

THE WALL STREET JOURNAL.

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THE MIDDLE SEAT | DI



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OPINION | A11

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What's News

Business & Finance

Markets are bracing for the U.K. referendum on EU membership, with a vote to leave expected to send stocks, bonds and currencies on a wild ride. **A1**

◆ **U.S. stocks snapped** a two-day winning streak as oil prices fell. The Dow eased 48.90 to 17780.83. **C4**

◆ **The share of Americans** with subprime credit scores has fallen to the lowest level in over a decade, a trend that could boost lending. **A1**

◆ **Bank of America** is in talks with the SEC about paying up to \$450 million to settle allegations it violated rules to safeguard client accounts. **C1**

◆ **Tesla shares fell** more than 10% as its plan to acquire SolarCity got a cold reception from investors. **B1**

◆ **Twilio raised** more than it expected in its IPO, an offering that comes amid a tough patch for some tech firms. **C1**

◆ **Yellen sparred** with House lawmakers who grilled her on issues including Fed interest payments to banks. **A2**

◆ **Existing-home sales** rose to their highest level in over nine years in May and median prices set a record. **A2**

◆ **VW shareholders** assailed management in the wake of the emissions scandal, with some calling for the board chairman to step down. **B3**

◆ **Global regulators** called for new rules to bolster the safety of mutual funds. **C2**

World-Wide

◆ **A federal judge** blocked an Interior Department rule setting stricter standards for hydraulic fracturing on public lands. **A1**

◆ **Washington has voiced** concerns that a “Brexit” vote would buffet the U.S. economy and cause diplomatic and strategic rifts. **A6**

◆ **Cameron pledged** to pursue greater EU overhauls if Britons back his call to stay in the bloc. **A6**

◆ **House Democrats** wrested control of the chamber to demand votes on new gun curbs, leading to a raucous confrontation with Republicans. **A3**

◆ **Trump unleashed** a series of blistering attacks on Clinton, drawing rebuttals from the Democrat. **A4**

◆ **Over 50 executives**, including several longtime Republicans, will endorse Clinton for president. **A4**

◆ **White Americans** no longer account for the majority in hundreds of counties, according to census figures. **A3**

◆ **Social Security** and Medicare will begin to spend more than they earn by the end of this decade, new projections show. **A3**

◆ **Rubio said** he would run for re-election to the Senate seat he had previously planned to give up. **A4**

◆ **Colombia's government** and guerrilla leaders said they agreed on a cease-fire. **A7**

CONTENTS	In the Markets.....
Britain's EU Ref.....	A6
Business News B2-3-6-8	Opinion.....
Crossword.....	D6
Election 2016.....	D2-3
Global Finance.....	U.S. News.....
Heard on Street.....	A2-3
C8	Weather.....
	B7
	World News.....
	A7,12



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U.K. Vote to Ripple Across Globe

By RIVA GOLD

The ramifications of the U.K.'s referendum Thursday on European Union membership will spill through Britain's politics, Europe's brittle economy and the world's restive financial markets.

A frenzy of recent polls has ping-ponged a tiny lead between the Remain and Leave

camp—two points here, three points there, a point here. The last volley of polls Wednesday gave a mixed verdict—some for Leave but one with an eight-point edge for Remain. Betting markets, bookies and traders still lean toward Remain.

A Remain vote would, in most respects, be a return to the status quo: Britain, one of

the strongest European economies, would be unburdened by uncertainty about its long-term future. Prime Minister David Cameron would carry on for a term that lasts four more years. Financial markets would return to focusing on the pace of interest-rate rises in the U.S., growth in China and the price of oil. With investors now holding lots of cash, it

could just be the dose of confidence needed to lift U.S. stocks.

The Leave camp believes an exit would benefit Britain in the long term. But investors, economists and analysts say in the short term it would take the world's stocks, bonds and currencies—especially the British pound—on a wild ride. They are braced for changes to

the price of gold, to the Swiss franc, to Japanese monetary policy.

