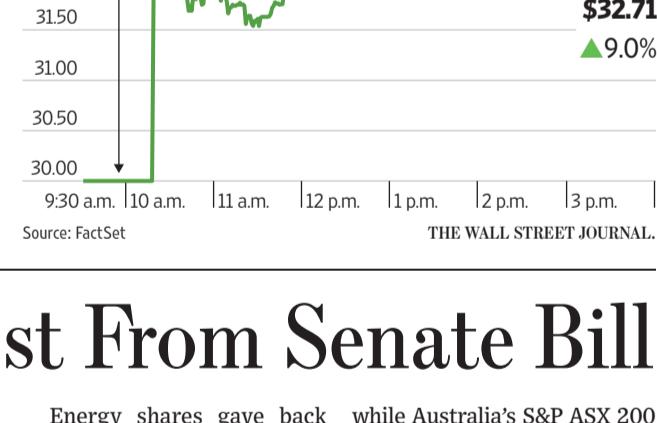
raised \$1.9 billion for the company and selling shareholders, making Altice the biggest U.S.-listed telecom IPO in roughly 17 years, according to data provider Dealogic.

Messrs. Drahi, Goei and other company executives gathered at the New York Stock Exchange on Thursday morning for Altice USA's first day of trading. They rang the opening bell and applause broke out on the NYSE floor as shares began trading at 10:18 a.m. EDT at \$31.60 a share, a day after Altice USA priced its shares at \$30.

—Alexander Osipovich contributed to this article.

### Wired

Shares of cable company Altice USA rose in their U.S. stock-market debut.



Source: FactSet

THE WALL STREET JOURNAL.

## Shares Of Biotech Companies Take Off

BY CHRIS DIETERICH

Don't look now but biotech stocks are surging.

The iShares Nasdaq Biotechnology exchange-traded fund jumped 4.1% Wednesday, the biggest one-day advance since November, and the third chunky gain in a row.

Stealthily, that ETF has climbed 19% this year, putting it on par with the market darling big-cap technology stocks.

Should the upswing continue, it would signal a willingness by investors to place riskier bets.

So far this year, the market has been defined by persistently elevated cash holdings and sure-thing wagers on big technology stocks.

What has powered the rally?

Analysts have offered little in the way of fundamental justification.

Traders say biotech's climb is likely best explained by news reports that the Trump administration will take only modest steps to address drug pricing.

That has assuaged investors' concerns that more stringent efforts to rein in drug prices are in the works, and sent them piling into the sector. Trading volumes in the iShares biotechnology ETF Wednesday was the highest since January.

From 2013 through the middle of 2015, biotech went on an almost unhindered increase.

A critical tweet in 2015 from Democratic presidential nominee Hillary Clinton halted that run, and political uncertainty since then has alternately boosted and dragged on the sector.

The group fell hard before November's election, when polls showed that Democrats could win control of Congress, an outcome viewed as more likely to pressure drug makers to lower their prices.

A postelection burst quickly reversed on President Donald Trump's rhetoric.

Sentiment shifted again, and shares of biotech firms were slammed in January after the president said drug companies are "getting away with murder."

The industry bounced in January but gains had pattered out from March until this week, with the iShares ETF, ticker IBB, abruptly climbing 8%.

"I don't care about biotech so much per se, but I do think it is interesting in the overall context of what's going on in the broader market," wrote Jared Dillian, a financial newsletter writer and former ETF trader. "How much of this is quote unquote 'news' and how much of this is risk appetite returning to a bombed-out sector?"

## Health-Care Stocks Get Boost From Senate Bill

BY AMRITH RAMKUMAR  
AND RIVA GOLD

Health-care shares jumped Thursday in an otherwise muted session for U.S. stocks.

The best-performing sector in the S&P 500 this week extended its gains after Senate Republicans unveiled their plans to overhaul the Affordable Care Act, and the Nasdaq Biotechnology Index posted its highest close since January 2016.

The Dow Jones Industrial Average fell 12.74 points, or less than 0.1%, to 21397.29. The S&P 500 lost 1.11 points, or less than 0.1%, to 2434.50, and the Nasdaq Composite added 2.73 points, or less than 0.1%, to 6236.69.

Health-care shares have been rallying recently and the sector is up 17% so far this year, not far behind technology's 19% gain in 2017.

Getting some clarity on the GOP bill's contents—with few apparent short-term negatives for health-care stocks—was likely contributing to the sector's gains Thursday, said Timothy Anderson, managing director at brokerage MND

Partners, a division of TJM Investments.

Health-care shares rose 1.1% in the S&P 500 and the Nasdaq Biotechnology Index, which is up 9.4% so far this week, gained 1.3%.

Some analysts and investors also have been watching health-care legislation for clues about the path for tax cuts, which many have been betting on since the election and anticipate will improve corporate profits. The health-care bill faces an uncertain fu-

ture with several Republican senators wavering, but its release was a key step for President Donald Trump's agenda, some said.

Shares of **Gilead Sciences**, **Envion Healthcare** and **Centene** each rose more than 3.5%.

Elsewhere, **Oracle** rose \$3.97, or 8.6%, to \$50.30, its highest close on record, after the software company posted quarterly earnings and revenue figures that exceeded analysts' expectations Wednesday.

Energy shares gave back earlier gains and fell 0.1% in the S&P 500. Energy is the worst-performing sector in the broad index this week, tracking a slide in oil prices.

U.S. crude for August delivery gained 0.5% to \$42.74 a barrel on Thursday after prices fell for three straight sessions, but oil is still down roughly 20% from the start of the year. Investors have been concerned about rising U.S. production amid a persistent global glut of crude.

That has put pressure on the S&P 500 energy sector, which has lost 15% this year.

"We're not aggressively adding to any oil positions, either physical commodities or energy stocks," said Jason Pride, director of investment strategy at Glenmede. "But in the back of our minds, we're contemplating the possibility that it may create a buying opportunity," he said.

The Stoxx Europe 600 was little changed, with gains in the health-care sector mitigating wider declines.

In Asia early Friday, Japan's Nikkei 225 Stock Average was flat, Hong Kong's Hang Seng Index was up 0.1%, the Shanghai Composite was down 0.2%,

while Australia's S&P ASX 200 and South Korea's Kospi were flat.

Meanwhile, the dollar edged lower Thursday, pausing from a rally that drove the currency to a one-month high this week as investors watch speeches from Federal Reserve officials.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, inched down 0.1% to 88.84. A rebound in oil prices helped lift oil-dependent currencies such as the Canadian dollar and Russian ruble, while the dollar gained against the Chinese yuan.

In an interview Wednesday, St. Louis Fed President James Bullard said the central bank's current path for raising interest rates over the next few years is "unnecessarily aggressive."

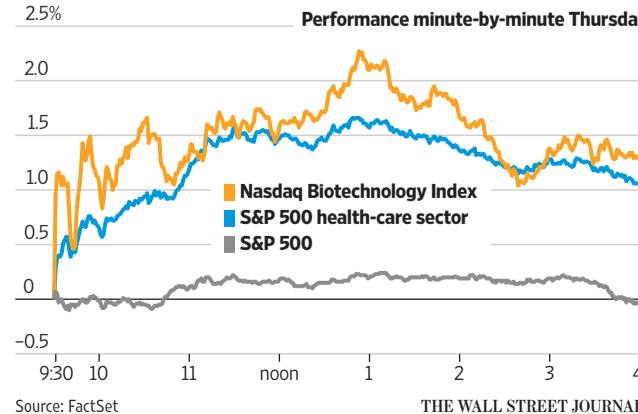
Federal-funds futures, a popular tool for betting on the Fed's rate-policy outlook, showed a less than 50% chance that the Fed raises rates again this year, according to CME Group. Higher rates typically boost the value of the dollar by making U.S. assets more attractive to yield-seeking investors.

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"I don't care about biotech so much per se, but I do think it is interesting in the overall context of what's going on in the broader market," wrote Jared Dillian, a financial newsletter writer and former ETF trader. "How much of this is quote unquote 'news' and how much of this is risk appetite returning to a bombed-out sector?"

### Perking Up

Shares of drug makers, insurers and hospital operators rose as Senate Republicans released their health-care bill.



"I don't care about biotech so much per se, but I do think it is interesting in the overall context of what's going on in the broader market," wrote Jared Dillian, a financial newsletter writer and former ETF trader. "How much of this is quote unquote 'news' and how much of this is risk appetite returning to a bombed-out sector?"

## MARKETS

# U.S. Stops Imports of Brazilian Fresh Beef

BY JACOB BUNGE  
AND JEFFREY T. LEWIS

The U.S. Department of Agriculture suspended imports of fresh beef from Brazil, citing recurring safety concerns.

The USDA's move came after Brazil earlier Thursday suspended beef exports from five slaughterhouses to the U.S., after a foot-and-mouth disease vaccine potentially caused abscesses in some cattle, according to the national meat-exporting group Abiec.

"Although international trade is an important part of what we do at USDA, and Brazil has long been one of our partners, my first priority is to protect American consumers," said USDA Secretary Sonny Perdue, announcing the suspension Thursday afternoon. The USDA said the block on Brazilian beef would remain in place until Brazil's agricultural ministry "takes corrective action which the USDA finds satisfactory."

The USDA said its Food Safety and Inspection Service has been scrutinizing all Brazilian meat shipments to the U.S. since March, when Brazilian authorities announced a corruption probe into the country's food sanitation inspection system. Since then, USDA officials have rejected about 11% of Brazilian fresh beef products—a rate the agency said was far above the 1% rejected from other fresh beef exporting nations. About 1.9 million pounds of Brazilian beef were turned away due to public health concerns, sanitary conditions, and animal health issues since then.

Brazil's agriculture ministry said the Brazilian cattle's reaction to the vaccine poses no health risks, and exports from the five abattoirs were suspended to give their owners time to provide information to authorities and take measures to correct the situation.

Marfrig Global Foods, owner of three of the five slaughterhouses, said in a statement that it has a rigorous quality control system and is taking the measures necessary to resume exports from those plants to the U.S.

The USDA said its move supersedes Brazil's self-imposed suspension of the five plants. A spokesman for Abiec had no immediate comment on the U.S. suspension.



An oil terminal in Zueitina, Libya. OPEC members' worries are focused on Libya and Nigeria, two members that were exempted from the obligation to cut output.

ESAM OMAR/AL-FETORI/REUTERS

# Saudis Are Boxed In by Cheap Oil

New prince needs higher energy prices to transform economy, but options are few

BY SUMMER SAID  
AND MICHAEL AMON

Saudi Arabia is searching for ways to shake crude-oil prices out of a slump that threatens its new crown prince's economic-transformation plan, Persian Gulf oil officials say, but the kingdom has few good options.

Mohamed bin Salman, elevated to crown prince of Saudi Arabia this week, needs oil prices to rise from current levels of \$45 a barrel to carry out plans to kick-start the kingdom's economy, largely through a partial public listing of state-owned Saudi Arabian Oil Co., known as Saudi Aramco. The Saudis are targeting \$60 a barrel to help the initial public offering generate tens of billions of dollars, which would be plowed into developing new technology and industrial sectors in Saudi Arabia.

Members of the Organization of the Petroleum Exporting Countries have held informal talks in recent days about how to halt a nearly month-long skid in oil prices, which have fallen 14% since late May. OPEC, along with big producers like Russia that aren't members of the 14-nation group, is already withholding almost 2% of the world's oil supply, but some OPEC members say more needs to be done to bring production in line with demand.

On Thursday, Brent crude, the global benchmark, rose 0.9%, to \$45.22 a barrel.

Prince Mohammed is known for taking aggressive action on several fronts, prosecuting a war in Yemen, leading the diplomatic freeze against Qatar, and greenlighting Saudi participation in OPEC's production cuts.

But the Saudis have less leverage over other OPEC members because of the Aramco IPO, said Jim Krane, a fellow who studies Middle East energy and geopolitical issues at Rice University's Baker Institute. Other OPEC members are unlikely to cut production further unless they see Saudi Arabia taking on a large share of

the burden because any new cuts would be seen as a push to support the Aramco IPO.

"It's almost kind of put them on the back foot," Mr. Krane said of the Saudi oil strategy.

It is a particularly difficult time for Saudi Arabia to attempt a bigger production cut. The kingdom still burns crude oil to produce electricity, and it needs even more crude in the summer, when air-conditioning use soars.

*Aramco's IPO means the Saudis have less leverage over other OPEC members.*

And some OPEC delegates say bold action could be counterproductive.

U.S. oil producers took advantage of a price rise late last year after OPEC announced its cuts, increasing production. The resulting flood of new crude oil has persuaded some investors that OPEC's actions aren't enough to rebalance the market.

"There are doubts if this whole cut initiative was effective," said an OPEC national delegate close to the Saudis.

Another OPEC delegate said Prince Mohammed is likely to be less involved in Saudi oil policy now that he has expanded responsibilities as crown prince, acting as the country's day-to-day leader.

As deputy crown prince, he was often involved in the kingdom's oil strategy, especially before he appointed his own choice, Khalid al-Falih, in 2016 to succeed Saudi Oil Minister Ali al-Naimi.

"It is a totally different approach from that seen during the last days of Naimi," the delegate said.

Saudi Arabia has time to wait for oil prices to rise, with the IPO not scheduled until 2018.

Publicly, Saudi Arabia, its allies and OPEC are preaching patience.

On Thursday, OPEC issued a news release touting its members' compliance with their pledges to cut production. "The oil market is moving in the right direction," the news release said.

Mr. Falih told an Arabic

newspaper in London that Libyan and Nigerian production wouldn't stop OPEC's efforts to drain down the global oil oversupply by the end of 2017. The United Arab Emirates' oil minister, Suhail bin Mohammed al-Mazrouei, said OPEC wasn't planning any new action soon.

