

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Uber CEO Kalanick's ouster was the culmination of weeks of maneuvering by some of the company's biggest investors. **A1, A6**

◆ Giant bond firms increasingly are taking on a price-setting role in global debt markets, elbowing aside big banks. **A1**

◆ Altice USA raised \$1.9 billion in its IPO, more money than any other U.S.-listed telecom since 2000. **B1**

◆ Wal-Mart is telling some tech vendors that they can't run their apps on Amazon's cloud-computing service. **B1**

◆ Nike has agreed to sell some of its products directly to Amazon after formerly refusing to do so. **B2**

◆ Theranos has told investors it reached a tentative accord to settle a suit by Walgreens that alleged the startup breached a contract. **B1**

◆ Top U.S. policy makers are set to propose ways to ease bank regulation in Senate testimony. **B10**

◆ Japan's government seized the lead role in buying Toshiba's chip unit. **B4**

◆ Oracle reported earnings that topped Wall Street's modest forecasts. **B3**

◆ The Dow fell 57.11 points to 21410.03 as oil prices continued to slide. The Nasdaq posted a gain. **B11**

◆ Car buyers are increasingly dissatisfied with semiautonomous features showing up on vehicles, J.D. Power found. **B4**

◆ Diageo agreed to buy upscale tequila brand Casamigos for \$700 million. **B3**

World-Wide

◆ A Senate GOP plan to pass a health-care bill next week hung in the balance as some Republican lawmakers wavered and balked at the push for a quick vote. **A1**

◆ Insurers announced major changes to their ACA offerings for next year, highlighting uncertainty in the health law's marketplaces. **A4**

◆ Saudi King Salman's leadership shake-up is aimed at supercharging efforts to secure the country's future. **A1**

◆ Democratic divisions surfaced after an expensive loss in a special election in Georgia for a House seat. **A3**

◆ Russian hackers targeted voting systems in 21 states last year, current and former U.S. officials testified. **A4**

◆ The stabbing of a police officer at the Flint, Mich., airport was being investigated as a terrorist act. **A3**

◆ Belgian officials said the slain bomber in a thwarted train station attack sympathized with Islamic State. **A8**

◆ Queen Elizabeth II, in a speech to the U.K. parliament, unveiled the Conservative government's agenda. **A8**

◆ The Wall Street Journal fired a veteran foreign-affairs reporter for violating the paper's ethical standards. **A2**

◆ An ex-Milwaukee policeman was acquitted in a fatal shooting that sparked riots. **A2**

◆ Islamic State destroyed a historic Mosul mosque, Iraq's military said. **A11**

◆ Tropical storm Cindy began lashing the U.S. Gulf Coast with heavy rains. **A3**

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THURSDAY, JUNE 22, 2017 ~ VOL. CCLXIX NO. 144

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Uber's Backers Force Out Leader



By GREG BENSINGER
AND MAUREEN FARRELL

Travis Kalanick's decision to step down as chief executive of Uber Technologies Inc. stunned his more than 12,000 employees and rippled through Silicon Valley, but it was the culmination of weeks of maneuvering by some of the firm's biggest backers to oust the nearly \$70 billion company's co-founder.

Mr. Kalanick was in Chicago on Tuesday to interview a candidate for his top deputy position when he received unexpected news about his future, according to people familiar with the matter.

Matt Cohler and Peter Fenton, two partners at venture-capital firm Benchmark, one of Uber's biggest investors, flew out to Chicago to confront Mr. Kalanick, presenting him with a letter signed by five major shareholders. The letter demanded the 40-year-old CEO immediately resign after a series of scandals consumed the company, these people said.

After hours of deliberating, Mr. Kalanick capitulated and informed the board he would

Please see UBER page A6

Sources: Dow Jones VentureSource; staff reports

THE WALL STREET JOURNAL.

Senate GOP's Support for Health Bill Wavers

Senate Republicans' plan to pass legislation next week to overhaul the health-care system hung in the balance Wednesday, as at least a half-dozen GOP lawmakers wavered and balked at the push for a quick vote.

The opposition is coming both from conservative Republican senators, who believe the proposal doesn't repeal enough of the Affordable Care

By Stephanie Armour,
Kristina Peterson
and Louise Radnofsky

Act, as well as GOP centrists, who are balking at steep cuts to Medicaid that would leave more people uninsured. The situation is fluid and could change, but the political double bind leaves GOP leaders with little room to maneuver.

Lawmakers on both ends of the GOP spectrum are also increasingly joining Democrats in criticizing the lack of transparency and rapid-fire timeline for a vote. Senate Majority Leader Mitch McConnell (R., Ky.) plans to release draft legislation Thursday morning; many lawmakers said they hadn't seen the bill's text as of Wednesday afternoon.

Some Republicans, including

Sen. Ron Johnson (R., Wis.), are calling the timetable too rushed to ensure their support.

"I would find it hard to believe I will have enough time," Mr. Johnson said. "I've made leadership well aware of the fact that I need information to make a final decision, and if I don't have the information to justify a yes vote, I won't be voting yes."

At least 50 of the chamber's

52 Republicans must back the legislation for it to pass because no Democrats are expected to vote for it. If the chamber splits 50-50, Vice President Mike Pence would cast the tiebreaking vote.

The Senate deliberations are taking on an added urgency.

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◆ Health insurers unveil ACA plans for 2018..... A4

Philippines Residents Flee Militants



Residents waited for evacuation Wednesday after the town of Pigcawayan was attacked by militants aligned with Islamic State. The militants held dozens of civilians hostage. **A9**

MARCONI NAVALEA/REUTERS

SAUDI SHAKE-UP AIMS TO LAUNCH MODERN ERA

Prince's elevation is a bet he can pull off financial, economic revamp

By Summer Said in
Dubai, Justin Scheck in
Riyadh and Michael
Amon in London

When Salman bin Abdulaziz became Saudi Arabia's king two years ago, the country's leadership appeared little different from how it had been for decades. The ruler and his designated successor were two of the country founder's dozens of sons, a fractious fraternity that passed along power in an unbroken chain of conservative rule.

No longer. Modernity has walleted Saudi Arabia, one of the world's most ossified societies, and today it is struggling to maintain the economic and political power it built on giant crude-oil reserves.

On Wednesday, King Salman, 81, named his ambitious and confrontational 31-year-old son

Mohammed bin Salman as his crown prince and successor, in a bid to supercharge an attempt by the country—and the monarchy—to secure its future. The move caps an overhaul rare in Saudi history that has deposed two crown princes and marks the ascent of the youngest ruling generation the kingdom has seen.

The young prince is leading what amounts to a national turnaround effort, and his rapid ascent emphasizes the critical nature of that job.

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◆ Yaroslav Trofimov: Shuffle means a more activist Saudi Arabia..... A11

Giant Funds Hold Sway In Global Bond Market

By JON SINDREU

Giant bond firms increasingly are taking on a price-setting role in global debt markets, elbowing aside big banks facing tighter postcrisis regulation and generating concerns about the toll paid by smaller investors.

The bond funds, which traditionally turned to banks for prices, are usurping the role as banks face pressure to reduce risk. Banks still act as middlemen in bond trading, but what trading they do is directed at bigger funds, say bankers and fund managers. Smaller funds have less service and higher costs in trading, say many money managers who work for them.

While bigger bond investors have long had advantages, the differences have become more

Lost in Transmission: Tourists Driving Go-Karts Besiege Japan

* * *

Inspired by a videogame, 'scary' foreigners careen through streets dressed like Mario

BY ALASTAIR GALE
AND RIVER DAVIS

TOKYO—On their recent honeymoon in Japan, Jason and Nicole Francis savored the temples of the ancient capital of Kyoto and unwound at a resort with a private hot spring. Later they dressed up as a lime-green dinosaur and an Italian plumber and sped through the streets of Tokyo in go-karts.

"I picked Yoshi because I always pick Yoshi in the game," said Mr. Francis, a 35-year-old emergency-services worker in New Jersey, explaining his decision to don the dinosaur costume.

Please see MARIO page A12

Mario Kart, a racing challenge from Japan's Nintendo Co., introduced a quarter-century ago and now played on videogame consoles globally. A new business here takes advantage of Mario Kart's popularity and loose regulations on go-karts to offer self-driving tours of Tokyo and other cities, with costumes of characters from the game provided. The company, Mario Kart, says it books thousands of trips a month and most of the customers are non-Japanese.

It's part of a tourism boom that is changing the face of the world's third-largest economy. Many businesses are selling a

Please see MARIO page A12

Oracle #1 SaaS Enterprise Applications Revenue

#1
Oracle Cloud
14.5%

#2
Salesforce Cloud
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1,000+ Employees Segment, 2015

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size" doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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U.S. NEWS

Democrats Divided After Georgia Loss

Factions cast blame as party struggles to find winning message to seize control of House

BY REID J. EPSTEIN
AND JANET HOOK

WASHINGTON—The Democratic Party recriminations came swiftly following Jon Ossoff's expensive loss in Tuesday's special election in Georgia, which had been seen as the party's best shot at gaining a House seat ahead of the 2018 midterms elections.

Democratic divisions surfaced in the wake of Mr. Ossoff's defeat by Republican Karen Handel, whose campaign mobilized GOP voters by linking Mr. Ossoff to liberal national party leaders. Republicans who sat out the first round of voting in April flocked to the polls, producing record-breaking turnout, in part because the race had drawn so much attention.

In the aftermath of the disappointing loss, the populist wing of the Democratic party blamed Washington consultants and Mr. Ossoff for not backing the type of economic policies favored by Vermont Sen. Bernie Sanders. Young House Democrats who have clamored for a change in party leadership bemoaned the effectiveness of GOP attacks that tied Mr. Ossoff to House Minority Leader Nancy Pelosi.

And in South Carolina, where Democrat Archie Parnell



Jon Ossoff and fiancée Alisha Kramer on Tuesday. Mr. Ossoff's loss came despite record spending.

came far closer than expected to snatching a heavily Republican seat Tuesday, local critics said they could have done better if party officials in Washington had listened to their pleas that the race was competitive and devoted more resources to driving up turnout in African-American neighborhoods.

"I think that our leadership owes us an explanation for what happened, and how the resources were spent, but also a plan going forward," said Rep. Seth Moulton (D., Mass.). "That's got to be part of the

discussion."

Democrats need to win at least 24 seats from Republicans in next year's midterm elections to seize control of the House. They were hoping the Georgia contest would kick-start efforts to close that gap. Instead, the result leaves them struggling to find a winning message to oppose President Donald Trump and split on the best way forward.

"We have to offer big ideas to match the times we're living in, and unless we offer an economic vision that people

think is actually going to help their lives, we won't be able to get the debate to be about policy," said Rep. Ro Khanna, a California Democrat aligned with Mr. Sanders.

Rep. Tim Ryan, an Ohio Democrat who challenged Mrs. Pelosi in a party leadership election late last year, attributed Mr. Ossoff's loss to the "toxic" Democratic brand and Republican advertising tying Mr. Ossoff to Mrs. Pelosi.

"It's quite clear that these ads are still effective," Mr. Ryan said. "They're still mov-

ing the needle with voters."

Pelosi spokesman Drew Hammill said that GOP attacks on her come with the political territory because she is a party leader, as the GOP did in the past with President Barack Obama and Hillary Clinton.

Mr. Ossoff's effort raised a record amount of money—his campaign and outside-group allies spent more than \$30 million—in what became the most expensive House race in U.S. history. But in a special election in neighboring South Carolina, Mr. Parnell came closer

to victory on a shoestring budget of less than \$1 million.

Jane Kleeb, the chairwoman of the Nebraska Democratic Party and another Sanders ally, said that the party needs to focus more on local voters' economic concerns.

Ossoff spokeswoman Sacha Haworth defended the campaign strategy, saying his economic agenda allowed him to build a bipartisan coalition and perform better than most Democrats have in the district.

—Natalie Andrews contributed to this article.

Deadly Flash Floods Feared in Gulf Storm

BY ARIAN CAMPO-FLORES

Tropical storm Cindy began lashing the U.S. Gulf Coast with heavy rains Wednesday as it neared landfall, endangering a swath from Texas to Florida with what the National Hurricane Center described as potentially "life-threatening flash flooding."

On Wednesday morning, a 10-year-old boy died as a result of the storm in Fort Morgan, Ala., on the Gulf Coast, said Capt. Steve Arthur of the Baldwin County Sheriff's Office. He was on vacation from St. Louis with his family and was hit by a heavy object in a wave, Capt. Arthur said.

Cindy, with maximum sustained winds of 50 miles an hour, was churning over the Gulf of Mexico about 135 miles south of Lake Charles, La., Wednesday afternoon.

Its center was forecast to strike the coast of southwest Louisiana or southeast Texas by Wednesday night or Thursday morning, before moving inland and eventually sweeping to the east.

National Hurricane Center forecasters said the main threat Cindy poses is from rainfall. The storm is expected to dump 6 to 9 inches of rain from southeastern Louisiana to the Florida panhandle, with some spots getting soaked with as much as 15 inches.

Forecasters warned that potential flash flooding could be fatal. They said a storm surge could produce inundation of 1 to 3 feet along the Gulf Coast. The system could also spawn tornadoes from southern Louisiana to the Florida panhandle, they said.

"This will be a severe weather event," said Louisiana Gov. John Bel Edwards, who declared a state of emergency Wednesday. "We certainly cannot afford to take it lightly."

The Louisiana National Guard moved high-water vehicles and helicopters into areas that could potentially flood. The Federal Emergency Management Agency was trans-



High tide and rain from tropical storm Cindy flood Ocean Springs, Miss. Forecasters warned of potential fatal flash floods.



Dustin Shelton filled sandbags in Bridge City, Texas, on Wednesday in preparation for the storm.

Terrorism Suspected In Attack At Airport

BY SHIBANI MAHTANI

Law-enforcement agencies are investigating the stabbing of a police officer at Bishop International Airport in Flint, Mich., on Wednesday morning as an act of terrorism.

The alleged attacker was identified as 50-year-old Amor Ftouhi, a Canadian citizen who entered the U.S. legally on June 16. Mr. Ftouhi stabbed an airport police officer in the neck before being subdued by officers including the victim, according to the Federal Bureau of Investigation.

David Gelios, the FBI agent in charge of the investigation, said Mr. Ftouhi dropped the bags he was carrying, pulled out a knife and yelled "Allahu akbar," meaning "God is great" in Arabic, before stabbing Lt. Jeff Neville. Special Agent Gelios described the weapon as a 12-inch knife with an 8-inch serrated blade.

During the incident, Mr. Ftouhi "made a statement something to the effect that you have killed people in Iraq, Syria and Afghanistan and we are all going to die," said Special Agent Gelios. "Suffice to say he has a hatred for the United States...which in part motivated him to come to the airport today and commit this act of violence."

The suspect is in custody, they added, and is being questioned. A criminal complaint charges Mr. Ftouhi with violence at an international airport.

Lt. Neville is in "satisfactory condition" and is recovering at a local hospital after some surgery, police said.

The incident prompted the airport to evacuate passengers and close. As of 4 p.m. Wednesday, Bishop International Airport was open and working to get back to normal operations.

Wednesday evening, Quebec police were still investigating in the Montreal apartment complex where Mr. Ftouhi had been living, neighbors said. A spokesman for the Montreal police declined to comment.

Mr. Ftouhi entered the U.S. at Lake Champlain in New York, the FBI said, and made his way to Flint. He entered the airport Wednesday morning from public access points and stayed in the nonsecure areas of the airport before he stabbed the officer, the FBI said.

The FBI believes the incident is isolated.

Missouri Sues Drug Firms Over Opioid Marketing

BY JEANNE WHALEN

Missouri became the latest state to file a lawsuit against opioid-painkiller companies, alleging they helped create an addiction crisis by misrepresenting the risks and benefits of their drugs.

The lawsuit, filed in state court by Attorney General Joshua Hawley, targets various parent companies and subsidiaries, including **Purdue Pharma LP**, **Johnson & John-**

son and **Endo Pharmaceuticals Inc.**, a unit of Endo International PLC.

The lawsuit alleges the companies "created a sprawling campaign of misinformation and deception to convince doctors and consumers that opioids pose little risk of addiction, and that such risks can be easily identified and mitigated."

In an interview, Mr. Hawley, a newly elected Republican, said the state is seeking civil

penalties of "hundreds of millions of dollars," and damages of "hundreds of millions of dollars," adding that the companies' actions have "badly damaged the people of Missouri and the state of Missouri."

Missouri's suit follows similar ones from Ohio and Mississippi, filed last month and in December 2015, respectively.

In response to the Missouri lawsuit, Purdue said: "While we vigorously deny the allegations in the complaint, we share the

attorney general's concerns about the opioid crisis and we are committed to working collaboratively to find solutions."

Endo declined to comment on "current litigation," but said its "top priorities include patient safety and ensuring that patients with chronic pain have access to safe and effective therapeutic options," while "preventing misuse and diversion of opioid products."

Johnson & Johnson said it "has acted appropriately, re-

sponsibly and in the best interests of patients regarding our opioid pain medications, which are FDA-approved and carry FDA-mandated warnings about the known risks of the medications on every product label."

Widespread opioid addiction has pushed U.S. overdose death rates to new highs. Many people became addicted by taking powerful opioid painkillers and often progressed to heroin if they couldn't get access to pills.

The FBI believes the incident is isolated.

U.S. NEWS

Russia Tried To Hack Vote In 21 States

BY BYRON TAU
AND ERICA ORDEN

WASHINGTON—Russian government hackers targeted voting systems in nearly two dozen states last year, seeking vulnerabilities to exploit and aiming to undermine public faith in the integrity and legitimacy of U.S. democratic elections, current and former U.S. officials testified Wednesday.

One of the officials, former Department of Homeland Security Secretary Jeh Johnson, testified that the attempted intrusions could be traced specifically to Russian President Vladimir Putin. "In 2016, the Russian government, at the direction of Vladimir Putin himself, orchestrated cyberattacks on our nation for the purpose of influencing our election," Mr. Johnson said. "That is a fact, plain and simple."

The Russian government has denied the allegation.

In two separate and simultaneous hearings in front of the House and Senate intelligence committees, four senior officials responsible for cybersecurity, counterintelligence and national security publicly disclosed new details about the alleged Russian operations and the federal government's response to the threats.

"As of right now, we have evidence of election-related systems in 21 states that were targeted," Jeanette Manfra, the acting deputy undersecretary for cybersecurity and communications at DHS, told the Senate panel. She testified with DHS and Federal Bureau of Investigation officials on Wednesday morning.

Her admission was the first time a government official had publicly quantified the number of states targeted in the hacking. Officials said there was no evidence that systems involved in vote tallying or reporting were affected.

Ms. Manfra didn't name the 21 states—citing the privacy rights of entities that contacted the DHS for help on cybersecurity-related issues. Only a few states—including Arizona and Illinois—have publicly acknowledged that their systems were targeted.

The hearings were held after the U.S. intelligence community in January determined that Moscow ran a campaign designed to help Donald Trump win the presidential election. The Russian campaign, according to U.S. intelligence officials, included cyberattacks on the email accounts of senior Democrats and a propaganda effort aimed at demonizing Democratic candidate Hillary Clinton.

The White House has said the Trump campaign didn't collude with any alleged Russian meddling.

"I think the primary goal was to sow discord and to try to delegitimize our free and fair election process," Bill Priestap, assistant director of the Counterintelligence Division at the FBI, told the Senate panel about the Russian influence campaign. Moscow's secondary purpose was to "denigrate" Mrs. Clinton and boost Mr. Trump, the Republican candidate, he said.

In a separate hearing in front of the House panel, Mr. Johnson said the Obama ad-



Homeland Security officials Sam Liles and Jeanette Manfra and the FBI's Bill Priestap testifying at a Senate hearing on Wednesday.

Meeting Canceled After New Sanctions

WASHINGTON—Russia called off a meeting later this week with U.S. officials in protest of new U.S. sanctions, and the State Department said Wednesday that it regretted Russia's decision.

The U.S. on Tuesday blacklisted Ukrainian and Russian officials and entities accused of helping Russia exert its influence in the Crimean peninsula

ministration had been reluctant to alert the public to the Russian hacking efforts last year because officials wanted to avoid the appearance of taking sides in what was a hard-fought election. He also acknowledged that the government was slow to respond to

the threat and was hampered at times by poor communications among agencies.

Mr. Johnson testified that there was a months-long delay in 2016 from when the FBI learned of the DNC hack to when he was alerted as head of DHS, a separate agency. "I

amounted to a "political present" for Ukrainian President Petro Poroshenko during his visit to Washington. Mr. Poroshenko met briefly with President Donald Trump on Tuesday.

Mr. Ryabkov said the Trump administration is following "avid Russophobes in the U.S. Congress," and canceled the meeting Friday in St. Petersburg.

"After yesterday's decision on sanctions, the situation doesn't allow for another round of such dialogue, especially seeing as there's no content for it, because Washington hasn't pro-

posed...anything concrete in this area," Mr. Ryabkov said.

The U.S. described Russia's decision as turning away "from an opportunity to discuss bilateral obstacles that hinder U.S.-Russia relations," but the Trump administration remains open to future talks, Ms. Nauert said.

Tension between Moscow and Washington already had been heightened this week after Russia threatened to track U.S. warplanes in Syria after a U.S. pilot shot down a Syrian jet.

—Felicia Schwartz and Paul Sonne

gested Congress consider grants to state election officials to "help them harden their cybersecurity."

Mr. Johnson said states have resisted what they see as federal intrusion into elections, and as a result might be best served by such grants.

Health Insurers Unveil ACA Plans for 2018

BY ANNA WILDE MATHEWS

Highlighting the uncertainty around the Affordable Care Act marketplaces, insurers announced major changes to their offerings for next year, including pullbacks that potentially leave more counties without exchange plans.

Anthem Inc. said it will exit the marketplaces in Wisconsin and Indiana next year, while nonprofit MDwise said it too would leave the Indiana exchange. Those moves may leave four Indiana counties at risk of having no exchange insurers in 2018, according to the Kaiser Family Foundation, though its researchers cautioned the outlook remains unclear. An estimated 44 counties in Ohio, Washington and Missouri will likely face a similar situation.

The companies' announcements came on the day insurers had to make filings signaling their intentions to offer 2018 exchange plans. A smaller but high-profile company, Oscar Insurance Corp., said it was planning to expand its exchange offerings to include regions within a half-dozen states.

Other major insurers—



EDUARDO MUNOZ/REUTERS

Despite many insurers announcing pullbacks, Oscar plans to expand its ACA offerings. Mario Schlosser, the CEO of the company tied to the Kushner family, spoke in New York in May.

Health Care Service Corp., Highmark Health, Kaiser Permanente and Molina Healthcare Inc.—said they were filing applications to participate in all of their current marketplace states. But Health Care Service and Highmark cautioned they hadn't made final decisions.

Initial federal applications to offer 2018 marketplace

plans were due Wednesday for insurers in the 39 states that rely on some aspect of the federal exchange HealthCare.gov. Despite the deadline, insurers have until late September to make their ultimate calls about marketplace plans.

The announcements showed the fluid situation in the health law's marketplaces, with insur-

ers placing different bets amid the uncertainty. Senate Republicans are pushing for fast passage of a health bill. Insurers say they are unsure about federal payments that help reduce costs for low-income ACA enrollees, which the Trump administration has threatened to halt. Some insurers have raised concerns about enforcement of

the current health law's coverage mandate, which likely won't be enforced under any Republican health overhaul.

Anthem cited a volatile insurance market in its announcement, and it said that planning and pricing for ACA plans "has become increasingly difficult due to a shrinking and deteriorating individual market, as well as continual changes and uncertainty," including around the cost-sharing payments. The company previously said it would stop selling marketplace plans in Ohio next year.

Anthem said it will continue to offer individual plans outside the exchanges in one Wisconsin county, Menominee, and five Indiana counties. The announcements will likely be quickly seized on by both sides of the debate over the Republican health overhaul. House Speaker Paul Ryan of Wisconsin blamed Anthem's move on the ACA and said the 2010 law "has failed our state." Democrats have argued that Republicans are hurting the marketplaces by failing to provide insurers with clear answers on key questions.

In fundraising messages to supporters, Mr. Trump's campaign has cast the event as a dinner with the president, calling it a "big league opportunity."

WASHINGTON WIRE

PRESIDENTIAL CAMPAIGN

Trump to Hold 2020 Event at His Hotel

President Donald Trump plans to hold his first fundraiser of his 2020 re-election campaign at the hotel he owns blocks from the White House, a campaign official said Wednesday.

The June 28 event is slated to raise money for Trump Victory, a joint fundraising vehicle between Mr. Trump's campaign and the Republican National Committee. Mr. Trump officially began his re-election campaign on Inauguration Day through a Federal Election Commission filing—an unusually early move for a president.

In fundraising messages to supporters, Mr. Trump's campaign has cast the event as a dinner with the president, calling it a "big league opportunity."

The choice of the Trump International Hotel in Washington for the fundraiser is likely to raise eyebrows, as ethics experts have criticized the president for not taking adequate steps to distance himself from his businesses—even as he frequents them as president. Mr. Trump has retained ownership of his business empire, while turning over management to his adult sons.

—Rebecca Ballhaus

CONGRESS

Bill Seeks to Privatize Air-Traffic Control

A leading House member said he would introduce a bill to take control of U.S. airspaces away from the Federal Aviation Administration.

Rep. Bill Shuster, a Pennsylvania Republican who leads the House Transportation and Infrastructure Committee, said his bill would extend the FAA's general mandate for six years but move air-traffic control functions to a not-for-profit federal corporation over three years.

The Trump administration has made air-traffic privatization the centerpiece of its planned infrastructure build-out. But the plan faces skepticism, from some corners of the aviation industry and on Capitol Hill, where Democrats oppose the air-traffic control piece and Republicans are concerned about its impact on rural airports.

—Susan Carey

SENATE

Continued from Page One
agency as some insurers said they would withdraw from the health law's marketplaces next year.

Anthem Inc. said Wednesday it would exit the marketplaces in Wisconsin and Indiana, while nonprofit MDwise said it would leave the Indiana exchange. Those moves may leave four Indiana counties at risk of having no exchange insurers in 2018, according to the Kaiser Family Foundation, though its researchers cautioned the outlook remains unclear.

Senators said they expect an estimate of the bill's cost and coverage impact from the nonpartisan Congressional Budget Office by Monday at the latest.

The bill seeks to deliver on a Republican campaign promise to dismantle the Affordable Care Act, known as Obamacare, and replace it with a system conservatives said would be more effective. GOP leaders ha-

ven't publicly disclosed the bill's contents, but it is expected to include deep cuts to Medicaid and a freeze of the program's expansion under the 2010 health law.

Under the Senate version, people without employer-provided insurance could qualify for subsidies that would be based on income, age and health costs in their area, people familiar with the discussions said. It could also lower the income eligibility for subsidies, meaning fewer people would likely be eligible than under the law now. It also will likely diverge from the House bill by keeping some insurance regulations, although states could likely roll them back using federal waivers.

Senate GOP leaders have included provisions likely to land support from conservatives, people familiar with the discussions said, including a slower growth rate for Medicaid spending, starting in 2025, as compared with the House version.

Still, a number of conservative GOP senators expressed frustration because they would apparently have a week to re-

view the bill before leadership asks for a vote, raising the possibility that the vote could be pushed into July.

"The whole process is not satisfactory," Sen. John McCain (R., Ariz.) said. "I feel terrible about it."

Mr. Lee, who hosted a Facebook live event Tuesday, said he hasn't seen the bill even though he is a member of a Senate GOP working group charged with crafting it.

"It's not being written by us," he said. "It's apparently been written by a small handful of staffers in the Republican leadership in the Senate."

Centrist GOP senators, meanwhile, said they would be concerned if the bill includes overly sharp spending reductions to Medicaid. The bill is expected to begin a cutoff of federal funding for new enrollees under the law's Medicaid expansion in three years, starting in 2021, one year later than the House bill, though the provision could change.

Republicans senators, including Rob Portman of Ohio and Susan Collins of Maine,

had hoped for a longer delay on Medicaid. They also had hoped to see \$45 billion in funding for treating opioid addiction in the legislation, and several people close to the drafting of the bill said that isn't currently included.

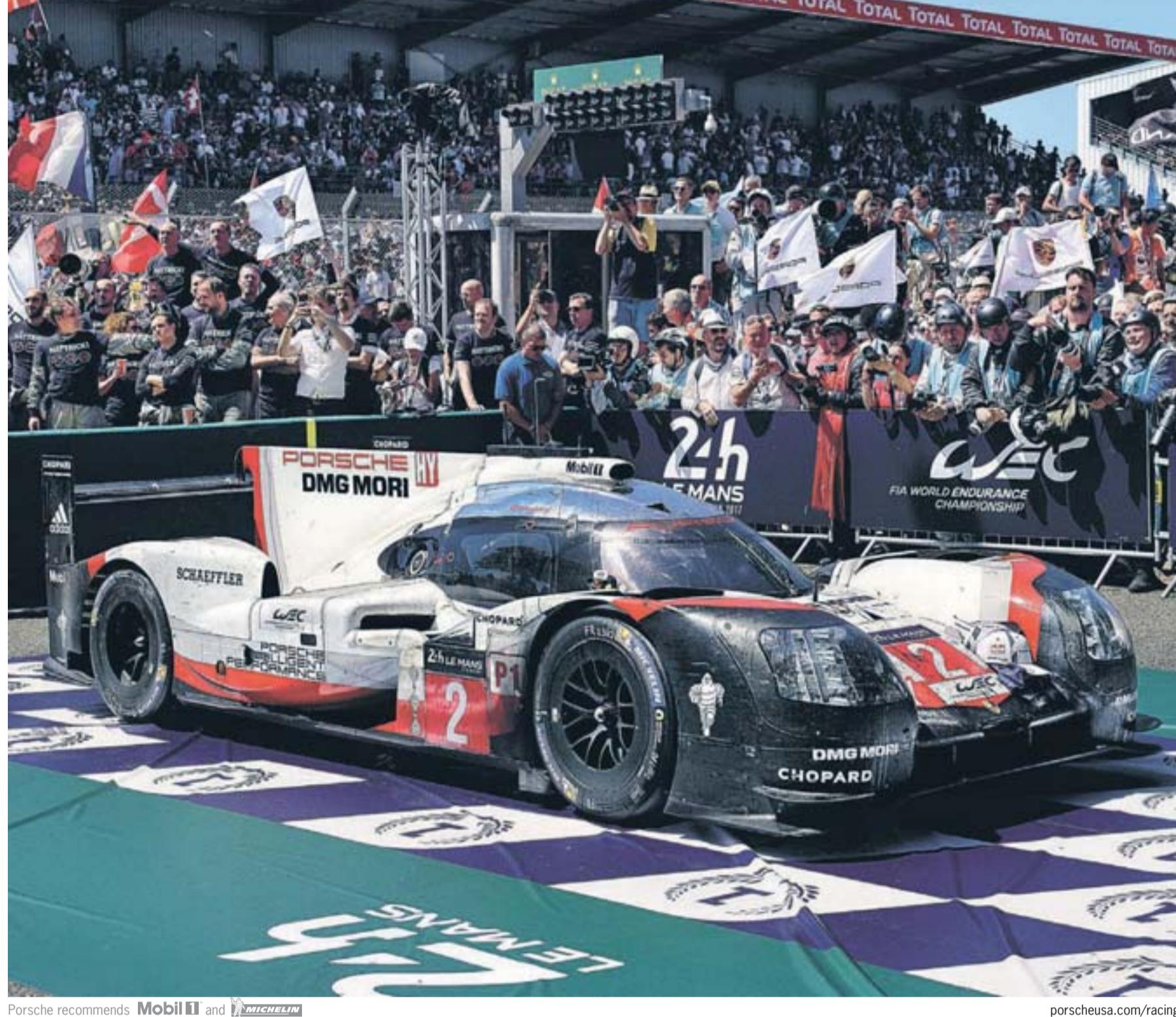
Some lawmakers said it wasn't clear whether the bill would include a provision that would effectively defund Planned Parenthood Federation of America. Ms. Collins said if the bill included that measure, she and Sen. Lisa Murkowski (R., Alaska) would offer an amendment reversing it.

Senate Democrats criticized the Republicans' closed process for crafting the bill and the substance of the legislation.

"You've got a bunch of privileged members of Congress that get government health insurance from taxpayers and they are meeting behind closed doors to find a way to take insurance from a lot of families where the parents are working," Sen. Sherrod Brown (D., Ohio) said. "It's just morally reprehensible."

—Michelle Hackman contributed to this article.

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Mission: Future Sports Car

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PORSCHE

UBER'S CEO EXITS

KEYWORDS | By Christopher Mims

Juggernaut Might Be Just a Big Taxi Company



Memo to Uber Technologies' next chief executive: The problems there

may be bigger than you think.

Uber is currently trying to put out the fire that has culminated in the resignation of co-founder and CEO Travis Kalanick. But even when matters cool, Uber will have to come to grips with a fundamental vulnerability that is increasingly apparent in its business model.

Uber may be great at technology, but unlike in the businesses of Google, Facebook, Apple or Amazon, technology hasn't proven to be a significant barrier to new entrants in ride-sharing. Across the globe, Uber has dozens of competitors, and in many markets they have grabbed the lion's share of ride-sharing demand.

Even if Uber fixes all of its current problems, it seems increasingly unlikely that it can live up to the inflated expectations that come with the

nearly \$70 billion valuation that has made it the world's most valuable startup. There are barbarians at Uber's gate, and it's sorely in need of a moat.

Mr. Kalanick, who initially announced a leave of absence last week, wrote then that the company must evolve into "Uber 2.0," acknowledging it needs a complete overhaul of its corporate culture. But it's not clear how Uber the caterpillar becomes Uber the butterfly.

"We think the company's back is to the wall, and there is no more room for continued screwups," early Uber investor Mitch Kapor said last week. Mr. Kapor, who in February co-wrote an open letter to Uber about the company's "toxic" culture, suggested last week that Mr. Kalanick should come back only if he is "genuinely committed to Uber 2.0."

Assuming there is a magic pill to fix Uber's culture, the next step will be fixing the business.

Uber's original approach was more sprint than marathon. Believing he could pre-emptively wipe out the competition by amassing more money and market share early on, Mr. Kalanick employed a hyperactive management style that prized speed over integrity. But the finish line never really appeared.

Uber still believes that it has superior technology and data science that gives it lower costs per ride than competitors, says a source close to the company. If Uber is right and it can maintain an advantage like this in the long term, it could endure a long war of attrition with its competitors. But since neither Uber nor its competitors are public companies, no one knows the actual unit cost of their rides.

In the U.S., Uber's biggest competitor, Lyft, has rapidly closed the distance with Uber by some of the most important measures, and has

reached that point with far less investment. Lyft is now in the same number of markets as Uber, and in major cities can match Uber on both price and speed of service, says a company spokesperson.

Uber's service is still better in the suburbs and commuter towns, but Lyft is starting to reach more of them, having added 150 markets in the past four months. Most important, both compa-

Technology hasn't been a significant barrier to entrants in ride-sharing.

nies generate the bulk of their revenue in the biggest U.S. markets—not coincidentally, the markets in which Uber claims to have become profitable.

In China, another key bat-

tleground, Uber bowed out entirely. Uber continues to aggressively pursue international markets, but this growth is costing it dearly. Uber lost \$708 million in the first quarter of 2017, despite logging \$3.8 billion in revenue.

In some respects, Uber still has the wind at its back: Overall demand for rides is surging. Uber has said the number of rides it completed in the first quarter tripled from a year earlier. Even if Uber continues to be the most notorious company in Silicon Valley, momentum—and its \$7.2 billion cash hoard—should guarantee its survival. The danger is the company fails to meet the inflated expectations of its lofty valuation.

Google, Apple, Facebook and Amazon weren't first movers in their industries, but they had superior technology and infrastructure. Apple's brand and proprietary software and services

gave it the pricing power to generate huge profits.

Google's search and ad technology outclassed its competitors. Facebook capitalized on the network effect that increased its utility as more people joined. Amazon got so good at building cloud services for itself that it started selling them to others—reaping huge profit.

And Uber? Aside from the cash, it has a tarnished brand and an app that has been widely copied. Uber once could plausibly claim that the company with the most customers could support the most drivers, creating a virtuous circle where mass plus engineering might yield an unbeatable customer experience.

Now, the preponderance of its competitors, ably luring away customers and drivers, suggests that the ride-sharing market will come to resemble something far less sexy—and less profitable. Uber may just be a gigantic taxi company after all.

Kalanick Joins List of Ousted Founders

By STU WOO

Travis Kalanick, **Uber Technologies** Inc.'s co-founder, joined an illustrious list of Silicon Valley leaders forced out of running the companies they built. He resigned late Tuesday after a group of investors pressured him to step down.

Sometimes the companies went on to staggering success after the founder's departure. Sometimes they faltered. Sometimes, the ousted founder returned, with mixed results. Here are just a few cases of what happens when a technology company pushes out a founder.

Steve Jobs

Apple

The most famous example, of course, is the late Mr. Jobs. With the board's backing, **Apple** Chief Executive John Sculley in 1985 fired Mr. Jobs after he tried to get Mr. Sculley—whom Mr. Jobs had lured away from PepsiCo just two years earlier—fired.

"I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me," Mr. Jobs said at a 2005 Stanford University commencement speech. "The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life."

Mr. Jobs went on to run software company NeXT and Pixar Animation Studios, helping create "Toy Story." In 1997, he returned to Apple after it acquired NeXT. During his second Apple tenure, Mr. Jobs released some of the company's most iconic technological innovations.



bile-payment startup Square Inc. In 2015, Twitter promoted Mr. Dorsey to chief executive once again—while allowing him to remain Square's boss, too.

Mike Lazaridis

RIM

Mr. Lazaridis founded the BlackBerry phone maker in 1984 with a loan from his parents and later ran the company with co-CEO Jim Balsillie. On a Sunday in 2012, the pair stepped down after investors clamored for new leadership as the company struggled to keep up with phones running Apple's iOS and Google's Android software. Mr. Lazaridis now runs a quantum-science computing fund with the other RIM co-founder. RIM renamed itself BlackBerry Ltd., quit making phones itself and focuses on mobile software.

Parker Conrad

Zenefits

In 2015, Parker Conrad's two-year-old Zefinets was valued at \$4.5 billion. The startup gave its human-resources software to small businesses for free and made money by acting as an online broker for health-insurance plans. Scrutiny focused on regulatory compliance. "The fact is that many of our internal processes, controls, and actions around compliance have been inadequate, and some decisions have just been plain wrong," David Sacks, Mr. Conrad's successor, said in a letter to employees announcing Mr. Conrad's departure in 2016. "As a result, Parker has resigned."

Mr. Sacks himself left the job after 10 months.



Steve Jobs, at top. At bottom, from left, Jerry Yang, Jack Dorsey, Parker Conrad and Mike Lazaridis.

Jerry Yang

Yahoo

Mr. Yang was pressured out of **Yahoo** leadership not once, but twice. He was chief executive from 2007 to 2009, when he left that position after critics savaged him for rejecting a Microsoft Corp.'s offer to buy the company for \$45 billion. He remained in management, as a "Chief Yahoo," focusing on strat-

egy and stayed on the board.

In 2012, though, he left after investors questioned whether his many roles at Yahoo, including co-founder, director and largest shareholder, saddled him with conflicts of interest as the company explored selling itself.

Today, Mr. Yang is a board director at a few companies, including Alibaba Group Holding Ltd. Yahoo sold itself to Verizon Communications Inc. this year.

Jack Dorsey

Twitter

Three of **Twitter**'s co-founders have been its chief executive. Mr. Dorsey was a nose-ring-wearing, deadlocked one until 2008, when he was pushed out after disagreements over another co-founder.