“It may be a decision that is being made by folks locally to determine their future...but it

Please see VOTE page A6

◆ **Greg Ip:** Real impact of exit would be gradual, global.... **A2**

◆ **U.S. fears** lost clout under ‘Brexit’ vote..... **A6**

Pandemonium in the House Over Gun Legislation



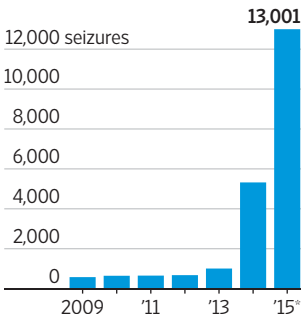
SHOWDOWN: Speaker Paul Ryan, shown in a video image, brought the House into session late Wednesday after a sit-in by Democrats. **A3**

CHINA'S ROLE IN U.S. OPIOID CRISIS

Global network delivers chemicals used to make fentanyl, up to 50 times as powerful as heroin

Deadly Drug

Fentanyl seizures reported by forensic labs in the U.S.



*2015 subject to further updates as labs continue to process and report evidence. Source: Drug Enforcement Administration data obtained via FOIA

THE WALL STREET JOURNAL.

By JEANNE WHALEN AND BRIAN SPEGELE

Last spring, Chinese customs agents seized 70 kilograms of the narcotics fentanyl and acetyl fentanyl hidden in a cargo container bound for Mexico.

The synthetic opium-like drugs were so potent that six of the agents became ill after handling them. One fell into a coma.

The cargo had traveled through five freight forwarders before reaching customs, obscuring its exact origins, according to an internal U.S. Drug Enforcement Administration intelligence briefing reviewed by The Wall Street Journal.

One thing is clear: The shipment and a host of others, detailed in the DEA briefing, court documents and interviews with government officials in multiple countries, are part of a vast drug-distribution network beginning in China that feeds lethal fentanyl to the Americas.

The network often avoids efforts to stop it

by trading not only in finished fentanyl but related products subject to little or no regulation in China or internationally. These include some copies of fentanyl known as analogs, as well as the chemical ingredients and pill presses used to produce the drug, according to the documents and interviews.

The China Food and Drug Administration declined to comment on the sale and production of fentanyl and referred questions to the Ministry of Public Security, which didn't respond.

Fentanyl and its analogs are killing Americans at an alarming rate, marking a deadly new chapter in the nation's struggle with opioid addiction. Fentanyl is up to 50 times as potent as heroin but easier and cheaper to produce, made from chemicals instead of fields of poppies. Legal versions of fentanyl have been sold as painkillers or anesthetics since the 1960s. Today, illicit batches are driving a surge in

Please see DRUGS page A8

Millions Rise Out of Ranks Of Subprime Borrowers

By ANNAMARIA ANDRIOTIS

The percentage of Americans with subprime credit scores has fallen to the lowest level in more than a decade, a development that could give bank lending and the overall economy a boost.

The share of U.S. adults with credit scores that are considered “subprime” fell to 20.7% in April, the sixth consecutive year-over-year decline and the lowest level since at least 2005, when Fair Isaac Corp., or FICO, started tracking the data. The ranks of subprime borrowers swelled during the financial crisis, peaking at 25.5% in 2010, as mortgage payments, credit-card bills and other debts went unpaid.

The improving trend could bring relief to big banks, which tightened credit standards in

Please see CREDIT page A8

To Vote in ‘Brexit’ Referendum, It Helps to Be From Tuvalu

* * *

Baffling rules embrace certain foreigners while nixing citizens; Gimli's torment

By MAX COLCHESTER AND JENNY GROSS

LONDON—If you're a Ugandan living in Gibraltar, you can vote in Thursday's referendum that will decide the fate of Britain's European Union membership. The same goes for U.K. residents hailing from Tuvalu, a cluster of tiny Pacific islands some 9,000 miles from the British Isles. Irish citizens living in Scotland—they can vote, too.

John Rhys-Davies, an actor famed for his portrayal of warrior dwarf Gimli in “The Lord of the Rings” movies, was born in England and raised by Welsh parents. For nearly three decades, he has

lived on the Isle of Man, a small rainy island in the Irish Sea, equidistant from the English and Irish coasts, which is known mostly for a type of cat with a stumpy tail and a motorcycle race. Because technically the Isle of Man isn't part of the U.K., and because Mr. Rhys-Davies has thus been an expatriate for too long, he can't take part.

“It's simply not fair, and I don't like unfairness,” the 72-year-old bearded actor said, furrowing his bushy eyebrows over tea one recent afternoon.