Privately, OPEC members' worries are centered on two members that were exempted from the obligation to cut output: Libya and Nigeria. Both had their oil industries disrupted by civil strife, but their production has come roaring back in recent months.

OPEC members say no consensus has emerged about Nigeria and Libya, which would both likely object to limits.

"Curbing production has always been a difficult task in OPEC," Bijan Zanganeh, Iran's oil minister, told state media this week, confirming the OPEC talks.

In lieu of new cuts, Saudi Arabia has pursued other courses to help prices. Mr. Falih has highlighted the kingdom's reduced exports to the U.S., where the summer driving season usually sends demand higher. The kingdom has also cut exports to Asia.

## Banks Move Forward To Replace a Key Rate

BY KATY BURNE

Efforts to replace Libor with a credible alternative have taken another step forward.

Fifteen banks voted Thursday on a replacement for the U.S. dollar London interbank offered rate, the besmirched interest-rate benchmark that some of them were accused of rigging in an industrywide scandal a few years ago.

Banks participating in the vote had settled on two likely candidates as of last year and decided on a rate derived from a broad set of borrowing transactions secured by U.S. Treasurys, according to a statement from the Alternative Reference Rates Committee.

The individual vote tally wasn't disclosed, a spokesman for the committee said.

Phasing in the new rate is expected to start next year on a voluntary basis after the committee publishes a report on its work.

Libor has been deeply embedded in financial markets for decades and is used to set rates for hundreds of trillions of dollars of derivatives and other borrowings, including loans to consumers, companies and governments.

In May, the U.K. announced an alternative reference rate to Libor for sterling-based derivatives and other financial-market contracts.

In the U.S., the committee has "got to have a plan to encourage the market to adopt it," said David Duffee, partner at law firm Mayer Brown.

The banks that voted Thurs-

## Treasury Yield Nears Low for 2017

BY MIN ZENG

U.S. government bonds eked out some price gains Thursday, with the yield on the benchmark 10-year Treasury note falling near its 2017 low.

Traders said lower government-bond yields in Germany dragged down U.S. yields.

Treasury debt continues to offer more attractive yields than government bonds in many developed countries, which has played a big role in holding U.S. long-term government-bond yields at very low levels over the past few years.

The yield on the benchmark 10-year Treasury note settled at 2.153%, compared with 2.156% Wednesday. The yield's closing low in 2017 was 2.138% on June 14.

Yields fall as bond prices rise.

Thursday's highlight was a \$5 billion sale of 30-year Treasury inflation-protected securities that drew the strongest demand since 2011.

The strong result surprised some traders and analysts because this asset class has been taking a beating lately due to softening consumer-price index reports in the U.S. and weaker energy prices.

The value of TIPS will be adjusted higher when inflation readings rise, making them a popular vehicle for investors for inflation protection.

Some analysts say buyers deem the recent selloff has

turned TIPS into an attractive bargain.

The inflation debate heated up lately, especially after Federal Reserve Chairwoman Janet Yellen last week played down recent data showing slowing price pressures and said that a robust labor market may eventually push up inflation.

"There is still a lot of uncertainty regarding the inflation outlook, and TIPS are a little bit more attractive here," said Dan Heckman, senior fixed-income strategist at U.S. Bancorp Wealth Management.

Mr. Heckman said the auction also appeals to investors looking for long-dated high-quality assets to match their obligations such as pension funds.

Demand for long-dated bonds is robust because bond buying by the European Central Bank and Bank of Japan continues to shrink the pool of assets available to private-sector investors.

The indirect bidding, a proxy of foreign demand, was 76.1% for the 30-year TIPS sale. It was the highest since June 2016.

In another sign of investors' hunger for income, Argentina this week sold \$2.75 billion of 100-year bonds in U.S. dollars, which attracted nearly \$10 billion in orders.

Investors are keeping an eye on crude-oil futures, whose selloff this week has deflated inflation expectations and boosted the appeal of long-term government debt. Inflation chips away investors' purchasing power

from their bond investments and is seen by investors as a threat to the value of long-term Treasurys.

U.S. crude-oil prices strengthened Thursday after settling Wednesday at the lowest since August 2016. They are still down about 12% this month.

Meanwhile, gold prices rose, buoyed by higher jobless claims in the U.S. Gold for August delivery closed up

0.3%, at \$1,249.40 a troy ounce, on the Comex division of the New York Mercantile Exchange.

Initial jobless claims, a proxy for layoffs across the U.S., increased 3,000 to a seasonally adjusted 241,000 in the week ended June 17, the Labor Department said Thursday. Economists surveyed by The Wall Street Journal had forecast 240,000 new claims.

## Treasury Sets Sales of \$173 Billion in Debt

The Treasury Department will auction \$173 billion in securities next week, comprising \$121 billion in new debt and \$52 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Monday:** \$39 billion in 13-week bills, reopening of an issue first sold on March 30, 2017, maturing Sept. 28, 2017. Cusip number: 912796LV9.

Also, \$33 billion in 26-week bills, dated June 29, 2017, maturing Dec. 28, 2017. Cusip number: 912796MJS.

Also, \$26 billion in two-year notes, dated June 30, 2017, maturing June 30, 2019. Cusip number: 912828XV7.

Noncompetitive tenders for both bill issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

For the seven-year notes, noncompetitive tenders are due by noon; competitive, by 1 p.m.

competitive tenders by 1 p.m.

◆ **Wednesday:** \$13 billion in one-year, 10-month 0.070% floating-rate notes, a reopening of an issue first sold on May 1, 2017, maturing April 30, 2019. Cusip number: 912828X54.

Also, \$28 billion in seven-year notes, dated June 30, 2017, maturing June 30, 2024. Cusip number: 912828XX3.

Noncompetitive tenders for the FRNs must be received by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m.

For the seven-year notes, noncompetitive tenders are due by noon; competitive, by 1 p.m.

competitive tenders by 1 p.m.

◆ **Tuesday:** \$34 billion in five-year notes, dated June 30, 2017, maturing June 30, 2022. Cusip number: 912828XW5. Noncompetitive tenders must be received by noon EDT Tuesday and

competitive tenders by 1 p.m.

◆ **Friday:** \$14.755 billion in 10-year notes, dated June 30, 2027, maturing June 30, 2037. Cusip number: 912810RW0.

Applications \$14,755,120,600

Accepted bids \$5,607,779,400

\*noncompetitively \$9,341,700

Auction price (rate) 101.154806 (0.88%)

Interest rate 0.875%

Bids at clearing yield accepted 41.91%

Cusip number 912810RW0

The Treasury inflation-protected securities, dated June 30, 2017, mature on Feb. 15, 2047.

AUCTION RESULTS

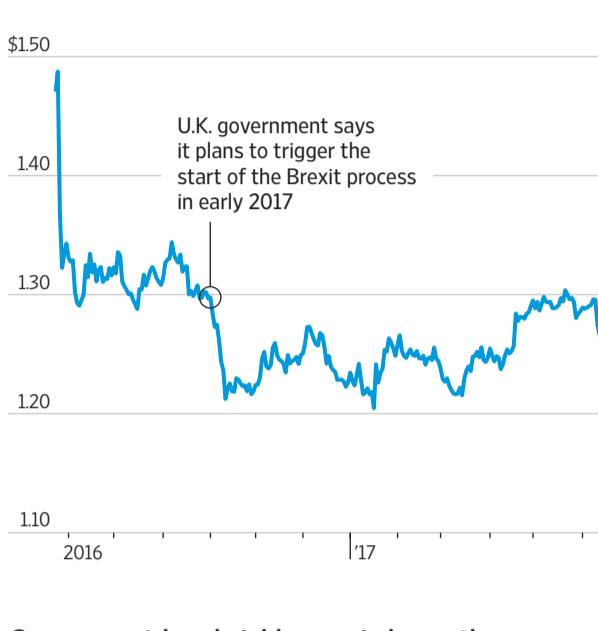
Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

# MARKETS

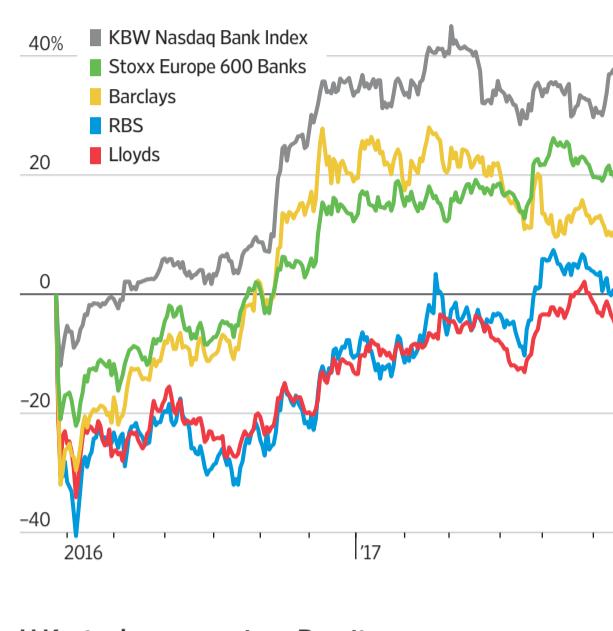
## Brexit's Impact on Markets: One Year On

Britain's surprise vote to leave the European Union on June 23 last year shook financial markets, sending the pound down more than 11% against the dollar in a matter of hours and causing local shares to tumble. Here's how U.K. markets stand one year later.

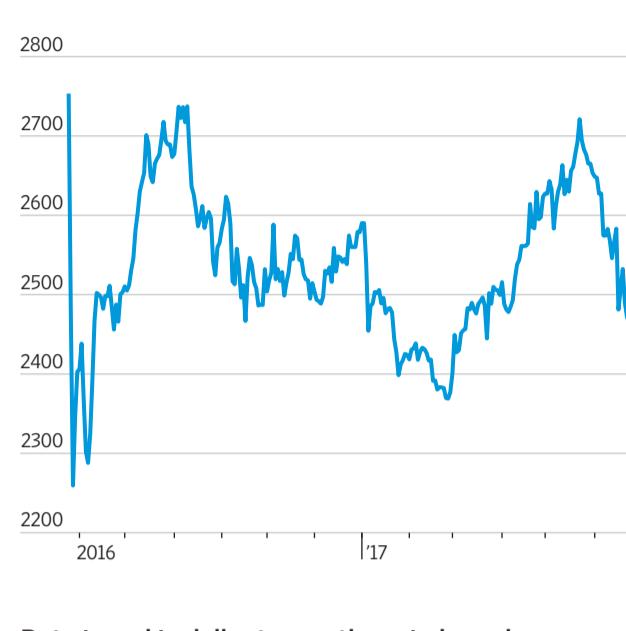
### The pound remains far lower than a year ago.



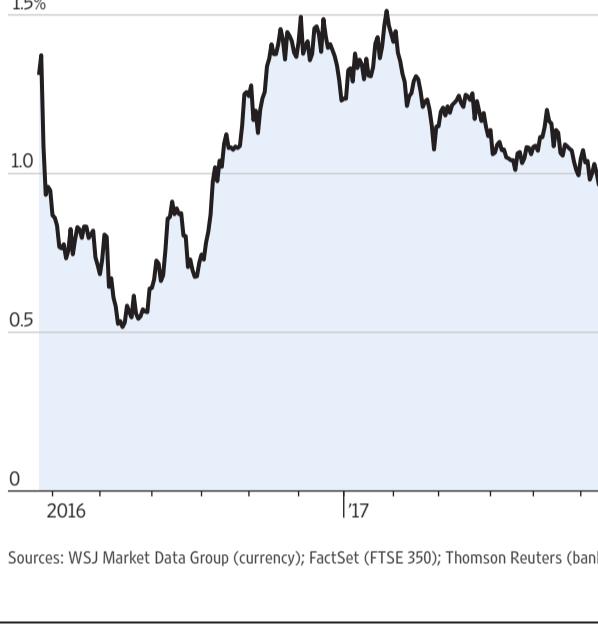
### Local bank shares have underperformed.



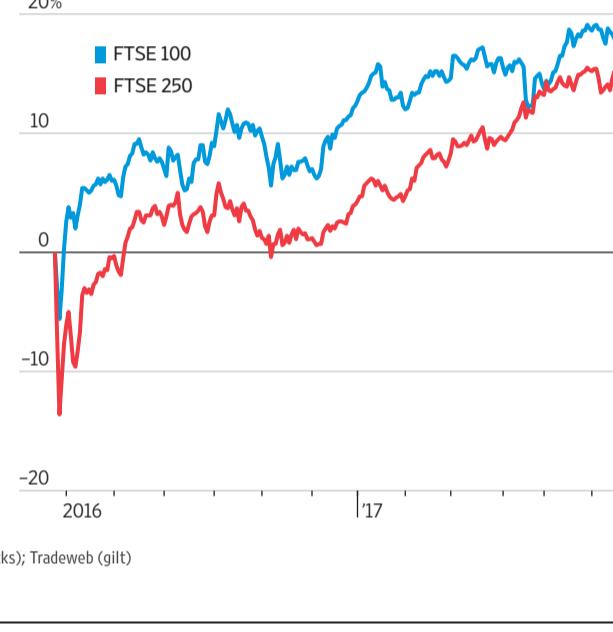
### Retailers have been under pressure.



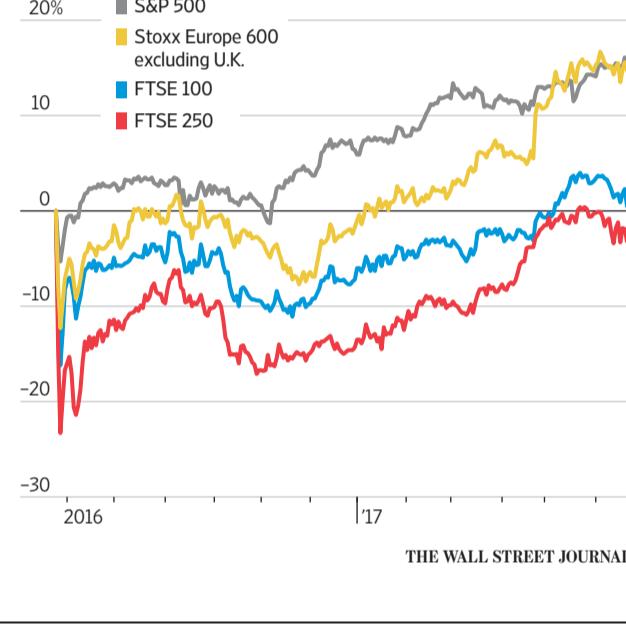
### Government-bond yields remain lower than before the vote.