He returned to Twitter in 2011 as a product chief while remaining chief executive of mo-

David Bonderman of private-equity firm TPG, voiced impatience with Mr. Kalanick over how slowly the search was going, one person said.

Several investors believed it was time for Mr. Kalanick to exit, but they felt they had little sway over the company's decisions, let alone over a chief executive whose voting shares protected him from a forced ouster, people familiar with the matter said.

The investors believed a letter signed by a group of influential shareholders was the only way to force out Mr. Kalanick, two people said.

Mr. Kalanick took an indefinite leave from Uber starting last week, a move he said was necessary to mourn the sudden death of his mother in May and to focus on returning as a reinvigorated leader. The Holder report, meanwhile, recommended nearly 50 changes be made to improve Uber's culture, including expanding the role of a future COO, more independent board seats and mandatory leadership coaching.

Expecting his leave would be short, Benchmark decided it needed to act before Mr. Kalanick returned to his daily role as CEO, two of the people said.

By Monday of last week, Benchmark had found four additional investors to sign the letter, including **First Round**

Capital, Lowercase Capital, Menlo Ventures and Fidelity Investments

according to people familiar with the matter. Benchmark's Mr. Gurley attempted to get other board members to sign, but at least one refused out of reluctance over being represented by Mr. Gurley, according to one person with knowledge of the matter.

The next day, Mr. Bonderman resigned from the board and apologized after he made a sexist remark during an all-hands meeting to address Uber's employees about the results of Mr. Holder's investigation. TPG is replacing Mr. Bonderman with David Trujillo, a partner who helped source the firm's initial investment in Uber, according to a person familiar with the matter. Uber last week also named its second female director, Wan Ling Martello, a **Nestlé** SA executive.

Given her limited operational experience, though, some executive recruiters say she is unlikely to be a candidate for the chief executive role longer term, and is a long shot even as an interim leader.

Mr. Friedman said Uber co-founder Garrett Camp, also its chairman, is a dark horse as he "may not demonstrate sufficient change for investors, who will really be calling the shots."

"The investors are going to be looking for not only someone who is transformative, but a big public-relations success," he added. "It is going to have to be a head snapper."

Ms. Huffington couldn't be reached to comment.

Mr. Cohn said he expects Uber to choose an external candidate to succeed Mr. Kalanick "if they are serious about getting the culture in shape." The outside recruit also should know how to take them through an initial public offering, he said.

An ideal pick would be a star player from a technology-services industry with operational, global and turnaround experience, said Dora Vell, CEO of tech recruiting firm Vell & Associates.

UBER

Continued from Page One

resign, the people said, ending a seven-year reign at the ride-hailing service he built into the world's most valuable private company.

Even in the midst of controversies, Mr. Kalanick's surrender was a stunning fall for one of the most celebrated careers in Silicon Valley in recent years. Tech entrepreneurs idolized the pugnacious Mr. Kalanick for snubbing convention and prioritizing winning at all costs, and investors hailed him as the model for a founder.

Mr. Kalanick is expected to remain an influential presence at the ride-hailing company. He will keep a seat on Uber's board of directors and he retains control of a majority of Uber's voting shares.

"I never thought I would be writing this," Mr. Kalanick emailed to employees on Tuesday evening, some 2,000 miles from Uber's headquarters in San Francisco. "As you all know, I love Uber more than anything in the world, but at this difficult moment in my personal life, I have accepted a group of investors' request to step aside."

Only three months earlier, in March, Uber's board publicly stood by Mr. Kalanick, with di-

rector Arianna Huffington telling reporters he had their full confidence as the company searched for a chief operating officer. Mr. Kalanick had admitted he needed to "grow up" and get "leadership help" following a spate of scandals, highlighted by allegations in February from engineer Susan Fowler Rigetti that Uber's workplace allowed sexual harassment and sexism to fester.

But a few weeks ago, partners at Benchmark began hatching a plan to pressure Mr. Kalanick to resign, according to the people familiar with the matter. Benchmark's partners, who include Uber's longtime board member Bill Gurley, were concerned that the firm's reputation would be sullied by all of Uber's problems, these people said.

Mr. Kalanick didn't respond to a request for comment.

Mr. Gurley declined to com-

ment. On Wednesday, Mr. Gurley resigned from Uber's board and was replaced by Mr. Cohler, according to a person familiar with the matter.

Uber at the time was close to learning the results of a workplace probe the company had ordered be conducted by the law firm of former U.S. Attorney General Eric Holder. Uber also was challenging a lawsuit from **Google** parent **Alphabet** Inc. over trade-secret theft, while the Justice Depart-

Startup Surge

Valuation of the largest venture-capital-backed companies

Uber	\$68 billion
Didi Chuxing	\$50
Xiaomi	\$46
Airbnb	\$31
Palantir	\$20
Lufax	\$18.5
Meituan-Dianping	\$18.3
WeWork	\$17.2
Pinterest	\$12.3
SpaceX	\$12

Source: Dow Jones VentureSource

THE WALL STREET JOURNAL.

ment was just beginning an investigation into Uber's use of technology to evade regulators.

The Holder investigation, as well as the controversies around Mr. Kalanick, also were threatening to further hamper a critical search for a chief operating officer, which was entering its fourth month and from which several candidates had walked away, according to people familiar with the matter.

It became clear from conversations with potential COO recruits that few would take the job if Mr. Kalanick stayed, they said. One board member,

the Holder report, recommended nearly 50 changes be made to improve Uber's culture, including expanding the role of a future COO, more independent board seats and mandatory leadership coaching.

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U.S. NEWS

White House Looks to Chart Steadier Course

BY ELI STOKOLS
AND MICHAEL C. BENDER

President Donald Trump's top advisers are taking steps to stabilize day-to-day operations at the White House, but the administration is struggling to recruit new talent amid expanding investigations, according to senior administration officials.

The White House also continues to be riven by division between senior aides, the officials say, all looking to satisfy a boss frustrated by the slow pace of legislation and investigations into whether his campaign colluded with Russia, which has been accused of interfering with the 2016 election. The Kremlin has denied the allegations.

Chief of staff Reince Priebus may be among those at

'We're in a perpetual state of adjustment,' one White House official says.

risk if Congress is unable to pass a health overhaul by the August recess, according to several senior aides.

"Ultimately, the buck stops at the top," said one White House official asked about the possibility that Mr. Priebus could be dismissed. "We're in a perpetual state of adjustment. We're always looking for ways to improve. Sometimes that's process, sometimes that's personnel; but more importantly, it's about moving the president's agenda forward."

Investigations by the FBI and Congress into Russia's possible coordination with members of Mr. Trump's team are occupying the president's

focus more than ever, officials say, and without a big legislative achievement soon or significant win, they say the president could take action to dramatically shuffle his White House team. Mr. Trump has denied his campaign coordinated with Russian officials.

Mr. Priebus returned early from last month's foreign trip along with senior adviser Steve Bannon to begin a broader revamping of White House strategy. The administration is now promoting a two-week theme—June has seen "Infrastructure Week" followed by "Workforce Development Week"—in an effort to push a more consistent message. Mr. Trump has been holding news conferences with foreign leaders, business roundtables and events focused on those weekly policy areas.

"Reince is trying to pull it all together, but the strategies for the week are a Band-Aid," said one longtime GOP lobbyist who is close to Mr. Priebus.

The Senate, which has been drafting its health-care bill behind closed doors, is planning to vote on its measure next week. It is believed to diverge in significant ways from a House version, and those differences must be ironed out if Congress is going to meet the August deadline set by the White House.

For several months, friends outside the administration say, the president has spoken to them about potential successors for Mr. Priebus. But two other senior administration officials this week asserted that the chief of staff faced more pressure as the American Health Care Act was moving through the House than he does now with it nearing a possible vote in the Senate.

They attribute rumblings about Mr. Priebus's job security to those eager to install another person in his place.



FBI agents investigate the June 14 shooting in Alexandria, Va., where House Republicans were practicing for a charity baseball game.

MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

FBI Details Shooter's Descent

BY ARUNA VISWANATHA

James T. Hodgkinson was a troubled man who railed against Republicans on social media and kept more than 200 rounds of ammunition in a storage locker, but he didn't appear to have methodically planned his attack at a congressional baseball practice, an FBI official said on Wednesday.

"I think he was struggling in a lot of aspects of his life," Timothy Slater, head of the criminal division at the Federal Bureau of Investigation's Washington field office, said.

Officials provided new details of Mr. Hodgkinson's final days before his June 14 rampage outside Washington which critically injured Rep. Steve Scalise (R., La.) and wounded three others.

Mr. Hodgkinson opened fire

at a practice of Republicans preparing for a congressional charity game. Mr. Hodgkinson, armed with a rifle and handgun, was fatally shot by police.

Mr. Slater confirmed that investigators had found a list with the names of six members of Congress on the shooter but declined to say who was on the list. The FBI doesn't consider this a "hit list," Mr. Slater said, because Mr. Hodgkinson's internet search history didn't suggest he had formulated specific attack plans or targets.

Rather, Mr. Slater said, a review of Mr. Hodgkinson's web searches found "only...a cursory search of two of the members."

He added, "We don't know what the list was for.... There's no indication that that was a list to target, or there was any threats associated with those

names on the list."

Mr. Slater said Mr. Hodgkinson hadn't searched online for information about the baseball game they were practicing for in Virginia.

Mr. Hodgkinson visited the office of Sen. Bernie Sanders (I., Vt.) in April, Mr. Slater said, and had visited other congressional buildings and taken photos, but he said those appeared to be the photos of a tourist.

"It appears that...he was running out of money, he was not employed at the time of the event," Mr. Slater said. "He was married for 30 years and that appears that marriage was not going so well.... It was just a pattern of life, where you could tell things were not going well."

At this point in the FBI's investigation, he added, the Bureau believes the attack was

"more spontaneous" than planned.

Authorities said they were still investigating the shooting and have yet to arrive at a complete understanding of Mr. Hodgkinson's motivations, but acknowledged his anti-Republitan posts on social media.

Mr. Slater also said Mr. Hodgkinson had contacted a family member two days before the shooting, seeking to return home to Illinois. Mr. Slater declined to say what that family member had told Mr. Slater in response, citing the continuing investigation.

Separately, Mr. Scalise "continues to make good progress," according to MedStar Washington Hospital Center, which upgraded his condition to fair from serious. He is now "beginning an extended period of healing and rehabilitation," the hospital said.

After Pressure, Administration Boosts Seasonal-Worker Visas

BY LAURA MECKLER

WASHINGTON—The Department of Homeland Security said it would make more visas available for seasonal summer workers, responding to complaints from businesses and members of Congress about a significant shortfall.

By law, the number of H-2B visas is capped at 66,000, divided between the summer and winter seasons. This year, the allotment was exhausted in March. The visas, which are for temporary, nonagricultural jobs, are used in tourism and other industries.

In past years, Congress has exempted returning workers from the cap, enabling many additional foreigners to participate in the program, but lawmakers didn't renew that exception for this year. Instead, in May Congress gave DHS authority to add additional visas if Secretary John Kelly found businesses that were at risk without them.

"The Secretary did not make this decision lightly and is exercising his authority in an effort to help businesses around the country at risk of failing," spokesman Dave Lapan said in a statement Wednesday. He added that Congress was "passing the buck" by not clearly legislating how many visas should be issued and said Mr. Kelly "expects that this one-time occurrence is an anomaly."

During the 2016 presidential campaign, President Donald Trump said regularly that American workers' interests are threatened by foreigners who are both legally and illegally in the U.S. Still, his own Mar-a-Lago club in Palm Beach, Fla., has used many H-2B workers in the winter season.

Mr. Lapan said it wasn't yet clear how many additional visas would be approved and said that the new supply may not be ready until late July at the earliest. He cited the need to work with the Labor Department to identify busi-



JONATHAN ERNST/REUTERS

Workers on the seasonal-visa program in Maryland in 2015.

Foreign Startup Aid May Be Scuttled

The Trump administration plans to dismantle a regulation that would have helped more foreign-born entrepreneurs build startups in the U.S. without a traditional visa, according to people briefed on the administration's plans.

The International Entrepreneur Rule, enacted during the final days of the Obama administration and set to go into effect next month, would have let foreign entrepreneurs apply to work in the U.S. provided their startup raised \$250,000 from established U.S. investors.

The Department of Homeland Security plans to file an

official notice to delay that rule by eight months with the intention of rescinding it, these people say. The delay will give the administration more time to complete the rescinding process, the people said.

The DHS's decision isn't final and still could change, the people cautioned. After filing an official delay, the DHS will open a comment period that could affect the rule's outcome.

"We cannot speculate on the outcome of the DHS review of the rule. When the review is final, we will make the decision public," said Dave Lapan, a DHS spokesman.

The San Francisco Chronicle reported on the possible delay and rescinding of the rule.

—Douglas MacMillan and Laura Meckler

nesses "truly at risk" without additional temporary workers, in addition to a multistep regulatory process.

In May, a bipartisan group of lawmakers urged Mr. Kelly and Labor Secretary Alexander Acosta to approve the additional visas that Congress authorized.

Terry Smily, who owns three Wendy's franchises on Cape Cod in Massachusetts, said he has employed about a dozen H-2B workers from Jamaica each summer for the past 10 or so years. "This year, we have none," he said.

Other businesses are running into the same problems, he said.

Mr. Smily said his restaurants are surviving on a combination of foreigners using another visa program and workers recruited from Puerto Rico, a U.S. territory, plus "paying a ton of overtime."

Foreigners are needed, Mr. Smily said, because most Americans living in the area are older or not interested in working in the hospitality industry. "I would hire whatever Americans walked in my door," he said.

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WORLD NEWS

Belgians Say Slain Bomber Acted Alone

Officials say failed attacker sympathized with Islamic State; travelers escape injury

By VALENTINA POP
AND JULIAN E. BARNES

BRUSSELS—Belgian authorities said that a 36-year-old Moroccan man shot dead by a soldier in a Brussels train station tried to use a homemade, nail-packed bomb and had sympathy for Islamic State.

Prosecutors on Wednesday said the suspect in the attack, which caused no casualties, had no previously known links to terrorism and had acted alone. They said chemicals and materials found at his apartment suggested he made the bomb.

The prosecutors said they had indications the suspect had sympathy for Islamic State, but provided no details.

An official briefed on the investigation identified the suspect as Oussama Zariouh. Other officials, who identified him officially only as O.Z., said he had lived in the Brussels neighborhood of Molenbeek since 2013 and had been investigated for drug-related crimes.

Officials said that while the man wasn't considered high-risk by Belgian authorities, he had communicated with other self-radicalized individuals.



Police remove objects from an apartment searched in Brussels after an attack on the city's main rail station was thwarted on Tuesday.

Those contacts weren't with people considered dangerous terror suspects, one official said, although U.S. and Belgian intelligence agencies are investigating whether he communicated with other, higher-ranking suspects.

Eric Van Der Sypt, a spokesman for the prosecu-

tors, declined to comment on any ties to a broader network.

The Brussels attack, by a suspect without previously known ties to extremist groups acting alone and targeting a public space near a tourist area, had echoes of other recent terror attacks in Europe.

Islamic State, U.S. and European officials said, has been emphasizing for the past year and a half that radical jihadists in Europe shouldn't come to the Middle East to fight, but should instead remain at home to carry out attacks.

Offering new details of the Tuesday night attack, officials

said the man entered Brussels Central Station at 8:39 p.m. and approached a group of passengers before grabbing his suitcase, shouting and causing a small explosion.

No one was hurt in the initial blast, but the suitcase caught fire. The man then fled, leaving the suitcase, and

ran downstairs, prosecutors said.

The abandoned bag exploded in what prosecutors described as a second, more violent blast. The man returned to the hall where the explosion occurred, rushing a soldier and shouted "Allahu akbar," Arabic for God is great. The soldier fired several times, killing the suspect, prosecutors said. His body then lay there for hours as the Belgian military bomb squad examined the scene for undetonated explosives.

"It's clear he wanted to do more damage than he did. He tried to set off the luggage, which exploded a second time, so it could have been much worse," Mr. Van Der Sypt said.

The man lived in Molenbeek, the Brussels neighborhood where a number of terrorists connected to the Paris and Belgium attacks were based, authorities have said. Police raided the man's home on Tuesday night, officials said, and other searches were conducted in Molenbeek on Wednesday.

Police conducting the raid on Zariouh's apartment in a small, redbrick townhouse took away a laptop, a phone and a tablet computer and hard drive, witnesses and officials said. Officials briefed on the investigation said such electronic devices could provide more clues about his contacts before the attack.

Queen Lays Out May's Two-Year U.K. Agenda

BY JENNY GROSS

LONDON—Queen Elizabeth II unveiled the Conservative government's legislative agenda in a speech that confirmed Britain's negotiating aim in Brexit talks and set out the government's intention to come up with a new counterterrorism strategy after a spate of recent attacks.

In a ceremony on Wednesday marking the official reopening of Parliament after the election this month, the queen read out a list of bills that Prime Minister Theresa May hopes to pass in the two years to come, ranging from plans to improve data protection in the wake of a recent cyberattack on the National Health Service to an outline of major bills related to Britain's exit from the European Union, set for March 2019.

Whether Mrs. May can pass the bills through Parliament is another story: Her poor electoral performance has diminished her authority in the legislature. Having fallen short of a majority, her Conservative Party will require support from Northern Ireland's Democratic Unionist Party to pass



STEFAN WERMUTH/PA WIRE/ZUMA PRESS

Queen Elizabeth II and Prince Charles presided over the opening of Parliament's new session.

legislation. After days of discussion the two parties have not reached an agreement, but talks are continuing.

Mrs. May said earlier that while the election result wasn't one she had hoped for, she would respond with "humility and resolve" to the message the electorate sent her government.

"We will work hard every day to gain the trust and confidence of the British people, making their priorities our priorities," Mrs. May said.

Jeremy Corbyn, leader of the main opposition Labour Party, speaking in Parliament, called the Conservatives' agenda thin and disappointing.

"This is a government without a majority, without a mandate, without a serious legislative program, led by a prime minister who has lost her po-

litical authority and is struggling to stitch together a deal to stay in office," Mr. Corbyn said. "We will use every opportunity to vote down government policies that failed to win public support and we will use every opportunity to win support for our program."

To continue as prime minister, Mrs. May will need a majority of Parliament's 650 lawmakers to approve the

agenda laid out in the Queen's Speech. Parliament is expected to give Mrs. May only a narrow win in a vote on June 29, suggesting she will likely face difficulties ahead in running a minority government, which are rarities in the U.K. and have tended to be short-lived.

To stay in power, Mrs. May's government will have to rely on cooperation from other parties to pass legislation. Without official support from the DUP, this is unlikely to work in the long term, particularly at a moment of historic change for a country deeply divided over what its new relationship with the EU should look like. Mrs. May can remain prime minister until she loses a confidence motion or a major finance vote in the House of Commons, with the first test coming with the June 29 vote.

Wednesday's ceremony had less pomp than usual. The need for hasty arrangements for opening Parliament after the snap election, along with the queen's lavish birthday celebration just days ago, led Buckingham Palace to tone down arrangements.

German Exporters See Surge In Asia

BY NINA ADAM

FRANKFURT—German exports to Asia are rising strongly this year in a trend that could mitigate the risks to Europe's largest economy should President Donald Trump make good on his protectionist promises.

Figures released on Wednesday showed Germany's exports to China rising about 12% in the first four months of the year compared with the 2016 period. Exports to India rose by a similar rate, while shipments to Indonesia and Vietnam jumped more than 20% each from January to April 2016, according to the Federal Statistical Office.

"We are benefiting from our excellent positioning in East Asia and strong demand for consumer electronics," said Robert Saller, a managing director at DELO, a family-run producer of special adhesives for electronic devices. China last year became DELO's biggest market, relegating Germany to second place.

German exports to the U.S. and to European Union members are also growing—albeit at slower rates—but the outlook is vulnerable to the threat of rising U.S. protectionism and the U.K.'s exit from the EU.

Mr. Trump has repeatedly criticized Germany for its large trade surplus with the U.S. and threatened to impose tariffs on German car imports. But action by the U.S. administration has proved modest while German businesses have remained committed to the large U.S. market.

German exports to the U.S. rose 3.9% in the first four months of 2017 from the year-earlier period. Exports to the U.K. fell about 4%.

German businesses' rising exports to Asia draw on a long record in the region. Economists say that China's One Belt, One Road initiative—a series of vast infrastructure projects to connect mainland China with the rest of the continent—will open up more opportunities for trade.

Last year, China became Germany's largest trading partner, with combined imports and exports of almost €200 billion (\$223 billion).

Germany is the third-largest exporter in the world after China and the U.S. and exposed to a variety of regions, which has helped its exporters weather economic shocks in specific markets in the past.

Probe Spurs Macron To Shuffle Cabinet

BY WILLIAM HOROBIN

PARIS—Emmanuel Macron revamped his government, sidelining centrist allies buffeted by an expenses probe that contrasts with the new French president's push for probity.

Mr. Macron made the most senior change on Wednesday, replacing justice minister François Bayrou, the founder and leader of the centrist party Mouvement Démocrate, known as MoDem. Defense minister Sylvie Goulard and European affairs minister Marielle de Sarnez—both members of MoDem—were also left out of the new government.

The ministers said they chose to leave after French prosecutors on June 9 launched a preliminary probe into allegations MoDem lawmakers at the European Parliament wrongfully used European funds to employ people working for the party as parliamentary assistants. MoDem has denied any wrongdoing.

Mr. Bayrou's departure deprives Mr. Macron of a senior figure of French politics who rallied centrist voters to his successful election campaign.

Mr. Bayrou backed Mr. Mac-

rion in February, saluting the presidential candidate's promise to clean up politics after a series of expense scandals dogged

Mr. Bayrou's departure deprives Mr. Macron of a senior figure of French politics who rallied centrist voters to his successful election campaign.

In a nod to moderate leftists who backed his campaign, Mr. Macron picked Florence Parly—a budget minister in the Socialist government of Lionel Jospin—as defense minister.



Premier Sorin Grindeanu in Parliament on Wednesday, before the vote that led to his removal.

Romania Prime Minister Ousted

BY DREW HINSHAW

Romania ousted its prime minister of only six months, dissolving a government that was knocked off balance by one of Europe's biggest anti-corruption movements.

A majority of 241 lawmakers in the 428-seat Parliament on Wednesday voted no confidence in Prime Minister Sorin Grindeanu, who took office in January. The key votes came from his own Social Democratic Party, which has become so frustrated with his leadership that it expelled him from its member list last week.

Within days, Parliament is expected to form the fourth government in two years.

Corruption protests have

become a recurrent threat to Romanian governments. Mr. Grindeanu's fall from power began in February with Romania's largest demonstrations since the fall of communism.

More than 250,000 protesters marched through snow-packed streets against a ruling party ordinance that would have restricted prosecutors from investigating public officeholders for corruption.

That ordinance was crucial to the leader of Mr. Grindeanu's party, Liviu Dragnea, who is under indictment for abuse of office.

Mr. Dragnea says he is innocent, and his party argues that increasingly exhaustive corruption investigations—partly funded by the European

Union—have made governing Romania too difficult.

Still, days of protests pushed Mr. Grindeanu to withdraw the ordinance. That move freed prosecutors to keep pursuing corruption cases against the ruling party.

But it also sparked a rivalry with Mr. Dragnea, who first nominated the then-obscure Mr. Grindeanu as prime minister in December, telling reporters, "I wanted a man I could trust."

Since then, bribery, abuse of office, and favoritism cases have piled up against Romanian political leaders and Mr. Dragnea has grown critical of Mr. Grindeanu. The friction between the two has proven untenable, and all but three of Romania's 27 ministers resigned before the vote.

WORLD NEWS

Kushner Meets Mideast Leaders

BY REBECCA BALLHAUS

WASHINGTON—President Donald Trump's son-in-law and senior White House adviser, Jared Kushner, met with Israeli Prime Minister Benjamin Netanyahu and his senior advisers on Wednesday to try to advance U.S. efforts to reach an Israeli-Palestinian peace deal.

Mr. Kushner, who was joined by Jason Greenblatt, the president's top representative on Israeli-Palestinian negotiations, and David Friedman, the U.S. ambassador to Israel, discussed with the prime minister "potential next steps" in the effort to establish peace between Israel and the Palestinians, according to a White House statement.

Mr. Kushner and the Israeli officials "underscored that forging peace will take time" and emphasized the "importance of doing everything possible to create an environment conducive to peacemaking," the White House said.

In a televised welcome of Mr. Kushner, Mr. Netanyahu said the meeting was an "opportunity to pursue our common goals of security, pros-

perity and peace," and added: "Jared, I welcome you here in that spirit."

Mr. Netanyahu also praised the president's trip to Israel last month, saying Mr. Trump left an "indelible impression on the people of Israel."

Messrs. Kushner and Greenblatt also met Palestinian Authority President Mahmoud Abbas and his senior advisers in the West Bank city of Ramallah. When they return to Washington, they will brief the president, Secretary of State Rex Tillerson and national security adviser H.R. McMaster and talk "next steps," the White House said.

The trip marks the White House's first major follow-up to Mr. Trump's trip to the region last month and suggests Mr. Kushner's policy portfolio isn't shrinking despite scrutiny by federal investigators into his past meetings with Russian officials.

Ahead of the trip, a White House official said no major breakthroughs or three-party talks were expected. White House officials have pointed to an Israeli-Palestinian peace agreement as a priority for Mr. Trump.

Area residents said four of the militants were killed in an exchange of gunfire with security forces, Mr. Padilla said.

Philippine Conflict Widens

BY BEN OTTO

MANILA, Philippines—Militants aligned with Islamic State attacked a village and fought with security forces in the southern Philippines, spreading a bloody conflict about 50 miles south of where government forces have been battling Islamist insurgents for more than a month.

Members of the Bangsamoro Islamic Freedom Fighters group attacked a village near the town of Piggawayan in central Mindanao Island at dawn on Wednesday, occupying a school for hours and holding dozens of local civilians hostage while using them as human shields, the military said. Members of the group have been involved in the prolonged battle against government troops to the north.

The gunmen targeted a patrol base of government-sponsored militiamen and held 31 hostages, including 12 children, at a nearby school, military spokesman Brig. Gen. Restituto Padilla said. The militants left the area under the cover of darkness, leaving the hostages unharmed, Mr. Padilla said.

"The school area is again safe. The patrol base is well secured," he said, adding that the militants "were taking advantage of the situation that we have a very...lightly de-



MARK NAVALES/EUROPEAN PRESSPHOTO AGENCY

Troops in Piggawayan, in the southern Philippines, near where Islamist insurgents attacked a village.

fended outpost and that they think our forces are elsewhere in the province. But that's not the case. Our forces are spread all over."

Government troops have been battling militants linked to Islamic State in Marawi, a Mindanao city of 200,000, leading President Rodrigo Duterte to place the entire region under martial law in May. More than 300 people have been killed and 180,000 displaced in the fighting, and the military estimates around 500 civilians remain trapped.

Militants have been seeking to establish a caliphate in the predominantly Muslim southern

Philippines. In recent days, authorities have said a small number of fighters in Marawi have escaped the city, fueling concern that the conflict could spread. Authorities also fear that with the end of the Muslim fasting month next week, reinforcements could join the fighting, including from foreign shores.

The government has said militants in Marawi include citizens from Indonesia, Saudi Arabia, Malaysia and other countries.

The Bureau of Immigration on Wednesday moved to tighten borders, ordering more stringent screening of foreigners arriving at airports across the country and sea-

ports in the south. Immigration Commissioner Jaime Morante said visitors having "questionable documents or doubtful purposes" should be "booked on the first available flight to their port of origin."

Mr. Duterte on Tuesday raised the specter of a wider conflict in Mindanao should the island's Christians take a stand against the militants.

"If civilians start to take up arms, it will be a civil war," he said while visiting soldiers in Cagayan de Oro, a coastal city in northern Mindanao.

"In Mindanao, there are a lot of Christians who also own high-powered guns," he said.

WORLD WATCH

UNITED KINGDOM

BOE Chief Economist Alters View on Rates

Differences emerged in the Bank of England's senior ranks over the need for a rise in interest rates, as Andrew Haldane said he had changed his view and now favored an increase this year.

Mr. Haldane's comments, in a

speech Wednesday in the northern English city of Bradford, came a day after BOE Gov. Mark Carney made a case against raising the key interest rate.

Mr. Haldane, the central bank's chief economist, said he now sees the risk of raising rates too late as being greater than the risks of moving too early.

—Paul Hannon

Schäuble Notes Strong Economy

German Finance Minister Wolfgang Schäuble said he would welcome a move by the European Central Bank to start ending its expansive monetary policy given the eurozone's current favorable economic performance and the absence of deflationary risks.

"The [eurozone's] positive

performance makes this scenario more likely," said Mr. Schäuble, who has repeatedly warned low interest rates are hurting German savers and the ECB should follow the U.S. Federal Reserve's decision to raise rates. "I belong to those who would welcome if we could set the course for an exit from the ultra-low interest-rate policy also in Europe in the foreseeable future."

—Andrea Thomas



AMOS BEN GERSHOM/EUROPEAN PRESSPHOTO AGENCY
Prime Minister Netanyahu welcomes Jared Kushner in Jerusalem.

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WORLD NEWS

SAUDI

Continued from Page One

Low oil prices and mounting demographic pressures are tearing at the kingdom's fragile social contract, making change even more urgent and political unity at the top a greater priority. Mohammed bin Salman is spearheading a plan to take the state oil company public in 2018 in what could be the world's biggest public offering and to invest proceeds in a fund to diversify the country's economy.

The change of power has profound implications for Saudi Arabia's political and economic future, for global oil markets and for allies inside and outside the Middle East. It casts into retirement the erstwhile crown prince, Mohammed bin Nayef, King Salman's nephew and a longtime antiterror official who had close ties with U.S. diplomats. It empowers a largely untested prince who may become even more powerful than his father, as dissenting factions have been edged out and power is now consolidated in King Salman's line.

"There hasn't been such a powerful central player since King Abdulaziz," said Steffen Hertog, a London School of Economics professor who studies Saudi Arabian politics. King Abdulaziz, the father of King Salman, founded the kingdom.

The Saudi royal family is increasingly squeezed by perceived threats in the Middle East, most of all the rise of its rival Iran after the end of Western sanctions linked to its nuclear program. Mohammed bin Salman is leading a costly war against Iranian-supported rebels in Yemen who toppled a Saudi-backed government and has inserted Saudi Arabia into the Syrian civil war, backing opponents of Iranian ally President Bashar al-Assad. Saudi Arabia has led a jarring diplomatic freeze-out of its onetime ally Qatar, over the tiny emirate's budding ties to Iran.

The young prince's overtaking of his older cousin has long been viewed as inevitable in some royal circles, according to people familiar with the matter. The timing of the move was cemented by the need to unify the kingdom's leaders behind the economic overhaul and foreign-policy moves, according to one of the people.

"It is a highly calculated move to make Saudi Arabia as stable as possible," the person said. "You need this clarity when you have a big ambitious reform plan you want to achieve."

One catalyst for the timing of Wednesday's shuffle: Mohammed bin Nayef's stance on Qatar. According to two people familiar with the matter, he wanted to resolve the dispute through diplomatic channels, while Mohammed bin Salman wanted to take a harsher stance. Mohammed bin Salman won the argument, and, on June 5, Saudi Arabia announced an economic blockade of Qatar.

The succession overhaul that was announced by royal decree—hours after the dawn meal that precedes the daily fast in the Muslim holy month of Ramadan—was expected by some, but the timing may have been accelerated by the Qatar issue, according to one of the people familiar with the matter.

The aftermath of the dispute between Mohammed bin Salman and his cousin, Saudi Arabia's Allegiance Council, which comprises 34 members of the royal family representing each lineage of Abdulaziz's sons, met in Mecca this week, said a person familiar with the matter. The council advises the king on matters of succession, but its decisions aren't binding. Its vote in favor of the leadership shuffle, however, showed there is a consensus within the family about Mohammed bin Salman's promotion.

Indicating a belief that urgent action was necessary, 31 members voted to oust the crown prince and promote Mohammed bin Salman, this person said.

In Washington, a senior administration official said the Trump administration knew the change was likely but didn't know this move would happen today. "Why now? What's behind it? Nobody knows," this person said.

Promoting a prince with a more aggressive line on foreign disputes is a change for the country. Its neighbors now see it taking "a much more assertive, insistent domineering" approach to foreign policy, said Chas Freeman, who served as U.S. ambassador to Saudi Arabia under President George H.W. Bush. "Some of the neighbors

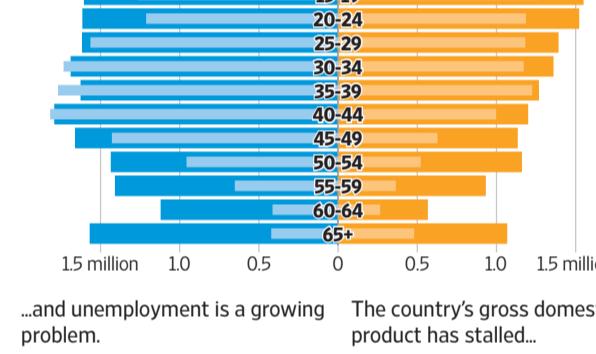


Saudi Press Agency/European Pressphoto Agency

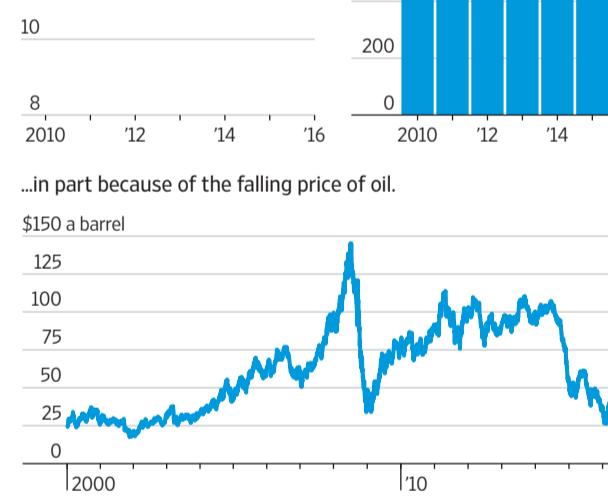
Saudi King Salman's son Prince Mohammed bin Salman, left, kissed the hands of Prince Mohammed bin Nayef after the king named the son his successor.

Saudi Dilemma

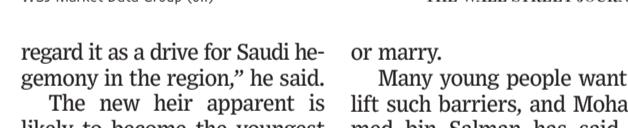
Saudi Arabia's population is young and growing rapidly...



...and unemployment is a growing problem.



...in part because of the falling price of oil.



Sources: United Nations (population estimates); Jadwa Investment (unemployment, GDP); WSJ Market Data Group (oil)

Tillerson Pushes Arab Allies for Talks On Qatar Blockade

Secretary of State Rex Tillerson, pressing for a diplomatic resolution to a feud among Arab allies, said Wednesday that Saudi Arabia and other

countries have compiled a list of demands for Qatar, and urged that talks move ahead.

The Saudis, acting with Egypt, the United Arab Emirates and others have blockaded Qatar for the past two weeks, closing borders and canceling flights while accusing Doha of supporting extremist movements and cultivating ties to Iran.

Mr. Tillerson urged Qatar's adversaries to present Doha with the list of demands.

The administration has sent conflicting messages, with President Donald Trump at times joining in the finger-pointing against Qatar while at other times joining Mr. Tillerson in appealing for a diplomatic resolution.

—Felicia Schwartz

push for the separation of mosque and politics."

Last year, the monarchy stripped the country's religious police of its powers to arrest and instructed its members to behave kindly toward suspected offenders. In a country where cinemas are banned, there is now a government body with the task of promoting entertainment. Government officials often hint the country's ban on women's driving will soon be lifted.

Before his father became king in January of 2015, Mohammed bin Salman had a relatively low profile in Saudi Arabia. But he had spent years at his father's side while the future king held a series of government positions.

Tall, youthful and bearish, Mohammed bin Salman punctuates his enthusiastic discourses on politics and power with a tic in which he extends his neck and lifts his chin.

Since rising in power, he has driven his underlings hard. "It's always 'right now,' when he's pushing an initiative, said one high-ranking official. The prince has demanded the IPO of Saudi Arabian Oil Co., or Saudi Aramco, happen quickly, said people familiar with the matter, and in the view of some officials, he rushed some economic reforms, leading to backlash among citizens.

After Salman became king in 2015 upon the death of his older brother Abdullah, another brother, Muqrin bin Abdulaziz, was appointed crown prince. Mohammed bin Salman was appointed defense minister and chairman of the country's Council for Economic and Development Affairs, putting him at the head of military and economic matters. The king's young son monopolized the limelight, be-

coming the face of the kingdom's ambitious economic overhauls and its war to oust Iranian proxies from Yemen.

Crown prince Muqrin bin Abdulaziz resigned in April 2015, making room for Mohammed bin Nayef, a nephew of King Salman's, to become crown prince, and Mohammed bin Salman to become deputy crown prince. That structure was a major shift, as for the first time it named a successor to the throne who would be of the younger generation. It was also the first time a sitting crown prince had been replaced.

But Mohammed bin Nayef was also quickly eclipsed by the young Mohammed bin Salman, who announced an economic-overhaul plan called Vision 2030 in 2016. To deal with the impact of low oil prices on the kingdom's finances, he announced

profile meanwhile continued to rise. In January 2016, he announced he planned to take a minority stake in Saudi Aramco public. That plan raised concerns among some within the company about losing control of the source of most of Saudi Arabia's income.

Consumers also griped about some of the subsidy cuts, and business owners had problems with overhaul measures including some designed to increase Saudi employment. Early this year, the prince met with 10 business leaders who complained that few Saudi companies grew last year, while many lost money.

Private sector growth was sluggish, they said, and suffered from declining purchasing power of consumers. They said rising fuel costs—the result of subsidy cuts—were hurting them, according to a meeting document the Journal reviewed.

Mohammed bin Salman also ran into political challenges with austerity measures aimed at curbing government spending. Late last year, he instituted cuts to government employees' allowances and bonuses. They proved unpopular, and in April King Salman reversed them as part of a series of decrees that also put two of his other sons in elevated positions, including U.S. ambassador.

Known to be intrigued by Wall Street and eager to do deals abroad, he faces the challenge of pulling off the IPO of Saudi Aramco, a complex deal that he has said could value the company at \$2 trillion—although inside the company, some officials said that is likely to be less than \$1.5 trillion. Mohammed bin Salman has cultivated relationships with bankers and international business figures, seeking advice on how to bring investment into Saudi Arabia and looking for ways to invest the country's money in industries other than oil.

The demands of the prince's new job stand in stark contrast to the traditional court process that put him in the role. At their Mecca meeting, all but three of the members of the Allegiance Council endorsed the shuffle, according to one official familiar with the vote.

In a ceremony broadcast on Saudi television, Mohammed bin Nayef formally acceded to his younger cousin, saying, "I pledge allegiance to you. I am content."

And he told his cousin, "God help you. Now I will rest, and you, God help you."

—Maria Abi-Habib,
Margherita Stancati and Carol
E. Lee contributed
to this article.

Lateral Moves

Power in Saudi Arabia has passed from brother to brother among the royal sons of the kingdom's founder.

Sources: Royal Embassy of Saudi Arabia; staff reports;
Photos: Zuma Press (al Saud); Getty Images

THE WALL STREET JOURNAL.