“It's an insult to the people.” Peeved, he has filed a petition to Parliament and his supporters have written to

Please see RULES page A6



John Rhys-Davies as Gimli

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U.S. NEWS

Impact of ‘Brexit’ Would Likely Be Gradual and Global

Anxious prognosticators worry that a British vote to leave the European Union on Thursday will tank the country’s financial markets and precipitate a recession. Those predictions are largely guesses, and probably overwrought.

The greater consequences are more subtle, gradual and global.

Brexit would be the starkest repudiation yet of the postwar consensus favoring ever-deeper global integration. That consensus is already fraying in the face of growing protectionism and anti-immigrant sentiment world-wide. A further unraveling would undermine global growth prospects already clouded by aging populations and miserable productivity.

The consensus for greater integration has been remarkably durable to date. Since the EU’s founding in 1957, 28 countries have joined and none have left (other than Greenland, a Danish territory, and Algeria, which ceased to be part of the EU upon independence from France). Indeed, it is rare for any country to deliberately withdraw from a trade pact except to join a better one. Since the World Trade Organization’s inception in 1948 (as the General Agreement on Tariffs and Trade), 162 countries have joined and none have left.

This is largely because governing elites have come to

accept the economic rationale for integration. It increases the size of the market, exposes local companies to more competition and accelerates the dissemination of new ideas via foreign investment and immigration. In 2004, academic economists Scott Bradford and Robert Lawrence estimated the world would be 7% poorer if it reverted to the trade rules of the 1930s.

The British economy was declining relative to France’s and Germany’s until it joined the EU in 1973. Margaret Thatcher became prime minister in 1979 and began loosening the state’s grip on the economy. Since then, Britain’s per capita income has grown as fast, or faster, than France’s and Germany’s.

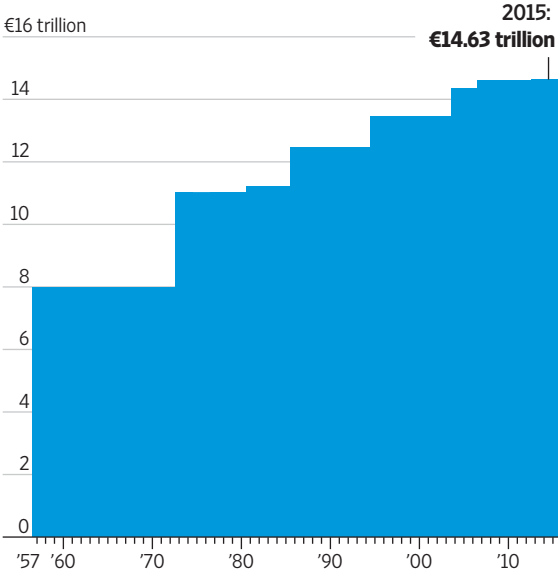
The soft underbelly of this economic success is its fragile political legitimacy. Brexit advocates have long chafed at the EU’s interference in British affairs. Yet international treaties like the EU and the WTO are by their nature undemocratic, insofar as they compel signatories to bind their own hands for the common good. British businesses grouse about EU meddling in their markets but benefit when that meddling knocks down barriers on the continent.

Critics say global integration enriches elites at the expense of the average worker. This, too, is off base. More skilled workers have gained disproportionately, but every worker is also a consumer and thus benefits when inter-

EU, the Story So Far

British exit from the European Union would interrupt nearly 60 years of expansion. For Britain, it could endanger the economic gains it has made since joining.

How the EU has grown over time, based on 2015 gross domestic product of member nations

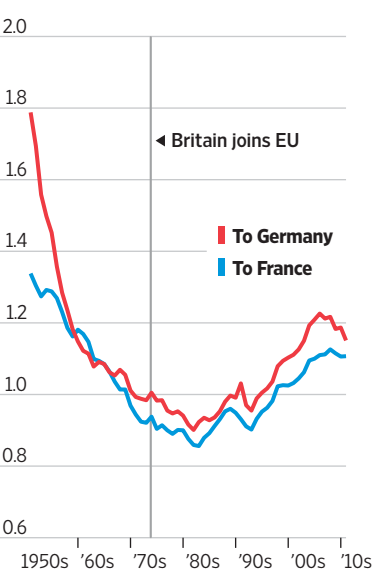


EU membership

1957	1973	1981	1986	1995	2004	2007	2013
Belgium, France, Germany, Italy, Luxembourg, Netherlands	Denmark, Ireland, U.K.	Greece	Portugal, Spain	Austria, Finland, Sweden	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia	Bulgaria, Romania	Croatia