### U.K. stocks are up since Brexit.



### But viewed in dollar terms, those indexes have lagged behind.



Sources: WSJ Market Data Group (currency); FactSet (FTSE 350); Thomson Reuters (banks, stocks); Tradeweb (gilt)

THE WALL STREET JOURNAL.

## HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS & COMMENTARY

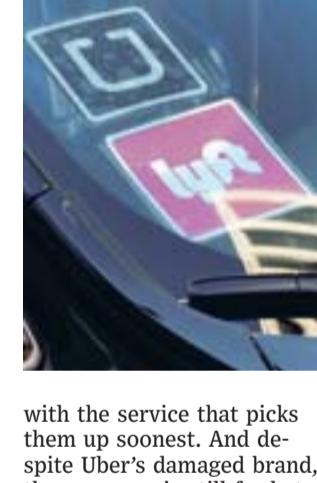
[WSJ.com/Heard](http://WSJ.com/Heard)

## Uber Remains Too Big to Flail

The investors who have sunk many billions into **Uber Technologies** can take at least some comfort in the reality that scale still matters—by a lot.

Uber, in fact, may prove to be the ultimate test of that theory. The richly valued private company has had—to put it mildly—a miserable year of self-inflicted wounds. The departure of founder and Chief Executive Travis Kalanick under pressure from several large investors on Wednesday caps a months-long investigation into the ride-sharing company's toxic culture. Several other top executives have departed recently as well.

But despite a months-long flow of embarrassing headlines, Uber remains comfortably on top of the market that it created—despite challenges from competitors such as Lyft. While Uber doesn't disclose its full financial results, it reported earlier this month that first-quarter revenue was \$3.4 billion—an 18% gain from the fourth quarter. Lyft was re-



ported to have made \$700 million in revenue for all of last year. And even though many ride-sharing drivers in the U.S. now drive for multiple companies, Uber still has more than twice as many drivers as Lyft, estimates Harry Campbell, who runs an industry blog called the RideShare Guy, which surveys ride-sharing drivers.

That sort of scale isn't easy to dislodge. Most riders at the end of the day will go

with the service that picks them up soonest. And despite Uber's damaged brand, the company is still far better known than its rivals. A survey conducted last year by SharesPost, which studies closely held companies, found that 74% of U.S. consumers cited unaided awareness of Uber as a ride-sharing service compared with 29% for Lyft.

That doesn't mean Uber's scandals don't come with a cost. TXN Solutions, which surveys credit-card receipts, estimates that Uber's share of U.S. ride-share transactions slipped to 75% by mid-June from 79% in mid-February—before a blog post from a female ex-employee ignited the firestorm. And Uber still loses money, likely in part because of subsidies it pays drivers in newer markets to keep prices low and gain share. A tarnished brand image that drives more riders to competitors exacerbates that problem.

Still, it is telling that even a heavily damaged Uber managed accounts for three-quarters of the U.S. ride-share market. That scale should buy the company time to make the many repairs it needs before going public—the biggest of which was getting rid of Mr. Kalanick and the culture he created. There will be a push for more changes from the investors that have ballooned its valuation to \$68 billion. That sort of money can't stay parked forever.

—Dan Gallagher

### OVERHEARD

Oracle's rising cloud has managed to lift its stock out of the bargain bin.

The corporate-software giant got an 8.5% boost on Thursday, the stock's biggest one-day gain in 2½ years, following a strong earnings report for its fiscal fourth quarter credited mostly to its growing cloud business.

That left the shares at 17 times adjusted forward earnings—the highest multiple Oracle has fetched since 2008.

But that multiple jumps to 21 times using projections in line with generally accepted accounting principles, or GAAP.

On that note, Oracle is drawing closer to **Microsoft**, which also has seen its market value surge from its transition to the cloud.

Microsoft currently fetches 24 times projected GAAP earnings.

**Mark Moerdler** of Bernstein projected a "further re-rating" for Oracle if its next few reports show similar trends. Clouds in this market need to keep rising.

## Two Large Banks Face A New Risk

This year's bank stress tests turned up an unpleasant surprise for **Goldman Sachs** and **Morgan Stanley**.

These two investment banks scored low on a metric introduced for the first time this year, the supplementary leverage ratio, or SLR. This ratio is meant to measure banks' total leverage, including their off-balance-sheet exposures.

In the Federal Reserve's most dire hypothetical scenario, which includes a deep U.S. recession, Goldman Sachs and Morgan Stanley would see this ratio fall to 4.1% and 3.8%, respectively.

These are the lowest levels of any bank, and also disconcertingly close to the 3% minimum.

The next step in the stress-test process happens next week when the banks ask the central bank for approval to return cash to shareholders.

If Goldman Sachs and Morgan Stanley are considered by the Fed to be too close to failing the SLR test, regulators might limit how much they can pay out.

For investors, that could make for a disappointing outcome, particularly for Morgan Stanley, which shareholders have hoped would significantly boost capital returns this year. The Trump administration has proposed to ease leverage rules, but that won't help the banks this year.

The point of the annual stress tests is to keep banks on their toes, forcing them to constantly re-evaluate how much capital they would need under various scenarios.

By introducing a new leverage metric, the Fed seems to have achieved that this year.

—Aaron Back

## Time to Say Bye for Now to China's Largest Deal Makers

China's top deal makers are at the epicenter of a shake-up. The seismic waves will ripple afar.

China's banking regulator has asked the country's lenders to investigate loans extended to a group of companies that have aggressively invested overseas, according to The Wall Street Journal.

The firms in question include **Anbang Insurance Group**, **HNA Group**, **Fosun International** and **Wanda Group**, which together have spent tens of billions of dollars in recent years to snap up assets around the globe.

Companies directly related already have felt the pain. A cinema unit of

### Shopping Trip

China's outbound M&A



Wanda, which also owns **AMC Entertainment**, fell 10% Thursday. Shares of Hong Kong-listed Fosun International were down 6%.

The news came a week after the chairman of Anbang

was detained by a special investigative unit looking at economic crimes. Anbang has risen from obscurity to become an insurer with assets approaching \$300 billion, including New York's Waldorf Astoria hotel. It has grown so big partly by issuing short-dated high-yielding financial products to raise money.

All of these companies have loaded up debt, sometimes using obscure financing to fund overseas ambitions. Beijing is legitimately worried about their increasing risks and intricate web with the banks. A clampdown could send shock waves through China's financial system.

The impact would be felt

outside China, too. Deals that are yet to be completed now have an added level of uncertainty.

Singapore logistics firm CWT, pending a \$1 billion takeover from HNA, fell 5.3% Thursday to a level not seen since the deal announcement. HNA is still in the process of buying a 25% stake in Old Mutual's U.S. asset-management unit and a majority stake in Trump-backer Anthony Scaramucci's hedge fund, Skybridge.

Another worry is if these companies need to sell some of their assets if Beijing really turns the taps off. HNA is Deutsche Bank's largest shareholder with a nearly 10% stake. It also owns around one-quarter of Hilton Worldwide Holdings. Both deals were accomplished with highly engineered financial structures, the kind that may make regulators antsy.

More broadly, the "China bid," which has kept global deal-making humming, will take an even longer breather than previously thought. Companies in the U.S. and Europe looking to sell themselves may now have a harder time finding a good price if these acquisitive companies are withdrawing themselves from their buying spree. China's financial plumbing problems could flush assets down the drain.

—Jacky Wong

Actor Kirk Douglas  
on his rise from poverty  
**M5**



# MANSION

If you do not expect the unexpected,  
you will not find it.'

—Heraclitus

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, June 23, 2017 | M1



**BRONXVILLE, N.Y.** Matthew Knouff, above on the right, was in London when he spotted an online listing for this Tudor-style home. His real-estate agent, Dex Lipovic, above on the left, gave him a virtual tour using FaceTime, Apple's video-calling service. Mr. Knouff bought the property for \$1.175 million and is currently renovating it as he decides whether to move in or resell.

## Blind Home-Buying

It takes both confidence and trust to purchase a house sight unseen. But advances in virtual reality and other technology have taken away some of the surprises.



**EAST HAMPTON, N.Y.** Laurie McNally, above wearing white blouse, was at a health retreat in San Diego when her agent called about a house in East Hampton, N.Y. Ms. McNally looked at a couple of photos of the home on her cellphone and bought the property for \$870,000. 'I went on trust,' said Ms. McNally, who is pictured with her daughter, Nicole Goodman.

BY KATY MC LAUGHLIN

The first time Angelo Smyrnios pulled up in front of a Mediterranean-style home with a red-tiled roof and palm trees in Lighthouse Point, Fla., he got out of the car and said, "OK, let's go

see the \$1.65 million house I just bought sight unseen."

It takes a confident buyer—and a trusted real-estate agent—to purchase property without a firsthand visit. Would-be buyers can always peruse listing photos and videos online, and Google Earth offers views of the neighborhood.

But to avert some of the surprises of a long-distance listing, agents are increasingly walking clients through properties via FaceTime, Skype or WhatsApp, or even making custom videos. Real-estate brokerages and a crop of new technology companies are creating three-dimensional photo

Please turn to page M6

## VICTORIA'S REAL-ESTATE BOOM

The picturesque Canadian city's laid-back atmosphere and gentler prices spark a huge surge in demand; glassy mansions on the water.



BY LEIGH KAMPING-CARDER

The picturesque city of Victoria—with its lively harbor and wooded roads—is beset with home buyers.

The capital of British Columbia, Canada's western-most province, has long attracted Canadian retirees looking for mild weather. In the past year, however, demand has been strengthened by buyers priced out of Vancouver and other Canadian cities, and by semiretired professionals able to work re-

Please turn to page M7

**FOR SALE** The home of Victoria native Rob McAdams sits on 16.22 acres with 840 feet of frontage on Saanich Inlet.

INSIDE

**LITTLE LOSS**  
After price cuts, rapper Lil Wayne sells Florida home **M2**



**SHOP TALK**  
An architect designs his penthouse in a former department store **M4**



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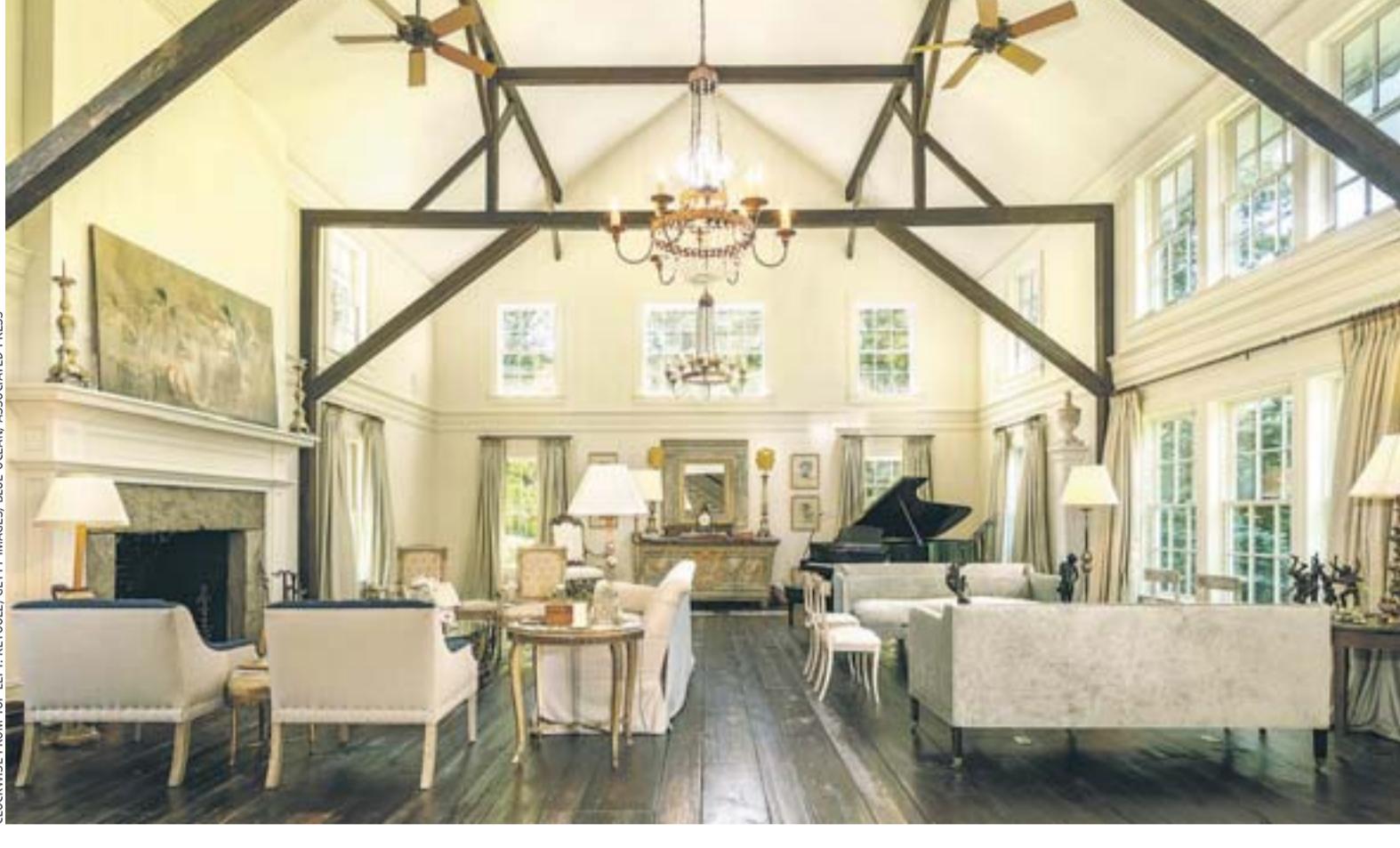
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## MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

# Harry Connick Jr. Lists Connecticut Home



CLOCKWISE FROM TOP LEFT: RETOOLZ; GETTY IMAGES; BLUE OCEAN; ASSOCIATED PRESS

Singer and actor Harry Connick Jr. is selling the Connecticut home where he has lived with his family for nearly 20 years, asking \$7.5 million for the former dairy farm.