Abdulaziz ibn Saud

King 1932 - 1953

Deceased

Living

WORLD NEWS

Shuffle Means a More Activist Saudi Arabia



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

Brace for more turbulence. The dynastic struggle in Saudi Arabia is over, and power—for all practical purposes—is now in the hands of a young generation of princes determined to show the Middle East who's the boss.

Mohammed bin Salman, appointed on Wednesday as the kingdom's crown prince and designated successor to his 81-year-old father, King Salman, is the face of bold changes launched by once staid Saudi Arabia in the past two years.

At just 31 years of age, he is the architect of the bloody war in Yemen, the initiator of painful economic overhauls, the instigator of moves to aggressively counter Iran and, more recently, the catalyst of a Saudi-led regional campaign to isolate tiny Qatar.

His 57-year-old cousin, the

now-removed crown prince and interior minister, Mohammed bin Nayef, was widely seen as the voice of caution and experience in the kingdom's halls of power—and a possible check on some of Mohammed bin Salman's rasher moves.

Now that he is gone, Saudi Arabia's regional posture is likely to become even more adventurous.

"Mohammed bin Salman is much more willing to use Saudi hyper-nationalism as a way to solidify domestic social change," said Andrew Bowen, a specialist on the kingdom at the American Enterprise Institute, a Washington think tank. "It's a risk when you put a very headstrong, stubborn, impulsive, more nationalist leader in that position compared to Mohammed bin Nayef, who was slow, deliberate and pragmatic."

While Mohammed bin Nayef didn't publicly criticize his young rival, he supported a more traditional Saudi approach of acting behind the scenes and building regional consensus.

Mohammed bin Salman—who has developed close ties with the activist de facto ruler of the United Arab Emirates, Mohammed bin Zayed—has by contrast advocated



A Yemeni man in the rubble of houses destroyed in an airstrike in Sana'a, Yemen, earlier in June.

the move.

With the war in Yemen bogged down, Qatar refusing to capitulate and the House of Saud forced to roll back unpopular austerity measures in April, the only such success has been Mohammed bin Salman's ability to develop an unexpectedly warm relationship with President Donald Trump.

The prince visited the White House in March, paving the way for last month's Riyadh summit at which Mr. Trump seemed to endorse Saudi claims to lead the entire Muslim world.

Shortly thereafter, Saudi Arabia and its allies moved against Qatar—securing, at least at first, Mr. Trump's backing.

On Tuesday, however, the U.S. State Department issued an unusually strong rebuke of the Saudi and Emirati embargo on Qatar, which houses a major U.S. military base.

"I do not see so far that the Trump administration has given the Saudis a blank check," said Riad Kahwaji, CEO of the Institute for Near East and Gulf Military Analysis in Dubai.

"It is too early to talk of this as an achievement because we are yet to see what the Trump administration will actually give to the Saudis in the near future."

showcasing the kingdom's military and financial might.

"Now you are going to see more decisiveness, be it in the war in Yemen or in the recent disturbance of relations with Qatar," predicted Ahmad al-Ibrahim, a Saudi political commentator and businessman.

Mohammed bin Nayef, of course, exercised only limited authority outside his internal-security turf in recent months. This means that the

change in the kingdom's behavior may be less dramatic than many expect, cautioned Saudi analyst Mohammed Alyahya, a nonresident fellow at the Atlantic Council.

"In terms of foreign policy, economic policy and defense, I don't foresee a seismic shift because Mohammed bin Salman has already been in charge of these files for quite some time," Mr. Alyahya said.

Indeed, over the past several months, as Mohammed

bin Salman widened his authority with the appointment of young princes to key levers of government, it increasingly seemed just a matter of time before Mohammed bin Nayef was forced out.

Yet few expected this time to be so short: As the consensus among Western diplomats in Riyadh went, Mohammed bin Salman needed to show some actual achievements before making

MOHAMMED JAWAD/AGENCE FRANCE PRESSE/GTET IMAGES

ISIS Destroys Historic Mosul Mosque

BY TAMER EL-GHOBASHY

ERBIL, Iraq—Islamic State militants bombed the historic Nouri Grand Mosque in Mosul late Wednesday, Iraq's military said, destroying the site where Islamic State's leader first announced the creation of a self-declared caliphate straddling Iraq and Syria.

The destruction of the mosque came as Iraqi counter-terrorism forces approached within 50 meters of the struc-

ture, in a final push of an eight-month campaign to reclaim the last major urban territory controlled by Islamic State in the country.

The mosque had become a symbol of the militant group's control of huge swaths of the country in 2014. Its destruction comes nearly three years to the day Abu Bakr al-Baghdadi used the landmark to announce the creation of his so-called caliphate—a territory that has shrunk significantly

in recent months. Since October, Iraqi forces backed by U.S. advisers and air power have reclaimed nearly all of Mosul, with about 4 square kilometers of the city remaining under Islamic State control.

Iraq's military called the detonation of the ancient mosque "a historic crime."

Islamic State, in a statement posted online late Wednesday through its media arm, claimed the mosque had been destroyed by an Ameri-

can airstrike.

"As our Iraqi Security Force partners closed in on the al-Nuri mosque, ISIS destroyed one of Mosul and Iraq's great treasures," said Maj. Gen. Joseph Martin, commanding general of Combined Joint Forces Land Component Command-Operation Inherent Resolve.

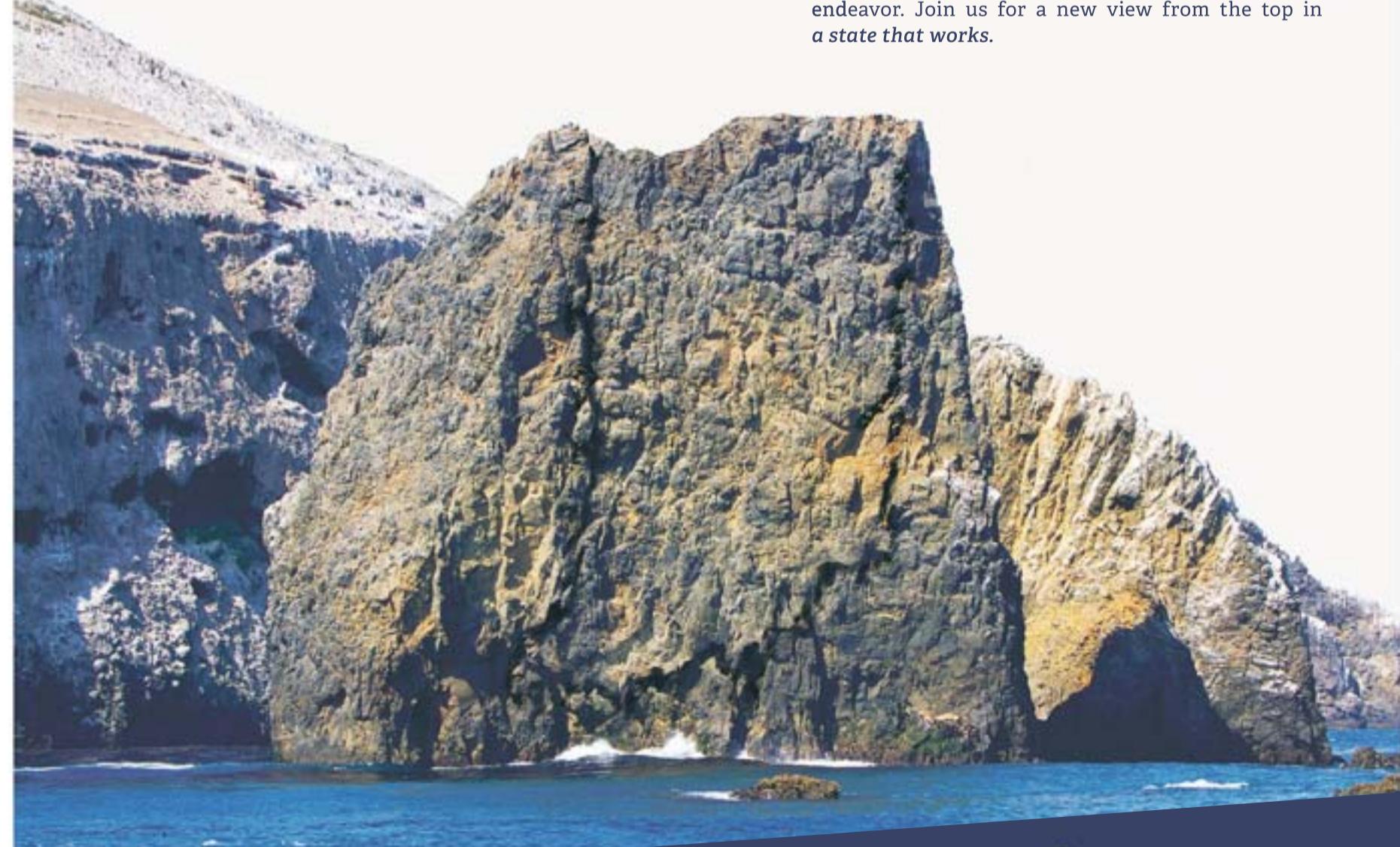
The structure sat in the Old City district where the militants are putting up a fierce fight in a city that they have all but lost.



The Nouri Grand Mosque in Mosul, Iraq, shown in 2014.

EUROPEAN PRESSPHOTO AGENCY

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WORLD NEWS

Congo Crisis Sends Millions Into Exile

Government forces
fight militias loyal to
tribal leaders as
president holds power

BY NICHOLAS BARIYO

KYANGWALI, Uganda—The day Bungwile Mabuya discovered her husband's mangled body near her house in the Democratic Republic of Congo's Kasai region, she grabbed her children and ran.

The mother of five, who found refuge in a sprawling lakeside refugee camp here, is one of roughly 1.5 million Congolese fleeing a brutal power struggle pitting President Joseph Kabila against traditional chiefs, who still administer large swaths of the vast central African nation.

Government forces and local militias have killed more than 3,300 people in Ms. Mabuya's home region since October, according to the Catholic Church, which has had its priests count the bodies since then. On Tuesday, the United Nations' high commissioner for human rights, Zeid Ra'ad Al Hussein, accused Mr. Kabila's government of arming a new militia he said has slaughtered hundreds of villagers—including pregnant women and toddlers—in Kasai. A government spokesman has denied the allegations.

The killings reflect the unraveling of a complex network of power trading and patronage, backed by amateur fighters unchecked by the official security apparatus, that has helped secure Mr. Kabila's rule for the past 16 years.

Ms. Mabuya said her husband, Constantine Masumbe, had stepped outside their hut one December night when she

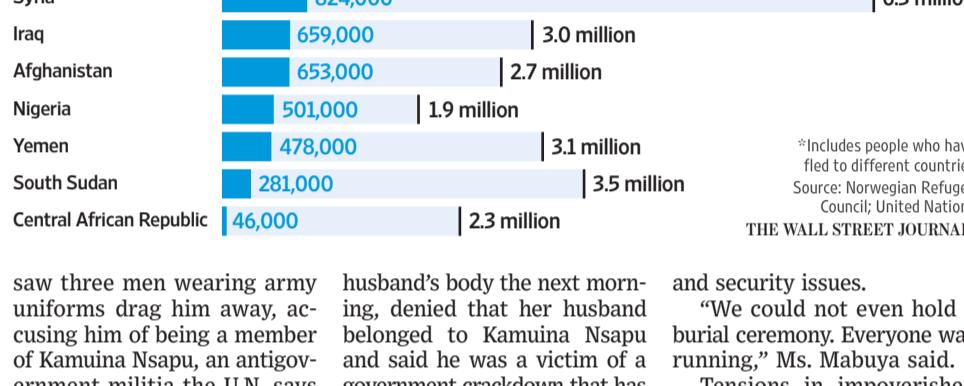


Children play at a refugee settlement in Uganda, one of the havens for Congolese residents fleeing escalating violence at home.

LEONARD PONGO/REDUX PICTURES FOR THE WALL STREET JOURNAL

On the Run

More people have been forced from their homes in the Democratic Republic of Congo over the past 18 months than in other conflict zones. Displacements in selected conflict-torn nations:



*Includes people who have fled to different countries
Source: Norwegian Refugee Council; United Nations
THE WALL STREET JOURNAL

saw three men wearing army uniforms drag him away, accusing him of being a member of Kamuina Nsapu, an antigovernment militia the U.N. says is recruiting child soldiers and raping underage girls in the central Kasai region.

Ms. Mabuya, who found her

husband's body the next morning, denied that her husband belonged to Kamuina Nsapu and said he was a victim of a government crackdown that has intensified since Mr. Kabila's official mandate expired in December. Mr. Kabila has put off elections, citing a lack of funds

and security issues.

"We could not even hold a burial ceremony. Everyone was running," Ms. Mabuya said.

Tensions in impoverished Kasai escalated last year, when Mr. Kabila refused to recognize Jean-Pierre Mpandi, a chief who founded Kamuina Nsapu

and was friendly with Mr. Kabila's political opponents. In August, government forces fighting Kamuina Nsapu killed Mr. Mpandi. Aid agencies say more than a dozen other traditional chiefs across five provinces have since been killed.

Traditional chiefs are selected according to local custom and perform religious ceremonies, but receive government salaries. Under Congo's constitution, they are required to be apolitical and resolve local disputes, forming a vital link between the capital Kinshasa and remote villages.

In late 2015, however, Mr. Kabila implemented a law that requires a presidential decree to formally recognize each chief—a step his critics say was an attempt to sideline opposition-friendly leaders. Mr. Kabila's spokesman denies these claims, saying the state had the right to oversee chiefs receiving government funds.

At the same time, the drop in prices for oil, copper and cobalt—which account for 90% of Congo's exports—cut into government spending on social services and other payments that usually flow to local chieftains.

"A deteriorating economy has fueled resentment toward Mr. Kabila's regime, especially among traditional chiefs," said Adeline van Houtte, Africa analyst at the Economist Intelligence Unit.

In Kasai, a longtime opposition stronghold, Kamuina Nsapu has ambushed government troops, which the U.N. says have responded with disproportionate force. On Tuesday, the U.N.'s Mr. Hussein said investigators now believe Mr. Kabila's government has been arming its own militia, Bana Mura, to fight Kamuina Nsapu.

"My team saw children as young as 2 whose limbs had been chopped off. Many babies had machete wounds and severe burns," he said. "At least two pregnant women were sliced open and their fetuses mutilated."

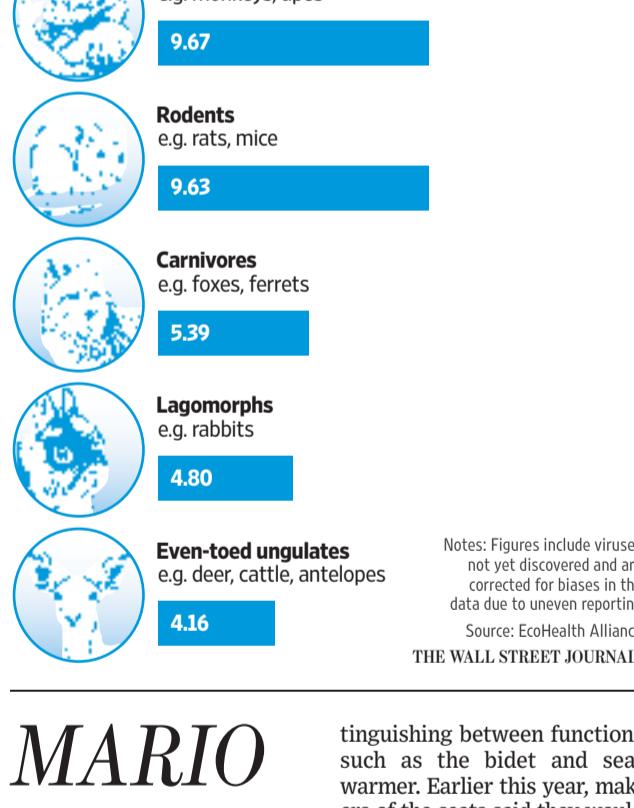
The U.N. has identified 42 mass graves and Mr. Hussein said there may be more. Lambert Mende, Congo's information minister, dismissed these claims as "fabrications aimed at discrediting government" and said the government was ready to work with the U.N. to investigate the allegations.

The blurring of government and traditional powers has also been an issue in the March kidnapping and murder of two U.N. contractors investigating alleged atrocities in Kasai. While Congolese officials have blamed the killings on Kamuina Nsapu, the government says it is also investigating the former development minister, Clement Kanku. He has denied any role in the killings.

Bats Lead List of Pandemic Suspects

Likely Carriers

Wildlife ranked by their predicted likelihood of harboring the highest number of viruses likely to infect people.



BY BETSY MCKAY

Where will the next pandemic come from? Hint: likely from bats.

Fighting emerging infectious diseases costs billions of dollars, as the AIDS pandemic and the recent Ebola epidemic in West Africa attest. So researchers from New York City-based nonprofit EcoHealth Alliance set out several years ago to try to pinpoint where and how future pandemics might erupt. Analyzing a database of wildlife species and viruses known to infect mammals and people, they calculated how many unknown viruses may be out there, who carries them and where they are likely to be.

Most new infectious diseases originate in animals and spill over into humans. If the viruses that cause them then start spreading from one person to another, they can cause outbreaks.

Predicting the next pandemic is more critical now than ever, said Peter Daszak, disease ecologist and president of EcoHealth Alliance. The rate at which new viruses are infecting people is increasing, a consequence in part of global travel and economic develop-

ment. "We travel the world in one day, and we take the viruses we pick up with us," Dr. Daszak said. "That's how viruses become pandemics."

Using a database of 2,805 mammal-virus connections, the researchers found that bats harbor nearly twice as many viruses that either threaten humans today or could threaten them in the future than the next mammal on the list—primates. Rodents came in third. Bats can infect people directly and by infecting other animals such as primates.

"If you think back over the last 20 years, we've had Ebola virus, SARS, MERS, Nipah virus, Hendra virus in Australia—these viruses are all carried by bats," said Dr. Daszak, who was senior author of the study and led the group doing the research.

Each of more than 1,200 bat species has on average 17.22 viruses likely to cause disease in people, he said. He said that 53 bat viruses have infected people, so most of the viruses are still unknown and have yet to strike, he said. "There are literally thousands of potentially infectious viruses waiting to be discovered in bats," he said.

Clashes Shake Central African Republic Peace

Associated Press

BANGUI, Central African Republic—Clashes between armed groups in the Central African Republic town of Bria have left at least 100 people dead in the wake of a peace agreement signed this week in Rome that called for an immediate cease-fire, officials said.

Security remained so precarious that Red Cross teams couldn't venture into the streets to collect bodies for burial.

"For the moment, no one dares to go out as everything suggests that fighting can resume at any time," said the Rev. Gildas Gbeni of the St. Louis Catholic mission in Bria. "Witnesses coming from different neighborhoods say they have had to climb over dozens of bodies that now litter the ground."

Mayor Maurice Balekouzou and others put the preliminary death toll at around 100, while several dozen wounded were seeking treatment at the local hospital run by aid group Doctors Without Borders.

Witnesses said the fighting erupted early Tuesday between the anti-Balaka militia

and rebels from the group known as FPRC who were once part of the Seleka movement.

The peace deal signed Monday in Rome among nearly all of the country's armed groups had called for an immediate cease-fire.

Many were skeptical, however, because previous agreements had quickly failed.

Central African Republic has faced deadly interreligious and intercommunal fighting since 2013, when predominantly Muslim Seleka rebels seized power in the capital, Bangui. Mostly Christian anti-Balaka militias fought back, resulting in thousands of people killed and hundreds of thousands displaced.

The impoverished country saw a period of relative peace in late 2015 and 2016, but violence has returned in recent months, especially outside the capital.

The Seleka group has splintered into factions, some of them fighting each other.

Bria has seen repeated clashes since May, leaving dozens dead. An estimated 41,000 people there have fled for their lives.

MARIO

Continued from Page One
slice of what foreigners perceive as authentically Japanese. But while visitors are enjoying thrill rides in city streets, plucking off cherry-blossom branches for souvenirs and taking selfies in rented polyester kimonos, some locals are not amused.

"They really are a nuisance," said Akio Arinaka, a Tokyo-based taxi driver in his 60s, of the costume-clad MariCar riders. "When I see them driving close by it's scary, especially since they drive in large groups."

Over 24 million foreign tourists visited Japan last year, nearly double the level two years earlier. The government has set a goal of attracting 40 million visitors a year—almost one-third of the national population—by the time Tokyo hosts the Summer Olympics in 2020. The influx raises an array of challenges for Japan, where English isn't widely spoken. The country's high-tech toilets, for instance, often mystify tourists who have trouble dis-

tinguishing between functions such as the bidet and seat warmer. Earlier this year, makers of the seats said they would standardize the icons to reduce mishaps.

Most of the visitors are from elsewhere in Asia, with Chinese making up one of the biggest contingents. Locals recoil at videos of Asian tourists shaking cherry trees to create a snowfall effect from falling blossoms.

In Kyoto, the kimono industry has mushroomed as new businesses have cropped up offering cheap, bright-colored versions of the garment for daily rental. Keiko Enomoto, who has worked in the industry for 30 years and runs a kimono store in Kyoto, is not impressed. She calls some of the newer rentals "awful" and "too gaudy."

Many visitors are drawn to the tech-infused side of Japanese popular culture, says Tim Oakes, Australia branch manager for travel company Inside-Japan Tours. One of the company's most popular group tours is the 11-day "HyperJapan J-Pop & Go!" trip, fully booked in several of the coming months.



The tour includes visits to a restaurant with a futuristic cabaret show of semi-erotic dancing robots and a museum for animation producer Studio Ghibli.

Japan is synonymous with videogames for many younger visitors, including Natasha Adamo-Parker, a 29-year-old nurse and self-declared Mario Kart obsessive from Australia. She joined a recent MariCar

party personnel based in Japan are among the customers. Videos of MariCar riders spotted in Tokyo have been posted online by visiting celebrities Kim Kardashian and Hugh Jackman.

Riders are led by a guide and participants are asked not to race each other or throw banana peels or other items from the game onto the street.

The red karts and colorful outfits stand out among the mostly white, gray and black cars on the orderly streets of Tokyo, ranked by the Economist Intelligence Unit think tank as the safest city in the world in part because of a low level of deadly traffic incidents.

A spate of minor accidents, including one in which a go-kart driver hit a police station, has led to calls for tighter regulation by taxi drivers and other critics who have questioned the go-karts' safety. Drivers aren't required to wear seat belts or helmets, and the karts are treated similarly to mopeds under Japanese traffic laws.

Customers must possess a valid local or international driving license. MariCar said in May it would cooperate with a police request to tighten safety procedures, including by ban-

ning the use of smartphones while driving. It declined to comment further.

Meanwhile, the company is battling a lawsuit by Nintendo accusing MariCar of copyright infringement. MariCar, which opened its first branch in Tokyo early last year, says it obtained an understanding from the videogame giant before launch. Nintendo declined to comment beyond its initial statement announcing the lawsuit, which called for a ban on the service and damages. The two sides made opening arguments in court in April.

MariCar offers costumes of game characters including Yoshi the dinosaur. Many drivers pick the main character, a portly plumber named Mario who has become an iconic Japanese figure even though he is nominally Italian.

Executives from Universal Parks & Resorts, a unit of Comcast Corp.'s NBCUniversal, wore big red Mario hats and white gloves at a June 8 groundbreaking event for a Nintendo area at their theme park in Osaka, Japan, scheduled to open in 2020.

One of the main attractions: a Mario Kart ride.

GREATER NEW YORK

Dominicans Spur Hispanic Growth

Bronx is a beacon for Latinos, who account for 56% of borough; 'You feel like family'

BY MELANIE GRAYCE WEST
AND MARIANA ALFARO

In a city that is relentlessly shifting, here's one constant: The Hispanic population is climbing.

That is according to U.S. Census Bureau population estimates released Thursday.

The Bronx had the greatest growth in Hispanics among the five boroughs. Hispanics made up 56% of Bronx residents on July 1, 2016, compared with 53.6% on July 1, 2010.

In all, Hispanics make up 29% of the city's population of slightly more than 8 million, according to the new 2016 data.

The growing number of Hispanics in the Bronx is a trend dating back decades and attributed, in part, to an increase in the Dominican population through ongoing immigration and a rising birthrate, according to Laird W. Bergad, director of the Center for Latin American, Caribbean and Latino Studies, a research institute at



A vendor sells shaved ice.

the Graduate Center, City University of New York.

Dominicans are the city's largest Latino nationality.

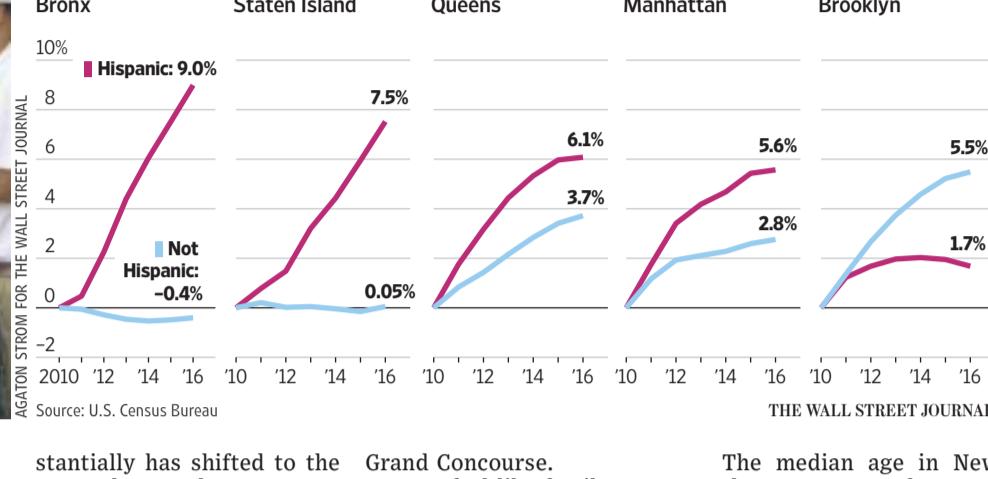
"Some 10-to-15,000 Dominicans are arriving each year from the island and if you add that onto natural reproduction and fairly significant birthrates, we're getting a growth of the Dominican population in the city," Mr. Bergad said.

The epicenter of Dominican settlement in the northern Manhattan neighborhood of Washington Heights sub-

On the Rise

Latinos have gained share in four of the five boroughs since 2010. The exception is Brooklyn.

Population change from July 2010 by borough



Source: U.S. Census Bureau

stantially has shifted to the Bronx, he noted.

"The Bronx calls because it is a lower cost of living area," he said.

The strong sense of Dominican identity is one thing that makes Dalia Peguero, 36 years old, feel comfortable in her new home. She moved from the Dominican Republic to the Bronx eight months ago to reunite with her husband.

On Wednesday, she was one of 10 Dominican students in a 12-person English-as-a-second-language class at the Bronxworks offices on the

Grand Concourse.

"You feel like family," Ms. Peguero said of living in the Bronx. "They speak the same language. The only difference is the weather."

Ms. Peguero said she finds nearly everything she would get in the Dominican Republic in the Bronx—especially food. Even New York weather appeals to her, which is why she doesn't see herself moving soon.

"There are many opportunities to grow here," she said.

The census data also looked at age.

The median age in New York state went from 38 years in 2010 to 38.5 on July 1, 2016, according to the data. Sumter County, Fla., west of Orlando, Fla., had the highest median age of any U.S. county at 67.1 years.

Nationally, all racial and ethnic groups grew during the year ending July 1, 2016, with the Hispanic population nationwide increasing by 2%.

Census demographers noted that New York had the largest black population of any U.S. state in 2016, with 3.8 million people.

Christie Increases Pressure On Insurer

BY KATE KING

New Jersey Gov. Chris Christie ramped up pressure on the state's largest health insurer on Wednesday, blasting what he said are systemic failures by the company while pushing for legislation he has proposed to give the state more control over its finances.

At a news conference, the governor said Horizon Blue Cross Blue Shield of New Jersey has been the subject of repeated state-enforcement actions for more than a year, including a \$15.5 million fine levied on Monday.

The state Department of

\$15.5M

Fine imposed by New Jersey on Horizon Blue Cross Blue Shield.

Human Services imposed the penalty for multiple problems related to the company's handling of Medicaid claims, including untimely and inaccurate processing, improper denial of claims and inadequate handling of complaints.

"Horizon needs to be held answerable to this," Mr. Christie said. "The only way to do that in my view is through the legislation that we have provided to the legislature."

A Horizon spokesman said the insurer was "blindsided by both the timing and severity" of the fine, which it said is retaliation for the company's refusal to comply with the governor's request for \$300 million for a new state addiction-treatment fund.

The spokesman acknowledged problems with the processing of Medicaid claims, which he said occurred while the insurer was changing vendors last year. He said Horizon was in close communication with the state while it resolved the issues and would appeal the fine.

"It makes us question the motivation behind levying a large, and unreasonable, penalty without permitting the opportunity for the customary appeal and review," the spokesman said.

The dispute increases pressure on Democratic lawmakers, who face a June 30 budget deadline with several key issues still unresolved. Democrats reached a school-funding agreement last week, but a person familiar with the negotiations said Mr. Christie said he wouldn't sign off on it unless legislators passed two bills he supports, including the Horizon overhaul.

On Wednesday, the governor said he wouldn't publicly discuss his negotiations with the leaders of the Democratic-controlled legislature until a deal is reached.

Mr. Christie first targeted Horizon, a not-for-profit that covers 3.8 million people and reported \$12.2 billion in revenue last year, in his February budget address when he called on the company to help fund addiction-treatment services. The insurer resisted, saying it would have to raise premiums to cover the cost.

Mr. Christie on Wednesday denied retaliating against the insurer. He said the state's investigation began in April 2016, long before his February budget address.

A Long Day of Seeking Serenity



JUSTIN LANE/EUROPEAN PRESSPHOTO AGENCY

SUMMER STRETCH: Mats were out and legs were crossed Wednesday for a mass yoga event in Times Square to mark the Solstice.

School Push Has Little Effect So Far: Study

BY LESLIE BRODY



JAMES KEVOM FOR THE WALL STREET JOURNAL

After New York City Mayor Bill de Blasio poured \$386 million into his high-profile effort to fix chronically struggling schools, a new analysis said their test scores and graduation rates ticked up roughly as much as comparable schools that didn't get the extra resources.

In the time since the mayor announced the initiative for 94 "Renewal" schools in November 2014, some have been closed or merged due to poor performance or dwindling enrollment.

The new study by Aaron Pallas, an education professor at Teachers College, Columbia University, compared each of the 86 current Renewal sites with low-performing schools that weren't in the program,

but whose students had similar demographic backgrounds and academic results before the plan's kickoff.

Renewal schools got an infusion of help including social services, health clinics, ex-

tended days and professional development. Even so, in an analysis first reported by the online news site Chalkbeat, Mr. Pallas found the academic gains at Renewal schools weren't significantly stronger

than at the comparison schools.

The findings are "disappointing but not surprising," Mr. Pallas said. The difficult task of turning around schools takes time, he noted, and the Renewal schools' additional supports may benefit children's physical and mental health in ways that his study doesn't measure. "The fact we're not seeing success at this point doesn't mean the Renewal program is a failure," he said.

An Education Department spokesman called the analysis "grossly misleading," in part because the comparison schools weren't similar enough to the Renewal schools. Department officials also said Renewal schools have boosted attendance, improved teachers' practices and reduced suspensions.

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GREATER NEW YORK



SETH WENIG/ASSOCIATED PRESS

Tenants made their positions known at a June 8 public meeting of the Rent Guidelines Board.

Rent Decision Comes Due

Increase is likely as guidelines board holds final vote this week

By JOSH BARBANEL

For 23 years, Anita Romm, a retired teacher in Riverdale in the Bronx, has testified at hearings, often through song, lambasting proposed rent increases for the more than one million rent-regulated tenants in New York City.

Now, after two consecutive years of rent freezes adopted under Mayor Bill de Blasio, she is bracing for disappointment.

"If they do another increase I will bring back my meaner, nastier songs from a few years ago," she said.

New data show that landlord costs rose sharply in the past year, a shift landlords say justifies a substantial increase in rents on new leases that take effect on or after Oct. 1.

While many low-income tenants remain under financial pressure, data gathered by the Rent Guidelines Board indicate a strengthening economy, falling unemployment and a decline in the poverty rate are beginning to ease the strain on New York City tenants.

A key measure of rental affordability, the percentage of income spent on rent in New York City, declined in the latest available census figures to its lowest level in five years, according to data compiled by the board.

The census data show that in 2015, 32% of New Yorkers' income went to rent and utilities, compared with 32.7% a year earlier.

The board paved the way for an increase in rents this year when it took a preliminary vote in April, setting the range of possible increases at 1% to 3% for tenants who choose one-year leases and 2% to 4% for

those who opt for two-year leases.

Landlords contend the nine-member board has favored tenants under Mr. de Blasio and has starved buildings struggling with high costs.

"The tenants are on a tear because they are playing the game on home turf," said Jack Freund, executive vice president of the Rent Stabilization Association, which represents 25,000 property owners and agents.

The final vote is due to take place Tuesday, and a test for the board will be whether it adopts the 1% minimum preliminary increase or something more.

The board has five public members, who often vote as

The prospect of at least a 1% rise was shaped by a board study of operating costs.

a bloc, and two tenant and two owner representatives. One board member said it is possible the tenant representative would propose a resolution calling for a 1% increase, in hopes of garnering the support of at least three public members and precluding a higher increase.

Mr. de Blasio campaigned on a promise of a rent freeze, and since he took office in 2014 rents on one-year leases have gone up a total of 1% over three years, due to a 1% increase adopted a few months after he assumed the post, when the board still had members appointed by former Mayor Michael Bloomberg.

After last year's rent freeze, building owners sued,

saying the process was politically motivated, and ignored the primary mission of the board to approve increases based on economic conditions and costs in the real-estate industry. The suit was dismissed in March, but the industry is appealing.

Mr. de Blasio takes credit for appointing members who give greater weight to "affordability for tenants." In earlier administrations, "the landlord lobby got big rent hikes regardless of the data," a spokesman said.

"When you add up the four years I've been in office, this is by far the lowest increase over four years in the history of the Rent Guidelines Board, which goes back almost a half a century," Mr. de Blasio said in an interview after the preliminary range of increases was announced in April. "And they're finally respecting tenants as much as they do landlords."

The prospect of at least a 1% increase was shaped by a board study of operating costs, showing they rose 6.2% during the past year, or 4.5% after excluding the volatile costs of heating fuel. Property taxes, which account for about a quarter of all costs, were up 7.8%, the study said.

Scott Walsh, an owner representative on the board, said rent freezes are a problem for buildings more than 50 years old that can have intensive maintenance needs.

At a series of five public hearings earlier this month, 304 people spoke, with tenants outnumbering landlords 16-1. Ms. Romm, who is now 77, was the first speaker at a hearing in Manhattan.

"A rent rollback will help the city's economy," she told the board. "Help save an endangered species, the rent-stabilized tenant."

PROPERTY WATCH

HARLEM

Order of Nuns Puts Building on the Block

An order of nuns is selling its Harlem headquarters on a prime development site facing Mount Morris Park.

The site, at 15 W. 124th St., is 100 feet wide and contains a five-story red brick building.

The Franciscan Handmaids of the Most Pure Heart of Mary, which is reorganizing, plans to look for a new home in Harlem that would have fewer beds for members and more space to expand its day nursery, according to congregation minister Sister Gertrude Lilly Ihenacho.

The Harlem headquarters was built to house 40 nuns, but only three live there now.

EAST MIDTOWN

Units at New Tower Sell Below List Price

Closings have begun at 172 Madison, a new 33-story glass condo tower in East Midtown, a block from the Empire State Building.

Initial sales data indicate that buyers have been able to wrangle discounts off asking prices, as the supply of new condo apartments grows in Manhattan.

All 11 closings listed on real-estate data site Streeteasy.com show sale prices at a discount to the latest asking prices, by an average of 9.2%.

—Josh Barbanel

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LIFE & ARTS

TV & MUSIC

And the Emmy Goes to... Music Supervisors

For the first time, the people who choose the cool songs that play in TV shows will be competing for an award this September

BY JOHN JURGENSEN

WHEN EMMY nominations are announced next month, music supervisors will be competing for the first time ever, after being granted an award category of their own. But long before the Sept. 17 awards ceremony, supervisors are wondering how Emmy voters will evaluate excellence for a job that is more subtle and complicated than it sounds: selecting the soundtrack for scenes in TV shows.

One of the episodes that music supervisor Maggie Phillips submitted for Emmy contention is from "Fargo." It includes a montage scene in which two characters strut their way into a bridge tournament. The contestants' slow-motion entrance is accompanied by a tune with a propulsive beat, tight horn riffs and lyrics that are total gibberish. "Prisencolinensinainciusol" was recorded in 1972 by an Italian singer, Adriano Celentano, replicating the sound of American English.

The song is catchy, cool and obscure, but Ms. Phillips says it was chosen more for the way it underscores the relationship between the two characters, an ex-con and her parole officer, in a romance that soon involves murder. The tune's swagger symbolizes the confidence they give one another, but its nonsense lyrics telegraph that the bravado is hollow.

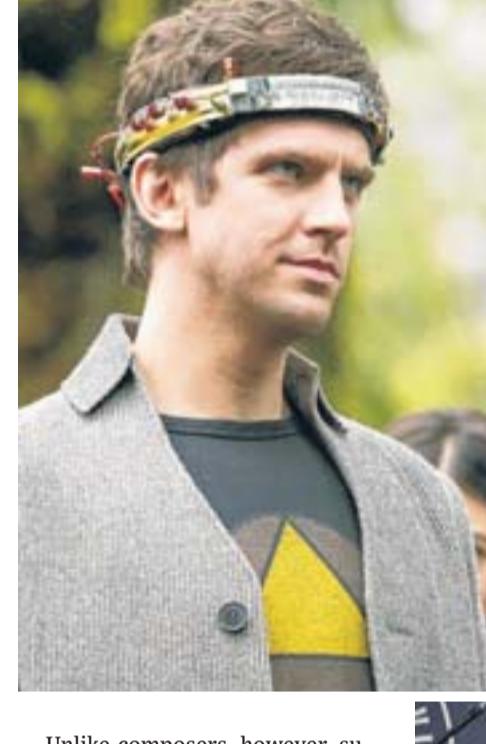
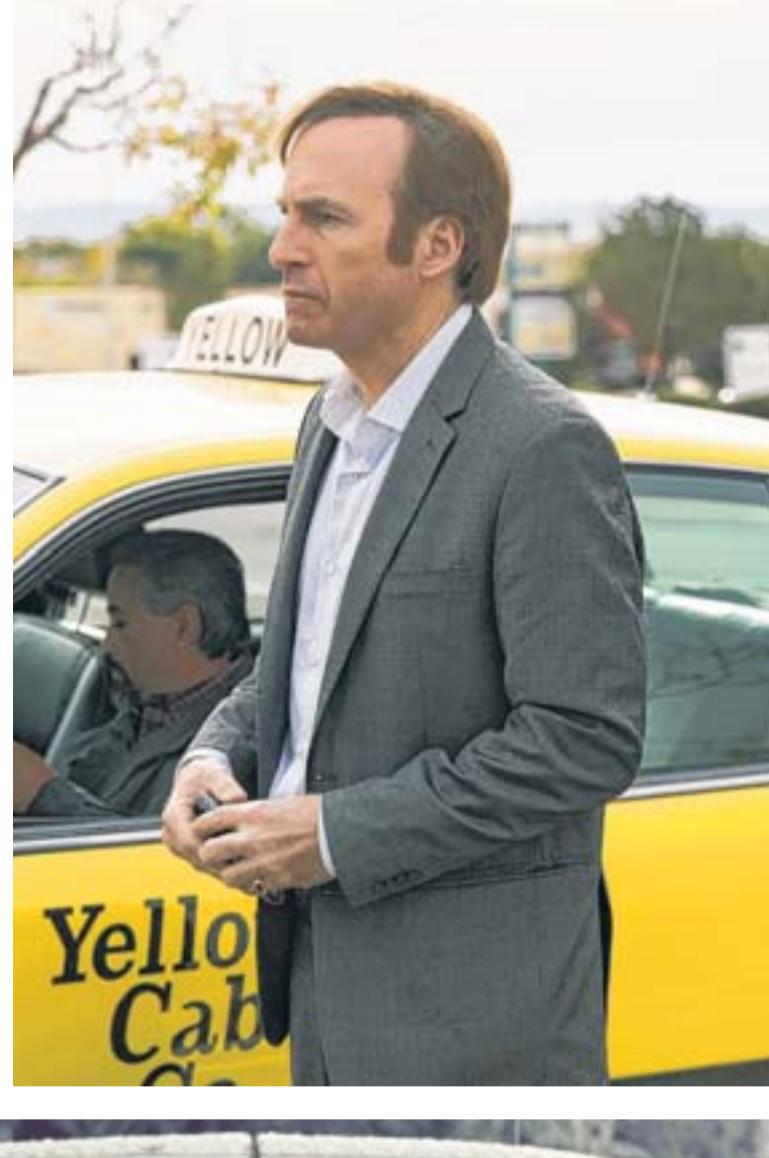
When music clicks in a scene on multiple levels, it's hard to imagine substituting any other song, Ms. Phillips says. "Tempo, instruments, vocals. It all sums up to something that transforms the picture you're seeing in front of you. That's when I feel like I created something, by putting two separate things together to make something new."