Notes: Algeria ceased to be part upon independence from France in 1962. Greenland, a Danish territory, withdrew in 1985. €1 trillion=\$1.13 trillion
Sources: European Union (GDP, timeline of membership); Angus Maddison Project (per capita GDP)

Ratio of U.K. to France and Germany per capita GDP



national competition makes products better and cheaper. Doug Irwin, a trade historian at Dartmouth College, says if two million American workers lose \$15,000 in annual income forever—an extreme estimate of the impact of trade with China—while 320 million American consumers gain just \$100 from trade, the

benefits to all of society still exceed the costs.

Even immigration is, on balance, probably a plus. The Center for Economic Performance at the London School of Economics finds that EU immigrants to Britain are better educated and more likely to work than U.K.-born nationals, and to pay more in

taxes than they collect in benefits.

There would be costs to an exit; a review of 13 separate studies found eight saying Britain would be worse off and three saying it would be better off. (The remainder saw mixed effects). Still, even the British government’s estimates of 0.2 to 0.6 percentage

points lower growth over 15 years may not be enough for the average Briton to notice.

Yet those costs are real. More important, pivoting from a path of more open to less open borders will chip away at the margin to Britain’s long-term growth path, which it can ill afford, given that productivity growth has recently averaged around zero. Nor will the consequences stop at Britain’s shores. If there is no serious short-term fallout from Brexit, it might energize anti-EU politicians in France and the Netherlands who, like Brexit advocates, have benefited principally from anxiety about immigration rather than economic concerns.

It also would come as protectionism creeps back world-wide. Global Trade Alert, a Geneva-based watchdog group, counts 714 government edicts to foreign companies to produce or source locally in exchange for market access or government contracts since 2008.

Spreading production among more plants may protect a company from protectionist impulses, but it also reduces productivity and raises costs for its customers.

Gary Hufbauer, an economist at the Peterson Institute for International Economics, thinks the slowdown in global trade since 2010, which he blames in part on protectionism, has left world GDP 2.7% smaller than otherwise.

If Britain leaves the EU, expect that drag to grow in the years ahead.

U.S. Watch

CALIFORNIA

Los Angeles Passes Body-Camera Plan

Los Angeles on Wednesday approved a nearly \$60 million measure to outfit its police force with body cameras.

With a plan to deploy 7,000 cameras, Los Angeles will become the largest police department in the country to widely adopt the technology. The cameras became popular after deadly confrontations with police spurred nationwide protests starting in 2014.

Los Angeles City Council had been set to approve the deal last year, but some members balked at the price as well as a decision to skip competitive bidding to speed up the process. On Wednesday, the council voted to approve the deal.

—Zusha Elinson

MEDICARE

Higher Earners Face Steep Premium Rise

Nearly a third of all Medicare beneficiaries could face a steep increase in their premiums next year, the result of a policy that can require some beneficiaries, including higher earners, to bear the burden of rising costs.

The federal health-care plan’s trustees projected in a report that premiums could rise by as much as 22% for wealthier beneficiaries of Medicare Part B, which covers doctor visits and other types of outpatient care.

The trustees project individuals earning between \$85,001 and \$107,000 and couples earning between \$170,001 and \$214,000 will have their monthly premiums rise from \$170.50 a person this year to about \$204.40 in 2017. For those earning more than \$214,000, or \$428,000 for couples, the projected increase is to about \$467.20 a month, from \$389.00.

—Anne Tergesen



An oil well fielder working on a well head at a fracking rig site near Stillwater, Okla., in January.

FRACK

Continued from Page One

used by many in the oil and natural-gas industry.

“It’s unfortunate that implementation of the rule continues to be delayed, because it prevents regulators from using 21st century standards to ensure that oil and gas operations are conducted safely and responsibly on public and tribal lands,” the spokeswoman said.

The government is expected to appeal the ruling, which would send the case to a federal appeals court and possibly to the Supreme Court.