Mr. Connick and his wife,

Jill, a former Victoria's Secret model, said they raised their three daughters at the New Canaan property, located about 50 miles outside New York City. The couple said they are selling because they love design and architecture, and are ready for a new project, al-

though they declined to say where that will be. "We wanted to try something new," Mr. Connick said.

The 4.61-acre estate was once part of a large dairy farm, said the Connicks. It serves as their primary home. They previously had lived in New York City, but when it came time to raise their family they wanted "to stretch out a little bit" somewhere "out of the limelight," Mr. Connick said.

Purchased in 1998 for

\$1.54 million, according to public records, the seven-bedroom, roughly 11,600-square-foot main house is a former barn dating back to the 1890s.

The Connicks spent about two years renovating the house after buying it, using chestnut from the original structure to build doors and countertops.

The living room has a roughly 25-foot ceiling, and a granite fireplace surround that the Connicks had made from a set of steps that once led to a



stream on the property.

Outside, they built a heated swimming pool and a pool house with a cupola. Another former barn on the property

contains a gym and storage. "When the girls were younger we had some barn parties out there," Mr. Connick said. Another, smaller barn contains a workspace for Mr. Connick where he said he writes music.

Mr. Connick, 49, is the host of "Harry," a syndicated, daytime TV entertainment show that will begin its second season this fall.

The listing agents are April Kaynor and Kelly DeFrancesco of William Raveis Real Estate, Mortgage & Insurance.

12 bathrooms. The owner, Joseph Segal, said he built the house about 20 years ago and has used it for many charitable functions over the years; the home has two kitchens and an elevator.

The walls and ceilings have painted murals, and above a staircase in the foyer is a chandelier that once hung in Benito Mussolini's home, Mr. Segal said. The upper level includes a workout room and a craft room. An indoor swimming pool has an adjacent sauna, wet bar and his-and-hers bathrooms.

Mr. Segal is founder of Kingswood Capital, a venture-capital firm and real-estate developer. He said he and his wife spent years acquiring art and antiques for the home on trips all over the world. The

carpets and light fixtures are included in the asking price. The art, antiques and silver are available for sale, but aren't included in the price.

The 1.28-acre estate includes tiers of gardens and an orchard with plums, apples, cherries and fig trees. Each year over 12,000 tulips bloom in the garden, Ms. Frosch said.

Mr. Segal, 92, said the couple is selling because they are downsizing to a smaller home in Vancouver. "I'm an old man," he said, and "it's a big place."

Along with other large cities in Canada, Vancouver has seen a housing boom in recent years driven in part by international buyers, causing a run-up in housing prices and government concerns about a bubble.



## LIL WAYNE SELLS MIAMI BEACH HOME FOR A LOSS

Rapper Lil Wayne has sold his highly customized Miami Beach house—complete with a skate park and a shark lagoon—at a loss, two years after a highly publicized "swatting" incident at the home.

Lil Wayne, whose real name is Dwayne Michael Carter Jr., sold the waterfront home for \$10 million, according to listing agent Ty Forkner of One Sotheby's International Realty. He bought the house in 2011 for \$11.6 million, according to public records.

Mr. Carter put the La Gorce Island home on the market for \$18 million in 2015, shortly after it was swatted—a term for when a prankster calls emergency services in hopes of bringing responders to a certain address. In this case, someone falsely reported that four people had been shot at the home, sending police to the scene, according to Ernesto Rodriguez, a spokesman for the Miami Beach Police Department.

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"He didn't enjoy having prank calls and things like that happening," he said.

When asked about home being sold at a loss, Mr. Forkner said Mr. Carter is "just happy to move on to a new property" and will continue to live in the Miami area. Mr. Carter couldn't be reached for comment.

The property consists of a roughly 13,000-square-foot main house plus a three-bedroom guesthouse, Mr. Forkner said. After buying the house, Mr. Carter, an avid skateboarder, built a custom skate park on the roof. Inside, he added a pool with sharks surrounding a glass elevator.



## GOING UP: ELABORATE VANCOUVER ESTATE SHOOTS FOR A RECORD \$47 MILLION



In Vancouver—one of Canada's hottest housing markets—an estate is going on the market for 63 million Canadian dollars, or about \$47.3 million.

If the home fetches its ask-

ing price, it will become the priciest home sale on record in the area, surpassing a nearby home that sold for about \$42 million, said listing agent Christa Frosch of Sotheby's International Realty Canada.

Located in a sought-after area of Vancouver's West Side with views of the Pacific Ocean and nearby mountains, the European-inspired home spans roughly 22,000 square feet, with five bedrooms and

12 bathrooms. The owner, Joseph Segal, said he built the house about 20 years ago and has used it for many charitable functions over the years; the home has two kitchens and an elevator.

The walls and ceilings have

painted murals, and above a

staircase in the foyer is a

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ming pool has an adjacent

sauna, wet bar and his-and-

hers bathrooms.

Mr. Segal is founder of

Kingswood Capital, a venture-

capital firm and real-estate de-

veloper. He said he and his

wife spent years acquiring art

and antiques for the home on

trips all over the world. The

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## COLORADO RANCH WITH BUILT-IN 'GLAMPING' SEEKS \$45 MILLION



HALL AND HALL

A Colorado ranch asking \$45 million comes with an equestrian facility, a clay pigeon-shooting course and "glamping" facilities.

Spanning roughly 10,350 acres, Motherwell Ranch was the setting of a Discovery Channel special, "I, Caveman," where participants lived in the wilderness with only primitive tools. Located in Routt County, about a 45 minute-drive from Steamboat Springs, the property includes a five-bedroom

home built in the early 1900s, according to Weston Adams, whose father, Wes Adams, assembled the ranch.

There is also a hunting lodge with a bar and commercial kitchen, a ranch headquarters, log cabins, the equestrian facility, the shooting course and furnished tents with bathrooms for glamping, or glamorous camping. There are about five horses and about 100 head of cattle, Mr. Adams said; the livestock is available for sale

but the pricing is a separate negotiation.

The Williams Fork river, known for its trout fishing, flows through the ranch for about 3 miles, according to listing agent Brian Smith of Hall and Hall. The property also has three lakes for boating, swimming and fishing.

The late Wes Adams, who died in 2011 at age 61, was founder of Las Vegas-based Western States Contracting and a rodeo enthusiast. He

started assembling Motherwell Ranch in 1985 and used it as a weekend and summer retreat for his family, his son said. Since his death the family has also used the ranch for commercial activities, such as weddings and hunting retreats.

Weston Adams said he and his mother are having health issues, making traveling to the ranch more difficult. "We'd love to see it go to someone who wants to raise a family there," he added.

► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion). Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)

## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

# ENSURE YOUR CONTRACTOR IS INSURED

First a fire, then a flood, finally a theft. One luxury homeowner learned the hard way about the importance of insurance coverage.

Home-improvement projects take off in the summer, when many homeowners gut the kitchen or add a bathroom. But what happens when a contractor's negligence causes those plans to go up in smoke—literally?

Doug Clark's 4,800-square-foot home in Baton Rouge, La., was hit by lightning in 2014, igniting a fire that destroyed the entire upstairs. During repairs, another storm came through and ripped off the roof, causing extensive flooding. Then, the contractor failed to properly secure the home, and new air-conditioning equipment was stolen, as well as jewelry, lawn equipment and two generators.

The result: A \$400,000 insurance claim, paid by Mr. Clark's insurance company, Privilege Underwriters Reciprocal Exchange, which specializes in high-value luxury and waterfront homes.

"We made a classic mistake—we hired a friend-of-a-friend, who was a contractor," says Mr. Clark, a corporate trainer. "We didn't give it a lot of thought. I had four children and two puppies, and we needed to be back in our house as quickly as we could."

When a contractor's work harms a home, most homeowners seek damages under the contractor's liability policy. But with high-end homes, the situation is different.

"Often, a high-net-worth homeowner will file a claim with their homeowners-in-



CHRIS GASH

surance carrier, versus directly with the contractor who caused the damage," says Lisa Lindsay, executive director of the Private Risk Management Association, a trade group that represents the high-net-worth insurance industry. "Their homeowners-insurance policy will likely provide a better claims experience and afford better insurance coverage."

For example, if a contractor has a \$1 million policy but the renovation damage totaled \$3 million, the homeowner would file a claim for the full amount with their own insurer. That insurer would likely subrogate, or

seek reimbursement, from the contractor or its insurance company.

Also, high-end homes are more likely to incorporate pricey materials or fixtures, not to mention valuable artwork or antiques, and a contractor's liability policy may not cover these items, Ms. Lindsay says.

National annual remodeling expenditures are projected to reach almost \$320 billion between April 2017 and March 2018, according to a quarterly report from the Joint Center for Housing Studies of Harvard University. Yet even with so much work going on, the number

of homeowners-insurance claims for damage done by contractors is relatively low. According to the Travelers Cos., which examined seven years of home-claim data, damage from home-improvement projects doesn't even rank in the top five causes of claims. That's because most claims would move forward under the contractor's policy.

Claims from renovations frequently include water damage from pipe breaks, broken windows and fires. Theft of building materials is common as well.

"Renovations are a common source of mishaps," says Dan DiClerico, a home

expert at HomeAdvisor, an online home-improvement marketplace in Golden, Colo. "There are so many things that can go wrong."

Experts recommend that homeowners be in touch with their insurance agent before and after a home-improvement project. By checking in before, they can ensure they have sufficient coverage. The insurance company needs to know about the improvements completed as well. After a major renovation, the policy limits may need to be increased so that a homeowner has enough insurance to rebuild the home. Some

projects, such as replacing a roof or installing impact-resistant windows, may qualify for an insurance discount as well.

For those about to embark upon a home-improvement project or other renovations, here are a few things to consider:

- **Verify everything.** Fully vet your contractor. Make sure the firm holds a state license, is bonded (which ensures funds are available to pay the homeowner if the job isn't completed properly or items are stolen) and has required insurance, including general liability and workers' compensation. Remember that workers' compensation pays for medical care and lost wages if a worker sustains injuries on the job. If the contractor doesn't have proper insurance, those injured workers may sue you. Travelers suggests verifying the insurance coverage of subcontractors as well.

- **Keep copious records.** Retain copies of all paperwork involved in your project—proof of licensing, bonding and insurance, contracts, invoices, proof of payment, progress photos and all project-related correspondence.

- **Take inventory.** Before starting a home-improvement project, make a detailed list of all the items in your home. Include furniture, appliances and personal possessions, and note the date you acquired each item and the purchase price. Consider taking photographs or making a video. If you do experience a property loss, your inventory will assist in the settlement of a covered loss or claim.

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## MANSION



ALSTON THOMPSON PHOTOGRAPHY FOR THE WALL STREET JOURNAL (4) MARK HERBOTH (STAIRWELL)

ARTFUL HOME Phil and Nnenna Freelon, below right, in their converted duplex apartment. The dining area and kitchen, above, with stairs leading to the sole bedroom and master bath, below left.

### INSIDE STORY

# An Architect's Penthouse in an Unlikely Place

Phil Freelon, who led the design team for the Museum of African American History and Culture, creates an art-filled home in a former Durham, N.C., department store that once had a whites-only lunch counter

BY STEFANOS CHEN

**IN 1960**, in the basement of Kress department store, an Art Deco building in downtown Durham, N.C., activists staged sit-in protests at the whites-only lunch counter.

Fifty years later, African-American architect Phil Freelon and his wife, Nnenna, a six-time Grammy-nominated jazz singer, became the first owners of a newly converted apartment

in the top two floors of the five-story building.

"We thought it was an interesting twist that African-Americans would own the penthouse in a building that dated back to the Jim Crow era," said Mr. Freelon, who has spent much of his career creating exhibition spaces for black culture.

Mr. Freelon, the design director at architecture firm Perkins + Will, led the design team behind the recently opened Smithsonian National Museum of African American History and Culture in Washington, D.C. His other works include the Museum of the African Diaspora in San Francisco, Emancipation Park in Houston and his current project, a \$50 million expansion of the Motown Museum in Detroit.

The couple bought the 2,100-square-foot, two-story space—a vacant shell that in another era stored mechanical equipment in the 1930s building—for \$175,500 in 2010, records show. The 14-unit mixed-use condo development still has the original Kress logo and ornate terracotta facade. He bought the space from a developer who had intended to keep the unit, but was deterred by the awkward layout—the two floors are offset, not directly aligned on top of each other.

"We like challenges," said Mr. Freelon, 64, for whom the project marked a departure from his large-scale, modernist work. "If it's simple, it's boring."

He collaborated on the design with Durham architect Ellen Cassilly. The Freelons spent around \$450,000 and nine months to complete the one-bedroom, loft-like apartment, which has a roughly 216-square-foot rooftop terrace overlooking the skyline.

Design obstacles became an advantage. The large commercial windows were unusually high off the floor, so Mr. Freelon raised the floor 18 inches, allowing him to hide ductwork and air systems below the floor and bring the windows to eye level. A structural beam in the center of the floorplan was used to create distinct quadrants on the main level: kitchen, dining, living and music, where Mrs. Freelon, 60, plays her baby grand piano.