TV has been on a tear in the last decade, opening the door for unconventional creativity in everything from cinematography to soundtracks. At the same time, the in-depth online analysis of certain shows helped raise the profile of behind-the-scenes pros such as music supervisors. As links between the worlds of TV and music, they have also emerged as influential allies of musicians looking for exposure. To help viewers connect with TV music, some supervisors verify the songs they use with websites and apps that identify them, such as Tunefind and Shazam.

An official embrace by the television industry was slower to come. After forming the Guild of Music Supervisors in 2010 (which includes members working in film, advertising, games and other mediums) ambassadors for the craft made inroads with the organization that runs the Emmys, the Academy of Television Arts and Sciences. Starting in 2015, music supervisors were allowed to join the Academy as members of the music branch, which oversees awards for music direction (typically performance shows) and composition.



Terrence Howard in 'Empire,' above. Right, a scene from 'Better Call Saul,' starring Bob Odenkirk. Below Dan Stevens as David Haller in 'Legion.'



Above, Elizabeth Winstead and Ewan McGregor in 'Fargo.' 'Better Call Saul' music supervisor, Thomas Golubić at the Guild of Supervisors' music awards, left.

Unlike composers, however, supervisors more often come from the DJ world than the conservatory. Initially, there was some reluctance "as to why they'd allow us into their group," says Thomas Golubic, a co-founder of the music supervisors guild. "A lot of composers really don't know what supervisors do. Or maybe they had bad experiences. That created a little bit of confusion."

This year, the Academy voted to add the music-supervision category. Music supervisors have submitted about 90 entries, the Academy says. Voting on nominees ends Monday. All Emmy nominees will be announced July 13, ahead of the September awards show.

Neither the Academy Awards nor the Golden Globes honor music supervisors.

Supervisors had to supplement their Emmy submissions with written answers to 10 questions, such as: "What was your creative contribution to advancing the story

line in the episode submitted?"

Jen Ross, music supervisor for the hip-hop drama "Empire," submitted a song-packed episode that bounces among Eminem, Thelonious Monk and an original tune that addressed gun violence. In one scene record-label bosses meet with mogul Lucious Lyon, played by Terrence Howard. A decadent song by French Montana and Drake ("No Shopping") transitions to a triumphant one from Frank Sinatra and Count Basie's orchestra ("The Best Is Yet to Come").

The contrast could seem abrupt "but is absolutely believable in the world of Lucious Lyon," Ms. Ross says. "Just like real human beings,

the characters are shaped by the music that surrounds them."

"Clearing" a song for use in television often requires supervisors to be both detective and haggler. For each song, they need to secure two distinct licenses—one for the sound recording and one for the written composition. The supervisor must find owners

and get their permission to use the song in the scene, and then settle on a fee.

"Atlanta" music supervisor Jen Malone found herself dealing with court-appointed lawyers to negotiate with the estate of a rapper who was shot to death in 2013.

Only 10 seconds of "Let Me Find Out" by Montgomery, Ala., native Doe B can be heard in the first episode of the FX series as it plays on the car stereo of an underground rapper and his sidekick.

Despite the hassle, the song was a

more authentic choice for those characters than "something you would hear on the radio in L.A.," says Ms. Malone, who often tracks down emerging southern rappers

and producers with direct messages on Instagram and Twitter.

For the AMC series "Better Call Saul," Mr. Golubic and his team consider hundreds of pre-existing songs for each musical moment. After winnowing them down to about 20, they play them against the scene and debate how the songs interact with the scene through their mood, lyrics and tempo.

Before selecting a handful of the songs to edit into the scene and present to the show's creators for a final decision, Mr. Golubic gets pre-approval to license the songs from their rights holders; he learned not to suggest songs without knowing that he can deliver them.

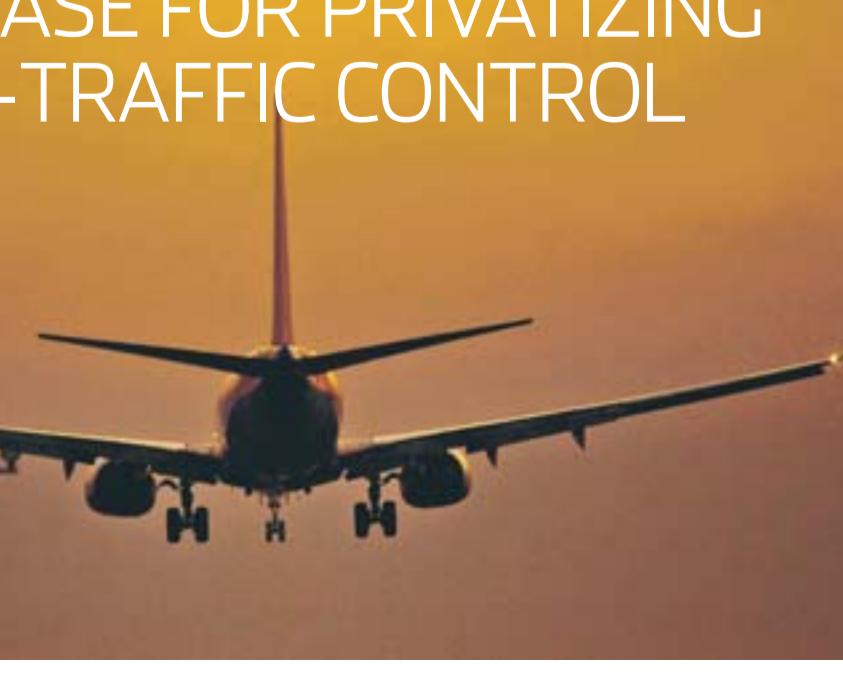
Mr. Golubic submitted an episode of the series that showcased acts from Little Richard to Norwegian producer Todd Terje.

It took Ms. Phillips a lot of deal making to land two Pink Floyd songs—"Breathe (In the Air)" and "On the Run"—from "The Dark Side of the Moon" in the finale of "Legion," an FX series that explores an overlap between mental illness and superpowers.

"The big feat was getting Pink Floyd for an affordable price," Ms. Phillips says.

THE MIDDLE SEAT | By Scott McCartney

THE CASE FOR PRIVATIZING AIR-TRAFFIC CONTROL



POLITICS ASIDE, travelers really should want—demand—a privatized air-traffic control services provider. Many other countries have shown that it just plain works better than having a government bureaucracy directing airplanes.

Air-traffic control, known as ATC, depends on technology. Better tools can improve safety, shorten flights, get planes out of turbulence faster and reduce delays. And privatized ATC providers in Canada, the U.K., Australia and elsewhere have shown they can modernize and continuously upgrade faster than the **Federal Aviation Administration**.

On some key functions, the FAA is more than a decade behind.

The **Transportation Department**'s inspector general, Calvin Scovel, told Congress in May that while the FAA is doing better with modernization, two decades of reform efforts have still fallen short.

FAA Administrator Michael Huerta, an Obama appointee, and other senior officials in the trenches on air-traffic control say the FAA just isn't structured to be

a high-tech developer and operator. They argue splitting the agency would let it focus on safety regulation of airlines and air-traffic controllers instead of the potentially conflicting role of being the watchdog over its own controllers. The controllers' union also supports the idea after seeing the technology other countries are using and facing the threat of furlough in past budget slowdowns.

Privatized ATC organizations say their big advantage, in addition to steady funding and borrowing, is that they can continuously take on small projects that make incremental improvements. When you're a government agency begging for appropriations, you pitch big, attention-getting programs. But big projects are exponentially more complex and prone to delay.

Take London's Heathrow Airport, one of the busiest in the world. Strong headwinds cause big delays: If planes are spaced 5 miles apart and it takes longer to fly the 5 miles, fewer land each hour and some end up circling in holding patterns.

Please see TRAFFIC page A15

LIFE & ARTS



More entertainment options have created new opportunities for character actors like Jason Mantzoukas. From left, in 'Community,' 'The League,' and 'The House' with Will Ferrell and Amy Poehler.

FILM

A Supporting Actor Breaks Out

BY ELLEN GAMERMAN

JASON MANTZOUKAS, the bearded character actor who often plays a friend or a dirtball for a few memorable scenes before disappearing from the screen, is finally sticking around.

In "The House," Mr. Mantzoukas steps into his largest film role yet as Frank, a heartbroken former gambling addict who opens an illicit casino in his house with his best friends, played by Will Ferrell and Amy Poehler. The comedy opens nationwide June 30.

"I know this is absurd because we're talking about a movie where we're organized crime bosses of the suburbs, but Frank has a really nice, very sweet emotional arc," says Mr. Mantzoukas, best known as the exuberantly uncouth Rafi on the FX series "The League." "I've never had a part this big, to have a performance that starts in one place and ends in a very different kind of place."

Mr. Mantzoukas is one of a string of unconventional supporting actors stepping into larger screen roles in recent years. Thanks to the explosion of entertainment options, actors who used to stay on the fringes are finding new routes to center stage. Audiences are getting used to seeing outside-the-box actors in comedies that defy TV sitcom and movie formulas. Quirkiness, not a square jaw, is often at a premium.

"The mold's been broken for a lot of us," says casting director Jeanne McCarthy, who has cast shows with non-traditional actors including HBO's "Silicon Valley," Fox's "The Mindy Project" and "The League." "I hate mystique. I like having a genuine experience—I like really feeling that I got to see something deep and true in a drama and a comedy."

Several actors are writing their way into leading roles, creating characters informed by their own experiences. It's an example set in 2010 by Louis C.K. with the critically acclaimed FX comedy "Louie," based on his life as a divorced man in New York. Aziz Ansari was an ensemble player in "Parks and Recreation" but broke out as the star of "Master of



Jason Mantzoukas steps into his largest film role yet in "The House."

"Transparent" and the 2016 movie "Dirty Grandpa"), a sleazy perfumer (fragrances include "Sideboob" on the NBC series "Parks and Recreation"), a gigolo (Comedy Central's "Kroll Show") and, currently, an unhinged detective (Fox's "Brooklyn Nine-Nine").

As a self-styled casino kingpin in "The House," Mr. Mantzoukas moves with a ludicrous suburban posse. They blow wads of cash around with leaf blowers and force-feed a man frozen yogurt straight from the spigot to collect on a gambling debt.

Mr. Mantzoukas drew on his own romantic breakups to play the other side of Frank, a wounded sad-sack who walks around in a big smelly poncho after his wife leaves him. "I think we've all been there—I've had that breakup where I was so devastated all I did was eat yogurt for two months and wear the same clothes every day," he says.

The 44-year-old Los Angeles transplant can thank a failed romance for one of his longstanding career assets: his untamed beard. He stopped shaving after a particularly bad split and suddenly started getting parts with his wilder look.

Mr. Mantzoukas, whose father worked in health care while his mother raised him and his younger sister in the coastal town of Nahant, Mass., got into acting as a student when he joined an improv group at Middlebury College in Middlebury, Vt. At the Upright Citizens Brigade, he met future collaborators like Ms. Poehler and in 2010 made the jump to "The League," a series with largely improvised dialogue that ran until 2015.

His next films include a starring role in the "The Long Dumb Road," about a road trip through the southwest. He also appears in James Franco's "The Disaster Artist," a comedy about the making of the epically bad cult movie "The Room."

Thanks to some of his over-the-top roles, fans often assume Mr. Mantzoukas is just like his unsavory characters. "The frequency with which people say insane stuff to me in bathrooms is crazy," he says. "I have to tell people, 'I'm an actor.'"

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LIFE & ARTS



ART REVIEW

A Small Show With Big Ideas

A focused exhibition serves as a remarkable introduction to the breadth of Picasso's creative influences and inspirations

BY LANCE ESPLUND

Williamstown, Mass.

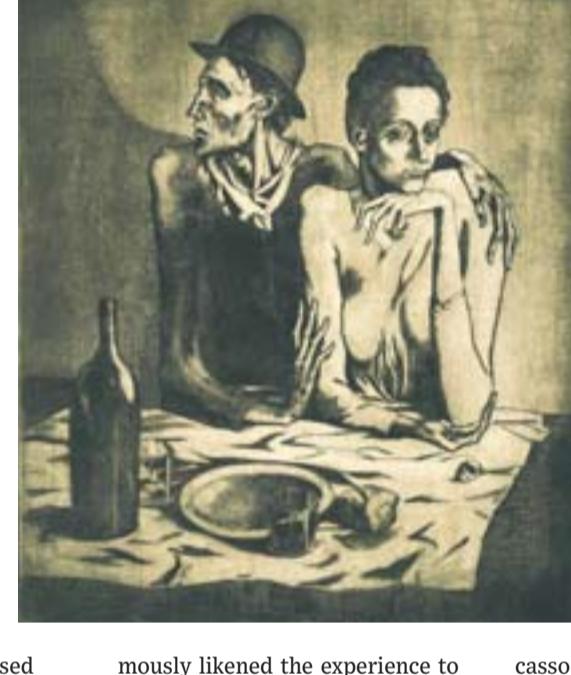
PICASSO: ENCOUNTERS, an intimate exhibition of three oil paintings and 35 prints—many of them masterpieces—at the Clark Art Institute here through Aug. 27, is a splendid sampler of the range of Picasso's genius as a printmaker. Spanning nearly his entire career, it touches on Picasso's various periods; on some of his artistic influences; and on a host of Picasso's themes: biblical stories, classical mythology, the still life, the bullfight, the circus, weeping women, his family and the complex relationship between artist and model. "Encounters" also traces Picasso's numerous lovers and muses, his art dealers, and some of the artisans who inked the Spanish master's plates and pulled his prints in the atelier.

If you're wondering if all this might be a little too ambitious for an exhibition of only 38 pictures, you'd be correct. This underdeveloped show with the aspirations of a full-dress retrospective might really begin to flourish with 200 to 400 works across all media. But "Encounters" is not just about Picasso's art—specifically his large-scale prints. Its core subject is the meaningful and nurturing "encounters" Picasso had with others in

and around the studio.

Organized by Jay A. Clarke, curator of prints, drawings and photographs at the Clark, "Encounters" first acknowledges Picasso as an undisputed artistic genius—and then gets down to the business of challenging that very notion. The show shifts us away from Picasso at center stage as "the maestro, the conductor of his universe," the "artist-god creator," to focus our attention on the supporting players: the muses, dealers, Old Masters and artisans. It posits that even the visionary, revolutionary Picasso didn't exist in a vacuum.

True, Picasso, with a voracious eye, consistently devoured, mined and reinvented the art of the past, and he was obsessed with a host of successive and sometimes overlapping lovers who inspired his art. Besides prints—often commissioned by his dealers—Picasso worked on collaborative projects, including books, ceramics, sculptures and designs for the stage. He collaborated so closely with Georges Braque while they pioneered Cubism that he fa-



mously likened the experience to two mountain climbers, tied together, scaling new peaks.

Arranged chronologically and thematically, "Encounters" begins with "Self-Portrait" (1901), a Blue Period oil in which the artist's body rises like a black mountain against a Prussian-blue sky, and his head gleams like a moonlit, snowcapped peak—a painting

Clockwise from above: Picasso's 'Self-Portrait' (1901), 'The Frugal Repast' (1904) and 'Faun Unveiling a Sleeping Girl (Jupiter and Antiope, After Rembrandt)' (printed 1939), from 'The Vollard Suite'

meant to establish the myth of Picasso going it alone. Next is "The Frugal Repast" (1904), a moody etching of a gaunt couple in a café. Among the artist's first prints, it is unusual in that it was created by Picasso on a scraped-down plate used earlier by another artist; and also because of its heavy application of ink by the headstrong artist-printmaker Eugène Delâtre, who wouldn't allow Picasso into his printing studio, and whose version didn't garner Picasso's approval.

Further on is the smudgy, strange woodcut "Bust of a Young Woman (Fernande Olivier)" (1906; printed 1933). One of the few known prints Picasso actually inked and pulled, it is faint and blotchy, resembling a rubbing or the facial imprint from a funeral shroud. Nearby is the crystalline drypoint "Still Life With Bottle of Marc" (1912). Among scant Cubist-era prints, it was commissioned by Picasso's dealer Daniel-Henry Kahnweiler, "probably," according to Ms. Clarke, "to market Picasso to a wider audience."

Many pictures here are magnificently rich dialogues with other artists. Two prints from "The Vollard Suite" (both printed 1939)—a monumental cycle of 100 black-and-white etchings commissioned by Picasso's first dealer, Ambroise Vollard—channel Ingres and Rembrandt, respectively. They also feature Picasso's beautiful young

muse Marie-Thérèse Walter. In "Venus and Cupid, After Cranach" (1949 and 1951), "Luncheon on the Grass, After Manet" (1968) and "Ecce Homo, After Rembrandt" (1970; printed 1975-77) Picasso immerses himself in and then completely reimagines these masters. His "Portrait of a Young Girl, After Cranach the Younger, II" (1958) feels equally German and Spanish, old-world and new, as if Picasso were seeing Cranach through the eyes of a modern-day Velázquez.

Particularly captivating and surprising is "The Italian Woman (After the Painting by Victor Orsel)" (1953; printed 1955), in which Picasso reworked a photographic reproduction of Orsel's straightforward 19th-century portrait on a discarded zinc plate, converting "The Italian Woman" into a portrait of Picasso's second wife, Jacqueline Roque. Picasso added a nude woman, a satyr and a self-portrait-cum-Greek-god to the portrait's margins. It pays homage, seemingly, not only to Orsel and Roque but to Greco-Roman art, medieval manuscripts, the women painted by Jean-Baptiste-Camille Corot and, finally, to the genius of the art-god creator Picasso.

"Encounters" is a remarkable introduction to the significance and breadth of Picasso's creative influences and inspirations. Despite that emphasis, however, Picasso, alone, commands center stage here at the Clark—reiterating that the most important encounters Picasso had were with himself.

Picasso: Encounters

Clark Art Institute, through Aug. 27

Mr. Esplund writes about art for the Journal.

TRAFFIC

Continued from page A13

ters. So NATS Holdings Ltd., the United Kingdom's privatized air services provider, developed a tool to let controllers easily optimize spacing by time, not distance. Time is the key safety measure—each plane needs enough to exit the runway before the next one touches down. When the tool went into use in 2015 after two years of development, headwind delays were reduced by 50%.

Time-based separation could have a big impact at New York airports,

Atlanta, Chicago, Los Angeles and others that don't always have enough runway capacity for arrivals. The FAA's NextGen plan acknowledges it could have major benefits. But it won't be operational for arrivals and approach until fiscal year 2022 at the earliest.

Canada privatized its ATC operations more than 20 years ago and has since leapfrogged the U.S. in technology and cut costs—13% over the past 11 years.

Flying in remote areas of Canada, pilots send text messages to controllers and get electronic responses. Requests for altitude changes are automatically checked for conflicts before they even pop up on controllers' screens. One mouse click can approve a request, update the plane's flight plan and alert other controllers. It's faster, more efficient and more accurate than U.S. procedures, and results in better flights for passengers.

The FAA has implemented digital communications at 55 major airports to deliver flight plans on the ground. That saves time, especially in stormy situations where lots of flights are getting new routes, and can reduce errors. But communicating with air-



FAA air-traffic controllers at the Miami airport can send flight plans to planes on the ground by text message instead of radio calls. More complete digital communication with airborne planes in the U.S. is still several years away.

bome planes by text won't come until 2019 at the earliest.

A privatized ATC organization could take many forms. In Canada, it's a nonprofit entity with a board of directors but no ownership shares. NATS in the U.K. is a for-profit, public-private partnership. Germany's ATC service is a government-owned, limited-liability company.

Privatization was first proposed in Congress in 1974, but then and every time since it has failed to gain support. Rep. Bill Shuster, Republican chair of the House transportation and infrastructure committee, proposed legislation in 2016. It never got out of committee.

Legislation is being drafted again, with White House backing. Proponents say they

are making progress addressing many of the criticisms of past proposals. But the headwinds will again be stiff.

Opponents warn of higher ticket prices. But passengers are already paying the full load for big bureaucracy through hefty taxes on their tickets. On a \$400 domestic round-trip ticket with a connection, you pay \$46.40 in FAA taxes and fees. In addition, airlines pay a fuel tax of 4.3 cents a gallon and a tax of 6.25% on cargo and mail. That all added up to \$14.4 billion collected in fiscal year 2016.

Privatized ATC organizations charge user fees instead of taxes. (There likely would still be some ticket tax to cover safety regulation and airport improvements.)

There are required international guidelines on charges so fees don't get out of

hand and limit travel. In many cases, charges end up getting reduced as organizations get more efficient and traffic increases.

Business jets worry they'll have to pay what airlines pay—they often take up the same airspace and require the same services. But most privatized providers charge by aircraft weight, so small jets pay less.

Rural representatives are worried that airport improvement funding from the FAA might dry up, and that fees for private aviation would make it harder to get medical flights and business-jet trips important to their communities. Small private-plane owners worry they'll be hit with user fees every time they practice landings in a Cessna 172.

Providers have concluded that making small planes pay small fees is a billing nightmare and would reduce safety. You don't want private pilots avoiding air-traffic controllers to save money. So service providers charge a one-time, required annual fee. In Canada, the annual fee for small propeller aircraft is aviation's best bargain: C\$65, or about \$49.

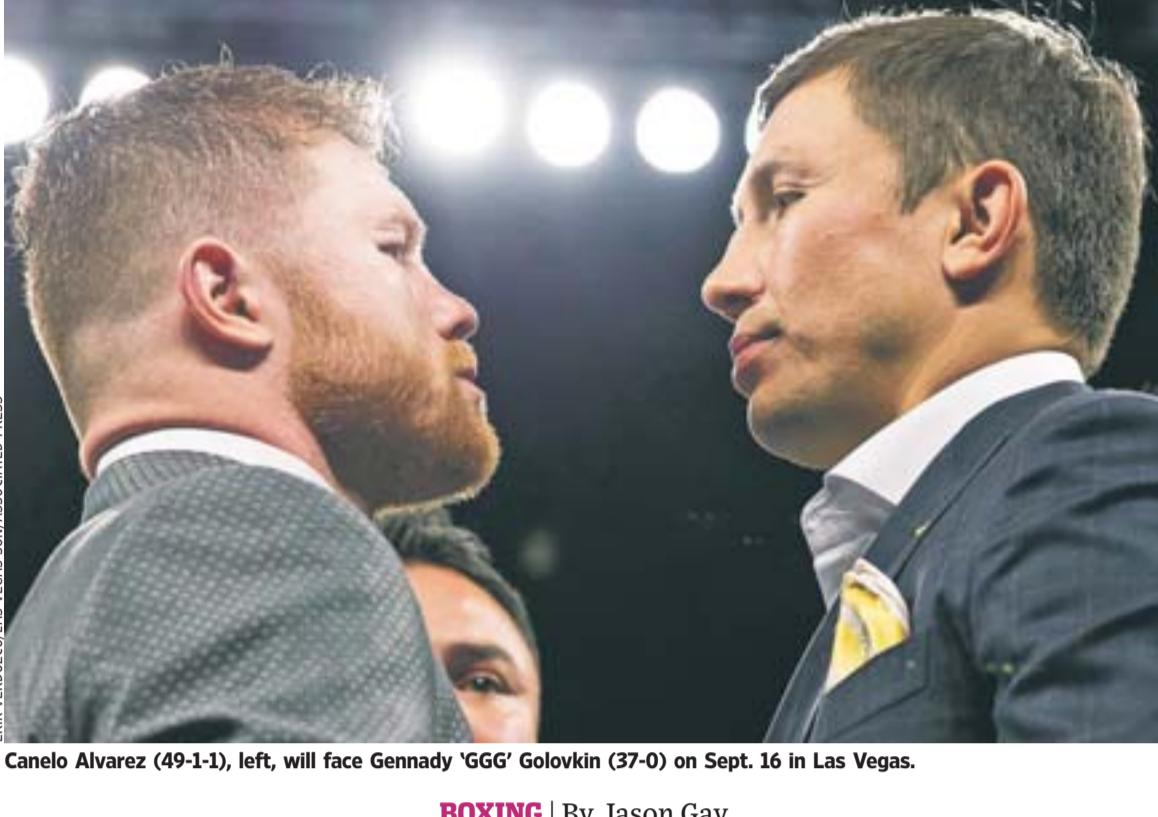
New York Sen. Chuck Schumer and others argue airlines would have too much control. That depends on how you set up the board of directors. In Canada, airlines get four seats on a 15-member board.

Some complain that sending government assets to a company would be a huge giveaway. Yet the current FAA infrastructure was paid for by travelers and shippers. If the new ATC organization had to buy the assets from the government, travelers and shippers would be paying for it a second time.

What's clear to everyone is we need a better air-transportation system.

Travelers deserve better. They already pay for it.

SPORTS



Canelo Alvarez (49-1-1), left, will face Gennady 'GGG' Golovkin (37-0) on Sept. 16 in Las Vegas.

BOXING | By Jason Gay

Alvarez and Golovkin Promise a 'Real' Fight

This fight? This is a real fight. That's the pitch. That other fight? The one set to happen a few weeks before, with the retired champion and the mixed-martial arts fellow with the tiger tattoo across his abdomen? That fight is...

"A funny fight," Gennady Golovkin said, smiling. "A show."

This was the other morning, in midtown New York City. Golovkin, 35, the middleweight world boxing champion from Kazakhstan, was in town with his next opponent, celebrated Mexican fighter Canelo Alvarez, 26, to promote their Sept. 16 title fight in Las Vegas.

Alvarez vs. Golovkin is a dream matchup: two talented, aggressive champions in the ring for a title belt in the Nevada fight Xanadu. Golovkin is a perfect 37-0—33 of his wins coming via knockout and has never been knocked down himself. Alvarez is 49-1-1, his one loss coming via majority decision to Floyd Mayweather Jr. in 2013, when Alvarez was just 23.

Fight fans have been begging for this one to happen, and instead of the usual delays and skirmishes that can undo boxing matches, it's actually happening, with its participants entering at peak power.

"Both fighters in their prime," cooed Oscar De La Hoya, the former champion turned promoter, who works with Alvarez.

"The right timing," said Tom Loeffler, the promoter who works closely with Team Golovkin.

Boxing has had its fair share of

snoozy doozies it's tried to dress up as big fights, but Canelo vs. Golovkin needs no dressing: it's the real deal.

And yet it's only a matter of time before I feel obligated to be a jerk and ask both men an annoying question about that other fight, the one at the end of August, with *what's-his-name* and *you-know-who*.

Mayweather vs. Conor McGregor.

Yeah, them.

For a while, it seemed that Alvarez and Golovkin would have the Summer of Hype to themselves. They'd agreed on Sept. 16—and all the paperwork was done. This odd proposition of Mayweather stepping out of undefeated retirement to battle a UFC loudmouth with no boxing résumé—who even knew if that thing would ever happen?

Maybe it would. But probably not.

And now, suddenly, Mayweather vs. McGregor is happening, Aug. 26. Regardless of whether or not you think it will be a thrilling showdown—the casinos certainly don't, installing Mayweather as a 1-7 favorite (wager \$7 to net \$1), according to the Wynn Las Vegas—it's hard to deny that it will suck a lot of oxygen out of the fight game for the next couple months.

There's also some worry of a negative ripple effect: that if Mayweather-McGregor is an uncompetitive bore, it might prevent frustrated pay-per-view buyers from purchasing Canelo-Golovkin.

It doesn't feel very fair. But that's boxing! It's a business, and it can be shameless.

Alvarez and Golovkin—low-key talkers compared with the endlessly hyperbolic Mayweather and McGregor—don't do shameless. Though the matchup is an unprecedented opportunity for both men to craft and raise their profiles, they want to sell their fight on its merits. There doesn't appear to be any ugly animosity between the two, who go back years, and have even sparred with each other. They don't seem eager to manufacture phony tension, as boxers sometimes will.

"I know Saul a long time," Golovkin said, using Alvarez's given name ("Canelo" which loosely translated means "Little Cinnamon" is the red-haired fighter's nickname). "The last six, seven years, he's destroyed everybody. Same with me. Nobody's stayed close with us."

"I respect what he's done," Alvarez said in Spanish, speaking through a translator. "To sell a big fight, you don't need animosity."

De La Hoya, ever the promoter, hastened to add: once the fight begins, all that mutual respect will go out the window.

As for that other thing, whatever it is, Alvarez coolly batted it away.

"The fans know which fight is the real fight, and what they'll want to buy," he said. "If they want a real fight, they'll know what to do."

Will they watch it?

Golovkin took a glance at the hulking timepiece on his wrist, and smiled.

"If I have time," he said.

"Maybe."

NBA HOW TO COMBAT A GOLDEN DYNASTY

BY BEN COHEN

THE GOLDEN STATE

Warriors are technically beatable. Nothing in the NBA rulebook stipulates that beating them is illegal. They will be toppled at some point. If not next year, then the year after that. Or the year after that. The Warriors won't be champions for the next five seasons. We think.

But the question at the heart of this off-season is how to stop the Warriors from becoming a dynasty. It's already making the rest of the league slightly insane.

There are some teams that don't have the luxury of waiting for answers. Which is why they find themselves scrambling this summer to do something—anything—that gives them a better chance to beat the Warriors. That's what makes this off-season unlike any other: The best teams are the ones forced to make the boldest moves.

The total chaos of the next month will highlight the fact that the most intriguing NBA action is no longer confined to games. The off-season has become as dramatic as the actual season.

Thursday's draft is followed soon afterward by free agency, but the annual craziness is already underway. Although the only thing that matters when the regular season begins is whether any teams built to win now have made themselves any more likely to upset the Warriors.

The dominance of one team is having an effect on the entire league. Less than a week after the Warriors beat the Cleveland Cavaliers for the NBA title, for example, the Cavs were already thinking about trading one of their stars for another star who might give them a better look against Golden State next year.

The Cavs have a problem—they can't play the same lineup against the Warriors and pray for a different result—and Paul

George could be their solution. George becomes a free agent next summer, but he's being shopped as a one-year rental.

A trade for George that likely costs Kevin Love would be a gamble for the Cavs, but LeBron James becomes a free agent next summer. So the only thing at stake is the future of the entire franchise.

But the Cavs aren't the only team making plans that revolve around the Warriors. Every contender has no choice but to chase stars this summer. None of them are even marginal improvements away from a championship.

The dominance of the Warriors has resulted in total chaos during the NBA's off-season.

That's why the Houston Rockets represent another potential destination for George, Chicago Bulls forward Jimmy Butler and marquee free agents. That's also why the most fascinating move of the off-season would be the San Antonio Spurs pairing Kawhi Leonard with Clippers point guard Chris Paul. The Rockets and Spurs are two of the NBA's best teams, and the NBA's best teams usually don't have any incentive to take big risks. The Warriors are their incentive.

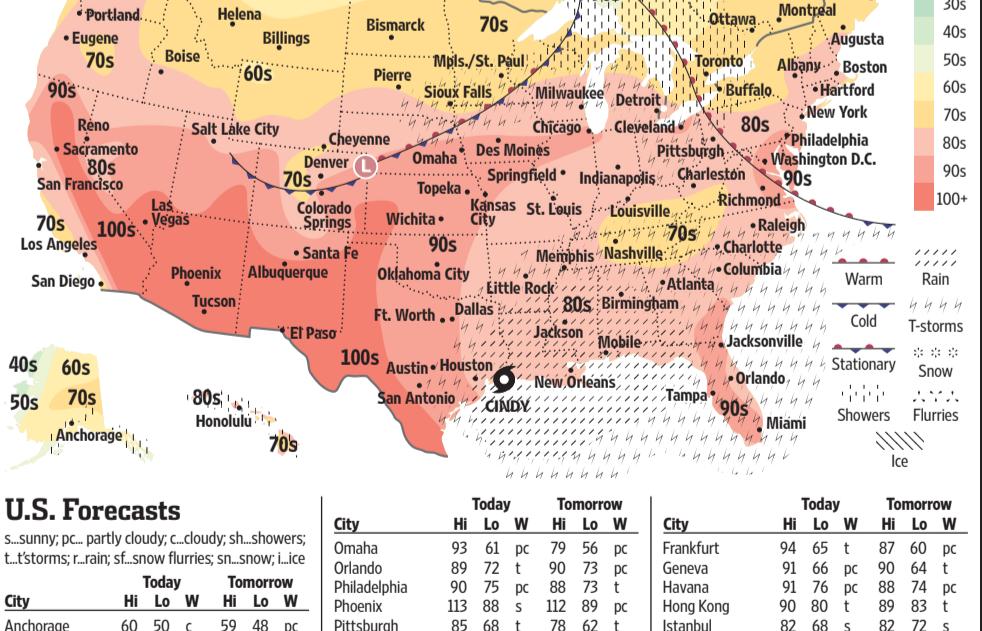
The Boston Celtics, meanwhile, can win now and several years from now. They've already made a big gamble by trading the No. 1 overall pick, likely to be Washington guard Markelle Fultz, for the No. 3 pick and another high pick in the next two years.

"We are certainly aware of our competition," said Boston president of basketball operations Danny Ainge. "We watched the same Finals that everyone did."



Stephen Curry, left, and LeBron James after Golden State's 2017 title win.

Weather



U.S. Forecasts

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

City Today Hi Lo W Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Anchorage	60	50	c	59	48	pc		
Atlanta	80	73	t	87	74	c		
Austin	94	74	t	103	77	pc		
Baltimore	91	73	pc	85	71	t		
Boise	83	53	s	85	71	t		
Boston	81	67	pc	84	71	t		
Burlington	79	64	sh	81	65	r		
Charlotte	80	72	c	87	73	c		
Chicago	90	68	pc	82	59	t		
Cleveland	90	72	pc	81	64	t		
Dallas	90	77	t	96	78	pc		
Denver	89	55	t	77	52	pc		
Detroit	88	72	t	82	60	t		
Honolulu	87	71	pc	86	73	pc		
Houston	83	78	r	91	77	pc		
Indianapolis	85	70	t	80	60	t		
Kansas City	91	68	s	83	59	t		
Las Vegas	115	86	s	114	88	s		
Little Rock	82	72	r	83	70	r		
Los Angeles	84	64	pc	81	65	pc		
Miami	90	80	s	90	79	pc		
Milwaukee	85	65	t	80	60	pc		
Minneapolis	76	58	t	80	55	s		
Nashville	78	73	r	80	69	t		
New Orleans	85	77	r	87	76	t		
New York City	83	72	pc	86	72	t		
Oklahoma City	92	69	s	90	66	t		

International

City Today Hi Lo W Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Amsterdam	80	61	t	72	62	pc		
Athens	87	71	s	90	72	s		
Baghdad	100	75	s	103	79	s		
Bangkok	94	78	t	93	78	t		
Beijing	75	67	t	77	67	sh		
Berlin	85	62	t	74	61	pc		
Brussels	90	59	s	80	57	pc		
Buenos Aires	72	61	c	71	58	c		
Dubai	105	90	s	107	89	s		
Dublin	66	55	pc	66	51	c		
Edinburgh	67	55	c	64	51	c		

The WSJ Daily Crossword | Edited by Mike Shenk



FOUR BEARING | By Alan Arbesfeld

- Across**
- 1 Leaves time?
 - 5 Big name in Internet telephony tech
 - 10 Honshu city popular with steak fans
 - 14 Lee who managed the Cubs and Phillies
 - 15 Dealt with budgetary bloat
 - 16 Maleficent
 - 17 Totally fleece bluesman King?
 - 19 Make out
 - 20 Whichever
 - 21 Key
- Down**
- 1 Menacing
 - 2 Free of friends
 - 3 Nation on the Mediterranean
 - 4 R&D locale
 - 5 Alerts akin to BOLOs
 - 6 "Sherry" singer
 - 7 "Tricky spirit" of drama
 - 8 1983 title role for Barbra
 - 9 Recipe direction
 - 10 Many a marathon champion
 - 11 Panhandlers?
 - 12 Brite Liner brand
 - 13 Bugler in the wild
 - 18 Difficult situation
 - 22 Literary middle name
 - 24 Precipitate
 - 26 Opened
 - 27 Lake Titicaca's locale
 - 28 1998 home run race participant
 - 30 Mollify
 - 32 Killer of Paris
 - 33 Backwoods brew
 - 35 Pooh's pal
 - 36 Interminable wait
 - 37 Agcy. that won the 1969 Nobel Peace Prize
 - 39 Suffer from the heat
 - 40 "Bonanza" or "Rawhide"
 - 41 Expert
 - 46 "Get off my lawn!" shouter
 - 48 Airing
 - 50 Amazon field
 - 51 Dealership document
 - 52 Scoundrel
 - 54 Musk product
 - 55 Walk steadily
 - 56 Sites of some sales
 - 59 Breyers competitor
 - 61 Cabbage roll?
 - 62 Groundbreaking implement
 - 63 Pound sound
 - 64 Slick

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Previous Puzzle's Solution

NO	CHA	SER	I	FAMILY
ACRO	SIT	C	TRIVIA	
BEA	CHES	S	ND	CREAM
OLD	YEN	EIS	HIM	
BOLA	RELA	X	CASE	
TERM	ROT	TUDOR		
BAY	REFIRE	SHORE		HITS
SPORES	DOC	FIRES		
LOPES	CAT	ELLIE		
URSA	SIOL	CHI		EARNS
GIVE	SUP	THE		COAST
EVENTS	UNDERSET			
REROSE	GOSTEADY			

OPINION

Saving Chief Wahoo



WONDER LAND
By Daniel Henninger

Washington Redskins owner Dan Snyder immediately got the importance of the Supreme Court's "Slants" decision this week. "I am THRILLED," Mr. Snyder said in a written understatement. "Hail to the Redskins."

No, hail to the Supreme Court, which stands in our times as the nation's sturdiest dam against a determined assault on American free speech.

The Supreme Court's breathtaking defense of the bedrock of freedom to speak.

Set aside for a moment the Washington Redskins, and we'll shortly get to the bigger issue of the Cleveland Indians' embattled logo, Chief Wahoo. Several elevated thoughts are in order.