This week’s decision is the latest setback for Mr. Obama’s environmental agenda, which he has pursued largely by issuing regulations and bypassing Congress. Administration officials have become frustrated by what they see as Republican inaction in the face of pressing environmental issues, while Republicans accuse the White House of overreaching.

Last October, a federal appeals court blocked an Environmental Protection Agency rule that sought to put more bodies of water and wetlands under federal protection. A final decision is pending.

The Supreme Court in Febru-

ary temporarily blocked a major regulation limiting carbon emissions from power plants, dealing an early and potentially fatal blow to a rule that is central to Mr. Obama’s push to lead global efforts to address climate change.

Congressional Republicans and industry groups pointed to this week’s ruling as evidence that Mr. Obama has been overstepping his authority.

“Only Congress can write laws,” House Speaker Paul Ryan (R., Wis.), said Wednesday in response to the fracking ruling. “Agencies acting without authority from Congress is simply illegal.”

The regulation set stricter standards for disposing of wastewater and disclosing chemicals used in fracking. It was issued by the Interior Department’s Bureau of Land Management in March 2015 and had been in the works since 2012. It applies to oil and gas drilling on federal lands, which produce 11% of the natural gas consumed in the U.S. and 5% of the oil, according to government data. State regulations govern fracking on private and state lands.

Much of the drilling is concentrated in Western states, such as Colorado and Wyoming, two of the states challenging the standards. More than 90% of new land-based wells in the

U.S. use fracking, the shortened term for hydraulic fracturing.

The ruling doesn’t mean fracking is now unregulated, since it still is subject to state rules. The federal regulations applied on top of state rules when the fracking was done on federal lands. Given the ruling, federal standards that are 30 years old will remain in place for fracking on federal lands, though Interior officials say they weren’t written to address modern extraction technologies.

Industry trade groups applauded the decision. Neal Kirby, spokesman for the Independent Petroleum Association of America, said it shows “that states are—and have for over 60 years been—in the best position to safely regulate hydraulic fracturing.”

Environmentalists expressed hope the full federal appeals court would review the case and uphold the curbs.

“While there is no way to ever make fracking safe, the oil and gas industry has repeatedly proven that it needs more standards to keep the public safe from the dangers of fossil fuels, not less,” said Lena Moffitt, director of the Sierra Club’s Beyond Dirty Fuels campaign.

Fracking involves injecting water, sand and chemicals into a well to break up dense rock and release oil and gas.

Fed Chief Quizzed On Bank Payments

By KATE DAVIDSON

Federal Reserve Chairwoman Janet Yellen on Wednesday sparred with House lawmakers who questioned her on a variety of issues, including the Fed’s interest payments to big banks.

Ms. Yellen faced a much more skeptical—and at times hostile—audience at the House Financial Services Committee on the second day of her semi-annual monetary-policy testimony than she did when she testified before Senate lawmakers on Tuesday.

Republicans pressed Ms. Yellen to justify how much interest the Fed pays banks on the money they park at the central bank, called reserves, one of the tools it uses to manage short-term interest rates.

Committee Chairman Jeb Hensarling (R., Texas) suggested it was inappropriate for the Fed to pay banks interest at a rate higher than its own benchmark federal-funds rate.

Ms. Yellen defended the Fed

policy, saying the difference between the rate on reserves and the fed-funds rate is “really quite small” and adding there is likely to be a small gap between the two “for quite some time.”

The Fed since December has held the fed-funds rate between 0.25% and 0.50%. It has set the rate it pays on bank reserves at the top of that range, and uses another rate it pays on reverse-repurchase agreements as the bottom.

Meanwhile, Democrats prodded her to commit to doing more to help low-income and minority workers, and to promote diversity within the central bank.

Ms. Yellen said she seeks to do both.

“Our policies are designed to make sure that we continue to have improvements in the labor market that will benefit the African-American community and others,” she said in response to one question. “I have used my voice, and I will continue to do so.”

Existing-Home Sales Hit Nine-Year High

By JEFFREY SPARSHOTT

WASHINGTON—Sales of existing homes rose to their highest level in more than nine years and prices climbed to a new peak in May, the latest sign of rising demand amid steady job creation and low interest rates.

Sales climbed 1.8% in May from the prior month to a seasonally adjusted annual rate of 5.53 million, the National Association of Realtors said Wednesday. That was the strongest pace since February 2007. April’s sales figure was revised down to 5.43 million.