"It's a lovely space to create music," said Mrs. Freelon.

The foyer leads to an open floorplan with red-oak flooring, 9-foot concrete ceilings, and track lighting to showcase the family's collection of mostly African-American art. One of Mr. Freelon's favorites, an impressionist

harbor scene from Gloucester, Mass., was painted by his grandfather, Allan Freelon Sr., a noted Harlem Renaissance artist. For "a little bit of funkiness," Mr. Freelon said they built a curved pumpkin-orange wall that outlines the kitchen and adds color.

A central staircase is lighted by a large clerestory window that brightens both levels. Alcoves in the walls of the stairwell display traditional sculptures from West Africa.

Upstairs, the only bedroom, a spacious suite with 11-foot ceilings, opens onto the rooftop deck, with sturdy blue-oat-grass planters that can withstand Durham's dry heat. A television is hidden in the adjacent study, where Mrs. Freelon creates collage and multimedia art. (Rather than watch TV in the bedroom, they stream music by the likes of Ella Fitzgerald or Pat Metheny on their built-in sound system.)

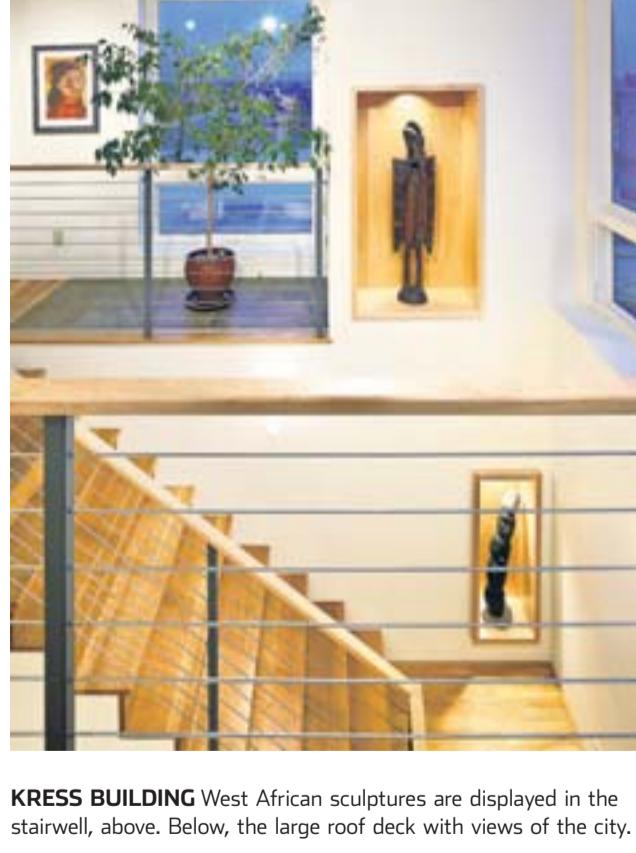
The couple, who have

been married for 37 years and have three adult children, used to live in a 6,000-square-foot Georgian Colonial nearby. They are now wrapping up a modernist lake house about 20 minutes from town, where they plan to split their time.

Their plans were complicated last year when Mr. Freelon was diagnosed with Amyotrophic Lateral Sclerosis (ALS), a disease that affects muscle control and mobility. "It's relevant to everything I do now," said Mr. Freelon, who launched the Freelon Fund to support research on the disease.

The couple's two-story penthouse can be retrofitted with a glass elevator, he said, and their lake house was designed with mobility and ease of access in mind from the start.

He finds some poignancy in how his work remains the same. "I've always been focused on accessibility and providing equal access to everyone," he said.



KRESS BUILDING West African sculptures are displayed in the stairwell, above. Below, the large roof deck with views of the city.



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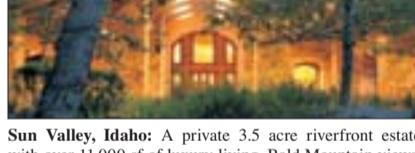
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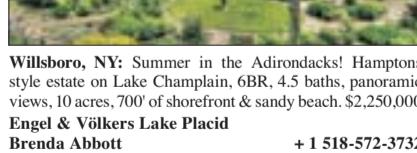
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## MANSION

HOUSE CALL | KIRK DOUGLAS

# How 'Spartacus' Broke Out Of A Hardscrabble Life

The award-winning actor, now 100, lived in poverty in Amsterdam, N.Y.; then a friendship led him to Hollywood

We were the poorest family on a street of poor families. My father, Harry, had emigrated from Russia and settled in Amsterdam, N.Y. Then he sent for my mother, Bryna. But he couldn't do much to make money. So he bought a horse and became a ragman.

We were seven kids, and my father was an indifferent provider. My mother always pleaded with him for money. He'd say, "Haven't got it," in Yiddish. Growing up, we never had enough food.

When I was hungry, I stole food—an egg from under a neighbor's hen or a tomato from a garden. I also swiped fruit and vegetables from a stand. For years, I felt guilty about those little sins.

Anti-Semitism was common in Amsterdam. I suppose my personality and charm developed as a way to survive. It also helped that I loved to act and won awards in school.

I also was a hard worker. I'd invent jobs, like selling soda and candy to workers at the mill at the end of our street. Amsterdam was one of the largest mill towns in the country. There were dozens of factories, but no jobs for Jews.

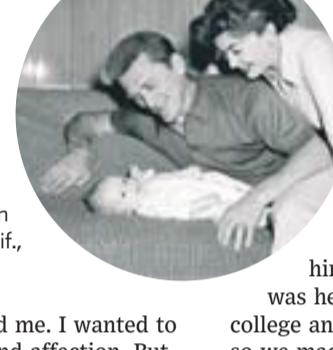
Our house was a rundown, two-story gray clapboard next to the factories, the railroad tracks and the river. It didn't have heating. Before the winter, my father and I would take dried manure from his horse, Bill, and spread it around the foundation for insulation. It didn't help.

By the time the family was complete—six girls and me, fourth in line—I slept on a shabby living-room sofa. The girls were in two bedrooms, and my parents in another. I hated sleeping on my own. I loved my father, but I won-



### LUST FOR LIFE

Kirk Douglas, far right, in Beverly Hills in 2014; with his mother, Bryna, above, around 1932; and with his wife, Anne, and son Peter, right, in Palm Springs, Calif., in 1956.



dered if he loved me. I wanted to win his praise and affection. But he was distant.

My mother worked hard to feed and clothe us. There wasn't much money. She took care of the house with no hot running water, washing machine or decent stove.

She was ingenious. The girls would buy a pound of the cheapest meat at the kosher butcher and beg for free bones. The soup my mother made fed us for days.

After high school in 1934, I didn't have enough for college tuition. So I hitchhiked 200 miles to

St. Lawrence University in Canton, N.Y., with a friend who was a sophomore there. I took all my high-school acting awards, transcript, essays and poems. I also took a letter of recommendation from my English teacher and champion, Mrs. Livingston.

I met with Dean Hewlett, head of faculty, and delivered my pitch. It worked. He helped me get a college loan, and the following semester I won a scholarship.

During the summer after my freshman year, I took a job wrestling in the circus. I was a shill.

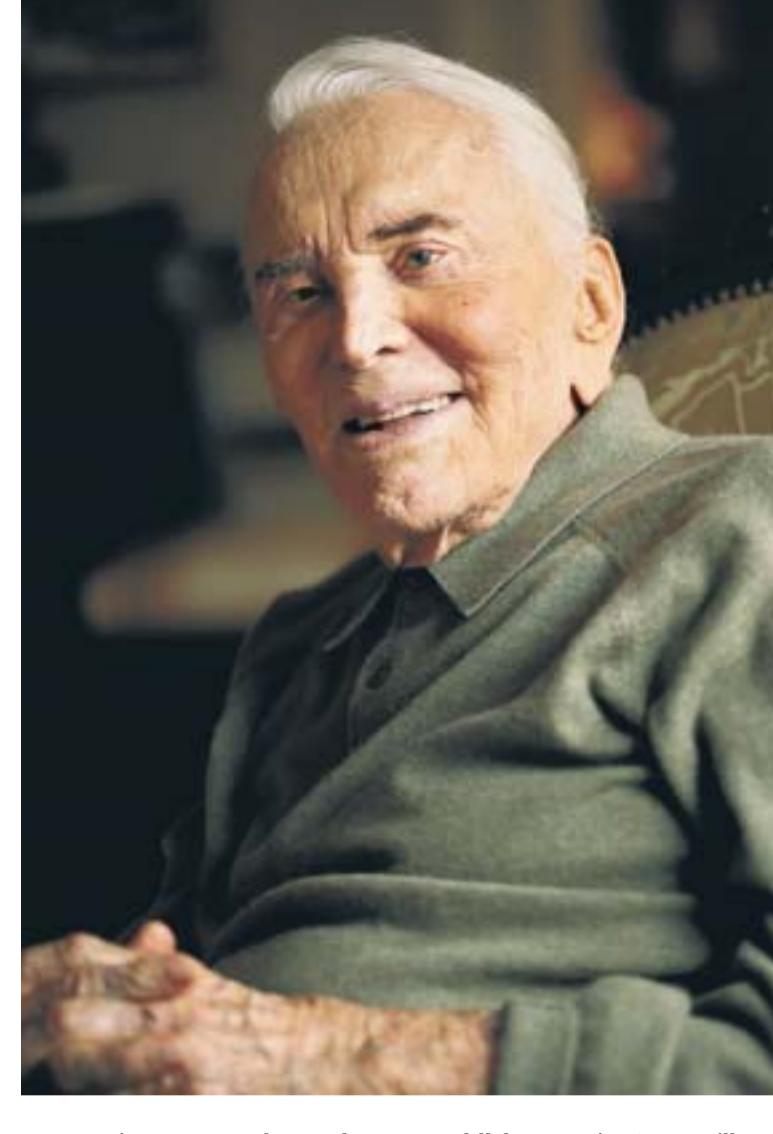
When the wrestler asked if anyone in the crowd cared to challenge him, I stepped forward. I

was head of the varsity team at college and an undefeated champ, so we made a show of it.

It was hard for a Jewish kid to find work at any of the hotels and resorts up there and my name was Izzy Demsky.

Future summers were spent acting at the Tamarack Playhouse on Lake Pleasant. One day, a few of my friends insisted I needed a more American name. Someone suggested Douglas. My new first name took longer. Someone finally said Kirk. My new name sounded masculine and strong.

The big turning point for me



was meeting Betty Perske. By then she was Betty Bacall and would soon become Lauren Bacall. We met at the American Academy of Dramatic Arts in Manhattan.

Betty was 17 and I was 25. One winter I only had a lightweight coat. Betty talked her uncle into giving me one of his warmer coats. I loved her from that moment on.

Betty became a huge star with her first film, and she urged film producer Hal Wallis to see me on Broadway. That's how I came to Hollywood. I co-starred in "The Strange Love of Martha Ivers" (1946).

Today, my wife, Anne, and I live in Beverly Hills. We decided about 30 years ago to downsize from the large house we owned to a cozy one-story house.

I fell for Anne in 1953. I still see her as an elegant and sexy Parisienne, but it's her character and wit and how her eyes light up when she sees me that delight me.

I never expected to live to be 100. A stroke in 1996 affected my speech, but it hasn't stopped me from laughing. You live a long life if you enjoy the things that make you happy and don't worry too much. You can't do much about those things anyway.

—As told to Marc Myers

*Kirk Douglas, 100, has starred in more than 90 films, including "Spartacus," and has won an Oscar and the Presidential Medal of Freedom. He is the author of 12 books, including "Kirk and Anne," a joint memoir (Running Press).*

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## MANSION

# HOMES PURCHASED SIGHT UNSEEN



FROM TOP: DOROTHY HONG FOR THE WALL STREET JOURNAL (2); ALEXIA FODER FOR THE WALL STREET JOURNAL

*Continued from page M1*  
graphic and video tours, which can be viewed in virtual reality.

Mr. Smyrnios and his wife, Lisette, began searching for a home in Lighthouse Point at the beginning of the year, after deciding to relocate from Littleton, Colo., to be closer to Ms. Smyrnios's mother. They visited the area three times, viewing property with their agents, Lisa and John Wilson of Douglas Elliman Boca Raton. In April, the Smyrnioses were busy packing up their home—and Ms. Smyrnios was about to leave for a business trip—when Ms. Wilson called to tell them about a house she thought was ideal for them.

The Wilsons gave the couple a 45-minute tour of the property using Apple's video-calling service FaceTime. They held up an iPhone and narrated as the Smyrnioses directed them to parts of the house they wanted to examine further. Ms. Wilson also rode on the back of a motorbike, with Mr. Wilson driving, and FaceTimed the neighborhood for Ms. Smyrnios. The Smyrnioses researched crime statistics and other quality-of-life issues on Areavibes.com. Ms. Smyrnios's mother also went to look at the house—a visit the couple also observed via FaceTime—and gave her thumbs-up.

When they first arrived, "I liked it even more in person," said Ms. Smyrnios, a 49-year-old executive for a consulting firm.

Last summer, Laurie McNally signed a contract to buy a weekend house close to the beach in East Hampton, N.Y., paying \$870,000. Not only had Ms. McNally not seen the house, but when her real-estate agents, Chris Chapin and Raymond Lord of Douglas Elliman, called to tell her about it, she was at a mind-and-body health retreat in San Diego and lacked access to a computer. Phone use was limited to a few hours each night.

"They sent a couple of pictures and a description," which she looked at on her cellphone, said Ms. McNally, a finance executive who lives in Ardmore, Pa. Advised she needed to move quickly, "I went on trust," Ms. McNally said.

She put down a 10% deposit, customary in New York state real-estate transactions, when she signed the contract. Had she decided she didn't like the property upon seeing it, "she could not have backed out without losing her deposit," said Mr. Lord.