It is not possible to overstate the importance of the Supreme Court's unanimous decision this week to confer free-speech protection on the Slants, an Asian-American rock band. That is because it is also hard to overstate the progressive left's determination to establish, in practice if not in law, limits on America's free-speech traditions.

Ruling against the U.S. Patent and Trademark Office's determination that the name Slants had violated its "disparagement clause," Justice Samuel Alito's decision for the court was written with the rare clarity of a declarative

sentence in the active voice: "This provision violates the Free Speech Clause of the First Amendment. It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend."

Anyone half-aware to American life in recent years knows there is a large effort under way to banish that bedrock principle of protection for words that offend. Free-speech traditions are under pressure on campuses, in high schools, in the media, in the streets and in sports.

That the court's liberal justices—Ruth Bader Ginsburg, Stephen Breyer, Sonia Sotomayor and Elena Kagan—joined the majority suggests these four see what is going on, that letting the ability to speak one's mind slip away under this silencing weight will damage all Americans.

What the free-speech diminishers understand, however, is that the way around a stalwart Supreme Court is self-censorship. If you are trying to suppress certain ideas and thoughts, the most effective means is to get people to shut up. The ideas you don't like will disappear.

Like the Washington Redskins or Chief Wahoo.

Some years ago, the notion emerged that school sports teams with names such as the Dartmouth Indians or the University of North Dakota Fighting Sioux were offensive, racist slurs.

In 2015 Sen. Harry Reid leaned on NFL Commissioner Roger Goodell to ban the Washington Redskins' name. Mr. Goodell declined. The trademark office ruled in 2014 that the Redskins also violated its "disparagement" clause, and the Supreme Court decision at least ensures that the



The Cleveland Indians logo.

logo is legally protected.

That won't stop the political coercion cops, who are still deploying intimidation and shaming tactics beyond the reach of the courts and Constitution. All the informal silencing elements are in play to extinguish Chief Wahoo, who after nearly 70 years is pretty much the symbolic representation of the entire city of Cleveland.

Unlike the NFL's Mr. Goodell, Major League Baseball Commissioner Rob Manfred is leaning on Indians owner Paul Dolan to drop the logo. Last month, "Saturday Night Live"—which notably bills itself as "from New York"—described Chief Wahoo as "racist." Naturally, an ESPN commentator in April did a number on Chief Wahoo. Editorial pages in Ohio routinely call for a ban, which, needless to say, gives us some idea of where the truth lies.

Last year, the Washington Post actually did a poll of Native Americans' feelings about the Redskins logo. The percentage who were offended was . . . 9%. The rest checked

off "doesn't bother me." A Cleveland friend who's been going to Arizona for years says she has met plenty of Navajos who love Chief Wahoo.

What is going on? In two words, cultural appropriation.

"Cultural appropriation" is the sort of thing someone like me gets paid to absorb so other people can keep their heads clear. Among the phrase's various uses, it means that the representative of one culture isn't allowed to use the images or traditions of another culture unless the second culture gives its permission. Got it?

The art world has recently had several cultural-appropriation controversies, which get covered with eye-opening theoretical nuance by New York Times culture writers. Minneapolis's Walker Art Center agreed to dismantle and ultimately burn a sculpture by a white artist after some members of the Dakota Nation objected.

People like MLB's Rob Manfred think they are making a reasonable accommodation. But you can't. The exterminating left will pocket any concession and roll forward toward the next target. Agree to

delete Chief Wahoo or burn one uncomprehending artist's sculpture as cultural misappropriation, and centuries of Western art will be heading to the furnaces or basements, with complicit museum directors holding the door open.

An exaggeration? These days? I recall a Buffalo Springfield lyric: Step out of line and they'll take you away.

This happens because people in positions of authority buckle. Which is why the Supreme Court's unanimous defense of the Slants and freedom of speech is breathtaking.

Write henninger@wsj.com

BOOKSHELF | By Robert K. Landers

A Family Rebellion

The Loyal Son

By Daniel Mark Epstein
(Ballantine, 438 pages, \$30)

On the Fourth of July 1776, Benjamin Franklin was in Philadelphia, having helped to draft the Declaration of Independence, while his son, the governor of New Jersey, was under arrest in Connecticut, having been branded an enemy of his country for persisting in his royal duties and opposing the Revolution. In less than a year, William Franklin would be taken to the notorious Litchfield Gaol, a destination for, among others, "traitors" who had abused their privileges in lighter incarceration.

The history of loyalist William Franklin and his famous father has been told before but not as fully or as well as it is by Daniel Mark Epstein in "The Loyal Son." Mr. Epstein, a biographer and poet, has done a lot of fresh research and invests his narrative with literary grace and judicious sympathy for both father and son.

Despite Ben Franklin's confession in his "Autobiography" that, when young, he had often had "intrigues with low women," Mr. Epstein believes that William's mother was most likely "someone of breeding," perhaps a married woman whose husband was often away. In an unusual fictional preface to his scrupulously nonfictional history, Mr. Epstein portrays Ben Franklin in April 1731 taking the 8-month-old baby from his mother and bringing him to his common-law wife. She, in fact, would be the only mother William would ever know.

As a young man, William and his father were close. During the early 1750s, William (then in his 20s) helped Ben in his scientific studies, flying a kite with him in a thunderstorm and later himself determining that a lightning bolt's electrical charge, despite appearances, moves from the ground up. During the winter of 1755-56, William served as an aide-de-camp to his father as Ben led Pennsylvania militia troops in mounting a defense against Indian raiders in the western part of the state. In 1757 father and son went off to London, Ben to represent Pennsylvania in opposing the Penn family's proprietorship of the colony, William to assist him and to study law. Before long, William became a lawyer—and a father himself, to a son, mother unknown.

The new barrister, Mr. Epstein writes, was "handsome, easy-going, more agreeable than his father by all accounts, politically shrewd, and extremely capable." In 1762 he was recommended for the New Jersey governorship. His father traveled from London to attend his son's swearing-in.

For most of the 1760s—a period marked by controversies over the Stamp Act and the Townsend duties on tea and other commodities—father and son were of one mind about the British Empire and America's place in it. But in 1768 Ben told William that he saw a serious breach between the two countries developing. Two years later, Mr. Epstein says, Ben's thinking underwent a radical shift: Not content with repeal of all Townsend duties except the tax on tea, he favored keeping up the colonies' boycott of English goods.

Even as Ben Franklin was helping to lead the Revolution, his son was opposing it, aiding the loyalist cause and ending up in prison.

In the winter of 1772-73, Ben Franklin exposed inflammatory letters that Massachusetts Gov. Thomas Hutchinson had written calling for "an abridgment" of colonists' liberties. Ben claimed that he had wanted to ease tensions with England—by shifting some blame for them to Hutchinson. Most historians have accepted that, but Mr. Epstein finds it incredible and deems his motive a mystery. Whatever Franklin's reasoning, his deed led to him being blamed in England for the Boston Tea Party. Humiliated and disgraced, his reputation there in tatters, he urged William to resign his governorship.

William Franklin, however, had no intention of doing so. "You are a thorough government man," his father had said shortly before the Boston Tea Party in December 1773, adding that he did not "aim at converting" him. Less than a year later, no doubt disappointed that his son had not shown more outrage at his treatment in Britain, he told William disapprovingly that he was "a thorough courtier."

Ben Franklin finally left England for America in March 1775. That June, the resonant shots having been fired in Lexington and Concord, he met with William, Mr. Epstein records, and tried to warn his son "that America was arming itself for war." After one more fruitless meeting, their communications ceased.

William Franklin had been the last royal governor conducting the king's business when his prominent opposition to the Revolution led to his arrest. He was moved from comfortable detention to the Litchfield jail after he was discovered issuing official pardons to loyalists who wanted their properties spared by the British army. Nearly eight months later, weak and in poor health, he was released from his squalid dungeon and eventually set free in a prisoner exchange. He was able at last to escape to England—and had he done so then, Mr. Epstein writes, he would have come to be seen as "a high-principled, courageous British governor during a civil war." Instead, William resolved to remain in New York and fight. He stayed for four years, forming loyalists into a paramilitary organization that conducted raids in New Jersey and Connecticut.

"What he did then, as his father learned from prejudicial sources, was so appalling he could not possibly forgive him," Mr. Epstein writes. "That had been the turning point." But when William finally left for England in 1782, he himself was "justly satisfied" with his past conduct. "His conscience . . . was clear."

Benjamin Franklin little grasped his son's wartime hardships, Mr. Epstein says; nor did William grasp his diplomat father's struggles. A gulf of misunderstanding and ignorance separated them—and would never be bridged.

William Franklin's motto was "Pro Rege & Patria." Mr. Epstein's engrossing account of his ordeal in striving to be faithful to that motto illuminates the plight of the hundreds of thousands of British Americans who remained, during the Revolution, devoted to both crown and country.

Mr. Landers, a former reporter at Congressional Quarterly and a former editor at the Wilson Quarterly, posts his reviews and essays at robertklanders.com.

The GOP's Narrow Escape in Georgia

By Karl Rove

Before Tuesday's special election in Georgia's Sixth Congressional District, many journalists were ready to declare a victory by Democrat Jon Ossoff proof the GOP is doomed to lose its congressional majorities next year. Flipping the seat would have shown definitively the Trump presidency is a kiss of death for Republican candidates. But Republican Karen Handel won, by 3.8 points, blowing these story lines into oblivion.

It was history's most expensive House race: Mr. Ossoff had at least \$31.2 million spent on his behalf to \$22.7 million for Ms. Handel. These totals will grow when more campaign-finance reports come in. The Democrats did not spend their money well. While Mr. Ossoff won 48.1% to Ms. Handel's 19.8% in the April 19 open primary, he received the same percentage Tuesday. Meantime, Ms. Handel won more votes than did the 11 GOP candidates combined two months ago.

It would be understandable if Republicans took this victory—the fourth in as many special congressional elections this year—as an opportunity to celebrate. But the GOP has important lessons to internalize too.

Karen Handel ekes out a victory and upsets the Democratic narrative for 2018.

Democrats increased Mr. Ossoff's vote by more than 32,000 over his April showing. Yet the GOP rallied some 96,000 more votes for Ms. Handel by focusing on Republicans who didn't vote in April and were unlikely to vote in June without special attention. The Congressional Leadership Fund spent \$1 million on the ground game and digital ads targeted at 100,000 such voters. People who didn't vote in April made up at least 22% of Tuesday's turnout.

Tuesday's results prove it is possible to make these contests about more than Donald

Trump. Ms. Handel won 51.9% while data from one conservative super PAC suggested only 38% of voters approved of Mr. Trump. Enough swing voters apparently don't believe every Republican candidate is responsible for everything the president says and does.

Anger at Mr. Trump alone won't attract the swing voters Democrats need to take Congress. Plus, Mr. Trump isn't inexorably destined to become less popular. His approval ratings could rise if he enacts reform legislation. Democrats must offer an attractive agenda to draw suburban voters while maintaining the outrage of their party's left wing.

The Georgia election shows how difficult that is, even with virtually unlimited campaign cash.

In open seats, the GOP needs to field candidates with records of getting things done in government, business or the military. Ms. Handel was an awkward candidate, but her record as Fulton County board chairman and Georgia secretary of state proved her effectiveness in office. This provided a strong contrast with Mr. Ossoff's exaggerated resume.

Republicans would do well to encourage congressmen not to retire. Incumbency alone doesn't guarantee victory, but independent and unaligned

voters are often swayed by it. Passing ambitious legislation on the economy, tax reform, health care and defense could boost the incumbency advantage further. The fewer retirements, the more the party can focus limited resources on races truly at risk.

Finally, Democrats have done better at building the networks to generate massive small-dollar contributions over the internet for special elections, but it's unclear how transferable that strength will be to the general election. Similarly, House Republicans have more resources at their party committee and super PACs, but it isn't clear that will be sufficient to re-elect the GOP House majority.

After escaping defeat Tuesday, many Republicans felt not just relieved but exhilarated. It's fine to take a moment to be happy at Tuesday's outcome, but it was still a hard race in what should be a safe GOP district. The 2018 midterm elections won't be pretty for Republicans, but the election Tuesday showed they don't have to be a catastrophe.

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

Hitting the Books Behind Bars

By Jim Farrin

Amy Lopez isn't the highest-profile official to be fired by the Trump administration, but she deserves some attention. The Obama administration had tapped Ms. Lopez after last November's election to build a semiautonomous school district within the Bureau of Prisons. Her program was to offer literacy training, high-school diplomas, postsecondary classes, and more options for prisoners with learning disabilities.

Last month Attorney General Jeff Sessions terminated her, suggesting the Justice Department is poised to abandon correctional education reform. It's a mistake. This type of prison reform benefits not only prisoners but public finances and public safety.

Every dollar spent on correctional education yields \$4

to \$5 in eventual savings, according to a 2013 Rand Corp. report, "How Effective is Correctional Education?" The study also found that prisoner education reduces recidivism by as much as 43%.

Team Trump should commit to providing inmates an education.

That's why I made a later-in-life transition from marketing for multinational corporations to founding the nonprofit Petey Greene Program, which trains college students to enter correctional facilities and tutor inmates preparing to take the high-school equivalency exam.

But as powerful as education is, often it's outmatched by discrimination against people with criminal records. Very few people leaving correctional custody find employment on their first try. The Urban Institute found that only half of formerly incarcerated people were employed eight months after release. It can take more than a year for a returning citizen to find a job—which means that something in addition to knowledge distinguishes a successful person, postprison: tenacity.

That tenacity comes from correctional education. More than two-thirds of prisoners lack a high-school diploma.

When they earn one, it's one of the first accomplishments they can remember. They learn that while success is never easy and may be delayed, it is still attainable if you work hard enough.

Mr. Farrin is executive director of the Petey Greene Program.

OPINION

REVIEW & OUTLOOK

The Next Step on North Korea

The horrific death of Otto Warmbier, a 22-year-old student held in a North Korean prison for 17 months, highlights the brutal nature of the rogue regime and underscores the urgency of stopping its nuclear ambitions. The next step should be to sanction the Chinese financiers and traders who sustain Kim Jong Un.

President Trump built up expectations of Chinese help after his April summit with President Xi Jinping. That was a long shot given China's failure to rein in its ally in the past. But it made sense diplomatically, putting Mr. Xi on notice that tougher U.S. action would follow if he failed to deliver. But on Tuesday Mr. Trump tweeted, "While I greatly appreciate the efforts of President Xi & China to help with North Korea, it has not worked out. At least I know China tried!"

As the Journal reported last week, the Administration asked Beijing to crack down on some 10 Chinese companies and individuals that trade with North Korea. If China refuses, the U.S. is prepared to act unilaterally by the end of the summer. The U.S. should now move with dispatch to use tougher sanctions to deprive those on the list from access to the international financial system.

Skeptics are right that United Nations sanctions have done little to stop North Korea, but the sanctions that drove Iran to the negotiating table were far tougher. And a new report from the Washington research group C4ADS suggests that the North's trading network is highly vulnerable to the new sanctions.

The report dispels the misconception that North Korea obtains materials and technology for its weapons through an invisible network that can't be stopped by sanctions. It says the

New sanctions against China's traders and financiers might work.

same small number of Chinese individuals and companies that dominate legal trade with the North also supply it with "dual use" goods to build nukes and missiles. As sanctions have tightened, this network has grown smaller and more consolidated. That's because there are only a few individuals who have the skills and connections within China

and North Korea to continue trade under these circumstances. Pyongyang will find it hard to replace them.

The U.S. stumbled across this North Korean vulnerability in September 2005 when the U.S. Treasury named Macau's Banco Delta Asia a "primary concern" for North Korean money laundering. The bank was forced to freeze \$25 million in North Korean assets, but the knock-on effects were huge. Trade that depended on the bank ground to a halt, and other banks cut their business with North Korea.

In a tragic miscalculation, the Bush Administration released the frozen funds two years later in return for North Korea returning to disarmament talks, which went nowhere. North Korea moved most of its trading network to China, and the Obama Administration let the North Korea problem grow as it focused on other priorities.

North Korea is now a few years away from fielding an intercontinental missile, and U.S. options are dwindling. A pre-emptive military strike is the last resort because the Kim regime could kill millions with conventional and nuclear weapons. But now that Beijing has been given the chance to help and either refused or failed, the U.S. and its allies have to use every sanction and other tool available to prevent the Kim regime from doing to millions what it did to Otto Warmbier.

The Real Georgia Lesson

Democrats thought they could pick up a GOP-leaning House seat by turning Tuesday's special election in Georgia's sixth congressional district into a referendum on the Trump Presidency. The lesson of the GOP's four-percentage-point victory is that Republicans can preserve their congressional majority despite doubts about Donald Trump—if they deliver on their agenda.

Republicans staved off what the press would have portrayed as a catastrophe and portent of a GOP wipeout in next year's midterm elections. And they did so with a weak candidate in Karen Handel, a former Georgia secretary of state who lost bids for Governor in 2010 and U.S. Senate in 2014.

Democrats thought they could steal the seat because it is full of the upscale, college-educated Republicans who dislike Mr. Trump. While Health and Human Services Secretary Tom Price was re-elected last November by 23 points, Hillary Clinton came within two points of beating Mr. Trump. Democrats—who, by the way, favor limits on campaign spending—poured \$31 million into the district to turn out liberal voters.

Yet Republicans managed to turn out their voters by portraying Jon Ossoff, a 30-year-old former congressional aide who doesn't live in the district, as a foot soldier for Nancy Pelosi. Conservative voters showed they aren't ready to hand the House back to Mrs. Pelosi whatever their doubts about Mr. Trump.

One immediate benefit is that the victory might deter some Republican retirements that

GOP success in Congress can overcome liberal Trump loathing.

would create more open seats in 2018 if they fear a Democratic wave. But Democrats are still likely to turn out in big numbers next year.

The challenge for Republicans will be to give their voters a reason to match that liberal enthusiasm. That's all the more reason to put accomplishments on the board that voters can see on health care,

taxes and more.

As for Democrats, the defeat underlies the contradiction between the total resistance to Mr. Trump needed to win a primary and the centrist coloration needed to flip a GOP-leaning seat in areas like northern Virginia (held by Barbara Comstock) and Upper Hudson Valley New York (John Faso). Mr. Ossoff energized progressives by promising "to make Trump furious." After the primary he tacked to the middle by running as a fiscal conservative and against tax increases on the rich.

But by then Republicans were already defining him as a Pelosi pawn. It didn't help that so much of his cash came from liberal redoubts like San Francisco or that he was endorsed by Bernie Sanders. Some groups on the left like MoveOn.org are now saying that the lesson from Mr. Ossoff's defeat is that Democrats need to run as pure left-wing populists in 2018.

This left-center tension in the Democratic Party is likely to intensify, especially if the GOP racks up some policy victories, which could propel Democrats to nominate candidates who are too far left for the districts they need to win in 2018. But Republicans can't afford complacency, and their best defense against an anti-Trump wave is legislative success.

Change in the House of Saud

Saudi Arabia has resisted modernity since its founding in 1932. But the political sands are shifting, and the change will accelerate with Wednesday's appointment of Mohammed bin Salman as Crown Prince.

King Salman broke with decades of tradition with his royal decree that ousted his nephew, security czar Mohammed bin Nayef, in favor of Salman's son, Mohammed bin Salman. The Saudi crown has typically passed from one octogenarian or septuagenarian brother to another, so the rise of the 31-year-old son as heir designate is a monumental development.

This is all the more remarkable given the young leader's reformist inclinations. The Saudis face a triple challenge in falling oil prices, a youth demographic bulge and Iranian imperialism. The Crown Prince believes the answer is an assertive foreign policy that unites Sunni Arab states against Tehran, combined with domestic reform that weans the Kingdom off oil.

This regional vision took shape soon after King Salman ascended the throne in 2015. As Defense Minister (a portfolio he will retain), the Crown Prince emerged as the architect of the Saudi-led military campaign to oust the Iranian-backed Houthi rebels from Yemen.

The Yemen operation has been long and hard, but it has largely succeeded in cutting off Iranian supplies to the Houthis and boosted the confidence of Arab states. Mohammed bin Salman has also spearheaded efforts to diplomatically isolate Qatar over its two-faced policy of cooperating with the West while funding Islamist groups like Hamas.

Last year the Crown Prince launched Vision

Mohammed bin Salman wants to transform the hidebound Kingdom.

2030, a reform program to diversify the Saudi economy and expand the role of private enterprise. The heart of the plan is to boost the private share of the economy to 65% by 2030 from about 40%, and reduce the government's dependence on oil for revenues, now at 70%.

That's a tall order in a Kingdom that has historically offered its citizens oil-funded, cradle-to-grave welfare in exchange for little say in politics. Many Saudis have grown up to expect high-paying government jobs that are increasingly hard to subsidize with oil at under \$50 a barrel. Unleashing the private economy will also require liberating Saudi women to enter the work force—the right to drive would be a start—and that has already triggered clashes with the Wahhabi clerical establishment.

Earlier this year the government was forced to reverse a pay cut for state employees. Yet Mohammed bin Salman has made progress in other areas. A plan to offer public shares in the state-run oil company, Aramco, is moving ahead. Concerts are performed and movie theaters are opening for the first time in the Kingdom, allowing young Saudis access to entertainment and social interaction that their peers nearly everywhere else take for granted.

His appointment as Crown Prince will strengthen his hand by putting to rest competing claims to the throne from more conservative corners of the House of Saud with its 7,000 princes. A moderate and prosperous Saudi Arabia would bolster stability across the Arab world and is squarely in the U.S. national interest. Washington should support and encourage the young prince as he pursues change.

Mohammed bin Salman wants to transform the hidebound Kingdom.

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LETTERS TO THE EDITOR

Mr. Mueller May Do More Harm Than Good

Regarding your editorial "Robert Mueller's Mission" (June 17): In my lifetime I don't remember any special counsel investigation whose outcome benefited the country. This investigation will significantly influence future elections during its lifetime. In 2016 James Comey showed how easy it is for an unelected official to usurp power and influence the outcome of an election far more efficiently than the Russians. Based on Mr. Mueller's history and his appointments outlined in the editorial, it is my opinion the risks to our future electoral processes are too high to "hope" that he can rise above his relationship with friend and mentee James Comey.

The better solution would be to limit Mr. Mueller's investigation in scope to Russian influence on the 2016 election and any collusion between President Trump or his campaign with Russia to influence the election. Any other crimes discovered during the course of the investigation would be turned over to an assistant attorney general to pursue.

STANLEY BELSKY
Jupiter, Fla.

Remember Sen. Ted Stevens of Alaska? Our Justice Department is prone to disregard Supreme Court rules regarding sharing of or taking into account exculpatory evidence in its aggressive pursuit of a target. Sen. Stevens's conviction was overturned on appeal (though not till after he'd

lost an election) because of this transgression.

No matter what conclusion Mr. Mueller reaches, one half of the country will be displeased unless his investigation not only is beyond reproach but also looks beyond reproach.

SAMUEL COLMAN
Boca Raton, Fla.

News came via a "leak" that special counsel Robert Mueller is investigating President Trump for obstruction of justice. This is the new hook the establishment is using to topple the president. Am I the only voter who is angered that the deputy attorney general appointed one of James Comey's closest friends as special counsel? He, in turn, has announced the appointment of two head attorneys to his staff who were contributors to Democratic campaigns.

The special counsel should, at a minimum, be perceived as fair and impartial. Mr. Comey admits he leaked a memo to cause a special counsel to be appointed. Mission accomplished. What was the deputy attorney general thinking? Or is it that the swamp President Trump is fighting is largely bipartisan?

This doesn't feel fair, and it doesn't bode for a fair outcome. We voters are seemingly helpless to stop the coordinated efforts of the bipartisan swamp to destroy President Trump.

MARK FOWLER
West Palm Beach, Fla.

Radio Liberty Persian Service: Mixed Reviews

Sohrab Ahmari's June 12 commentary "In Iran, Radio Liberty Doesn't Live Up to Its Name" asserts that the Persian service of Radio Free Europe/Radio Liberty parrots the editorial line of Iranian state media.

While we will acknowledge any individual story that falls short of our editorial standards, as any news organization should, the suggestion that Radio Farda somehow mirrors the Iranian press is ludicrous.

The government and its supporters make clear their view of Farda by blocking it on the internet, jamming its radio broadcasts, threatening Farda's staff members outside Iran and harassing their relatives inside the country.

Meanwhile, Farda's audience in Iran finds it such an important alternative to state media that they use circumvention software to reach Farda despite government blockages. By such techniques, Iranians view Farda's internet site millions of times a month. They also use Farda's social network platforms as a means to discuss events in the country free of government control.

Farda's goal is to provide its large Iranian audience with honest journalism. The commitment of its audience and the reactions of Iranian authorities suggest Farda is doing just that.

THOMAS KENT
President and CEO
Radio Free Europe/Radio Liberty
Prague

Mr. Ahmari is right on the mark. I was director of Radio Liberty when

the Berlin Wall came down and the U.S.S.R. collapsed, arguably the most successful period in the radio's history. Later I was a Republican member of the Broadcasting Board of Governors (2010-12), leaving that position when it became evident to me that U.S. international broadcasting was hopelessly lost, operating without a strategy and increasingly detached—indeed, often antithetically—to U.S. interests. When I was nominated to the board, several senators asked me to undertake an investigation into the Voice of America's Persian News Network (PNN), which was widely seen as having gone off track. I presented my findings to the first meeting of the board after my confirmation by the Senate. The PNN was a complete mess: operating without serious supervision, staffed haphazardly and perhaps penetrated at different places by Iran's intelligence services. I recommended its complete overhaul, but little happened given that most of PNN's employees enjoyed civil-service status. I understand that little has changed today.

It's not just the PNN or Farda, which are the tip of the iceberg. Unless U.S. international broadcasting can be completely rethought, we are probably better off closing it down and starting over. This three-quarters of a billion dollar enterprise is vital, but now it is not serving American interests. President Trump should shake up this enterprise.

S. ENDERS WIMBUSH
Washington, Va.

communities and a corresponding rise in welfare recipients, disability claims, broken families, drug addiction, deaths from opioid overdoses and a desperate turn to socialism and populism. The free market eventually will be strangled if free marketers don't acknowledge these social costs and do something about them.

CRAIG CANTONI
Scottsdale, Ariz.

Unfortunately, our education system doesn't prepare unemployed blue-collar workers for the "higher value-added tasks such as research and development, marketing, and general management" jobs the multinationals offer. Could Dean Slaughter be missing the point?

CRAIG JOHNSON
Philadelphia

Pepper ... And Salt

THE WALL STREET JOURNAL



"Sure, hunting and gathering's a nice start, but what about processing, sales and distribution?"

When Good Measures Fail

Regarding "Bets Pile Up on Wall Street's Fear Index" (page one, June 13) about the CBOE Volatility Index, I am reminded of Goodhart's law, named for economist Charles Goodhart: "When a measure becomes a target, it ceases to be a good measure."

TIM MAHAR
Rockledge, Fla.

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

OPINION

The Insidious Influence of the SPLC

By Jeryl Bier

The Washington-based Family Research Council "advances faith, family and freedom in government and culture from a Christian worldview," according to its profile on the website of GuideStar, the nation's premier philanthropic rating agency. GuideStar gives the FRC a "silver" rating for demonstrating a "commitment to transparency." But the top of the profile page also declares: "This organization was flagged as a hate group by the Southern Poverty Law Center."

GuideStar announced this month that it would classify 46 nonprofits as hate groups based on the SPLC's imprimatur. GuideStar CEO Jacob Harold told the Associated Press the move was justified by an increase in "hateful rhetoric" across the country.

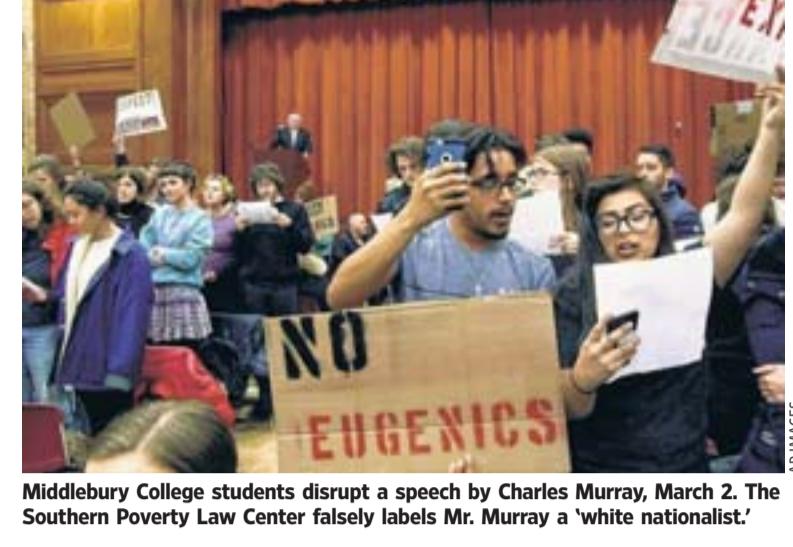
Aided by a veneer of objectivity, the SPLC has for years served as the media's expert witness for evaluating "extremism" and "hatred." But while the SPLC rightly condemns groups

Its branding of 'hate groups' and individuals is biased, sometimes false—and feeds polarization.

like the Ku Klux Klan, Westboro Baptist Church and New Black Panther Party, it has managed to blur the lines, besmirching mainstream groups like the FRC, as well as people such as social scientist Charles Murray and Somali-born Ayaan Hirsi Ali, a critic of Islamic extremism.

A clear illustration of the SPLC's pervasive and insidious influence is the March riot at Middlebury College, where Mr. Murray had been invited to speak. "The SPLC is the primary source for the protesters at my events," Mr. Murray told me. "It is quotes from the SPLC, assertions by the SPLC that drive the whole thing."

Mr. Murray's politics are libertarian, but the SPLC labels him a "white nationalist." In reporting on the Mid-



Middlebury College students disrupt a speech by Charles Murray, March 2. The Southern Poverty Law Center falsely labels Mr. Murray a 'white nationalist.'

blebury fracas, numerous news organizations repeated the SPLC's characterization without noting it was false. The AP even put it in a headline: "College Students Protest Speaker Branded White Nationalist."

How did the SPLC become the default journalistic resource on purported hate speech, racism and extremism? Morris Dees, still the SPLC's chief trial attorney, founded the organization in 1971 along with Joseph Levin Jr., now an emeritus board member. In its early years, the SPLC made a name for itself by winning some high-profile cases against the KKK and other white-supremacist groups. But over time its mission changed. In recent years it has focused on "tolerance education," hate-group tracking (including an online "hate map") and fundraising.

Although the SPLC is a 501(c)(3) nonprofit and therefore statutorily prohibited from engaging in partisan politics, even a cursory review of its website belies its nonpartisan status. During the 2016 election, the SPLC posted "Margins to the Mainstream: Extremists Have Influenced the GOP 2016 Policy Platform" and "Here Are the Extremist Groups Planning to Attend the RNC in Cleveland." The Democratic platform and convention received no such scrutiny.

An SPLC post titled "Electoral Extremism" ostensibly profiles "a dozen

2014 candidates, including Democrats, Republicans, Libertarians, independents and others." Only a single Democrat is profiled, along with five Republicans and five third-party candidates. All of those listed are considered "right wing" or conservative, including the third-party ones. Even the Democrat on the list formerly belonged to the Constitution Party.

Last August SPLC senior fellow Mark Potok tied Donald Trump to David Duke, whom Mr. Trump had denounced. "Anyone with two brain cells to rub together can see the denunciations [of Mr. Duke] are not sincere," Mr. Potok told the Huffington Post. "The sad reality is that David Duke and Donald Trump are appealing to precisely the same constituency." Not quite. Mr. Trump took 58% of the vote in Louisiana. Mr. Duke, running for U.S. Senate on the same ballot, managed only 3%.

The SPLC reflexively plays down threats from the left. This February Mr. Potok wrote that in the 1990s "the American radical right" was "deprived of the bogeyman of communism." Even when condemning far-left groups, the SPLC shows an odd deference. Describing black separatists, the SPLC avers that "much black racism in America is, at least in part, a response to centuries of white racism," and "the racism of a group like the Nation [of Islam] may be rela-

tively easy to understand."

Kori Ali Muhammad allegedly murdered three white people in California in April. The SPLC reports that on Facebook Mr. Muhammad wrote of "grafted white devil skunks" and repeatedly referred to the mythical "Lost Found Asiaatic [sic] Black Nation in America." Yet in contrast with its unequivocal (and false) tagging of Mr. Murray, the group describes Mr. Muhammad as a "possible black separatist."

The SPLC's work arguably contributes to the climate of hate it abhors—and Middlebury isn't the worst example. In 2012 Floyd Lee Corkins shot and wounded a security guard at the Family Research Council's headquarters. Mr. Corkins, who pleaded guilty to domestic terrorism, told investigators he had targeted the group after learning of it from the SPLC's website. The SPLC responded to the shooting with a statement: "We condemn all acts of violence."

Last week the SPLC found itself in the awkward position of disavowing the man who opened fire on Republican members of Congress during baseball practice. "We're aware that the SPLC was among hundreds of groups that the man identified as the shooter 'liked' on Facebook," SPLC president Richard Cohen said in a statement. "I want to be as clear as I can possibly be: The SPLC condemns all forms of violence."

Some journalists harbor doubts about the SPLC. "Any time a group like that is seen as partisan it undermines itself and its noble mission," a network anchor told me on condition of anonymity. "Anti-LGBTQ bigotry is heinous, but classifying the Family Research Council in the same terms as Nazis did not help SPLC in its non-partisan mission."

Still, as long as journalists serve up what the SPLC dishes out, the group has little to gain by directly engaging its critics. (It did not respond to three inquiries for this article.) Now the GuideStar partnership may further burnish its credentials as an unbiased arbiter of hate.

Mr. Bier is an accountant and freelance writer.

This Is Not Your Father's Saudi Arabia

By Karen Elliott House

The appointment of Mohammad bin Salman, 31, as Saudi Arabia's next king will accelerate his radical reform and further solidify the U.S.-Saudi partnership. King Salman's long-anticipated decision to name his son crown prince almost certainly is intended to present a unified face to the kingdom's adversaries, especially Iran—and to bolster U.S. support for a more assertive Riyadh.

The royal decree removing Crown Prince Mohammed bin Nayef, 57, was said to be supported by 31 of the 34 members of the Kingdom's Allegiance Council, surviving sons and grandsons of Saudi Arabia's founder. The old crown prince immediately pledged his loyalty to the new one, who knelt in front of his cousin in a public show of respect.

The new crown prince, 31, promises economic revival and a more assertive world role. Can he deliver?

This announcement concludes a long struggle within the ruling family. Many royals had opposed Mohammad bin Salman precisely because they feared his father, now 81, intended to establish his own lineal monarchy at the expense of other family branches. The king won their support by amending the law of succession so that after the last of the founder's sons is king—that will almost certainly be Salman—the king and crown prince can't be from the same branch.

The new crown prince had assiduously wooed President Trump to counterbalance support for Mohammad bin Nayef among the U.S. defense and intelligence establishments. Mr. Trump's strong support of Riyadh during his recent visit, coupled with growing Saudi-Iran tensions, seems to have moved King Salman to act. The new crown prince may be clearing the way for action against Qatar, which he has accused of supporting Iran and regional terrorist groups.

Because Mohammed bin Salman has already been setting policy almost single-handedly, his elevation isn't likely to lead to any sharp changes at home, where he is pressing an ambitious agenda to wean the Kingdom off declining oil revenues and create a private-sector led economy. His reform plan, known as Vision 2030, is revolutionary. Out with government dependence; in with self-reliance. Out with antimodernist Wahhabi dogma and in with moderation. "Our vision is a strong, thriving and stable Saudi Arabia . . . with Islam as its constitution and moderation as its method," he said in unveiling the plan a year ago.

Even though the promised reforms have barely begun, they have sparked strong opposition as Saudi citizens feel the pocketbook impact of reduced subsidies for energy, water and electricity. Economic growth has nearly stopped as government cuts spending to ease huge budget deficits. The impact is particularly large because 80% of Saudi household income comes from government, which employs 6 in 10 Saudi workers.

All this has led many Saudis to take a wait-and-see attitude toward reform. Many assumed that should King Salman die and Mohammed bin Nayef accede, the new king would fire his young cousin. That uncertainty is gone. Mohammed bin Salman may even be able to persuade his father to step aside, so as to guarantee the crown prince's accession. Power dies with a monarch, so the royal family could band together at Salman's death to deny his son the throne.

With the succession settled, Saudi citizens are more likely to buckle down and accept painful change. The U.S. should welcome this clarity and do all it can to support reform inside Saudi Arabia as the best way to enhance both stability and human rights. The Trump administration also should welcome the prospect of working with a Saudi leader who seems to have bet his role in the royal family on partnership with the U.S. and assertive opposition to Iran.

Now both countries need a workable strategy to confront Tehran, which is gaining power in the region at the expense of both Riyadh and Washington. Saudi Arabia under Mohammed bin Salman has gone on the offense at home and in the region after generations of cautious defense. It's one thing to go from defense to offense, far harder actually to score.

Ms. House, a former publisher of The Wall Street Journal, is the author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future" (Knopf, 2012).

Congressional Maneuvers in the Dark

By Alan S. Blinder

At the conclusion of the Constitutional Convention in 1787, Benjamin Franklin was asked what sort of government the framers had created for the new nation. "A republic, if you can keep it," he replied.

Yes, democracy was a grand and radical experiment back then. America was the first country of the modern era to put the idea into practice. It would be government by the people, following the rule of law, not the whims of a monarch or dictator.

So far, we have kept it. But Franklin's warning was prophetic. Democracy has needed defense many times, both here and elsewhere. Lately, the world's oldest democracy has taken a few body blows.

It started in February 2016, when Senate Majority Leader Mitch McConnell (R., Ky.) decided that President Obama was not entitled to fill a vacancy on the Supreme Court because his presidency had less than a year to go. Oh, really? Where does the Constitution say that? (Nowhere.) Franklin probably turned in his grave.

It got worse during the 2016 presidential election, when the Russians intervened massively to try to elect Donald Trump. Regardless of whether it succeeded, the Russian mischief constituted a blatant attack on American democracy. The nation went to war in 1812 over far less.

In the coming months, we may learn the extent to which Mr. Trump and his surrogates collaborated with Mr. Putin and his—unless the president succeeds in firing everyone investigating the matter. But we already know this much: Despite swearing an oath to "preserve, protect and defend the Constitution of the United States," President Trump has not lifted a fin-

ger to get at the truth.

That alone is dereliction of duty. Worse yet, Mr. Trump has covered for and laughed with the Russians, has fired the FBI director, and would prefer we believe that the interferences in the 2016 election were the work of "somebody sitting on their bed that weighs 400 pounds." Despite all this and more, Speaker Paul Ryan defends him thus: "He's just new to this."

Republican senators craft their health-care bill in secret so as to avoid disinfectant sunlight.

Which brings me to health-care legislation. Mr. Trump is new to that, too.

On May 4, Mr. Ryan jammed the American Health Care Act through the House on the second try. He did so in a great rush, anxious to get a floor vote before the Congressional Budget Office had a chance to estimate the plan's likely effects.

Mr. Ryan knew the CBO estimate would be bad news—he had seen their score of the bill's abortive first version—and indeed it was. When CBO published its estimate, it projected, among other things, that some 23 million fewer Americans would have health insurance within a decade, compared with ObamaCare. That estimate was down from 24 million for the earlier version, and was apparently enough to get some "moderate" Republicans on board.

Mr. Trump was correct last week when he called the House bill "mean." Of course, he previously called it "great."

Perhaps the Senate bill will whittle the 23 million "losers" down to 22 million or 21 million. Nobody knows—not even most Republican senators, and certainly not any Democratic senators. And especially not the public, which holds an extremely dim view of the House-passed bill. A recent Quinnipiac poll found respondents disapproving of the Republican health-care plan by 62% to 17%.