"Sight unseen" offers on family homes are on the rise, according to Redfin, a national real-estate brokerage. In a survey of 1,334 recent home buyers in 11 major metropolitan markets, 33% said they had made an offer on at least one house "sight unseen." In previous surveys, Redfin found that about 20% of buyers said they had bid on houses they had never seen.

Agents say blind bids are more common in hot markets where

**WORTH THE RISK** The kitchen, above, and porch, below, of Laurie McNally's weekend home in New York's Hamptons. Ms. McNally could have lost her 10% deposit had she decided she didn't like the property after seeing it firsthand, according to real-estate agent Raymond Lord.



homes sell quickly, as well as in places that are popular with overseas buyers.

Sotheby's International Realty adopted 3-D photography in September, and now about 10% of its listings include 3-D photo tours. About 5% of the company's 880 offices world-wide currently have virtual-reality viewing areas, where clients can view 3-D property pictures on a screen or while wearing VR headsets. In five years, the company should have such viewing areas in every office, said

John Passerini, global vice president of interactive marketing.

VirtualAPT, a Brooklyn-based technology company that launched last year, invented a robot that films virtual tours in 3-D. The robot records a real-estate agent guiding a tour of a property, as though showing it to a live person, and produces a video within 15 minutes, said chief executive Bryan Colin.

Both Mr. Passerini and Mr. Colin said the goal of such tours is to facilitate sales of real estate to people who can't travel to see proper-

ties and to minimize time spent on a search.

Today, 3-D tours are more commonly seen on high-end listings that have larger marketing budgets. Mr. Colin's tours cost \$1 per square foot, so a 3,000-square-foot home would cost the real-estate agent \$3,000. Although viewing 3-D tours while wearing a virtual-reality headset best imitates the live experience, consumers resist putting on VR headsets, even when they are provided free, real-estate executives say. Any extra technical

steps are turnoffs to consumers. VirtualAPT tours require just clicking on a link, because Mr. Colin said wealthy real-estate buyers dislike downloading apps.

While Matthew Knouff was vacationing in Italy, his real-estate agent called to tell him about an apartment in Brooklyn's Williamsburg neighborhood that met all his criteria: It was a one-bedroom with a view, in a building with a pool and a screening room. While soaking in a pool on the Amalfi Coast, Mr. Knouff, a 37-year-old data-privacy consultant, toured the property on FaceTime with his agent, Dex Lipovic of CORE.

Upon hanging up, Mr. Lipovic shot video with his iPhone and a DJI Osmo attachment, a video stabilizer that keeps the phone steady for a better-quality video. Mr. Knouff went into contract for \$1.125 million without ever having visited the apartment.

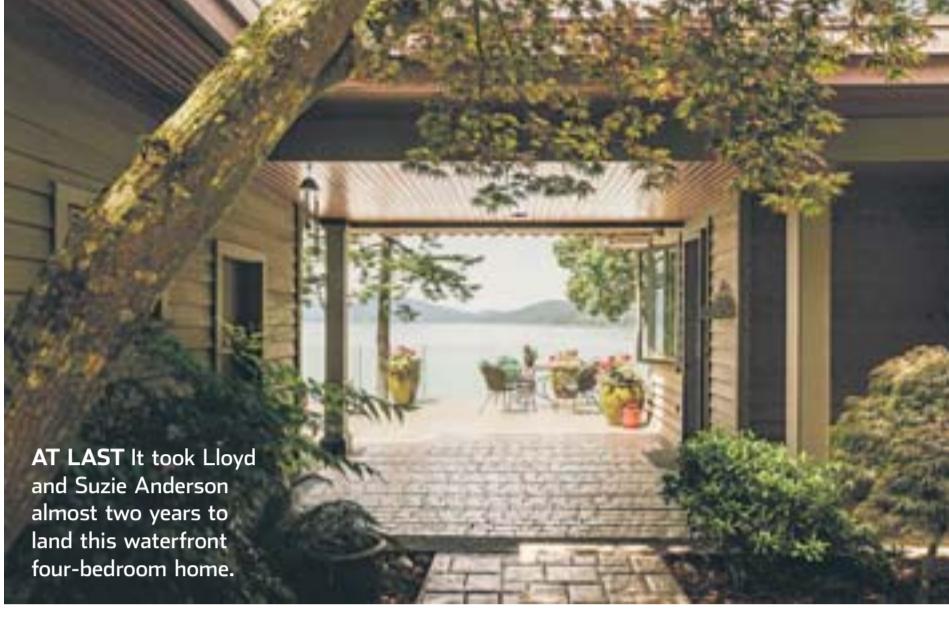
Last year, while Mr. Knouff was in London for work, Mr. Lipovic provided a FaceTime tour of a house in Bronxville, a community just north of Manhattan. Mr. Knouff bought the property for \$1.175 million and is currently renovating it as he decides whether to move in or resell.

Mr. Knouff thinks there's a benefit to remaining a step removed, explaining that on a brief visit to a property, a bad mood, an anomalous smell or noise or some other unimportant detail could make him dismiss a property with potential. "My bias could impact me in a negative way," said Mr. Knouff. Sight unseen "for me is the easiest way to purchase," he said.



**REMOTE TOUR** Angelo and Lisette Smyrnios, with their dog Remi, at their Lighthouse Point, Fla., home purchased for \$1.65 million based on FaceTime tours and a video of the neighborhood shot from the back of a motorbike.

## MANSION



**AT LAST** It took Lloyd and Suzie Anderson almost two years to land this waterfront four-bedroom home.



KAMIL BIALCZUS FOR THE WALL STREET JOURNAL (2)

# VICTORIA'S REAL-ESTATE BOOM

Continued from page M1

mately and who are seeking a laid-

back lifestyle.

The median price of a Victoria home rose 15.5% to 587,086 Canadian dollars, or \$436,008, in the first quarter of 2017 compared with the same period last year, according to real-estate brokerage Royal LePage. Inventory has plummeted. And Victoria's luxury market, which starts around \$1.5 million, is booming. Between May 2016 and May 2017, 126 homes sold at or above that price; before 2015 these sales hovered between 20 and 40, said Fair Realty's Leo Spalteholz, who writes a blog about the Victoria market.

"In single-family homes, where we have our biggest crunch, there's just no land to build anymore," said Bill Ethier of Royal LePage Coast Capital Realty.

Lloyd and Suzie Anderson's hunt to find a waterfront equestrian property in Victoria took almost two years. After being outbid four times, Mrs. Anderson had taken to searching real-estate websites late at night. During one search, she spotted a listing that had gone up 15 minutes earlier. "We flew out the next day" from Ontario, said the 53-year-old retired teacher.

The couple's roughly \$2 million offer was accepted, and in August 2015 they moved into the 6,144-square-foot, four-bedroom home. Down a steep, heated driveway, the house sits amid stands of cedars and bushy rhododendrons on the Satellite Channel. A backyard path zigzags down to the water, where the couple stores their kayaks out of reach of otters. A gym offers Mr. Anderson, 56, who partly retired from his Montreal-based aircraft-equipment repair company, the space to practice jujitsu.

One downside: There is no land for Mrs. Anderson's horse. So after a nearly \$300,000 renovation, completed in May 2016, the couple is in contract to buy a home nearby with acreage for the horse for about \$2.15 million. Their current home is listed with Deedrie Ballard of Re/Max Camosun for about



amenities like high-end shopping and thriving nightlife. And the city is reachable only by air or boat.

The Victoria International Airport

has no direct flights to Europe,

Asia or the eastern U.S.

The boom in Victoria real estate is visible in the glassy mansions sprouting in the coveted municipality of Oak Bay, which contains the Uplands, the city's most desirable neighborhood. On a recent drive, Jason Binab of Engel & Völkers Vancouver Island pointed out for-sale signs on stucco and shingle-style homes—likely teardowns.

Some Oak Bay residents have resisted proposals to build taller condo buildings, preferring single-family homes in a traditional style.

"Change is slow in this particular neighborhood," said Mike Miller, president of Abstract Developments. The company is behind the first condo project approved—after a seven-hour public hearing and three-hour debate—in Oak Bay since 2003. Construction is set to start in the fall on the Bowker Collection, 43 single-level townhouses and apartments with prices starting at about \$440,000.

Most of Victoria's luxury condos are located downtown near the Inner Harbour. One of the largest projects under way is Bayview Place, a nearly \$750 million mixed-use development that will ultimately have 2,000 apartments spread over 20 acres, said Kenneth W. Mariash Sr., founder of master developer Focus Equities.

Victoria native Rob McAdams spent about \$2.23 million building his five-bedroom house in 1993 and has since invested about \$375,000 in upgrades. The house sits on 16.22 acres with 840 feet of frontage on Saanich Inlet. A totem pole stands in the great room.

Now semiretired from land development, Mr. McAdams, 75, has listed the home for about \$5.87 million with Royal LePage. He and his wife, Bette, 72, split their time between Victoria and Palm Desert, Calif., and the property is too large for them.

Victoria lacks some big-city



GRANT HARDER FOR THE WALL STREET JOURNAL (3)

**MOVING ON** Rob McAdams built this house in Victoria in 1993. Now semi-retired, he has listed it for \$5.87 million. He and wife Bette split their time between Victoria and Palm Desert, Calif., and the Canadian property is too large for them.

\$2.38 million.

In recent years, Canadian home prices have spiked thanks to low interest rates, a stable economy and overseas investment. Governments in British Columbia and Ontario have implemented a 15% foreign-buyer tax to cool the markets in Vancouver and Toronto.

Victoria, a collection of 13 municipalities with a total population of 367,770, lagged behind. A con-

centration of modestly paid government workers kept housing prices stable, and its small-town vibe and island location kept it off the radar of international buyers.

All this has turned Victoria into a comparative bargain. Vancouver's median home price was about double Victoria's, or roughly \$876,000, in the first quarter, according to Royal LePage.

Victoria makes up a small, ur-

ban section of Vancouver Island, a 12,355-square-mile expanse of old-growth forest, mountain ranges, remote communities and vacation spots. Biking, hiking and other outdoor activities are popular pastimes. Deer are a common sight.

Residents extol their city's friendliness, contrasting its easy-going attitude with the hustle and bustle of Vancouver.

Victoria lacks some big-city

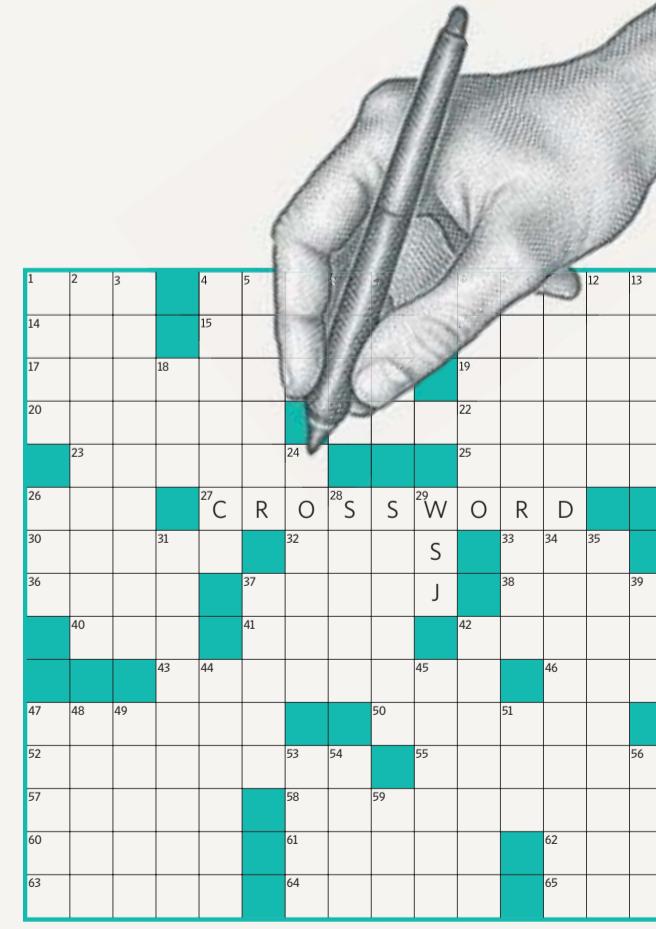
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*Special Advertising Feature*

# A Passion for Perfection Drives Luxury Sales

KEEPING CUSTOMERS HAPPY IS A BROKER'S TOP PRIORITY: IT'S FIVE-STAR CONCIERGE SERVICE ALL THE WAY

By Joseph Dobrian

**H**ow do top brokers deliver a bespoke experience to their luxury clientele? According to members of The Thousand (the top real-estate sales teams and individuals in the U.S., by volume and sides, as shown by figures from REAL Trends), the high-end buyer or seller wants a seamless process above all. For the modern luxury broker, this means providing services that might not have been thought of in an earlier era. In many cases, it means having specialists on staff—which means bigger teams.

"THE CLIENT WILL  
REMEMBER THE ONE  
THING WE FAILED AT,  
RATHER THAN THE 99  
THINGS WE DID RIGHT."

Tami Pardee, CEO/founder of Halton Pardee + Partners in Venice, Calif., advises that clients at the high end expect the concierge-style service they might get at a five-star hotel. The broker should be ready to provide anything that makes clients' lives easier and makes the road to buying or selling a property as smooth as possible.



Tami Pardee says brokers must do all they can to make clients' lives easier.

"Clients want to be connected to whomever they're working with, so that they have to do as little as possible themselves," Ms. Pardee says. "If you're selling, we have handymen and cleaning people on our staff so that you don't have to do those jobs. Whatever we need to do—staging, remodeling, whatever it takes—it comes out of our commission. Because of this service, 50% of our clients are past clients. The industry average is 11%."

This level of service involves attending to the client in ways that might not have to do with the transaction, she adds.