America is supposed to have open legislative processes, including such quaint practices as public hearings, exposure to expert critiques, debates in Congress and amendments. That's what democracies do, but what Messrs. Trump, McConnell and Ryan apparently disdain. Perhaps remembering Justice Louis Brandeis's observation that sunshine is the best disinfectant, they are growing the Senate bill in the dark.

It's amazing that we don't know more about what's in the bill, for Congress normally leaks like a sieve. But if, as reported, Mr. McConnell plans to jam a bill through the Senate this month and then get the House to adopt the Senate's version, the Senate bill must hew at least modestly to the plan's likely effects.

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While playing Hamlet at the National Theatre in London in 1989, he inhabited the character so thoroughly that he took the actor playing the king's ghost to be an apparition of his own dead father, the poet Cecil Day-Lewis. A spooked Daniel Day-Lewis collapsed backstage. It wasn't a stunt. He left and never returned to the play—or to the stage.

No one had ever seen, and no one had ever given, a performance like the one Mr. Day-Lewis gave as the Irish writer Christy Brown in "My Left Foot." Brown, who had severe cerebral palsy, couldn't walk or use his arms. Mr. Day-Lewis insisted on being carried on set and having meals fed to him. One reviewer said

close to the House version.

That would mean depriving tens of millions of Americans of health insurance, eviscerating the ObamaCare protections for people with pre-existing conditions, and making draconian cuts in Medicaid. In one particularly mean touch, the Medicaid cuts in the House bill come close to matching—dollar for dollar—the tax cuts, most of which go to upper-bracket taxpayers. That's about as close to robbing the poor to pay the rich as you can get.

Well, almost. Most of us think of Medicaid as providing health insurance to the poor, which it does. But few people realize that more Medicaid spending goes for older and disabled adults, especially for long-term care—which is so expensive that few middle-class families can afford it. Did someone say, "Let them eat cake?"

Benjamin Franklin would be worried. You should be, too.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve.

By Matthew Hennessey

Some actors you wouldn't mind seeing less of. If they retired, you wouldn't miss them. Not Daniel Day-Lewis.

The 60-year-old British star announced this week he will no longer appear in films. Known for staying in character during production—even between takes and at lunch—Mr. Day-Lewis has always been legendary.

"My Beautiful Laundrette," in which he played a gay, right-wing punk, and "A Room with a View," in which he played an Edwardian nerd with a Pince-nez, were released in New York on the same day in 1986. Together they announced the arrival of a major new talent.

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it was so raw and truthful, it felt impolite to stare.

This isn't the first time Mr. Day-Lewis has quit the business. Frequent sabbaticals have seen him pursue avocations from painting to furniture making. Unconfirmed reports had him apprenticed to an Italian cobbler in the 1990s. He says without these sidelines he'd have nothing to give to his roles.

From 'Hamlet' to 'My Left Foot,' he inhabits his characters as thoroughly as an actor can.

Mr. Day-Lewis once promised himself never to work unless he needed to. "There's something ludicrous about acting all the time," he told the New Yorker in 1992.

Isn't there also something ludicrous about walking away from your gifts? I hope Daniel Day-Lewis changes his mind. He's always been one of those actors you wanted to see more of, not less. Maybe a few years away will restore his passion. If not, the movies will be poorer for his absence. There's never been an actor quite like him.

Mr. Hennessey is an associate editorial features editor at the Journal.

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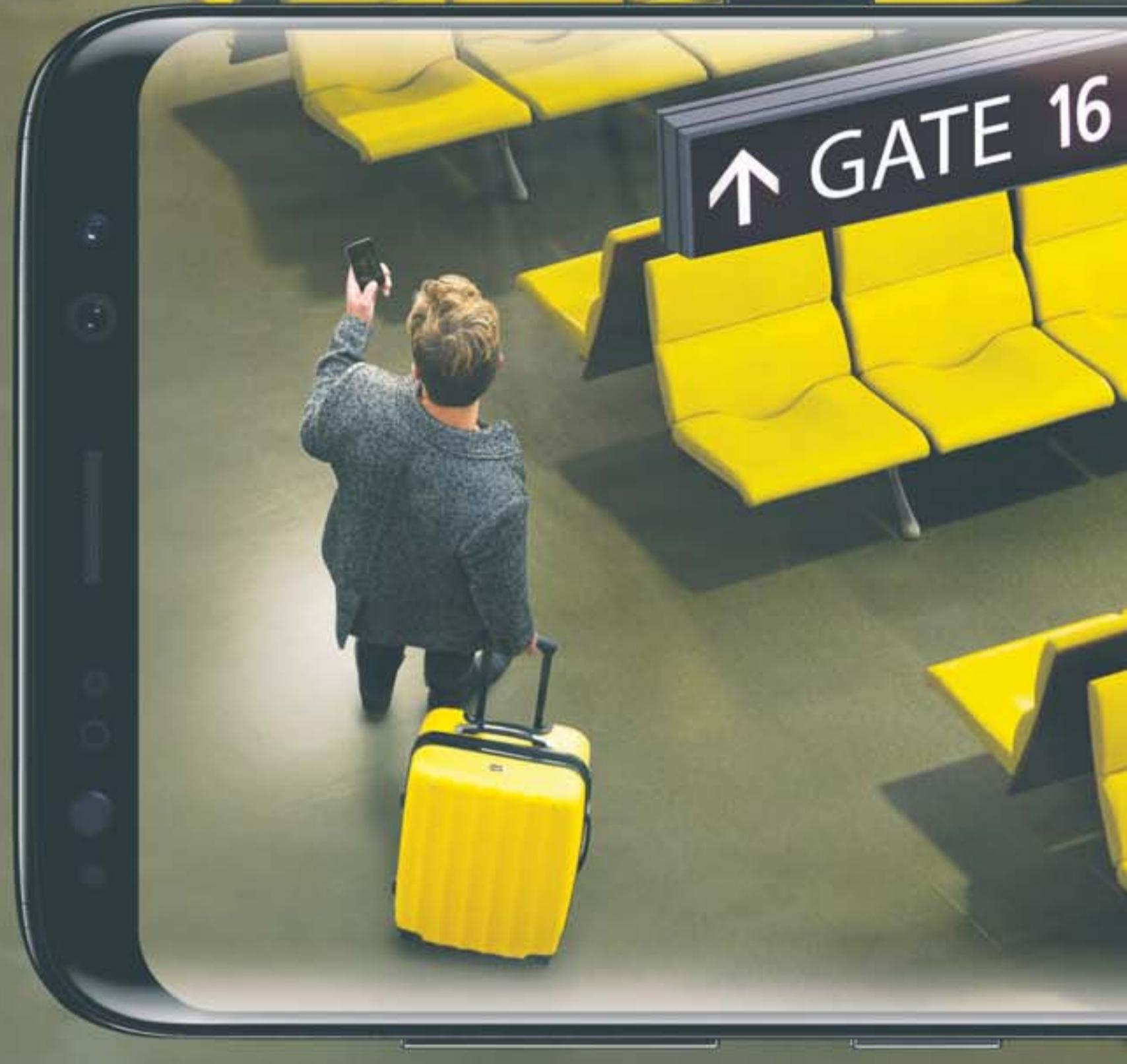
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Altice's IPO Raises \$1.9 Billion

The biggest debut for a U.S. telecom in 17 years brings hope to a beleaguered industry

By NICK KOSTOV
AND CORRIE DRIEBUSCH

The IPO of cable company Altice USA raised more money than any other U.S.-listed telecom since the year 2000, an encouraging sign for the beleaguered sector.

Altice shares were priced at \$30 apiece, raising \$1.9 billion in the deal. In a sign of solid

demand for the IPO, Altice and its selling stakeholders sold more shares than anticipated.

At that price, it is the biggest U.S.-listed telecom IPO in roughly 17 years, according to data provider Dealogic, when the tech boom ushered in a wave of cable and wireless operators.

The U.S. subsidiary of European telecommunications company Altice NV, formed through the merger of New York-based Cablevision Systems Corp. and Suddenlink Communications, is expected to start trading on the New York Stock Exchange on

Thursday. The deal values Altice USA at more than \$20 billion.

Investors who bought shares in the offering will be making a bet that the U.S.'s fourth-largest cable operator by revenue will be able to leverage the money raised and expand in an environment in which competition is stiff.

U.S. telecom stocks have slumped this year. Altice competitors AT&T Inc. and Verizon Communications Inc. are down 10% and 15%, respectively, in 2017. European-listed shares of Altice NV are up roughly 20%

Please see IPO page B2

Big Deal

Altice USA raised the most money in a U.S. IPO since Snap.

Company	IPO date	Deal value
Snap	March 1, 2017	\$3.9 billion
Altice USA	June 21, 2017	1.9
Invitation Homes	Jan. 31, 2017	1.8
Silver Run Acquisition Corp II	March 23, 2017	1.0
Antero Midstream GP	May 3, 2017	0.9

Sources: Dealogic; person familiar with Altice's offering

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Chinese Behemoth Leverages Deal Spree

By JULIE STEINBERG
AND ANJANI TRIVEDI

Chinese conglomerate HNA Group Co. is copying the financing strategies of hedge funds and private-equity firms as it pursues its quest to become one of the world's largest companies.

HNA, a sprawling group that operates in everything from airlines to hotels, has been on an overseas acquisition spree. It is financing those deals with loans backed by company stakes it has purchased. The conglomerate has also entered into derivatives with U.S. and European banks that are helping fund its investments outside China.

Some of the arrangements are similar to those used by investment firms, which often acquire shares in companies with borrowed money. Such financial leverage, as it is known, allows buyers to stretch their capital by putting up relatively little money and borrowing the remainder from banks.

The strategy can be costly and has risks. If the stocks or other assets fall in value, banks can force buyers to cough up additional funds on short notice or sell the investments if the owners cannot meet margin calls.

Still, the financing tactics are useful for HNA, which is trying to aggressively increase revenue globally and already has a heavy debt burden.

Bankers say it is relatively uncommon for corporations to use margin loans and derivatives like total-return swaps to finance investments to the extent that HNA has done. Most companies that are actively acquiring other businesses are financially stronger and have simpler or cheaper ways to raise money.

HNA doesn't have a credit rating, which limits its ability to access low-cost financing. Foreign banks have charged it as much as 6% on loans that typically cost 1% or 2% for companies with investment-grade ratings, according to data from data provider Dealogic.

One benefit the strategies give HNA is that they don't involve transferring money out of mainland China, because banks provide funding offshore. That effectively enables HNA to sidestep tightened capital controls implemented by the Chinese government in late 2016 to discourage firms from moving money out of the country.

HNA says it isn't trying to Please see HNA page B2



Sweating out competition with Amazon, Wal-Mart prefers that certain technology providers not use its rival's cloud-computing service. An Amazon distribution center.

Wal-Mart to Vendors: Get Off Amazon Cloud

By JAY GREENE
AND LAURA STEVENS

The battle between the King Kong and Godzilla of retail has moved into the cloud.

Wal-Mart Stores Inc. is telling some technology companies that if they want its business, they can't run their applications serving the retailer on Amazon.com Inc.'s leading cloud-computing provider, Amazon Web Services, several tech companies say.

Amazon's rise as the dominant player in renting on-demand, web-based computing power and storage has put some competitors, such as Netflix Inc. for streamed videos, in the unlikely position of relying on a corporate rival as they move to the cloud.

An Amazon spokeswoman referred to Wal-Mart's moves as

Wal-Mart, loath to give any business to Amazon, said it keeps most of its data on its own servers and uses services from emerging AWS competitors, such as Microsoft Corp.'s Azure.

Wal-Mart uses some tech vendors' cloud apps that run on AWS, said Wal-Mart spokesman Dan Toporek. He declined to say which apps or how many, but acknowledged instances when Wal-Mart pushed for AWS alternatives.

"It shouldn't be a big surprise that there are cases in which we'd prefer our most sensitive data isn't sitting on a competitor's platform," he said, adding that it's a "small number."

The San Mateo, Calif., company had been developing an Azure offering, and "Wal-Mart has expedited our work," said Mr. Muglia, a former senior Microsoft executive. Snowflake won the busi-

ness from the Wal-Mart provider.

Other large retailers also have requested, as Wal-Mart did, that service companies move away from AWS, according to technology vendors that work with retailers.

Retailers "are all very particular, and some are more particular than others," said Kevin Howard, CEO of Adro Worldwide Media Inc., a retail-technology provider that works with sensitive data including automated inventory tracking and provides pricing-content management. "There are retailers that have specifically requested that we sit on Azure," he said, declining to name them.

Amazon said a number of retailers it competes with use

AWS, such as GameStop Corp.

Wal-Mart and Amazon have sparred for years. Last week, Amazon sent shock waves through the grocery industry—one of Wal-Mart's biggest businesses—by announcing a \$13.7 billion deal to buy Whole Foods Market Inc. That came after Wal-Mart in recent years slashed grocery prices in part to head off Amazon's online incursion into the business. More recently, Amazon lowered its Prime membership fee by nearly half for people who obtain government assistance, targeting a Wal-Mart stronghold.

Their cloud battle takes aim at the financial advantage AWS gives Amazon. The company's global retail business operates

Please see RETAIL page B2

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

iPhone User's Lament: Can't Live With You, Can't Live Without You

As the 10th anniversary of Apple's iPhone approaches, two conflicting letters to the omnipresent device.

Dear iPhone,
How do I love thee? Let me count the apps.

A decade ago, Steve Jobs said you were "three revolutionary products" in one. He was wrong. You've already displaced so many more: alarm clocks, guitar tuners, pocket calculators, atlases, Filofaxes, dictaphones and weathermen (sorry, Al Roker), to name a fraction.

But you're no "product" at all: You're a life partner. You're the first thing I look at in the morning and the last thing I look at before I sleep. There's no turning you off.

I'm never bored when

we're together. I always have a book to read, plus something to do that's more pressing than finishing my book. For example, crushing candy.

You're a handsome showboat that lets me lord it over most Android friends or, bless their hearts, BlackBerry people. Go ahead, show them your 3D touch.

I love you because I can pretend I'm at work by replying-all, "I'm on it," then burrowing back under covers.

You're the important thing I need to attend to during awkward elevator rides with Forgot Her Name from Accounting. You're also way cooler to fidget with than a cigarette and probably not as dangerous.

I was smitten from the moment I realized, with you in my hand, I could always

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INSIDE



GE PLAYS BIG ROLE AT PARIS AIR SHOW

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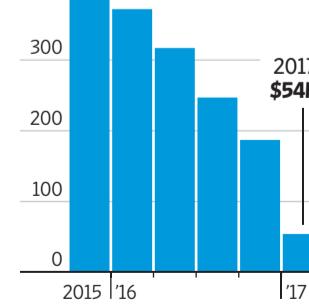
Theranos, Walgreens to Settle

By CHRISTOPHER WEAVER

Bleeding Cash

Theranos has been burning through cash on legal and regulatory challenges.

\$500 million



*The company updated investors on its cash balance in mid-June.

Sources: court filings; WSJ staff reports

THE WALL STREET JOURNAL.

lab firm's technology as they formed their partnership, and about the firm's growing legal and regulatory challenges throughout 2016. Theranos has called the allegations "unfounded."

Separately, Theranos told investors in a series of recent meetings that it had about \$54 million in cash left as it sought to resolve claims, people familiar with the matter said.

The Walgreens pact would further bite into that remaining supply of money. Theranos also carries insurance policies that could cover certain claims, court records show.

Theranos has been burning through its cash. In January, it had about \$187 million, according to an investor document made public last month in a court filing.

The firm has been spending about \$10 million a month since, much of it on legal costs, as it cut staff to about 170 from around 900 late last year, according to people familiar with the matter and the court filing.

The company also spent about \$5 million to settle alle-

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The pact hasn't yet been completed and terms could change, the people said.

Representatives for Walgreens and Theranos declined to comment.

In its November 2016 suit, Walgreens alleged Theranos misled it about the state of the

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HNA

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avoid capital controls and that it has used cash from offshore entities for its purchases. It says it is instead trying to use the current low-interest-rate environment to earn good returns.

"We try to be a smart investor," said Guang Yang, chief investment officer of HNA Capital, the group's finance arm. "We're not different from, let's say, some of the best private-equity funds." He added the firm wants to "effectively use leverage to the extent that's possible."

Banks have been eager to advise on HNA's investments and help structure its financing arrangements. Over the past year and a half, HNA Group has paid fees totaling \$100 million to global and Chinese banks for acquisitions abroad, almost a fifth of all such fees paid by Chinese companies, according to Dealogic.

Top-tier financial institutions are "waiting to work with us in terms of structuring those transactions," said Mr. Yang.

In the past year, HNA used share-backed financing and derivatives arranged by banks such as **UBS Group AG** and **J.P. Morgan Chase & Co.** to rapidly build stakes in companies including hotel firm **Hilton Worldwide Holdings Inc.** and **OM Asset Management PLC**, the U.S. money-management arm of British insurer **Old Mutual PLC**, according to regulatory filings.

The moves haven't been without problems. Swissport International Ltd., a Zurich-based air-cargo handler acquired by HNA last year, found

itself in breach of debt covenants after its shares were pledged toward a loan taken out by an HNA subsidiary.

Credit rater S&P Global Ratings is reviewing Swissport's speculative-grade rating for a potential downgrade. It said the technical breach means Swissport cannot access a revolving credit line until the issue is resolved.

Swissport discovered the covenant breach recently when HNA was in talks to inject cash into the company to restructure how it finances its business. HNA put \$800 million into Swissport shortly after the breach was discovered, some of which was to help support the company's finances.

HNA has spent \$5.15 billion on investments abroad this year, following \$20 billion last year, according to Dealogic. It has primarily funded those deals using debt, from bank loans and offshore bonds to leveraged buyout-style transactions and asset securitizations. Some of these methods enable HNA to use cash flows of acquired companies to pay off the debt.

It is unclear how indebted HNA is as a whole. The conglomerate is made up of a web of subsidiaries and affiliates. Some debt of those entities doesn't appear on the balance sheet of HNA Group, the privately held company that is seen as the closest thing to a parent company.

HNA Group itself says it had about \$104 billion in debt at the end of 2016, more than twice the level calculated by data tracker S&P Global Market Intelligence. That put one commonly used measure of leverage—net debt to earnings before interest, taxes, depreciation and amortization, or Ebitda—at a relatively high ratio of 10 times, according to S&P Global Market Intelligence.

Regulatory filings show HNA used margin loans to cover \$81.5 million of its \$446 million purchase of a 25% stake in OM Asset Management, as well as \$3 billion of its \$6.5 billion purchase of a 25% stake in Hilton Worldwide.

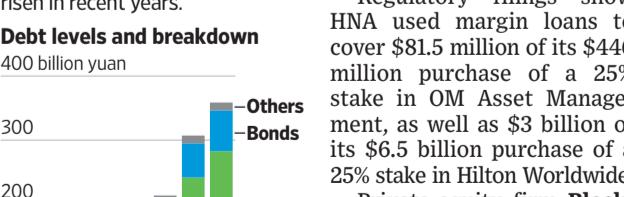
Private-equity firm **Blackstone Group LP**, which sold HNA the Hilton stake last year and still owns part of the company, has pledged its stake toward a separate margin loan.

HNA used a more complicated structure known as an equity collar when it boosted its stake in Swiss airport retailer **Dufry AG** recently to 21% from 16.8%.

HNA's debt levels have steadily risen in recent years.

Debt levels and breakdown

400 billion yuan



Note: Figures do not include investments in shares purchased on the open market; 100 billion yuan = \$14.7 billion

*Through June

Source: S&P Global Market Intelligence

THE WALL STREET JOURNAL.

BUSINESS NEWS

Nike No Longer Runs From Amazon

BY SARA GERMANO AND LAURA STEVENS

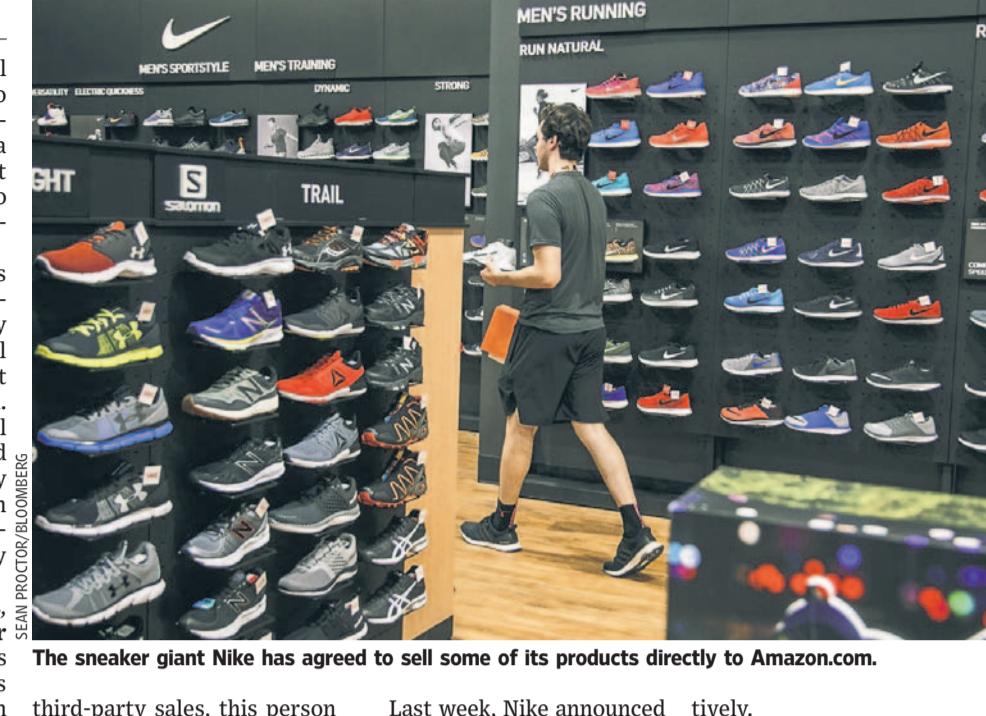
Nike Inc. has agreed to sell some of its products directly to **Amazon.com Inc.**, a person familiar with the matter said, a concession by the sneaker giant that it can no longer afford to ignore the online retail behemoth.

While Nike sells its shoes and sportswear through department stores and specialty retailers, it has refused to sell directly to Amazon, fearing it would undermine its brand. But with traffic to traditional stores on the decline and chains like Sports Authority disappearing, Nike has been ramping up efforts to sell directly to consumers, especially its own e-commerce efforts.

Both of Nike's biggest rivals, **Adidas AG** and **Under Armour Inc.**, sell some of their products directly to Amazon, which has been working to add fashion brands and apparel to its inventory.

News of the Amazon deal punished shares of retailers, with Foot Locker Inc. falling 5% and Finish Line Inc. down 4%. Shares of Nike gained 2%.

Nike executives have been in talks with Amazon for weeks about cracking down on counterfeit products and the proliferation of unauthorized third-party sales on the site, this person said. The two companies have reached an agreement where Nike would provide some products directly to Amazon in exchange for Amazon policing counterfeit and



The sneaker giant Nike has agreed to sell some of its products directly to Amazon.com.

third-party sales, this person said.

Nike and Amazon declined to comment, as did Foot Locker and Finish Line.

It wasn't immediately clear when Nike would begin shipping products to Amazon. Last week, Amazon began notifying third-party sellers that they have until July 13 to stop selling certain Nike products.

The agreement between the two companies comes as both are making changes to their strategies. Amazon on Tuesday launched Prime Wardrobe, a service that lets customers try on apparel at home before deciding on a purchase.

Last week, Nike announced plans to eliminate more than 1,000 jobs, or about 2% of its workforce, and scale back the number of sneakers and sportswear it makes. Nike sales have declined in recent months as the sportswear industry grows more competitive.

The changes at Nike, along with the new partnership with Amazon, raise questions about how established retailers will be affected. Foot Locker and Finish Line each identify Nike as their largest vendor in securities filings, accounting for 68% and 71% of merchandise purchased last year, respectively.

"While this certainly wouldn't impact trends overnight, we do think such a development would represent another headwind for a sector that can't catch a break lately," said Charles Grom, an analyst at Gordon Haskett Research, saying department stores face the biggest risk.

Nike makes and distributes products along different tiers, so retailers like Foot Locker receive a different assortment than that offered at Kohl's or Macy's.

It is unclear which tier or tiers of products will be offered to Amazon.

RETAIL

Continued from the prior page on thin margins, but they are offset by the enormous profits AWS generates. In the first quarter, AWS posted \$890 million in operating income, accounting for 89% of overall operating income, even as AWS's \$3.66 billion in net sales accounted for just 10% of the company's total.

The notion that AWS supports Amazon's retail business is incorrect, the spokeswoman said, citing the fact that the company's North American retail business logged an operating profit.

While Wal-Mart's efforts aren't likely to slow AWS's growth, it could boost rivals.

"People jump through hoops to do business with Wal-Mart all the time," said Robert Hetu, an analyst with

the research firm Gartner Inc. "That should absolutely accelerate the competition from Azure."

It has, Microsoft said. "The nudge from Wal-Mart has been pretty consistent," said Judson Althoff, executive vice president in charge of Microsoft's global sales to business customers.

Microsoft had been the primary provider of cloud infrastructure to Jet.com Inc., the online retailer Wal-Mart bought for \$3.3 billion last September. The retail giant named Jet's founder as its e-commerce chief.

Today, Wal-Mart is among the largest users of Azure, Mr. Althoff said.

The broader contest between Wal-Mart and Amazon helped Microsoft get cloud business from data-analytics company Nielsen Co., he added. "That's a direct customer that came because of

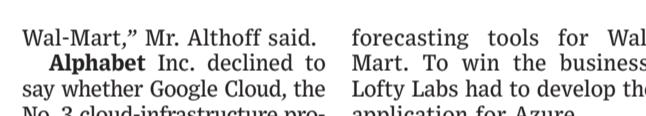
forecasting tools for Wal-Mart. To win the business, Lofty Labs had to develop the application for Azure.

"That was a deal breaker," Lofty Labs President Casey Kinsey said. The service is the only one Lofty Labs ever developed to work on Azure. "Everybody knows that Wal-Mart will not play ball with you if you use AWS."

Cloud Competition

Amazon dominates the business of providing cloud-computing infrastructure, though Microsoft may gain some ground with the retailer's rivals.

World-wide cloud-computing infrastructure market share (Q1 2017)



*NTT and China Telecom are 1%.

Note: Numbers don't equal 100% due to rounding.

Source: Synergy Research Group

THE WALL STREET JOURNAL.

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BUSINESS NEWS

Bulked-Up GE Is Player at Air Show

Acquisition spree gives U.S. firm aerospace expertise and a strong presence in Europe

BY DANIEL MICHAELS
AND ROBERT WALL

LE BOURGET, France—One of the biggest European players at this year's Paris Air Show isn't a European company at all. It is General Electric Co.

Over the past decade, the U.S. industrial icon has bought a number of aerospace companies and suppliers from Britain and Sweden to Italy and the Czech Republic. The deals have made GE parts ubiquitous on modern jetliners. It has grown into one of Europe's largest aerospace employers, with roughly 11,600 workers across the Continent, setting it apart from many of its peers.

European deals are familiar turf for John Flannery, who last week was named GE's new chief executive officer starting in August. He made his mark at the company leading GE's biggest industrial acquisition ever, the \$17 billion purchase of France's Alstom SA power business.

GE is now trying to turn its collection of disparate European aerospace assets into a whole that is greater than the sum of its parts. It wants to knit the businesses into a pan-European group that can develop new equipment and tap European Union development funding.

"We pick the best companies at the time wherever they are globally," David Joyce, GE vice chairman and boss of the aviation business said. "As long as it makes sense we buy them."

Rivals are watching with interest. Eric Schulz, president for civil aerospace at Britain's Rolls-Royce Holdings PLC, said, "GE's size has always been and I believe will always be a threat for Rolls-Royce and for the others, including their own customers." The British aircraft-engine maker is GE's biggest rival in powering the largest jetliners.

But Mr. Schulz said size has drawbacks, making companies



A jet engine on display at the Paris Air Show. GE has joined European companies in becoming a big supplier of parts for jetliners.

less flexible as they try to protect broader corporate interest and, as a result, fail to offer the most competitive product. Being leaner "I hope gives us more creativity and innovation," Mr. Schulz said. Rolls also is investing, including in the U.S., he said.

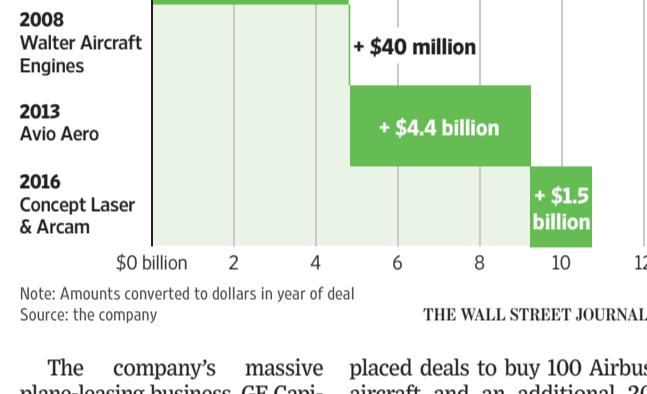
GE executives in Europe say that getting employees from a variety of companies and countries to learn the conglomerate's ways and to cooperate can be difficult, but their engineering talent benefits the group.

GE's recent European spree is built on deep links. In 1941, GE built the U.S.'s first jet engine based on a British design. In 1974, it teamed up with a French rival, which was building engines for the supersonic Concorde, and today their CFM International joint venture is the world's biggest producer of jet engines. In 2007, GE bought U.K. airplane-electronics maker Smiths Aerospace, expanding its aviation business beyond engines and landing gear.

Transatlantic Shopping Spree

GE over the past decade has spent more than \$10 billion on European acquisitions for its aviation business.

Cumulative acquisitions



Note: Amounts converted to dollars in year of deal

Source: the company

THE WALL STREET JOURNAL

The company's massive plane-leasing business, GE Capital Aviation Services, known as Gecas, largely operates from Ireland and London. It has a fleet of about 1,700 planes with more than 200 customers. Gecas

placed deals to buy 100 Airbus aircraft and an additional 20 from Boeing on the first day of the Paris Air Show unfolding outside the French capital this week.

When GE decided to expand

into the civilian turboprop market, long dominated by U.S. rival Pratt & Whitney, a unit of United Technologies Corp., it bought Prague-based Walter Aircraft Engines in 2008.

In 2013, GE snapped up Avio Aero, an important supplier near Milan whose private-equity owner was looking to exit. The company makes vital engines components for jets, turboprops and helicopters.

Last year, GE acquired 3-D printing companies in Germany and Sweden that are important suppliers to Avio, Walter and GE's engine division in the U.S. Mr. Joyce said that when GE wanted to boost its 3-D activities, it had to strike deals in Europe because that is where the expertise resided.

Last week, on the day GE named Mr. Flannery its new boss, it also said it had bought OC Robotics of England. The company's snake-arm robots should make repairs in difficult-to-reach places on wings easier.

Coming a professional food writer.

Academics, labor lawyers and activists have criticized unpaid internships, saying they aren't financially doable for students from poorer backgrounds. Some major companies have ended unpaid-internship programs and struck million-dollar settlements with groups of interns who alleged they were doing the work of employees and therefore should be paid like it.

Juno Turner, a partner at Outter & Golden LLP who has reached unpaid-interns settlements with media companies, said a business model built on unpaid work "seems like a pretty flagrant violation of the law."

The chapter-based media companies said they legally vetted their business models and their writers aren't interns, contractors or employees, but more akin to users who choose to participate on social-media platforms.

Diageo To Acquire Upscale Tequila

BY SAABIRA CHAUDHURI

LONDON—Diageo PLC agreed to buy upscale tequila brand Casamigos for \$700 million, part of a larger push by the spirits giant to increase its exposure to the tequila market.

The world's largest spirits maker will pay the amount up-front to acquire Casamigos, co-founded by actor George Clooney, and said it would also pay a potential \$300 million over 10 years linked to performance.

Tequila is among the fastest-growing spirits in the world right now, with volumes increasing 5.3% last year, compared with the 0.04% growth seen by the broader spirits industry, according to industry tracker IWSR.

Casamigos, which was founded in 2013, sold 120,000 cases last year, mainly in the U.S. The brand is expected to hit 170,000 cases this year. Its other co-founders are Rande Gerber, husband of supermodel Cindy Crawford, and real-estate tycoon Mike Meldman.

The Casamigos deal is Diageo's first since 2015. The company had been focused on jump-starting sales in the U.S., its biggest market, where performance has until recently been weak as consumers abandoned brands like Smirnoff and Captain Morgan for smaller rivals.

Diageo plans to expand Casamigos internationally, saying it sees strong potential across Western Europe in particular. The tequila comes in three variants that sell for between \$45 and \$55 a bottle.

"The category is relatively underdeveloped outside North America and we see a huge opportunity for our existing brands and Casamigos," said Diageo's North America head Deirdre Mahlan on a call with reporters.

The deal is Diageo's second in premium tequila in recent years. The drinks giant in 2015 swapped its Bushmills Irish whiskey brand for Don Julio, previously owned by Jose Cuervo. It also owns two other tequila brands, Peligroso and DeLeon, but these are much smaller, selling under 10,000 cases a year according to Ms. Mahlan.

Diageo, like its rivals, has said it would focus on growing premium brands as the company grapples with a stricter regulatory environment. Alcohol volumes in major developed markets have also dropped as people drink less but better.

As part of that push, the London-based company recently launched an upscale Irish whiskey brand called Roe & Co. and has also launched pricy bourbon brands like Blade and Bow and Hillhaven.

Diageo said the deal will be earnings neutral for the first three years and accretive thereafter. It should close in the second half of this year.

—Tapan Panchal contributed to this article.

Media Startups Try Unpaid Student Writers

BY AUSTEN HUFFORD

As head editor for the local chapter of an online food-culture publication, Brogan Dearinger spent most mornings last fall coming up with story ideas, editing submissions and checking the performance of articles.

But there was no money in it—at least not for her.

Ms. Dearinger, then a senior at Indiana University Bloomington, was among about 8,000 unpaid college students working for local chapters of Spoon University Inc., a for-profit media company.

"They are always pushing us to publish more," Ms. Dearinger said.

Spoon said it encourages writers "to publish more only in the same way that Facebook urges its users to return to their platform. Nobody is compelled to do anything."

Spoon is among a group of for-profit media startups—including Her Campus Media



GRACE HWANG

Brogan Dearinger, left, and other students aren't paid for their contributions to Spoon University.

LLC, focused on college women, and millennial-centric Odyssey Media Group Inc.—that have popped up across college markets in recent years.

Originally founded by undergraduates, these sites rely on students to produce localized content for free, in exchange for training and experience. Members have article

quotas and work to increase the page views and engagement that help their for-profit parent companies succeed.

The companies, which don't disclose financial information, have attracted millions of dollars in funding for their ability to cheaply generate large amounts of content and traffic. Spoon, until recently backed by venture capital, was

purchased in May for an undisclosed amount by Scripps Networks Interactive Inc., the owner of HGTV and part owner of the Cooking Channel and Food Network.

Ms. Dearinger, who juggled her work at Spoon with a restaurant job and journalism classes, says the unpaid experience was more relevant than the student newspaper for be-

coming a professional food writer.

Academics, labor lawyers and activists have criticized unpaid internships, saying they aren't financially doable for students from poorer backgrounds. Some major companies have ended unpaid-internship programs and struck million-dollar settlements with groups of interns who alleged they were doing the work of employees and therefore should be paid like it.

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Oracle Profit Lifts Share Price

BY JAY GREENE

Oracle Corp.'s stock hasn't kept pace with some cloud rivals for years as the software company lagged behind in transitioning its business to the cloud.

That may have begun to change Wednesday after Oracle reported earnings that topped Wall Street's modest forecasts, sending the stock up more than 10% in after-hours trading.

The Redwood City, Calif., company said its fiscal fourth-quarter net rose 15% to \$3.23 billion, or 76 cents a share, from \$2.81 billion, or 66 cents a share, a year earlier. The company said adjusted per-share earnings, which commonly exclude stock-based compensation and other items, were 89 cents. Revenue rose 2.8% to \$10.89 billion.

According to estimates gathered by S&P Global Market Intelligence, analysts expected Oracle to earn 78 cents

a share on an adjusted basis on revenue of \$10.45 billion.

Analysts were impressed with Oracle's success in bringing in new customers to its web-based, on-demand computing services. Annually recurring revenue, or ARR, from these new customers hit \$855 million in the quarter and topped \$2 billion for the year, the company said.

"It's the best quarter we have ever had," Oracle co-Chief Executive Mark Hurd said during a conference call with analysts. "We had a goal of \$2 billion in ARR; we finished with nearly \$2.1 billion. Next year, we will sell more."

At the same time, Oracle is altering the way it reports on its cloud business. The company is mixing its nascent infrastructure-as-a-service business, where it provides computing resources and storage on demand, with its more tenured business of selling access to app-management and data analytics tools, called

platform-as-a-service. For its fiscal fourth quarter, Oracle posted solid results in its cloud-infrastructure business, where it competes against leaders Amazon.com Inc., Microsoft Corp. and Alphabet Inc.'s Google. Revenue from the business rose 23% to \$208 million.

The company's platform-as-a-service business, combined with its other cloud business that sells access to applications—known as software-as-a-service—saw revenue climb 67% to \$1.15 billion for the period ended May 31.

On a call with analysts, co-CEO Safra Catz said Oracle combined results from its platform and infrastructure cloud businesses because "synergies and cross-selling between these two businesses is very high."

Combining results from the two business will make it harder to measure Oracle's success in the cloud-infrastructure market.

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TECHNOLOGY

WSJ.com/Tech

Tokyo Takes Role in Sale of Toshiba Unit

BY TAKASHI MOCHIZUKI

TOKYO—The Japanese government seized the lead role in buying Toshiba Corp.'s chip unit after expressing concerns about technology leaking to China, but a legal fight could hold up a deal.

Toshiba, seeking to hasten a sale that it hopes can raise about \$20 billion, said Wednesday it had chosen as its preferred bidder a consortium that includes a state-backed investment fund and a state-owned bank. The com-

tens of billions of dollars into buying semiconductor technology overseas and developing it domestically. That has unsettled other producers, and the governments of the U.S. and Taiwan have blocked some Chinese bids.

Also in the consortium are the 100% government-owned Development Bank of Japan and U.S. private-equity firm Bain Capital. SK Hynix Inc., a South Korean chip maker, said it would join as a lender.

Japan's industry minister, Hiroshige Seko, hailed the announcement, saying the government-backed bid met the conditions he had set for preventing technology leakage and keeping jobs at home.

Toshiba said it wants to conclude an agreement with the group by next Wednesday, the day of the company's annual shareholder meeting.

Details of the bid weren't disclosed. One person briefed on the offer said it totaled slightly more than ¥2 trillion (\$18 billion), and the Japanese government-backed investors would own more than half of the unit.

Closing the deal won't be easy. Toshiba's chip business partner, Western Digital Corp., which says it has the right to veto any transaction, has filed a request for binding arbitration and separately asked a state court in California to block any deal. In a statement Wednesday after Toshiba's announcement, Western Digital reiterated its claims and said it looks forward to a court hearing July 14.

Toshiba rejects Western Digital's claims, saying it is permitted to make a deal on its own.

SoftBank Will Invest In Security Startup

BY TIMOTHY W. MARTIN
AND ROBERT MCMILLAN

Japan's SoftBank Corp. is investing \$100 million in a Boston-based cybersecurity firm run by former Israel counterintelligence members, the latest cash injection into a bustling industry offering newfound defenses against global hackers.