"We attend to whatever's happening in our clients' lives," Ms. Pardee says. "If someone's sick, if they've had a baby, we see what we can do to make their life easier. If they have friends coming over, we can help them get their dinner catered, or get them tickets to the Lakers. We have bicycles for out-of-town

visitors. We learn, over years, what will make our clients' lives easier. That's always the question we ask."

**THE PROMISE**

Kathy Koehler, broker with the Koehler Bortnick Team in Kansas City, Mo., also cites the "five-star" concept. She says she promises five-star service to her clients at the beginning of the process, reinforcing the promise with a printed card.

"If at any time our star is going from five to four, we want you to tell us," she says. "The client will remember the one thing we failed at, rather than the 99 things we did right."

"My \$1 million-plus sellers are up against new constructions. Millennials want what they want when they want it, and that's my buyer pool now. We have to justify our commission; we have to show our clients what the value is, in using our team."

It's especially important to hire

the best agents when working in the luxury market, Ms. Koehler adds, and to put them through rigorous training.

"A great brokerage hires good agents to make them great," she says. "I don't spend much time with average agents to make them good. I never fire an agent who isn't great: I free up your future so you can find your passion, if you're not working out. You need to show the client, in the first 90 seconds, why they need you. I can teach you the script, but I can't teach you passion, or enthusiasm, or excitement. Each of my best agents is driven by something different, but each of them is driven."

The personal touch can make all the difference, Ms. Koehler says. "I have a 75-years-young agent on my team who sold a client I don't know how many houses," she recalls, "till the client moved into a very high-echelon market, and [was] thinking of working with a

different broker who had more experience at the highest end. But then they told her 'You've sent our son a birthday card every year with a \$2 bill; we couldn't go with anyone else.'"

**TRADITIONAL SERVICES**

"Luxury clients appreciate some of the basic traditional real-estate services, like staging, videos, great marketing exposure," says Sean Stanfield of Stanfield Real Estate, Newport Beach, Calif., "but what's most important to them is communication: regular updates about what we're seeing in the market. Advice and guidance are what's most important to them."

"We do a great deal of marketing, and that's always appreciated. We always have a member present when a home is opened. It's surprising to me that so many agents still use lockboxes. It is the little things, like being able to give feedback on showings, that make the biggest difference."



Broker Kathy Koehler, right, says her team must prove its value to clients.

*The Wall Street Journal news organization was not involved in the creation of this content*

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## Special Advertising Feature

# Why Today's Brokers Have Become Educators

MARKET INFORMATION IS FREELY AVAILABLE ONLINE, BUT REALTORS BRING EXPERIENCE AND EXPERTISE

By Joseph Dobrian

**T**he role of the broker continues to evolve, as clients have access to more information and expect more services. Several top-producing brokers agree that they see themselves more as educators nowadays. Also, with a younger, more exacting pool of buyers and sellers, brokers are more inclined to form teams of specialists.

**HELP WITH PROCESSES**

"A great realtor will help you through processes such as negotiating, inspections, title work, mortgage, appraisal, closing, funding and possession," says Rob Ellerman, who heads a team at ReeceNichols Realtors in Lee's Summit, Mo. "Mobile is the arena you don't want to miss. You need mobile apps that make the home-search process easy. Technologies such as model home locations and virtual-reality model home walks will create excitement, will save the buyers time and the builders overhead."

"The broker/agent used to be the gatekeeper for information," observes Bob Moncavage, president of Priority Realty, Pittsburgh. "That's no longer the case. The market has become one of representation and interpreting the information into useable, manageable



L to R: Keller Williams team members Greg Erlanger and Mike Zinicola of Greater Cleveland; Kevin Blain of Tulare, Calif.; Ben Kinney of Bellingham, Wash.



and relevant data. The market is saturated with information, some of which is just not correct or germane to the transaction—that's where the agents come in.

**"AT THE HIGH END,  
YOU'RE ADDING  
SERVICES THAT  
NO WEB SITE  
CAN PROVIDE."**

"Online auctions will start to play a more forward role in the marketing and transaction management of homes. Online transaction-management software will play a pervasive role in moving the real-estate transaction to a paperless environment. Political policy will come more to the forefront, with such issues as the continued mortgage-interest deduction, federal flood insurance, and the fate of the GSEs [government-sponsored enterprises]. The agent needs to

develop knowledge of these emerging tools and political and policy issues."

Greg Erlanger and Mike Zinicola, co-leaders of the EZ Sales Team of Keller Williams, in Greater Cleveland, agree that keeping up with technology is vital. Drones, virtual reality, virtual staging, all feed the clients' hunger for information. "Clients don't actually want to talk to salespeople," says Mr. Erlanger. "They just want information. So, we're educators."

"Greg handles the technology; I was a lawyer for 17 years, so I help with the transactions," says Mr. Zinicola. "Realtors used to have total control of information; that's no longer the case, so we have to be great at the rest of the job. I focus on helping agents be better at everything else they do."

"At the high end," Mr. Erlanger adds, "you're adding services that no Web site can provide."

"Teams will grow more prevalent," says Mr. Zinicola, "because not everyone can be good at everything. You'll have different people doing different parts of the deal: It's just a better service to the clients."

"The most significant change in the past 10 years has been the emergence and dominance of the real-estate team," agrees Kevin Blain, who heads a Keller Williams team in Tulare, Calif. "Solo agents can't provide the same level of service as a team of 25 or even five specialists. We have a team of more than 50 specialists, from listing to selling, and from contract to close, in four counties."

**SYSTEMIZED APPROACH**

John Murray, president of Key Realty in Rockford, Ill., says his background in technology helps him to provide a systemized approach to structures, workflow, automation. "This business has gone from a hand-holding, training mentality to more of a team process," he says. "The broker has more of a support role for the team and needs to provide [them] with tools, tricks, best practices, and the skills to implement them, as well as constantly bringing opportunities to the team. It's the broker's job to make all the agents successful."

Ben Kinney, who heads a Keller

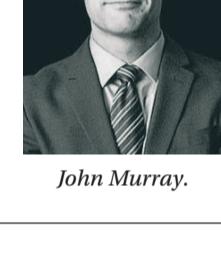
Williams team in Bellingham, Wash., says that the value-add the modern brokerage provides in his market is finding hidden treasures for the prospective buyer. He notes that customers don't need agents to help them find homes that are already active for sale.

"The most effective way to help your buyer in a market that's plagued with multiple offers is to show them homes no one knows about—thus making their offer the only one," he says.

"Often the client's retirement, their children's college funds, etc., are wrapped up in the equity of their home. Because of this, we've divided all the different tasks of a transaction into different roles and positions in our company."

"Then we hire the best person for each position," he adds. "To

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Chris Rhinesmith, a former Director of Investments at Oppenheimer in Boston, is the co-owner of Pine Acres Realty in Chatham and a Christies International Real Estate Affiliate for the lower Cape. Chris has been the top broker in Chatham for the past thirteen years (2004 - 2016) and was the top producing broker on Cape Cod in 2016, a position he has held on five previous occasions. This past year, he set a Cape wide historical high of \$125M in sales and has sold over \$700M in real estate.

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### THE 2017 THOUSAND RANKINGS

*Listed in Alphabetical Order*

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<b>CHRIS ADLAM</b> Vista Sotheby's International Realty	<b>ANNE LUSK</b> Lusk & Associates Sotheby's International Realty	<b>MICHELLE WOOD</b> Briggs Freeman Sotheby's International Realty	<b>TOP 250 TEAMS BY SALES VOLUME</b>
<b>BETSY AKERS</b> Atlanta Fine Homes Sotheby's International Realty	<b>GREGG LYNN</b> Sotheby's International Realty	<b>YUKIKO YANG</b> List Sotheby's International Realty	<b>THE CANNING TEAM</b> Sotheby's International Realty
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2	MARK SPAIN TEAM	1,842.00 <i>Mark Spain Real Estate</i> Alpharetta, Ga.
3	CREIG NORTHROP TEAM	1,772.00 <i>Long &amp; Foster Real Estate, Inc.</i> Clarksville, Md.
4	RYAN O'NEILL & THE MINNESOTA REAL ESTATE TEAM	1,583.00 <i>RE/MAX Advantage Plus</i> Lakeville, Minn.
5	LUCIDO AGENCY	1,467.85 <i>Keller Williams Realty</i> Ellicott City, Md.
6	RONNIE & CATHY MATTHEWS TEAM	1,384.00 <i>RE/MAX Legends</i> Spring, Texas.
7	JOHN MURRAY	1,261.00 <i>Key Realty</i> Rockford, Ill.
8	THE LOKEN GROUP, INC	1,254.25 <i>Keller Williams Realty</i> Houston, Texas
9	DON WENNER	1,126.00 <i>DLP Realty</i> Bethlehem, Pa.
10	THE JIM ALLEN GROUP	1,048.00 <i>Coldwell Banker Howard Perry and Walston Realty, Inc.</i> Raleigh, N.C.

TOP 10 INDIVIDUALS BY SIDES		TRANSACTIONS CLOSED
1	BEN CABALLERO	3,556.00 <i>HomesUSA.com</i> Addison, Texas
2	BRIAN BAIR	467.00 <i>Bair Group/Liberty Properties</i> Gilbert, Ariz.
3	AMY WIENANDS	465.00 <i>Amy Wienands Real Estate</i> Waterloo, Iowa
4	MONICA BRECKENRIDGE	440.00 <i>Pink Realty</i> Colorado Springs, Colo.
5	LARRY MAGGILLI	428.00 <i>Hunt Real Estate ERA</i> Rochester, N.Y.
6	JOHN SWARTZ	405.00 <i>RE/MAX Connection</i> Turnersville, N.J.
7	AMANDA BELL	400.00 <i>At Home Realty</i> Ashland City, Tenn.
8	GINA GARGEU	393.50 <i>CENTURY 21 Downtown</i> Baltimore, Md.
9	BLAIR MYERS	386.00 <i>Better Homes and Gardens Real Estate Success</i> Warner Robins, Ga.
10	SHERRI SAAD	373.00 <i>RE/MAX Leading Edge</i> Detroit, Mich.

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3	THE EKLUND GOMES TEAM	\$721.33 <i>Douglas Elliman Real Estate</i> New York, N.Y.
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5	THE RYAN SERHANT TEAM	\$614.12 <i>Nest Seekers International</i> New York, N.Y.
6	LUCIDO AGENCY	\$613.61 <i>Keller Williams Realty</i> Ellicott City, Md.
7	ZACHARY AND CODY VICHINSKY	\$588.58 <i>Bespoke Real Estate</i> Water Mill, N.Y.
8	THE LEONARD STEINBERG TEAM	\$514.56 <i>Compass</i> New York, N.Y.
9	STANFIELD REAL ESTATE TEAM	\$485.47 <i>HÔM Sotheby's International Realty</i> Huntington Beach, Calif.
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1	BEN CABALLERO	\$1,444.47 <i>HomesUSA.com</i> Addison, Texas
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3	ALEXA LAMBERT	\$598.13 <i>Stribling &amp; Associates</i> New York, N.Y.
4	ERIN ARIES	\$449.49 <i>Brown Harris Stevens</i> New York, N.Y.
5	MAURICIO UMANSKY	\$430.53 <i>The Agency</i> Beverly Hills, Calif.
6	DORA PUIG	\$363.53 <i>Luxe Living Realty/Fisher Island Real Estate LLC</i> Miami Beach, Fla.
7	JADE MILLS	\$348.24 <i>Coldwell Banker Residential Brokerage/NRT</i> Beverly Hills, Calif.
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*By Joseph Dobrian*

**LAUREN MUSS**  
Douglas Elliman, New York



"I'm not the broker who will tell you what you want to hear to get the listing. I would rather be the second broker and the cleanup girl. Skiing and travel are a big part of my life and those trips have been a gateway to business relationships and sales. I'm an open book. I hide nothing. I'm very active physically and socially. I'm extremely organized with a type-A personality—I'm not sure I know how to relax! Everything I do, whether it's travel, skiing, dining, going to an exhibit, is somehow work-related because I rarely go anywhere without discussing real estate."

**NATHAN FITTS**  
RE/MAX, Blue Ridge, Ga.



"I've been in the business since I was 18, right out of high school. It's all about relationships: I've

sold eight or 10 houses to some people; I also represent 22 builders, and might sell them land to build on. I stress to my agents the importance of building close relationships. I've always enjoyed picking out design features and materials for new homes. I have hobbies that feed into real estate, and a TV show to build recognition. I'm not the best at paperwork, but I'm the relationship guy. I can listen to what you want, and find exactly that."

**LANE HARRIS**  
Harris Real Estate Group,  
El Paso, Texas



"Positive thoughts encourage positive actions, which often yield positive results."

**KYLE W. BLACKMON**  
Compass, New York



"My dad was a successful real-estate agent in North Carolina for 25 years, and he taught me the importance of

maintaining my focus and treating every client and agent with integrity and honesty, regardless of price point. My mom founded a successful home and farm advisory-service business. She reinforced the importance of putting your client first; discretion; focused research."

**LIBBY SOSINSKI-SOULLIARD**  
Keller Williams Realty, Pittsburgh



"I specialize in REO ["real-estate owned" or foreclosed properties]. I just like doing it; I was drawn to it. It's a niche where if I wear a nice suit I look ridiculous, because the houses are often in distressed condition. REO involves title issues, maintaining the property for the seller, and being extremely organized to deal with the high volume. There are safety issues; occupancy inspections take longer; it's task-oriented. Lots of the banks are rehabbing these properties now, to recoup more. If you're willing to do more work for less money, go to REO."