The deal, announced Wednesday, values Cybereason at about \$1 billion, according to people familiar with the matter. The firm, founded in 2012, has raised a total of \$189 million from investors.

The latest investment isn't

part of the roughly \$100 billion SoftBank Vision Fund the Japanese firm launched in May with Saudi Arabia's sovereign-wealth fund.

A string of cyberattacks, including last month's WannaCry ransomware assault that was linked to North Korea and a series of breaches at Yahoo Inc., have exposed how hackers are quickly discovering new ways to unearth network vulnerabilities.

A spate of startups including Cybereason are pitching a new generation of computer security products that use machine learning and computer algorithms to sniff out problems before they spread.



Autonomous braking and other advanced safety gear are a major source of frustration among car owners, according to an annual survey.

ALEXANDER KOERNER/GETTY IMAGES

Driverless Isn't Complaint-Less

BY ADRIENNE ROBERTS

Auto makers are trying to take a giant leap forward by developing driverless cars. They appear to be stumbling as they take baby steps toward their goal.

J.D. Power's annual Initial Quality Study, a closely watched indicator of which companies offer the best cars and technology, found that buyers are increasingly dissatisfied with the semiautonomous features showing up on vehicles.

Advanced safety gear, including adaptive cruise control, autonomous braking and lane-departure assist, represented the largest increase in problems in this year's study.

The results, issued Wednesday, follow years of complaints by researchers and consumers concerning vehicle technologies. Touch screens, voice controls, navigation systems and other gadgets often have glitches when first introduced. These issues have hurt the reputation of auto makers trying to outrun Silicon Valley in the race to reinvent vehicle cabins, entertainment systems and, ultimately, the way a car is operated.

California-based J.D. Power estimates most vehicle components, including electronics and infotainment, are improving. The IQS study, polling thousands of vehicle buyers within the first three months of ownership, found participants are ranking quality at the highest level ever.

There was an average of nearly 13 complaints about semiautonomous features per 100 vehicles in 2017, up from about 12 problems in 2016. While only a slight uptick, semiautonomous features were the only category that didn't improve this year. Of all problems reported by consumers in 2017, 34% were related to adaptive cruise control, up from 17% in 2016.

Semiautonomous features "are coming quickly and some customers are registering some concerns," said Dave Sargent, a vice president at J.D. Power. "This is not a major problem yet but could become one if industry moves too fast."

The problems with semiautonomous features should sound a warning bell for auto makers, tech companies and parts suppliers. Customers will need to be convinced that these semiautonomous fea-

tures that are the building blocks for autonomous vehicles are foolproof before they give up driving control.

"The question for auto makers is, 'How do they communicate and explain these features to the general public?'" Jim Sayer, director of the University of Michigan Transportation Research Institute, said at a separate event Wednesday.

"That's something all manufac-

turers will struggle with because there's not always consistency in how these systems operate, or even what they're called."

Auto makers and regulators are taking steps to make semiautonomous safety gear more commonplace. Nearly a dozen top car companies, for instance, have pledged to make automatic emergency brakes standard on future vehicles.

The federal government has

embraced the idea that driverless cars will eventually reduce traffic fatalities, and late last year rolled out guidelines for car makers and other developer to submit to a 15-point "safety assessment."

This isn't the first time vehicle technologies have frustrated customers.

Problems with infotainment systems including the wireless Bluetooth connections for smartphones and voice-recognition features were the most frequent frustrations voiced by owners of 2014 model-year vehicles in another study by J.D. Power that came out earlier this year.

J.D. Power's 2017 version of the IQS of new-car buyers gave high marks to Kia Motors Corp., Genesis Motors (Hyundai Motor Co.'s luxury division), Porsche AG, Ford Motor Co. and Ram, a division of Fiat Chrysler Automobiles NV. This year's average number of problems reported was 97, compared with 105 defects in 2016 and 112 in 2015.

Kia also topped last year's survey, a reversal for a Korean brand long associated with quality problems.

—Mike Colias contributed to this article.

FOWLER

Continued from page B1
name the 20th president
(provided I have service, of
course).

Then I also realized I could no longer get lost, including in places where people speak Finnish. Together, we can always find a 4.5-star coffee or foot massage or Cronut in a three-block radius.

You've made it feel safe for me to get in a stranger's car, and even take candy from him.

Because of you, there's no chance I'll inadvertently lose touch with family or friends. (Of course, that means most "Seinfeld" episodes no longer make sense.)

You make me want to express myself. In the decade before my first iPhone, I took 39,242 photos. In the decade since, I took 159,154. According to you, 5,407 were selfies, which seems low to be honest.

Without you, my cherished memories would be locked in my head. It's hard to imagine climbing a mountain without sharing a 360-degree panorama of it with all my friends—and their own beloved iPhones.

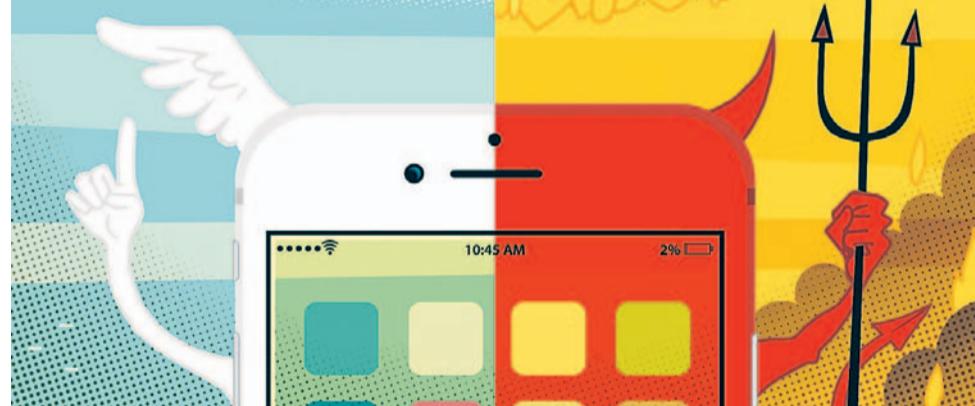
I love you because my parents learned to send photos in iMessage, and I also love them. Even when they're far away, I feel like I'm with them.

I love you because as soon as I realize that I'm out of Cheez Whiz I can instantly order more Cheez Whiz. Or I can walk into a hip local bookstore and find a cool book, then scan the bar code and buy it for \$5 less on Amazon. (Wait, is that wrong?)

I love you because you pacify unruly children at dinner parties. In-app purchases are cheaper than babysitters.

I love you, because I will never again have to purchase bathroom reading material.

Now that you're waterproof, we don't ever have to



be apart. Ever. Ever.

Love,
Geoff
Dear iPhone,
We need to talk. It's not
you, it's me.

Ten years ago, I was the kind of person who enjoyed rock concerts, sunsets and rainbows. With you in my life, capturing them has become a competitive sport.

So has spotting and seizing available power outlets at airport gates, dodging people FaceTiming while walking down the street, and trying to teach auto-correct that it's "analytics," not "anal ticks."

Maybe it is you, iPhone. You've become less a "phone" than an always-on portal to work, distraction and frighteningly addictive personal-data vacuums.

(Don't act like Mark Zuckerberg isn't your BFF.)

I can't forgive you for making oversharing an occupation. Selfies have killed or injured hundreds. That's not fake news!

You're so possessive. You're the reason I ignore my family at the dinner table, my colleagues in meetings, and the traffic I'm about to walk into.

I have woken up my hu-

man spouse on more than a few occasions with the bright light of your screen while tapping out a response to a work query at 2 a.m.

Thanks to you, I have email with me literally at all times, but somehow I still have 48,836 unread emails.

You're the reason a quarter of American teens have unfettered internet access almost "constantly." What could possibly go wrong?

iPhone, I hate you for killing pub trivia night. Nobody actually recalls the name of the 20th U.S. president, not because he was only in office for 200 days, but because you answer for us.

You're an emotional slot machine. Every time I look at you, approximately 180 times each day, it's something new. And I now have the attention span of a squirrel. I'm never just alone with my—ooh, a Like!

You're so fragile. Your battery is always on the edge of life support. Your sleek "rose gold" body is entirely obstructed by a battery backpack that makes you look like Quasimodo.

Your "Storage Almost Full" message literally ruins vacations. How about start-

ing by automatically deleting all the blurry photos you took in dark restaurants?

Owning an iPhone used to be edgy; now it's as safe as a Volvo. I sure hope design guru Jony Ive is bringing his A-game for the 10th-anniversary iPhone X Apple's Still-Innovative-Dammit edition.

Leave you? Ha. One time I accidentally handled you while cutting jalapeños. For a week, you made my skin burn every time I picked you up. But I still couldn't stop tapping.

My parents aren't going to learn a new message app. If I leave you for an Android, I might never hear from them again.

Like it or not, we're connected. I feel the phantom vibrations of your notifications even when you're not in my pocket. When surveys ask what people would rather give up, you or sex, the results are super sad.

Do you love me? "You're looking for love in all the wrong places," you say with that perky Siri voice.

iPhone, after 10 years, I just can't quit you.

Sigh,

Geoff

P.S.: Please come out in blue.

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BUSINESS NEWS

Departure At Tesla Adds to Turmoil

By TIM HIGGINS

The latest exit of a senior leader from Tesla Inc.'s self-driving technology team adds more turmoil to a program already under pressure to meet the grand ambitions of Chief Executive Elon Musk.

The Silicon Valley electric-car maker on Tuesday said Chris Lattner, the vice president of Autopilot software, has left the company about six months after Tesla hired him away from Apple Inc.

"Chris just wasn't the right fit for Tesla, and we've decided to make a change," Tesla said Tuesday.

Mr. Lattner followed Tesla's statement with a posting on Twitter: "Turns out that Tesla isn't a good fit for me after all. I'm interested to hear about interesting roles for a seasoned engineering leader!"

Mr. Lattner didn't respond to a request for comment.

The program, under pressure from Mr. Musk to demonstrate a Tesla vehicle can drive itself by year-end, has grappled with an exodus of talent and questions about the safety of the technology.

Tesla's Autopilot system, which can assist drivers with steering, braking and changing lanes, sparked a safety debate after a Tesla driver in Florida died in a crash a year ago while using the semiautonomous system. U.S. regulators closed their investigation of the crash in January by concluding Autopilot didn't contain a safety defect.

Mr. Lattner's hiring in January coincided with the departure of Autopilot director Sterling Anderson, a leader in developing the system. Tesla sued Mr. Anderson over his efforts to create a competing startup; the lawsuit was settled in April. In March, David Nistér left his job as the vice president of Autopilot vision for chip maker Nvidia Corp.

On Tuesday, Tesla said it had elevated Jim Keller, vice president of Autopilot hardware, to also oversee Autopilot software. Mr. Keller joined Tesla in 2016 from chip maker Advanced Micro Devices Inc.

The company also said Andrej Karpathy who worked recently as a research scientist at OpenAI—a nonprofit co-founded by Mr. Musk—would become director of AI and Autopilot vision.

Tesla is on the eve of beginning production of the Model 3, its foray into less-expensive vehicles. The \$35,000 car is supposed to help boost the company's production to 500,000 next year from about 84,000 last year.

Online Marketplace Etsy Sets Second Round of Layoffs



VICTOR J. BLUE/BLOOMBERG

Etsy Inc. announced another round of layoffs on Wednesday, outlining plans to slash its head count by 22% for the year in an attempt to rein in spending.

The online marketplace will

cut 140 positions, or 15% of its workforce, primarily in marketing, product management and administration in addition to the 80 jobs Etsy said it would trim last month.

The first round of layoffs came as the company swung to a quarterly loss and ousted its chief executive amid investor scrutiny over the company's spending habits. New CEO Josh

Silverman said the layoffs were necessary to drive focus. The company also announced it would pause brand marketing initiatives for the rest of the year.

The move brings expected

severance costs for the year to between \$12.5 million and \$16.8 million, the company said.

Etsy's stock rose 1.6% to \$14.20 Wednesday.

—Imani Moise

Clean Coal Plant in Doubt

By RUSSELL GOLD

The future of a Mississippi power plant aimed at showcasing "clean coal" technology is in doubt after state regulators on Wednesday issued an ultimatum to Southern Co., warning that they wouldn't pass on more of its ballooning costs to rate payers.

Mississippi regulators said they wanted the Kemper power plant, which has already spent \$7.5 billion and seven years to finish, to run using natural gas going forward and don't want any additional costs to be passed on to electricity customers.

The plant has primarily been running on natural gas, not coal, since 2015, because the company has struggled to

make the clean-coal technology consistently work.

The regulators' action leaves Southern with a difficult decision over how to salvage its costly investment, including possibly having to write down part of the value of the facility.

Ending the plant's clean-coal experiment would be a major setback for efforts to use technology to remove carbon emissions from coal plants, an idea the Trump administration renewed its commitment to on Tuesday.

"We are telling the parties to get a plan and get a settlement in 45 days that does not increase rates one penny," said Mississippi Public Service Commission Chairman Brandon Presley.



Gas lines at a Southern Co. unit's plant in DeKalb, Miss.

Jack Bonnison, a spokesman for Mississippi Power, said that until there was a new order approved by the commission "we have a responsibility to comply with the current order." The current order is to build an integrated natural-gas and clean-coal power plant.

"The message is pretty clear. Mississippians don't want to pay for a ticket on a plane that isn't going to fly," said Paul Patterson, an analyst who follows Southern at Glenrock Associates LLC.

Earlier this month, Southern filed documents with the Mississippi Public Service Commission proposing to pass on some of the cost of the facility to electrical consumers. After a closed-door meeting Wednesday in Jackson, the three commissioners voted to give Mississippi Power a few weeks to reach a settlement but indicated they weren't interested in passing on costs of the plant to consumers.

They ordered all the parties—the company as well as residential and industrial power customers—to settle the matter by converting the operating certificate to run on natural gas, not syngas—or synthesis gas—which is made from coal. If the parties are unable to reach an agreement, the plant's license could be revoked, the commissioners said.

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FEUD

Continued from page B1
gations by the Arizona attorney general that it had misled consumers, and \$10 million in connection with an agreement with another investor, legal records show. It settled a lawsuit by former investor Partner Fund Management for an undisclosed amount in May, the company said.

People familiar with that confidential agreement said the amount was between \$40 million and \$50 million.

Theranos has said the lawsuits against it were without merit and it has denied the Arizona attorney general's allegations.

Theranos still faces a civil investigation by the Securities and Exchange Commission and a criminal investigation by the Justice Department, according to court filings.

In a series of meetings with investors in recent days, Theranos said it planned to ask some existing shareholders to loan it an additional \$50 million, people familiar with the discussions said. As of Monday, that planned deal hadn't been completed, one of the people said.

It isn't clear which investors may have been approached about the offer or whether any had agreed to do so. Theranos also plans to seek to raise \$150 million to \$200 million in a funding round next year, some of the people said.

Theranos has retracted

nearly one million medical-test results since regulators found problems early last year with its lab practices that they said put patients in danger, a court filing shows.

After lab regulators barred Theranos from running medical labs for two years last summer, the company said it developed new blood-testing devices to sell to third-party lab operators. It hasn't yet sought regulatory approval for these devices.

Walgreens had once viewed

listeners to imagine a world where blood tests could be done without pain, a person who was there recalled.

The relationship became strained as both parties blamed the other for delays, and Walgreens managers became frustrated that Theranos repeatedly limited their access to its labs, data or devices, people familiar with the matter have said. The two companies finally rolled out their Phoenix-area pilot in late 2013.

After The Wall Street Journal first raised questions about Theranos's technology and capabilities in October 2015, Walgreens said it would halt the nationwide expansion of the partnership.

But it kept the Theranos testing centers at its Phoenix stores open for months and patients continued to receive blood tests there. Some Theranos patients later alleged that both Theranos and Walgreens misled them about their tests' accuracy.

The cases are pending in an Arizona federal court, where a judge last week threw out some of the claims and asked the plaintiffs to amend others. The companies are fighting the suits and have said they are without merit.

In June 2016, Walgreens abruptly ended its partnership with Theranos after executives grew frustrated they were learning of regulators' concerns from news reports, according to people familiar with the matter.

the partnership as a key pillar of its strategy to use its brick-and-mortar footprint to diversify into more areas of healthcare services. Theranos had claimed it could do dozens of tests on a few drops of blood and Walgreens hoped to one day put its devices in its stores.

Walgreens kicked off its relationship with Theranos in 2010, including with an internal party at the drugstore corporation's Deerfield, Ill., headquarters, company documents show.

At the gathering, one Walgreens executive recited, to the tune of the John Lennon song "Imagine," lyrics urging



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BUSINESS WATCH

HOME CAPITAL GROUP

Berkshire Rescue Plan Includes 38.39% Stake

Berkshire Hathaway Inc. said it has agreed to indirectly acquire a 38.39% stake in troubled Canadian mortgage lender **Home Capital Group** Inc. as part of a rescue package that includes a 2 billion Canadian dollar (\$1.5 billion) loan.

Under terms of an agreement announced Wednesday night, Berkshire said it would acquire the stake through wholly owned subsidiary Columbia Insurance Co. for C\$400 million through two private placements. When the purchases are complete, Berkshire said it would hold about 38.39% of Home Capital's common stock. Berkshire said it would only vote 25% of the lender's stock to comply with Canadian regulations that restrict investors from voting more than 25% of bank shares.

The investment follows a frantic month of negotiations by Home Capital's board with a va-

riety of investors to avert a liquidity crisis after a sudden exodus of deposits. The deposit flight was sparked by allegations from Canada's leading securities regulator that the company and three top executives materially misled investors about a mortgage-application fraud problem the company uncovered in 2014.

—Jacquie McNish

RODALE

Magazine Publisher Considers a Sale

Family-owned magazine publisher **Rodale** Inc. said Wednesday it is considering a sale of the company or its properties among other options as part of a strategic review.

The company's titles include Prevention, Men's Health and Women's Health.

"We are excited to explore opportunities for potential buyers of our business who can build on the strong foundation of our commitment to inspiring health, healing, happiness and

love by enhancing core capabilities and resources for our brands," said Rodale Chief Executive Maria Rodale.

No timetable has been set for the review, which won't necessarily result in a transaction, the company said. A call to Rodale seeking further comment wasn't immediately returned.

Rodale's announcement drew a statement of interest from **Meredith Corp.**, the owner of local TV stations and publisher of magazines like Parents and Better Homes & Gardens.

—Ezequiel Minaya

EMIRATES AIRLINE

Carrier Optimistic Over Laptop Ban

Emirates Airline sees a recovery in U.S. demand after Washington imposed a ban on use of electronics on some inbound flights and on Wednesday, a senior executive expressed optimism it could be lifted.

When the U.S. in March imposed a ban on the use of lap-



A traveler at Tunis-Carthage Airport in March. Emirates Airline hopes a U.S. laptop ban will ease.

tops and other electronic devices on flights from 10 Middle Eastern and North African airports, Emirates saw a slump in demand. The airline cut some

flight frequencies on U.S. routes. The U.S. said it imposed the ban because of concerns terrorists were trying to smuggle bombs on board planes.

"The markets are coming back to us now," said Tim Clark, president of Emirates, the world's largest airline by international traffic.

—Robert Wall

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by **LIPPER**

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. **NAV** is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. **NET CHG** is change in NAV from previous trading day. **YTD%RET** is year-to-date return. **3-YR%RET** is trailing three-year return annualized.

e=Ex-distribution. f=Previous day's quotation. g=Footnotes x and s apply. i=Footnotes e and s apply. k=Recalculated by Lipper, using updated data. p=Distribution costs apply, 12b-1. r=Redemption charge may apply. s=Stock split or dividend. t=Footnotes p and r apply. v=Footnotes x and e apply. x=Ex-dividend. z=Footnote x, e and s apply. NA=Not available due to incomplete price, performance or cost data. NE=Not released by Lipper, data under review. NN=Fund not tracked. NS=Fund didn't exist at start of period.

Wednesday, June 21, 2017

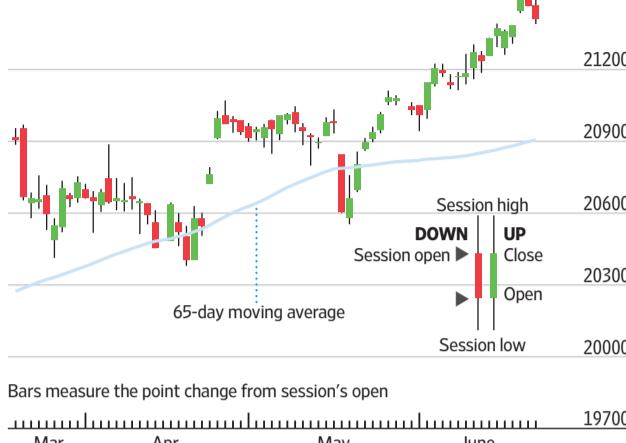
Fund	Net NAV	YTD Chg %	YTD % Ret	Fund	Net NAV	YTD Chg %	YTD % Ret	Fund	Net NAV	YTD Chg %	YTD % Ret	Fund	Net NAV	YTD Chg %	YTD % Ret	Fund	Net NAV	YTD Chg %	YTD % Ret	Fund	Net NAV	YTD Chg %	YTD % Ret
American Century Inv	7.93	-0.01	2.8	LSBndl	14.13	-0.03	5.4	MCapGro	86.31	+0.17	14.5	LifeCon	19.45	...	5.9	TotIntl	16.57	-0.01	14.0	PrmcplAdml r	125.62	+0.87	15.4
Ultra	11.29	-0.01	2.9	Lord Abbott A	29.56	-0.15	1.7	MCapVal	50.94	+0.19	17.6	LifeGro	31.57	-0.02	9.4	TotSt	60.70	-0.06	9.2	REITAdml r	119.81	-0.34	3.3
American Funds Cl A	52.95	-0.10	7.0	ShtDurlnmcA p	4.30	...	1.5	N Horiz	9.53	...	3.0	LifeMod	25.99	-0.01	7.6	STBondAdml	25.15	+0.12	13.4	STGradeAdml	10.47	...	1.1
AMutIA p	52.93	-0.10	7.1	Lord Abbott F	10.47	...	1.6	N Inc	10.47	-0.01	15.4	STGradeAdml	10.69	...	1.6	STGradeAdml	22.17	...	8.6	STAR	26.00	+0.03	9.8
AmcapA p	95.79	+0.08	11.0	ShtDurlnmc	4.29	...	1.6	Overs SF r	39.29	-0.14	8.8	STAR	29.1	...	1.4	DevMktlsIndst	13.20	-0.02	14.1	OverS SF r	10.71	...	2.5
OTC	104.75	+1.05	25.7	Metropolitan West	R2020	...	2.5	R2025	17.01	...	9.7	STGradeAdml	10.83	...	2.9	DevMktlsIndst	20.64	-0.02	14.1	TotBdAdml	21.92	...	1.1
Puritn	22.37	+0.08	9.1	TotRetBd	10.71	...	2.5	R2025	24.93	...	10.7	TotBdAdml	21.91	+0.01	1.5	STGradeAdml	10.69	...	1.6	Extdnlst	76.91	-0.21	6.4
SrsEmrgMktf	18.79	+0.04	19.4	TotRetBd	10.70	...	2.6	R2030	18.16	+0.01	11.5	TotBdAdml	21.90	-0.02	1.3	TotBdAdml	21.59	...	1.4	GrowthInst	66.29	-0.26	16.0
SrsInvGrdf	11.30	...	3.0	TRBdPlan	10.07	...	2.7	R2040	26.01	+0.01	12.1	TotBdAdml	21.88	-0.02	1.3	InstIdx	222.81	-0.11	9.8	TotBdAdml	10.50	...	1.3
TotalBond	10.70	-0.01	3.0	MFS Funds Class I	17.54	+0.01	12.3	Ret2045	36.49	-0.09	8.4	TotBdAdml	21.87	-0.02	1.3	InstPlus	222.83	-0.11	9.8	Ret2045	30.30	-0.01	1.3
First Eagle Funds	39.29	-0.14	8.8	MFS Funds Instl	64.38	-0.27	4.8	Value	39.29	-0.14	8.8	TotBdAdml	21.86	-0.02	1.3	MidCplnst	54.71	-0.05	9.2	Value	30.89	-0.08	7.3
GibA	58.09	-0.11	7.1	PRIMECAP Odyssey Fds	19.40	-0.02	10.5	WdsrlAdml	64.32	-0.09	5.0	TotBdAdml	21.85	-0.02	1.3	MidCplnst	39.14	-0.05	9.1	PRIMECAP Odyssey Fds	33.24	-0.02	10.0
FPA Funds	34.25	-0.07	5.0	Prudential Investors	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.84	-0.02	1.3	MidCplnst	193.02	-0.24	9.1	WdsrlAdml	20.83	-0.03	1.3
FPArcres	2.32	-0.01	4.0	Prudential CI Z & I	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.83	-0.02	1.3	MidCplnst	64.37	-0.28	4.8	WdsrlAdml	20.82	-0.03	1.3
FrankTemp/Frank Adv	3.22	-0.01	4.0	Prudential CI Z & I	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.82	-0.02	1.3	MidCplnst	10.69	...	1.6	WdsrlAdml	20.81	-0.03	1.3
Del Invest Instl	3.22	-0.01	4.0	Prudential CI Z & I	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.81	-0.02	1.3	MidCplnst	10.83	...	2.9	WdsrlAdml	20.80	-0.03	1.3
Dimensional Fds	20.24	-0.01	3.3	Prudential CI Z & I	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.80	-0.02	1.3	MidCplnst	10.79	...	2.9	WdsrlAdml	20.79	-0.03	1.3
BalA p	26.32	-0.01	7.3	Old Westbury Fds	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.79	-0.02	1.3	MidCplnst	10.78	...	2.9	WdsrlAdml	20.78	-0.03	1.3
BondA p	12.97	...	2.8	Old Westbury Fds	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.78	-0.02	1.3	MidCplnst	10.77	...	2.9	WdsrlAdml	20.77	-0.03	1.3
CapIBA p	61.45	-0.15	8.4	Old Westbury Fds	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.77	-0.02	1.3	MidCplnst	10.76	...	2.9	WdsrlAdml	20.76	-0.03	1.3
CapWGRa p	48.96	+0.04	13.0	Old Westbury Fds	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.76	-0.02	1.3	MidCplnst	10.75	...	2.9	WdsrlAdml	20.75	-0.03	1.3
EupacA p	52.09	+0.12	17.9	Old Westbury Fds	19.40	-0.02	10.5	WdsrlAdml	71.27	-0.14	6.3	TotBdAdml	21.75	-0.02	1.3	MidCplnst	10.74	...	2.9	WdsrlAdml	20.74	-0.03	1.3
FdinVA p	59.31	-0.03	13.2	Old Westbury Fds</td																			

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21410.03 ▼57.11, or 0.27%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Mar. Apr. May June 19700

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2435.61 ▼1.42, or 0.06%
High, low, open and close for each trading day of the past three months.



Mar. Apr. May June 2270

Nasdaq Composite Index

6233.95 ▲45.92, or 0.74%
High, low, open and close for each trading day of the past three months.



Mar. Apr. May June 5530

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400				
Industrial Average	21492.62	21390.00	21410.03	-57.11	-0.27	21528.99	17140.24	20.4	8.3	8.1
Transportation Avg	9321.41	9264.05	9292.61	-11.21	-0.12	9593.95	7093.40	22.3	2.8	4.2
Utility Average	735.44	726.85	729.86	-4.82	-0.66	737.51	625.44	7.2	10.7	8.8
Total Stock Market	25281.27	25148.40	25192.26	-23.84	-0.09	25399.65	20583.16	17.1	8.2	7.0
Barron's 400	644.88	640.09	640.72	-1.01	-0.16	650.48	491.89	23.5	6.5	6.2

Nasdaq Stock Market

Nasdaq Composite	6236.66	6200.86	6233.95	45.92	0.74	6321.76	4594.44	29.0	15.8	12.6
Nasdaq 100	5784.92	5737.01	5782.39	56.08	0.98	5885.30	4201.05	31.3	18.9	15.0

Standard & Poor's

500 Index	2442.23	2430.74	2435.61	-1.42	-0.06	2453.46	2000.54	16.8	8.8	7.5
MidCap 400	1749.22	1732.91	1734.91	-10.50	-0.60	1769.34	1416.66	16.3	4.5	6.8
SmallCap 600	850.72	841.74	842.23	-4.51	-0.53	866.07	670.90	19.4	0.5	7.4

Other Indexes

Russell 2000	1411.88	1398.46	1399.25	-3.71	-0.26	1425.98	1089.65	21.8	3.1	5.6
NYSE Composite	11753.31	11678.90	11696.27	-42.68	-0.36	11833.34	9973.54	11.7	5.8	2.0
Value Line	519.67	515.08	515.58	-2.64	-0.51	529.13	435.06	12.0	1.9	0.8
NYSE Arca Biotech	3954.34	3816.60	3953.24	143.70	3.77	3953.24	2818.70	30.8	28.6	12.9
NYSE Arca Pharma	540.83	536.38	540.18	4.29	0.80	554.66	463.78	5.1	12.2	1.0
KBW Bank	93.79	92.86	92.94	-0.75	-0.80	99.33	60.27	39.6	1.2	9.1
PHLX® Gold/Silver	80.28	78.89	80.19	1.14	1.45	112.86	73.03	-11.8	1.7	-6.6
PHLX® Oil Service	132.23	126.24	127.68	-4.51	-3.41	192.66	127.68	-25.4	-30.5	-25.4
PHLX® Semiconductor	1088.16	1075.60	1087.42	12.54	1.17	1138.25	648.32	55.7	20.0	19.6
CBOE Volatility	11.40	10.40	10.75	-0.11	-1.01	25.76	9.75	-49.2	-23.4	-0.3

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Altaba	AABA	11,703.5	55.09	...	unch.	55.17	54.72
Oracle	ORCL	6,088.5	51.25	4.92	10.62	51.80	46.32
Alibaba Group Holding ADR	BABA	5,568.8	143.19	-0.10	-0.07	143.40	141.24
SPDR S&P 500	SPY	5,242.1	242.64	-0.31	-0.13	243.06	242.50
iShares MSCI Emg Markets	EEM	3,812.3	41.07	...	unch.	41.17	41.03
Ambev ADR	ABEV	2,802.6	5.42	...	unch.	5.43	5.42
Van Eck Vectors Gold Miner	GDX	2,683.2	22.11	...	unch.	22.11	22.05
SPDR S&P Q&G Exp Prd	XOP	2,567.3	30.17	...	unch.	30.58	29.96

Percentage gainers...

Oracle	ORCL	6,088.5	51.25	4.92	10.62	51.80	46.32
Methode Electronics	MEI	67.0	40.50	1.85	4.79	42.00	38.58
Apogee Enterprises	APOG	5.4	60.50	2.76	4.78	62.00	56.85
Canada Goose Holdings	GOOS	9.4	23.08	0.73	3.27	23.29	22.30
Global Blood Therapeutics	GBT	27.7	31.75	1.00	3.25	31.75	29.99

...And losers

Steelcase	SCS	106.2	13.30	-3.00	-18.40	16.40	12.80
Sangamo Therapeutics	SGMO	21.8	7.40	-0.75	-9.20	8.25	7.40
Jernigan Capital	JCAP	9.2	22.33	-1.93	-7.96	24.02	21.86
Kinross Gold	KGC	26.9	3.86	-0.17	-4.22	4.12	3.86
Cadiz	CDZI	50.0					

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,5400	2,5975	2,5400	2,6020	0,0470	1,162	
June	2,5400	2,5975	2,5400	2,6150	0,0430	99,311	
Gold (CMX) -100 troy oz.; \$ per troy oz.	2,6215	2,5570	2,6150	2,6150	0,0430	99,311	
July	2,6215	2,5570	2,6150	2,6150	0,0430	99,311	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	124,40	124,00	124,40	124,40	2,40	703	
Aug	124,40	124,80	124,70	124,80	2,30	307,868	
Sept	124,40	125,20	124,90	124,90	2,30	13,301	
Oct	125,10	125,60	124,80	125,20	2,30	89,541	
Dec	125,10	125,60	124,80	125,20	2,30	11,088	
Feb'18	125,70	125,80	125,30	125,60	2,30	11,088	
June	126,30	126,40	126,10	126,20	2,30	6,908	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	126,40	126,00	126,10	126,20	2,30	6,908	
July	126,40	126,00	126,10	126,20	2,30	6,908	
Aug	126,65	126,65	126,45	126,45	2,30	31	
Sept	127,25	128,00	128,25	128,25	2,30	38	
Oct	128,30	128,00	128,00	128,00	0,00	4	
Dec	128,30	128,00	128,00	128,00	0,00	4	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	128,40	128,90	129,10	129,40	2,30	307,868	
June	128,40	128,90	129,10	129,40	2,30	13,301	
Sept	128,40	128,90	129,10	129,40	2,30	89,541	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Feb'18	128,40	128,90	129,10	129,40	2,30	11,088	
June	128,40	128,90	129,10	129,40	2,30	11,088	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Natural Gas (NYM) -100 tons; \$ per ton	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per gal.	128,40	128,90	129,10	129,40	2,30	11,088	
July	128,40	128,90	129,10	129,40	2,30	11,088	
Aug	128,40	128,90	129,10	129,40	2,30	11,088	
Sept	128,40	128,90	129,10	129,40	2,30	11,088	
Oct	128,40	128,90	129,10	129,40	2,30	11,088	
Dec	128,40	128,90	129,10	129,40	2,30	11,088	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per gal.	128,40	128,90	129,10				

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. of the previous day.

NYSE

	Wednesday, June 21, 2017	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net	Stock	Sym	Close	Net				
ABB	ABB 25.19 -0.14		Barclays	BCS	310.10 -0.08		CreditSuisse	CDS	13.85 -0.09		GeneralMills	GIS	56.21 -0.53		MacquarieBank	MIC	76.37 -0.76		RepublicServices	RSG	64.08 -0.49		ThermoFisherSci	TMO	175.60 -0.07	
AES	AES 11.67 -0.37		BardCo	BCR	311.90 -0.08		CEFCO	CDF	13.43 -0.27		GeneralMotors	GM	31.34 -0.27		Macy's	M	21.60 -0.50		RMS	RMS	78.39 -0.08		Wynndham	WYN	103.20 0.90	
Aflac	AFL 77.97 -0.74		BartkovicGold	BAX	15.74 0.16		CrestPoint	CPG	7.74 -0.23		GenuineParts	GPR	89.39 -0.16		MagnallMid	MMP	67.93 -0.04		RestaurantsBd	THD	107.03 1.93		XcelEnergy	XEL	47.55 -0.13	
ATT	T 38.15 -0.51		BaxterIntl	BAX	60.05 -0.05		CrestwoodEquity	CEP	20.10 -0.10		Gildan	GIL	31.09 -0.42		Magnalntl	MGA	44.95 0.03		ReynoldsAmer	RAI	66.00 -0.11		ThorIndustries	THD	107.03 1.93	
AXIS Capital	AXIS 64.78 -0.50		BectonDickinson	BDX	193.36 -0.97		CrownCastle	CC	99.50 -1.38		GloboSmithKline	GSK	43.62 -0.24		Manpower	MAN	107.62 -0.51		RioTinto	RIO	38.32 0.32		Tiffany	TIF	91.31 -0.97	
Abbott Labs	ABT 48.57 -0.20		BerkHathaway	BKR	169.62 -0.92		Cullen/Frost	CFR	93.30 -2.51		GlobalPayments	GPN	17.84 -0.42		MarathonOil	MRO	11.61 -0.45		RockwellCollins	RHC	190.12 -2.03		TorontoDomBk	TOD	39.04 0.02	
AbbVie	ABBV 71.34 0.12		BerkHathaway	BKR	145.20 -0.40		Dreyfus	DY	42.74 0.80		Manulife	MLF	51.31 -1.72		MarathonPetrol	MP	17.84 -0.42		Torchmark	TMK	76.14 -1.07		YumBrands	YUM	74.40 0.49	
Accenture	ACN 127.11 0.58		BernardLlabadra	BBL	22.61 2.44		GGG	GGG	13.39 -0.34		McDonalds	MCD	59.52 -6.47		Markel	MKL	95.92 -6.47		Toto	TTC	71.67 -0.55		ZTO Express	ZTO	14.00 -0.16	
AcuityBrands	ACN 174.75 -1.36		BernardLlabadra	BBL	22.61 2.44		Grace	GR	110.63 -1.78		MarshLebanan	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		TorontoDomBk	TOD	48.81 -0.24		Wyndham	WYN	103.20 0.90	
Adient	ADNT 63.58 -0.21		BethCohen	BCE	254.00 -146.00		Graf	GPF	29.71 -0.11		MartinMarietta	MM	44.95 0.03		Macy's	M	21.60 -0.50		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AdvAutoMfg	ASX 120.11 -3.41		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Magdalntl	MGA	44.95 0.03		ReynoldsAmer	RAI	66.00 -0.11		ThorIndustries	THD	107.03 1.93		Yield	YLD	47.55 -0.13	
Axis Capital	AXIS 64.78 -0.50		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Manpower	MAN	107.62 -0.51		RioTinto	RIO	38.32 0.32		Tiffany	TIF	91.31 -0.97		ZTO Express	ZTO	14.00 -0.16	
Abbott Labs	ABT 48.57 -0.20		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		MarathonOil	MRO	11.61 -0.45		RockwellCollins	RHC	190.12 -2.03		Torchmark	TMK	76.14 -1.07		YumBrands	YUM	74.40 0.49	
AbbVie	ABBV 71.34 0.12		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		MarathonPetrol	MP	17.84 -0.42		Markel	MKL	95.92 -6.47		Toto	TTC	71.67 -0.55		ZTO Express	ZTO	14.00 -0.16	
Accenture	ACN 127.11 0.58		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AcuityBrands	ACN 174.75 -1.36		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Adient	ADNT 63.58 -0.21		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AdvAutoMfg	ASX 120.11 -3.41		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Axis Capital	AXIS 64.78 -0.50		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Abbott Labs	ABT 48.57 -0.20		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AbbVie	ABBV 71.34 0.12		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Accenture	ACN 127.11 0.58		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AcuityBrands	ACN 174.75 -1.36		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Adient	ADNT 63.58 -0.21		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AdvAutoMfg	ASX 120.11 -3.41		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Axis Capital	AXIS 64.78 -0.50		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Abbott Labs	ABT 48.57 -0.20		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
AbbVie	ABBV 71.34 0.12		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40		Marshfield	MML	87.88 -0.08		ThermaFisherSci	TMO	175.60 -0.07		XcelEnergy	XEL	47.55 -0.13	
Accenture	ACN 127.11 0.58		BethHathaway	BKR	169.62 -0.92		Globe	GPF	104.36 -0.23		Marshfield	MML	79.40 -0.40	</td												

MARKETS & FINANCE

Global Calm Descends on Markets

By STEVEN RUSSOLILLO

HONG KONG—Investors had hoped the U.S. presidential election would usher in a new bout of market volatility. Instead, calm not only has persisted, but has spread.

Based on one commonly used measure, Asian stocks are near their least volatile this century. In Europe, large price swings in eurozone stocks have largely subsided. And in the U.S., Wall Street's "fear gauge," known as the VIX, has been trading near historic lows for much of the year.

"A very supportive Trump trade is gone," said Dwyfor Evans, head of macro-strategy for Asia-Pacific at State Street Global Markets in Hong Kong. "Nobody talks about it anymore. Instead, people are getting concerned that this has been a very extended period without any adverse reactions in markets. They don't want to get caught when things turn."

The phenomenon—which analysts attribute to a confluence of central-bank support for markets, improving corporate earnings and, some say, misguided investor complacency—marks a turnaround

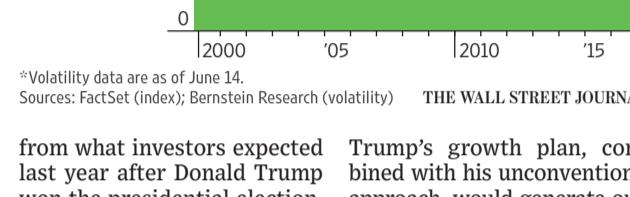
Fear No More

Stocks are rallying...



...and swings in the markets have diminished.

A measure of volatility in the MSCI Asia ex-Japan stock index*



from what investors expected last year after Donald Trump won the presidential election.

Then, investors hoped Mr.

Trump's growth plan, combined with his unconventional approach, would generate outside swings and restore the

potential of individual stock picking, as investors could bet on which companies and sectors would benefit or suffer.

While the U.S. stock market has risen since then, volatility hasn't.

That is because without the significant policy changes that were expected by investors from Mr. Trump, easy-money policies by central banks have continued to be a dominating influence on markets, buoying asset classes.

The calm, analysts say, is one reason investors are intrigued with markets like that for bitcoin. That virtual currency has moved this year by as much as 14% in a day. It topped \$3,000 last week and then promptly fell 27% before rebounding a bit.

"Investors are reaching for opportunities in speculative assets, and you're seeing it in things like art and wine and even bitcoin," said Sean Darby, chief global equity strategist at Jefferies in Hong Kong.

Meanwhile, many expect the tranquility in stock markets to continue. The phenomenon is due in large part, investors say, to the unprecedented support for markets from global central

banks that came after the financial crisis.

In addition, corporate earnings have improved, not only in the U.S. but also in Europe.

"All of these potential shocks and fears haven't come to fruition," said Steven Wieting, managing director and global chief investment strategist at Citi Private Bank. "We're in calm seas."

In China, signs of healthier consumer demand and strengthening industrial profits in particular have helped bolster stocks, according to Michael Parker, head of strategy, Asia-Pacific at Bernstein Research in Hong Kong.

Mr. Parker cited the MSCI Asia ex-Japan stock index, a broad measure of regional performance—weighted most heavily to China, South Korea, Taiwan, Hong Kong and India—which has risen 19% this year.

The index's 90-day realized volatility, a measure of historical moves over that period, has fallen to 8.2%, near its lowest since at least 2000 and down by nearly half from a year ago, according to Mr. Parker. Only in the summer of 2014 has this metric been lower.

PwC Taps Outside Directors For Board

By MICHAEL RAPORT

PricewaterhouseCoopers LLP is adding independent directors to its governing board, a first for the private partnership and an unusual move for any Big Four accounting firm in the U.S.

PwC has named two new members to its board of partners and principals from outside the firm: Carol Pottenger, a retired U.S. Navy vice admiral who was one of the first women selected for sea duty, and Carlos Gutierrez, a former Kellogg Co. chief executive who served as commerce secretary under President George W. Bush. The firm made the announcement Wednesday after The Wall Street Journal reported the move.

The company and other big accounting firms are partnerships that generally have governing boards made up of their own personnel, unlike public companies that trade on major exchanges, which are required to have a majority of directors who have no connection to the company.

PwC said the move to enhance its governance isn't related to its snafu at the Academy Awards in February. At the event, the wrong film was announced as the best-picture winner because a PwC partner gave a presenter the wrong envelope.

The board move was in the works long before that, said Tim Ryan, the firm's U.S. chairman. He said Brian Cullinan, the partner behind the Oscar mistake, was and remains on PwC's board.

PwC decided to add outside board members to get more diverse perspectives on its business and avoid group-think, Mr. Ryan said in an interview. The move also aligns PwC more with the requirements its audit clients face, he said.

"It's absolutely the logical thing to do," Mr. Ryan said. "It's a big message that we are open to hearing different points of view."

Some have recommended in the past that accounting firms have independent directors. In 2008, a Treasury Department advisory committee on auditing said such a move "could improve investor protection through enhanced audit quality and firm transparency."

More recently, Steve Harris, a member of the Public Company Accounting Oversight Board, the U.S. government's auditing regulator, advocated the idea in a speech last month, saying independent directors represent "basic sound governance practice."

Ms. Pottenger was with the Navy for 36 years, serving in command positions at every level; she was the first female admiral to command a strike group.

Mr. Gutierrez was CEO of Kellogg from 1999 to 2005 and commerce secretary from 2005 to 2009.

A Clash Over VIX Bragging Rights

Pair of academics say their research is at heart of Wall Street's 'fear gauge' but credit went to a rival

By BEN EISEN

Two academics who did early work on a gauge of stock-market volatility fear they are being written out of its history.

Menachem Brenner, a finance professor at New York University, and Dan Galai of the Hebrew University of Jerusalem called their version "Sigma" and say they pitched it to various exchanges years before the Chicago Board Options Exchange rolled out its volatility index in 1993.

The CBOE's VIX is based on the work of Vanderbilt University's Robert Whaley, who is typically credited with developing the index, widely known as Wall Street's "fear gauge" for its options-based read on expected stock-price swings. It tends to soar as stocks fall and investors turn anxious.

In academic circles, the duo has for years quietly fumed that Mr. Whaley's work is based on theirs. The popularity of the gauge has grown as it hit record lows this year, pushing some investors to fret over market complacency.

The resulting interest in the VIX's history has prompted Messrs. Brenner and Galai to openly dispute the common knowledge of how one of the most popular market measures came to be.

"There were many occasions that I wanted to come out with it, even though it's a 20-year-old story," Mr. Brenner told The Wall Street Journal in his first public comments about the dis-

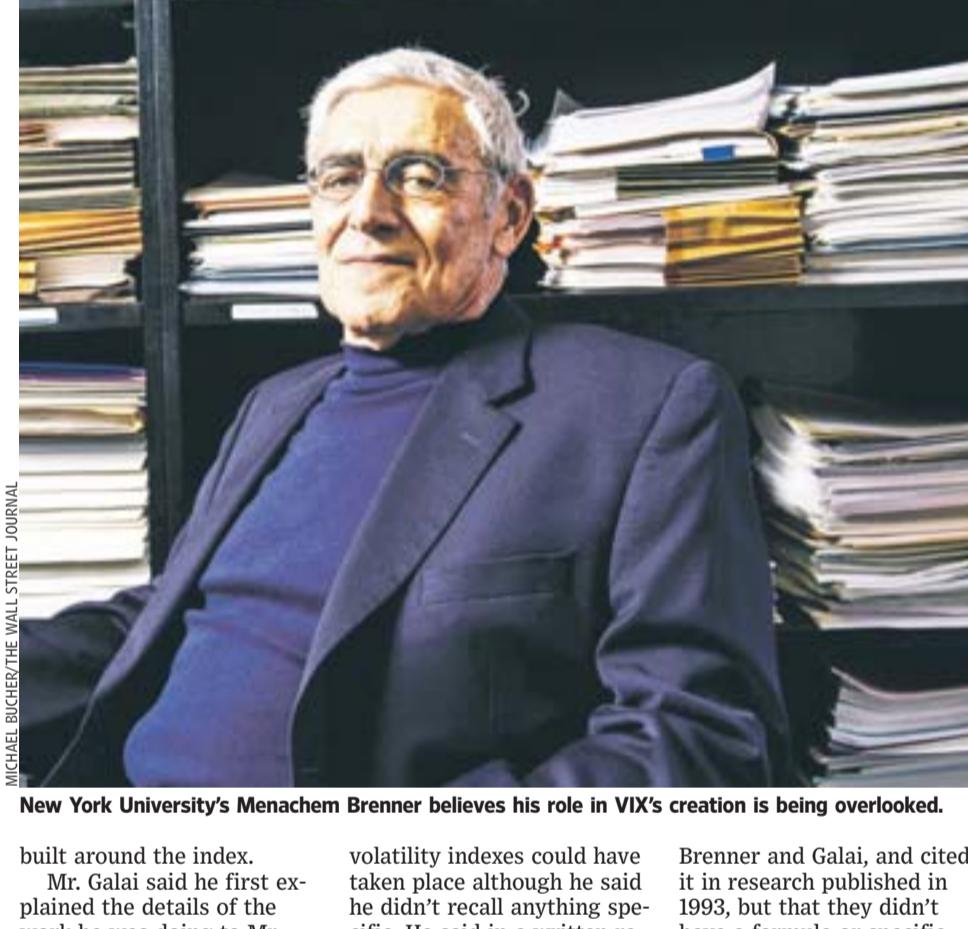
agreement. "But every time I said, 'Let's be positive.'"

Mr. Whaley stands behind his work and the credit it has earned him. He said that while the idea of a volatility index long was discussed in general terms, including by Messrs. Brenner and Galai, he was the first to create a formula calculated in real time.

A spokeswoman for the exchange said: "CBOE engaged Professor Robert Whaley to develop the original methodology for the CBOE Volatility Index." The spokeswoman added, "The staff involved with the development of the original index are no longer at CBOE and we have no one who can comment on what transpired."

Messrs. Brenner and Galai say that at the center of their work was the idea to create what they called synthetic options prices that consistently showed implied volatility over the next 30 days. Because S&P 500 options had monthly expirations, they needed to find a way to create something that didn't exist: a series of options prices whose time until expiration never change.

Once they had that, they say, they had the pieces in place for a consistently updating index. They pitched the idea of the index to the American Stock Exchange and the CBOE in the 1980s, but nothing came of it, according to the two academics and correspondence written at the time. In 1989, they jointly published research on the idea of the index, as well as on a derivatives market



New York University's Menachem Brenner believes his role in VIX's creation is being overlooked.

built around the index.

Mr. Galai said he first explained the details of the work he was doing to Mr. Whaley when the two were expert witnesses on a legal case in 1988 and 1989. "We had long days and nights working on the case," Mr. Galai said.

Mr. Whaley remembers working on that case and said a conversation about

volatility indexes could have taken place although he said he didn't recall anything specific. He said in a written response to questions that he had such discussions with many people in that period.

Mr. Whaley had also been doing work on volatility before CBOE hired him to create the VIX. He said that he had been aware of some of the work done by Messrs.

Brenner and Galai, and cited it in research published in 1993, but that they didn't have a formula or specific computations for index levels. He considers his creation of the formula to be the heart of his work, he said.

"The CBOE asked me to build an implied market volatility index and show them how it performed, and that's what I did," he said.

Rate-Outlook Worries Weigh on the Dollar

By CHERELSEY DULANEY

The dollar slipped in the wake of mixed messages from Federal Reserve officials.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell less than 0.1%, to 88.89, after closing at its

highest level in a month a day earlier.

Investors are watching comments from Federal Reserve officials this week for clues on the path for higher interest rates. The Fed signaled that it still plans to raise rates one more

time this year, but many investors remain doubtful due to a recent slowdown in inflation.

Federal Reserve Bank of New York President William Dudley on Monday expressed confidence that inflation will hit the Fed's 2% target. On Tuesday, Chicago Fed President Charles Evans was more

skeptical, saying "it's time to assess...what the state of infla-

tion is and whether or not we're really going to move up to 2%."

Fed-funds futures, a popular tool for betting on the Fed's rate policy outlook, show a chance of less than 50% that the Fed will raise rates again this year, according to CME Group Inc.

Higher rates typically boost the value of the dollar by making U.S. assets more attractive to yield-seeking investors.

Several oil-linked currencies slid alongside oil prices.

Crude entered a bear market on Tuesday amid persistent

concerns about oversupply.

The dollar rose 0.5% against the Canadian dollar and 1.1%

against the Russian ruble.

"Taking into account that

[emerging-market foreign exchange]

has been relatively resiliency to the fall in oil prices so far, we would reiterate that

lower commodity prices, more

than the Fed, are the primary risk," said analysts at Goldman Sachs Group Inc. in a research note.

Mr. Powell, the central

bank's new regulatory point man, said in prepared testimony that it could be appropriate to ease annual "stress tests" for big banks, particularly the possibility that banks could fail the tests solely for "qualitative" reasons related to risk management.

"I believe it will be appropriate to remove that part of the test for those firms that

achieve and sustain high-quality capital planning capabilities," Mr. Powell said in the testimony. He also said the Fed could adjust assumptions it makes in the tests about banks' balance-sheet and capital distributions.

Any changes to the stress tests wouldn't apply to this year's results.

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Any changes to the stress tests wouldn't apply to this year's results. The Fed is

scheduled to release results of the annual exams on big banks in two parts, on Thursday and next week.

Mr. Noreika criticized regulators' implementation of the Volcker rule in his prepared testimony.

"The Volcker rule provides a practical example of how conflicting messages and inconsistent interpretation can exacerbate regulatory burden," Mr. Noreika said. "Under my leadership, the OCC is undertaking improvements in our internal operations to attack that problem in ways that are within our control."

Mr. Noreika said he is working with staff to use "one voice" on how they will enforce the Volcker rule. He also said he has solicited suggestions from his agency's staff across the nation on how to reduce bank regulatory burdens, and has received roughly 400 responses.

Many of the statements by Messrs. Powell and Noreika line up with a report released last week by the Treasury Department. That report also

called for simplifying the Volcker rule, rather than repealing it as some congressional Republicans have advocated.

Both the regulators and the Treasury report support a review of bank capital rules, particularly with respect to community banks. The regulators also endorsed raising certain asset thresholds in the 2010 Dodd-Frank regulatory-overhaul law, such as the section requiring banks with more than \$10 billion in total assets to conduct stress tests.

Martin Gruenberg, chairman of the Federal Deposit Insurance Corp., pushed back against some aspects of the Trump administration's plan, including a recommendation to eliminate his agency's role in reviewing big banks' "living wills." These documents outline how the banks could go through bankruptcy without needing a taxpayer bailout. The FDIC shares responsibility for reviewing these plans with the Fed, which oversees bank holding companies.

—Andrew Ackerman contributed to this article.

Regulators Offer Lighter Bank Rules

BY RYAN TRACY
AND RACHEL WITKOWSKI

Top U.S. policy makers are set to offer Congress significant ways to ease bank regulation, according to testimony released Wednesday ahead of a Senate hearing Thursday.

Federal Reserve Governor Jerome Powell and Keith Noreika, acting Comptroller of the Currency, said in prepared testimony they are studying how to simplify the Volcker rule, which aims to prevent banks from making overly risky bets with their own money. They are also reviewing bank capital requirements, they said.

The regulators are set to testify before the Senate Banking Committee. Their testimony is the latest evidence that bank overseers are taking a deregulatory tone following the election of President Donald Trump. Officials say their aim is to increase lending and boost the economy, but critics have said some of the changes would undo protections adopted after the financial crisis.

Mr. Powell, the central

MARKETS

No Stampede at Online Cattle Auction

Exchange created to bolster futures market is hit by breakdowns and low participation

BY BENJAMIN PARKIN

An online auction meant to help set prices in the volatile cattle market is in trouble.

Superior Livestock Auction LLC launched the Fed Cattle Exchange last year to help guide the often opaque cattle market, where sparse trading can leave participants scrounging for timely price data. But breakdowns and dwindling participation have dogged the weekly online auction. The exchange has crashed multiple times this month; last week's auction was called off altogether.

As a result, traders say the auction isn't providing the promised reality check for pricing in the \$19 billion cattle-futures market. Without real-time data on the price meatpackers are paying for the cattle they purchase from feedlots, traders say futures have become too speculative. Some believe a market that is meant to provide a hedge against what cattle might cost in the future has become dislocated from the real world, leaving feedlots unsure what their herds are worth.

"It's become increasingly difficult to use [futures] as a hedging tool because of the huge swings that we've seen," said Justin Tupper, a cattle rancher in St. Onge, S.D. "It looks a lot more like a gambling fund."



Traders say the auction isn't providing the promised reality check for cattle-futures pricing.

Take feeder cattle, animals that need to be fattened before slaughter. This month, feeder-cattle futures hit a 14-month high at the Chicago Mercantile Exchange before falling to the bottom of their allowed daily trading band, all in about an hour. A circuit breaker kicked in to prevent further losses. Analysts and traders said they saw little to justify the move.

"There are days where I look at the futures, knowing

what I know about the fundamentals, and say, 'Are we on two different pages?'" said John Nalivka, president of advisory firm Sterling Marketing Inc. in Vale, Ore.

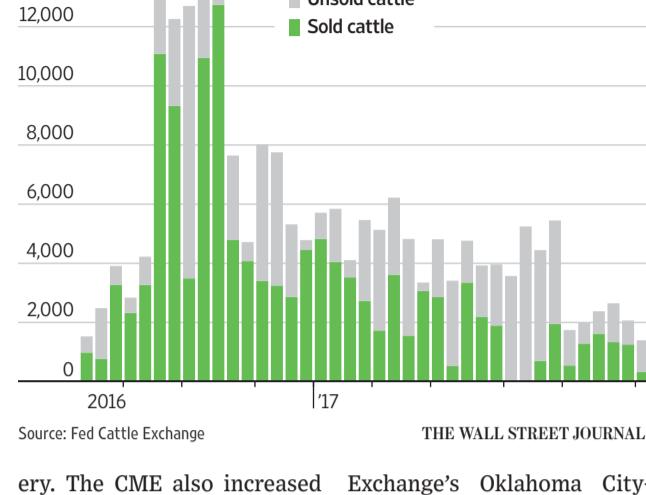
Public cattle prices became scarce over the past decade as the share of cattle sold on the open market fell sharply. That shift reflected consolidation among both ranchers and meat companies into a few large players that favor contracts over auctions as the

most efficient way to sell the 30 million or more cattle slaughtered in the U.S. each year.

The CME stopped listing new live cattle contracts last year as concerns over their volatility intensified. This month, the CME said it would relist contracts that better mirror real-world cattle trades and improve efficiency by redefining the quality of the beef in question and protocol for the cattle's physical delivery.

Where's the Beef?

The number of cattle listed weekly on the Fed Cattle Exchange has declined.



Source: Fed Cattle Exchange

ery. The CME also increased by about 15% the collateral needed to place bets on its exchanges.

"We want to make sure we have an efficient tool," said Fred Seamon, CME Group Inc.'s director of commodity product development.

The new auctions lost some momentum last year during a nearly three-month outage to address technical issues. Sales on the Fed Cattle Exchange have dwindled to as little as a few hundred in recent weeks from a few thousand earlier this year. Analysts say the lower volume partly reflects a cattle-supply pinch that has led feedyards to strike deals with slaughterhouses.

To compensate participants for the recent crashes, Superior Livestock waived fees of a dollar a head to sell cattle on the exchange for the remainder of June.

Sam Hughes, the Fed Cattle

Exchange's Oklahoma City-based manager, said the company wants to attract more buyers and sellers. The company has reverted to an older website while building a more stable auction platform.

"It is concerning at times, whenever the volume is low," Mr. Hughes said. "People were kind of scratching their heads last week because this is the first time since September that people haven't had a readily available price," referring to the suspended auction.

Still, some traders say they are willing to stick with it in hopes that the auction would eventually provide more reliable ballast for futures prices.

"If it doesn't make it, then we're back to the same mess that we were in," said Dan Norcini, an independent trader in Coeur d'Alene, Idaho.

"That makes these cattle futures markets almost impossible to trade."

Blue Chips Fall Again While Nasdaq Gains

BY AKANE OTANI AND RIVA GOLD

The Dow Jones Industrial Average fell for a second consecutive session as oil prices slid, dragging down energy shares.

EQUITIES The blue-chip index has wobbled since oil fell into a bear market—a drop in price of at least 20% from a peak—on Tuesday, renewing concerns among some analysts that there could be a more severe pullback in commodities prices.

Energy stocks, which are the worst-performing sector in the S&P 500 this year, have fallen more than the other 10 groups in the broad index so far this week.

Still, many investors and analysts say they remain cautiously optimistic about the outlook for the U.S.'s stock market.

Strong corporate earnings have supported stock indexes this year, and valuations—which are trading at higher-than-average levels—haven't risen to excessive levels, said Tom Siomades, head of the in-

vestment consulting group of Hartford Funds.

"We're not at the point where we think we need to cash out from the U.S. yet," Mr. Siomades said. "Global growth hasn't been great, but it's been OK, and that's helping us hang in there."

The Dow industrials fell 57.11 points, or 0.3%, to 21410.03, with declines in the shares of **Chevron** and **Exxon Mobil** shaving 20 points from the index.

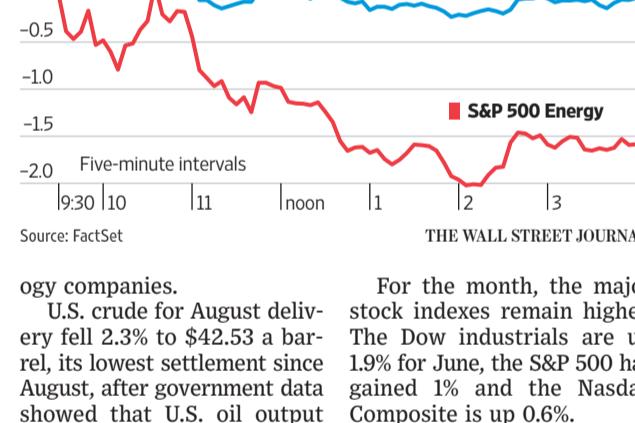
The S&P 500 lost 1.42 points, or less than 0.1%, to 2435.61 and the Nasdaq Composite added 45.92 points, or 0.7%, to 6233.95, boosted by gains in the shares of health-care companies.

Health-care stocks in the S&P 500 rose 1.2%, with **Regeneron Pharmaceuticals**—the second-biggest gainer in the S&P 500 on Tuesday—extending its rally to add \$26.69, or 5.4%, to \$522.02 on Wednesday.

The sector, the worst-performing group in the S&P 500 in 2016, has rebounded this year in part as investors have bought shares of biotechnol-

Low Energy

Health-care stocks rose Wednesday, but slumping energy shares weighed down the S&P 500.



Source: FactSet

THE WALL STREET JOURNAL.

ogy companies.

U.S. crude for August delivery fell 2.3% to \$42.53 a barrel, its lowest settlement since August, after government data showed that U.S. oil output continued to rise last week.

Energy stocks in the S&P 500 fell 1.6% Wednesday.

Transocean shares declined 41 cents, or 5%, to 7.79, for the stock's lowest close on record.

Investors remain concerned about transparency and corporate governance.

Inc., the world's largest money manager by assets, the index provider said it would admit roughly half of the largest number of companies it had considered including in past years.

MSCI estimates some \$17 billion will flow into Chinese markets—both from passive funds that automatically track its indexes and active fund managers—when the country's stocks are included a year from now. That is a fraction of the Shanghai and Shenzhen markets' combined \$7.5 trillion market capitalization.

MSCI indexes already include Chinese companies' shares listed in cities like Hong Kong and New York, but not those in mainland China.

Still, the decision was heralded by market participants who have long salivated over the prospect of gaining greater access to the world's second-largest economy. The move could change the way that global investors look at China, said Chin-Ping Chia, head of research for Asia-Pacific at MSCI.

"It's about the opening of a new phase of emerging-market investing," he said. "The opening of the Great Wall, so to speak."

Including mainland Chinese stocks in MSCI benchmarks

Elsewhere, the Stoxx Europe 600 slipped 0.2% but closed off its worst levels of the day.

Mainland China markets inched higher, however, after MSCI Inc. late Tuesday said it would include China A-shares in its emerging-markets index, meaning funds that track it will automatically allocate money into China.

In Shanghai Thursday morning, shares and bonds of real-estate giant **China Wanda Group** tumbled. Shares of Shenzhen-listed **Wanda Film Holding** Co., the entertainment arm of the conglomerate, fell as much as 9.8% in late morning trading, while the price of Wanda group's five-year bond was also down 2%.

Officials at Wanda couldn't be reached for immediate comment. Meanwhile, the Shanghai Composite was up 0.3%.

Also early Thursday, Japan's Nikkei Stock Average was flat, Hong Kong's Hang Seng Index was up 0.1%, Australia's S&P ASX 200 was up 0.5% and South Korea's Kospi was up 0.4%.

Lower oil prices tend to aid Treasury debt in two ways. They can boost their appeal compared to riskier assets, such as stocks. It also eases worries over inflation, which poses a major threat to long-term government bonds by reducing the purchasing power of their fixed payments.

Oil prices entered bear-market territory Tuesday, having declined 20.6% since Feb. 23 as of that day's close.

Reflecting lowered inflation expectations, the Treasury debt with the longest time to maturity was a top performer, with the yield on the 30-year bond settling at 2.724%, compared with 2.735% Tuesday.

If sustained, the drop in oil prices could raise more doubts about the Federal Reserve's plan to continue tightening monetary policy. Already, data showing a softening in inflation has been a major factor in driving down Treasury yields since the 10-year yield reached 2.6% in March.

"If the Fed is thinking about raising rates in September, they're going to need some better inflation data, and the easiest way to get that is with oil starting to turn around," said Thomas Simons, senior vice president and money-market economist in the Fixed Income Group at Jefferies LLC.

The Fed last week raised short-term interest rates for the third time since December and has signaled one more rate increase by year-end.

"Chao Deng and Shen Hong contributed to this article."

Treasurys Retrace Losses as Oil Drops

BY SAM GOLDFARB

Prices of U.S. government bonds recovered most of their early losses Wednesday, as further declines in oil prices stoked demand for safer assets.

Treasurys began the U.S. trading session on a down note after a top Bank of England official said the U.K. central bank should start withdrawing stimulus later this year.

CREDIT MARKETS were also firm to start the day but turned negative by the late morning as traders continued to focus on rising production.

The yield on the benchmark 10-year Treasury note, after reaching 2.177%, settled at 2.156%, compared with 2.153% on Tuesday. Yields rise as bond prices fall.

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MARKETS

Energy Sector's Junk Debt Loses Appeal

High-yield bonds of oil and gas producers begin to follow their already falling stocks

By ALISON SIDER

The market for U.S. energy company bonds has declined this month along with prices for crude oil, which could make it more expensive for firms in the sector to borrow.

The Bloomberg Barclays high-yield energy index has a return of negative 2.56% this month as of Tuesday. The average yield has climbed to 7.14%, from 6.35% at the start of the month. Bond yields rise when prices fall.

Oil prices extended their decline Wednesday after sliding into a bear market this week, down more than 20% to \$42.53 a barrel from their February high. Shares of oil and gas producers have been falling all year, putting them among the worst performers in the S&P 500.

In the past two weeks, the high-yield energy market is starting to catch up to the stock market, fueling fears that junk-rated energy bonds will experience a downturn like the one in early 2016, when investors saw low odds of survival for some companies and many bonds traded at distressed levels.

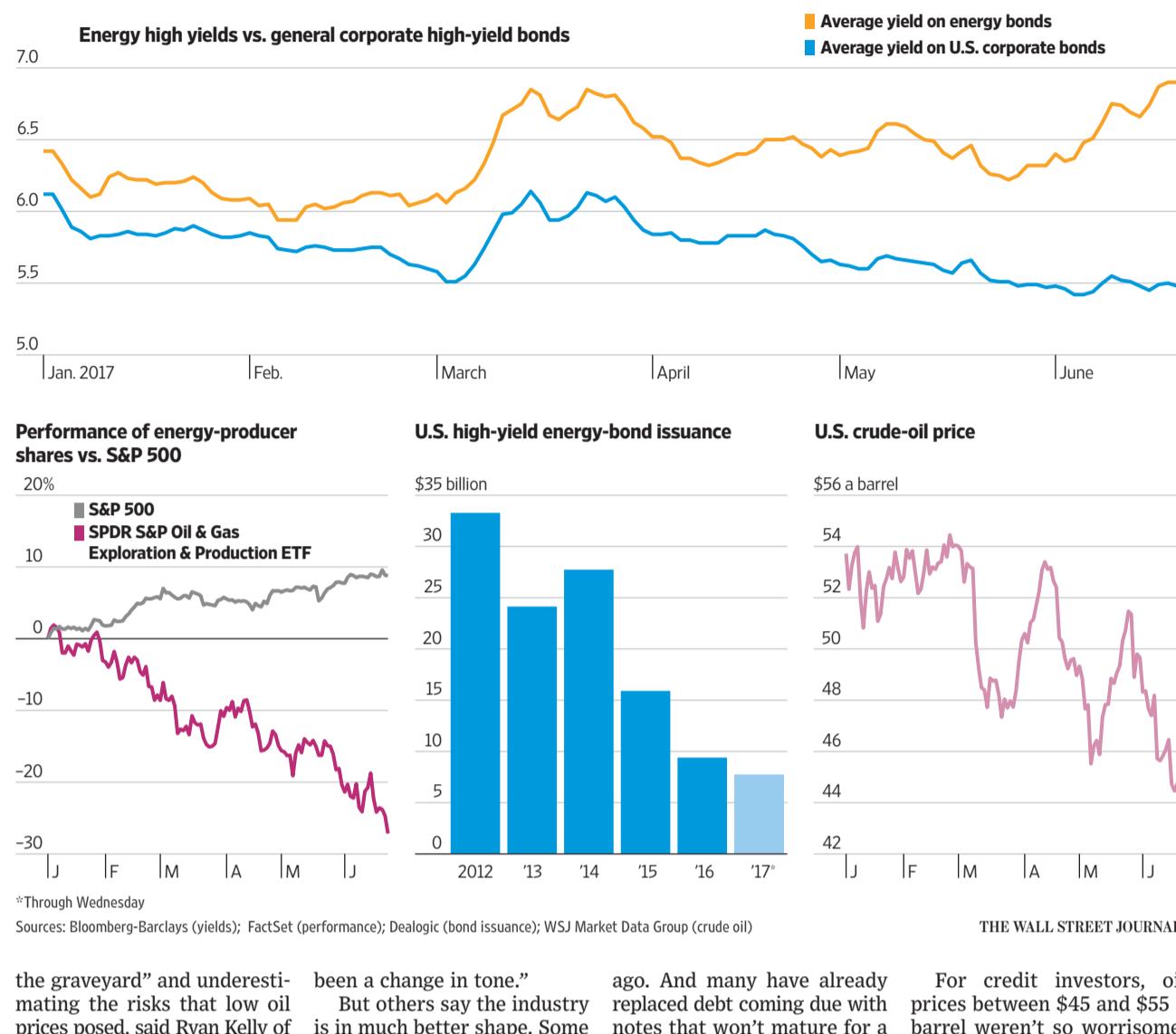
It has become pricier for some energy companies that are looking to the bond market to refinance or raise funds for drilling or acquisitions, said Phillip Tamplin, head of energy high-yield capital markets at Credit Suisse. Higher yields mean more expensive borrowing rates for companies.

So far this year, debt markets have been largely open to producers. Low-rated U.S. oil and natural-gas producers have raised \$7.75 billion selling bonds in 2017, compared with \$280 million at this time last year, according to Dealogic.

Just a few weeks ago, bond investors were "whistling past

Borrowing Pains

The oil slump that has dragged energy shares lower is hitting high-yield debt. Yields on junk-rated energy bonds have climbed relative to those in the broader market, making it more expensive for oil and gas producers to borrow.



*Through Wednesday
Sources: Bloomberg-Barclays (yields); FactSet (performance); Dealogic (bond issuance); WSJ Market Data Group (crude oil)

the graveyard" and underestimating the risks that low oil prices posed, said Ryan Kelly of PGIM, the investment-management arm of Prudential Financial Inc. "The high-yield bond market is waking up," said Mr. Kelly, portfolio manager for high yield at PGIM Fixed Income, which manages \$654 billion, referring specifically to the energy sector. "There's

been a change in tone."

But others say the industry is in much better shape. Some producers have sold shares and assets to pay down debt in recent years, and the weakest players have been flushed out through bankruptcy, they say.

Producers have slashed their costs and can turn a profit at much lower oil prices than they could a few years

ago. And many have already replaced debt coming due with notes that won't mature for a few years, so they aren't facing looming repayments.

"The industry is so much healthier than it was 12 to 18 months ago," said Brian Gibbons, an analyst at CreditSights.

"It has lowered its cost structure tremendously and reduced its debt load."

For credit investors, oil prices between \$45 and \$55 a barrel weren't so worrisome. At that range, many U.S. oil companies could stay afloat and repay their loans, even if those prices wouldn't spur the kind of growth that stock investors want to see.

"For debt to work, we don't need \$60 oil," said Scott Roberts, head of high-yield invest-

ments for Invesco Fixed Income. "A lot of these companies that have debt outstanding are making pretty attractive profits in the \$47 to \$50 range."

But U.S. crude futures have been declining for four straight weeks, falling this week to their lowest levels since August as investors started to fear that the glut in crude wasn't going away.

Prices of some oil and gas producers' debt have started to tick lower—diverging from the broader junk-bond market—as oil fell to levels that prompted questions about how these companies will cover costs.

Bond investors started to worry that oil isn't headed for a quick bounce up, wondering if producers stick to plans to drill more wells, where is the money going to come from?

"Now people are questioning maybe this doesn't rebound. The patience starts to wane," Mr. Roberts said.

So far, rising anxiety in the energy world hasn't bled into other sectors—a change from recent years when a swoon in oil prices caused selloffs in high-yield debt broadly. Low-rated energy companies account for about 14% of the high-yield market, with \$180 billion in debt.

Mr. Tamplin from Credit Suisse said there has been a "flight to quality" even among energy investors.

Some producers' bonds have been more sensitive to oil's plunge than others. Companies such as Parsley Energy Inc. and Diamondback Energy Inc., which work in the inexpensive Permian region and are in good financial shape, haven't moved much recently. But bonds that EP Energy Corp. sold at par in February have dropped about 8 cents in the past week and traded at 70 cents on the dollar Wednesday, according to MarketAxess.

—Sam Goldfarb contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

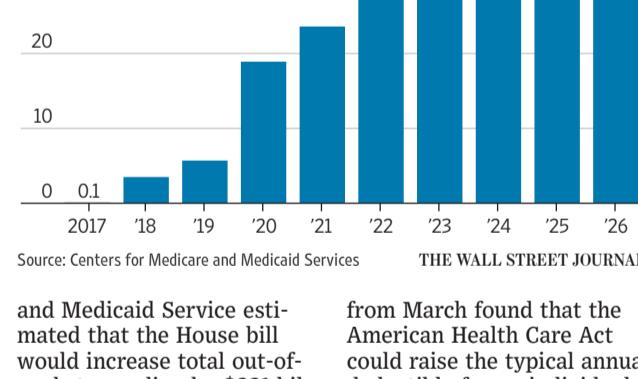
WSJ.com/Heard

Email: heard@wsj.com

A Risk for Health-Care Investors

Higher Highs

Projected impact of AHCA on total out-of-pocket health spending



Source: Centers for Medicare and Medicaid Services

and Medicaid Service estimated that the House bill would increase total out-of-pocket spending by \$221 billion more than the current law over 10 years.

Those increased out-of-pocket costs will make Americans more aware of how much they pay for health care. That could be especially pronounced for consumers buying individual plans on public exchanges. A Kaiser Family Foundation analysis

from March found that the American Health Care Act could raise the typical annual deductible for an individual plan to \$4,100 from \$2,550 under Obamacare.

Deductibles have risen already. More than 40% of commercially insured patients had a health plan with a family deductible above \$2,600 in 2016, either from their employer or through a plan sold on an insurance exchange, according to the

Centers for Disease Control and Prevention. That is up from about 29% in 2011.

That helped cause the backlash against Mylan's EpiPen after the out-of-pocket cost doubled between 2007 and 2014, according to a recent article in the Journal of the American Medical Association.

The Trump administration would like to lower insurance premiums while minimizing the number of Americans who might lose access to insurance. Higher deductibles would seem to be a logical outcome from those policy goals. Bigger out-of-pocket costs could make it harder for drug companies to raise prices or introduce expensive new products.

Health-care stocks have performed admirably this year, despite uncertainty over future health policy and continued focus on high drug prices. But policies that tend to increase insurance deductibles will ensure that scrutiny of health-care costs will be intense for years to come.

—Charley Grant

OVERHEARD

There is almost nothing that will turn **Etsy**, the relentlessly upbeat seller of handmade tchotchkes, away from its cheerful tone.

"**Etsy Sharpens Focus on Key Growth Initiatives**" was the title of a Wednesday press release from the online marketplace in order to "deliver value to its stakeholders."

Etsy's employees might be less than thrilled: Below the positive-sounding headline came word that the company plans to lay off about 140 employees, or 15% of the workforce. That comes after the company announced about 90 layoffs last month.

Generally, reducing head count isn't a great sign for a company that is expected to grow rapidly. Analysts anticipate revenue to double from last year's total. Investors pushed Etsy shares slightly higher, perhaps because higher earnings would bring down the company's lofty valuation. Etsy's price/earnings ratio on this year's expected earnings is 1,230.

Adobe Is Bright Spot In the Cloud

Adobe Systems has proved that the cloud can have a silver lining.

Many cloud software companies have yet to report earnings. Adobe, meanwhile, has increased per-share earnings on a year-over-year basis every quarter for the past three years, and that is based on generally accepted accounting principles.

The company's fiscal second-quarter results from late Tuesday continued that trend, with per-share earnings up 56% year over year to 75 cents, beating analysts forecasts.

For a company that now qualifies as an elder statesman in the turbulent software business, that sort of performance stands out.

Even compared with much larger peers like **Microsoft** and **Oracle**, Adobe has had the most success transitioning its business model to the cloud. Subscriptions now account for more than three-quarters of the company's revenue, and strong demand for services like Creative Cloud continue to fuel growth.

Creative revenue—Adobe's largest segment—rose 34% year over year in the second quarter.

That explains why Adobe's stock price still has room to run despite a 40% gain already this year. And while the stock isn't cheap at 32 times adjusted forward earnings, the company's expanding bottom line has actually moderated its multiple.

Adobe traded at 42 times earnings three years ago, when its market value was half of what it is now. With per-share earnings expected to keep rising on a double-digit-percentage basis for the next two years, Adobe's cloud is still packing plenty of rain.

—Dan Gallagher

What Could Go Wrong in Federal Reserve's Stress Tests

Regional Exposure

Commercial real-estate exposure as a percentage of risk capital

M&T Bank	216%
Zions Bancorp	164
Key Bank	103
BB&T	98
PNC Bank	83
Comerica	75
Wells Fargo	74
J.P. Morgan Chase	51

Source: Goldman Sachs estimates

Going into the tests, banks overall have higher capital levels and better earnings prospects than last year. Analysts figure that **Citigroup** and **Morgan Stanley** could be in a position for the first

time to pay out more than 100% of their projected profits.

Compared with last year, this year's test assumes a slightly more severe domestic recession.

Notably, it features a sharper decline in commercial real-estate prices—35% versus 30% in last year's tests.

Multifamily properties are assumed to suffer even bigger declines.

This means regional lenders with big commercial real-estate portfolios are probably at greater risk of failing.

In a report, analysts at **Goldman Sachs Group**

pointed to **Key Bank**, **M&T Bank** and **Zions Bancorp** as having the highest ratios of commercial real-estate exposure to risk capital.

For investors, the more important results will be next week when the Fed says how much capital banks can pay out.

In an era of slow growth and low rates, bigger dividends and stock buybacks would be important drivers of bank shares.

Even if these regional lenders do pass the first round of the stress tests, and that is likely, if their capital levels come close to regulatory minimums in the ugly scenarios, the banks may

scale back their payout requests. That could hurt their stocks.

Some investors are also concerned that **Wells Fargo** could have its return plan denied on "qualitative" grounds as part of the extended fallout from last year's account-sales fiasco.

But Goldman's analysts figure this is unlikely given the amount of work the bank has done to reform its sales practices.

The most likely scenario is still that banks will pass this year's tests easily. But these few names are the ones to watch for potential surprises.

—Aaron Back