**DARREN SUKENIK**  
Douglas Elliman Real Estate, New York

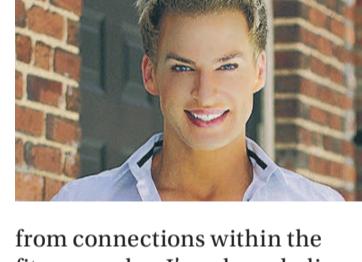
"When I went into real estate, I didn't think it would be a career choice. I was an interior designer and a designer of contemporary

women's wear for many years, and I bring that design acumen into my business. I know how something will look before it's built. If my buyers are buying something that needs work, I can tell them what they'll need to do and what it will look like."



**BLAIR MYERS**  
Better Homes & Gardens Real Estate,  
Warner Robins, Ga.

"I've sold many homes to people I've met through my involvement in fitness. I'm an expert chef and baker, and I post many of my creations on social media on those subjects. Although I wouldn't say the latter two have a direct impact on my sales, I have made several direct sales



from connections within the fitness realm. I'm a huge believer in branding my name: I promote Team Blair; I give away Blair dolls to anyone who requests them. My team drives [cars] with the logo and pictures of me on the top and sides. Often I get calls

from new clients just because I'm so well known as a top seller, and my name is out there in so many venues, but sometimes I'll have someone ask me to list their home simply because 'I see your cars everywhere!'"

**"I STRESS TO  
MY AGENTS THE  
IMPORTANCE OF  
BUILDING CLOSE  
RELATIONSHIPS."**

**JIM ALLEN**  
Coldwell Banker Howard Perry and  
Walston Realty, Raleigh, N.C.



"I've become the rainmaker in my business. I'm 57, but I've got two boys, nine and 11, and they're more of a priority now. I figure they're not going to miss their baseball games, but I might, so I'm coaching a team this year. Coaching gives me those joy-breaks, especially when I've broken through to a kid who's in bad spirits, maybe because of family issues. If I can help him, that's a lot more rewarding than selling houses."

*Joseph Dobrian is a freelance writer specializing in real estate.*

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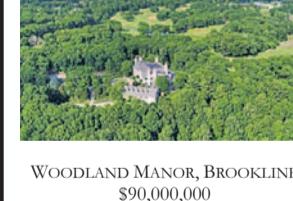
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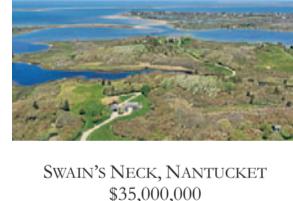
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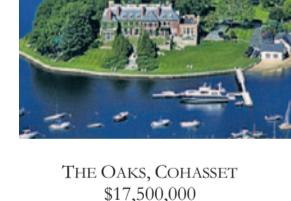
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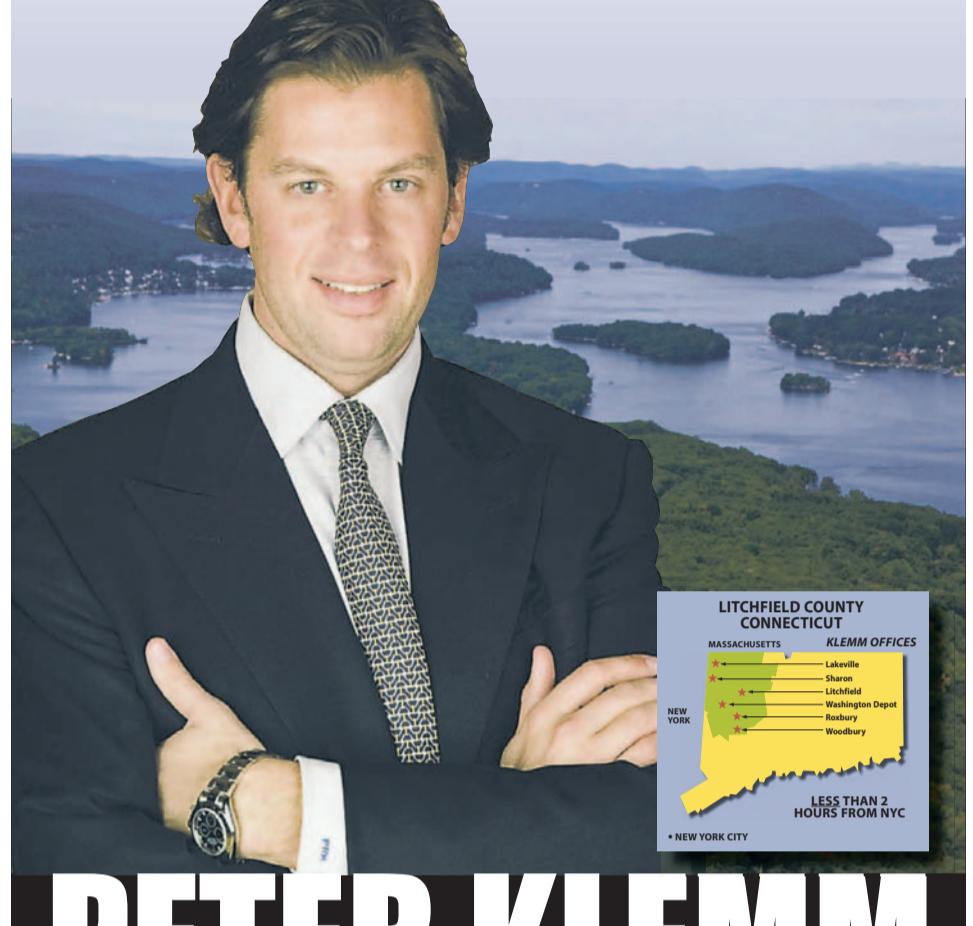


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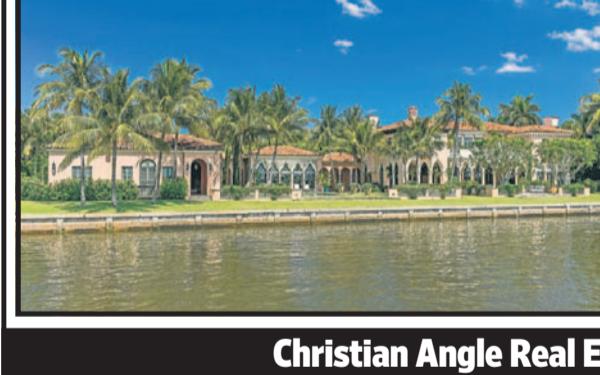
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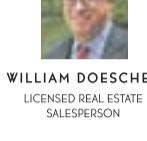
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### 30 PADDINGTON ROAD | SCARSDALE

Scarsdale Schools | 6 Bedrooms | 7 Full Baths | 2 Half Baths | 6,194 Sq.Ft

.5000 Acres | MLS# 4704434 | \$3.495M | Heather Harrison 917.299.7490

### 29 FAIRVIEW ROAD | SCARSDALE

New Construction | Scarsdale Schools | 5 Bedrooms | 6 Full Baths | 2 Half Baths

7,105 Sq.Ft | .4660 Acre | MLS# 4726209 | \$3.350M | Angela Retelny 914.450.5106



### 12 KOLBERT DRIVE | SCARSDALE

Scarsdale Schools | 5 Bedrooms | 4 Full Baths | 2 Half Baths | 5,200 Sq.Ft

.5200 Acre | MLS# 4645881 | \$2.450M or \$12.5K/mo rent | Heather Harrison 917.299.7490

### 50 PLEASANT RIDGE ROAD | HARRISON

Harrison Schools | 5 Bedrooms | 6.5 Baths | 6,152 Sq.Ft | 2.04 Acres

MLS# 4721234 | \$2.795M | Allison Prigozen 978.210.9463, Zachary Harrison 917.299.7832



### 8 EASTHAVEN LANE | WHITE PLAINS

Cobblefield | White Plains Schools | 4 Bedrooms

3.5 Baths | 3,612 Sq.Ft | .21 Acre

\$2.499M | Seth Keslow 917.626.9568

### 41 HARVEST DRIVE | SCARSDALE

Scarsdale Schools | 6 Bedrooms | 6 Full Baths | 2 Half Baths

9,000 Sq.Ft | .5400 Acre | MLS# 4711317 | \$3.495M or \$15K/mo rent

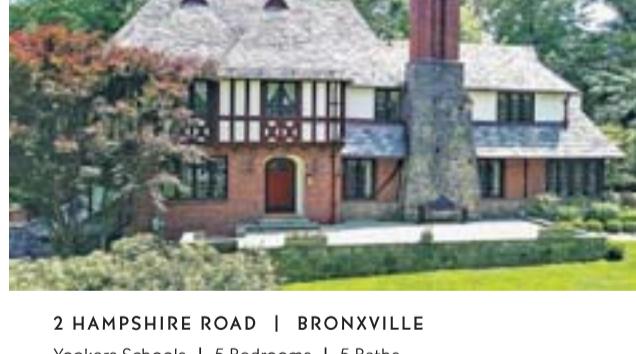
Jodi Josephs 914.319.5444, Jennifer Goldfarb 646.221.7249

### 1 COLONIAL ROAD | LARCHMONT

Mamaroneck Schools | 6 Bedrooms | 5.5 Baths

5,045 Sq.Ft | .60 Acre | MLS# 4646391

\$2.595M | Jennifer Y. Ross 914.844.0272



### 2 HAMPSHIRE ROAD | BRONXVILLE

Yonkers Schools | 5 Bedrooms | 5 Baths

4,865 Sq.Ft | .7200 Acre | MLS# 4705796

\$1.950M | Marina Sidorenko 917.881.8107

### 62 PARK ROAD | SCARSDALE

Scarsdale Schools | 5 Bedrooms | 5 Full Baths | 2 Half Baths

6,467 Sq.Ft | 1.8757 Acres | MLS# 4722975

\$4.195M | Heather Harrison 917.299.7490

### 25 MORRIS LANE | SCARSDALE

Scarsdale Schools | 5 Bedrooms | 4 Full Baths | 2 Half Baths

5,000 Sq.Ft | .8000 Acre | MLS# 4704745 | \$2.599M

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**\$1 million USD.** <http://novascotiaoceanfrontforsale.com/>

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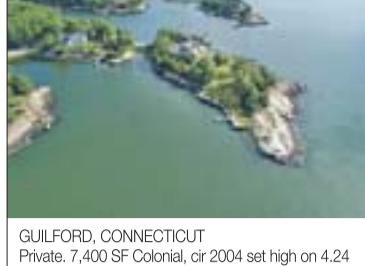
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\$5,500,000

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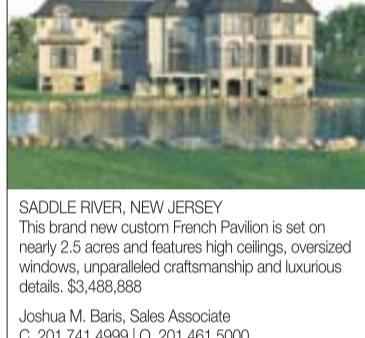
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Chic Contemporary home on 3.2 acres offers well-designed rooms, 3 en suite bedrooms, chef's kitchen, additional space above garage, plus deeded beach rights and mooring. \$2,485,000

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C. 978.314.0506 | O. 978.526.7572



STAMFORD, CONNECTICUT  
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Beautiful Royal Barry Wills colonial home with 7 bedrooms, 5 full baths, gourmet kitchen, first floor master suite, in-law/au pair above garage, and private redesigned patio. \$1,699,000

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Post and beam cape style home with exposed beams, hardwoods, cathedral ceilings, bead board accents, 2 wood stoves, decking, water views, and path to 300 ft. sandy beach. \$1,600,000

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## MANSION

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**\$7 million****Possum Kingdom Lake, Texas**

Seven bedrooms, seven bathrooms, two half-baths

Stone and reclaimed wood decorate the rustic 9,052-square-foot interior of this home. Outside, a 60-by-15-foot pool is fed by a waterfall of the same length. From the pool area, there is a view of the surrounding lake and boats along a private dock.

Agent: Jackie Fewell, Berkshire Hathaway HomeServices Pondera Properties

**\$17.995 million****Scottsdale, Ariz.**

Six bedrooms, 14 bathrooms

This 4-acre property includes an infinity pool and a zero-entry hot tub—as well as multiple spas and a detached guesthouse. The 20,805-square-foot main residence has its own gym, rock-climbing wall and home theater.

Agent: Mike Domer, RE/MAX Excalibur Mike Domer Group

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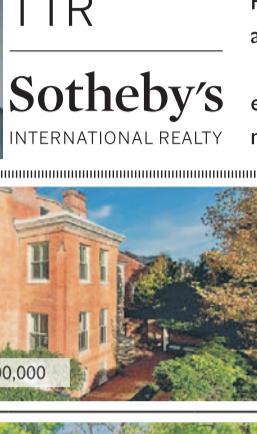
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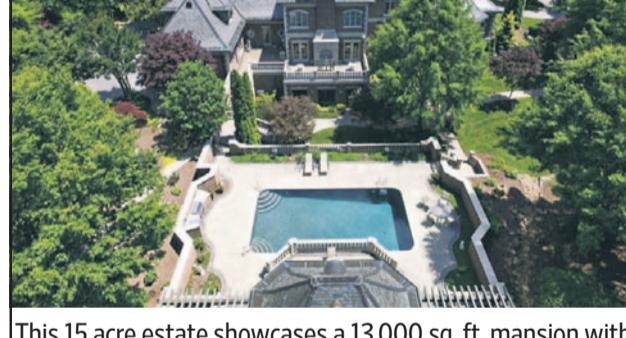


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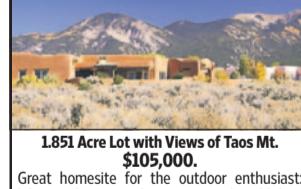
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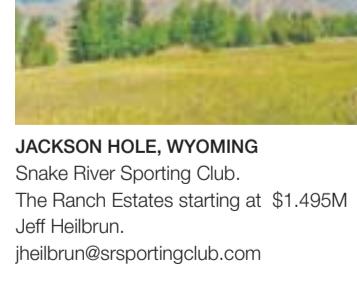
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