The national median sale price for a previously owned home, meanwhile, was \$239,700, up 4.7% from a year earlier and the highest figure recorded by the Realtors’ group. Home prices are rising faster than wages across much of the U.S., potentially damping sales.

“Low inventory, especially for starter and tradeup homes, continues to stifle home sales activity,” said Ralph McLaughlin, chief economist at real estate website Trulia.

Demand for homes has been especially strong as wages edge higher and mortgage rates remain historically low.

CORRECTIONS & AMPLIFICATIONS

Plans reported Tuesday for the lifting of mandatory evacuations Wednesday applied only to a fire in Santa Barbara County, Calif. A U.S. Watch item about California wildfires in some editions Wednesday incorrectly said those plans had applied to two fires in the San Gabriel Mountains, outside Los Angeles.

Adam Waytz, an empathy researcher and associate professor at Northwestern University’s Kellogg School of Management, says few companies scientifically measure outcomes from empathy training. In some editions Wednesday, a Business & Tech article about such training incorrectly attributed the state-

ment to Richard S. Wellins, a senior vice president at Development Dimensions International.

French ad-technology company Criteo SA buys ad space for resale from more than 16,000 publishers. An article about the company in Wednesday’s Ad Revolution special re-

port incorrectly said it buys from more than 16,000 websites.

A photo with a Business News article Tuesday about Marathon Oil Corp. showed a storage tank owned by Marathon Petroleum Corp. The caption incorrectly implied it was a Marathon Oil tank.

U.S. NEWS

Democrats Use Sit-In to Push Gun Bills

Action leads to late-night confrontation with GOP; Ryan calls move 'publicity stunt'

WASHINGTON—House Democrats wrested control of the chamber Wednesday to demand votes on new gun curbs in a protest inspired by civil-rights demonstrations that led to a loud confrontation with Republicans on the chamber's floor late Wednesday night.

*By Kristina Peterson,
Siobhan Hughes
And Natalie Andrews*

Led by civil-rights champion Rep. John Lewis (D., Ga.), at least 170 House Democrats staged a sit-in, occupying the floor of the House chamber in an effort to extract votes from Republican leaders on bills that would expand background checks for guns and prevent suspected terrorists from buying firearms.

"There comes a time when you have to say something, when you have to make a little noise, when you have to move your feet," said Mr. Lewis, shortly before a group of House Democrats took the rare step of sitting on the chamber's floor in protest around 11:30 a.m. Wednesday.

More than 10 hours later, Republicans who had delayed votes all day as Democrats occupied the chamber moved to reclaim it. House Speaker Paul Ryan (R., Wis.) convened the chamber shortly after 10 p.m. to hold a brief series of votes, speaking loudly over the pro-



U.S. REP. KATHERINE CLARK/REUTERS

A photo tweeted Wednesday by a House member shows Democrats protesting to demand votes on new gun restrictions.

tests of Democratic lawmakers still holding their positions on the chamber's floor.

As Republicans quietly cast their votes, Democrats who had taken over the chamber's well continued shouting "no bill, no break," a chant they had taken up early in the day, often led by the booming voice of Rep. Joe Crowley (D., N.Y.)

Earlier in the evening, Mr. Ryan said the action was

"nothing more than a publicity stunt," noting that the Senate had already defeated the kind of gun-control legislation the Democrats were demanding.

"This is not a way to bring up legislation," he told CNN. "Now let's focus on the issue at hand here, terrorism, and let's find out what we need to do to prevent future terrorist attacks."

As the protest passed the

12-hour mark, Republicans didn't appear willing Wednesday night to allow the chamber to vote on new gun curbs, angering Democrats who had camped out on the floor, holding signs with the names of gun-violence victims and armed with blankets—and pillows as it grew later.

"Hang on, hang on," Mr. Lewis urged Democrats who encircled him on the House

floor late Wednesday night, urging them to hold their ground.

"John Lewis says stay after the votes, and we will stay," said House Minority Leader Nancy Pelosi (D., Calif.), triggering Democratic chants of "stay, stay." The cries of protesters from outside urging Democrats to "hold the floor" filled the hallways outside the chamber. Protesters also

thronged outside the Capitol in support of the House Democrats.

Republicans said they didn't want to simply give in on the gun votes and reward Democrats for flouting the chamber's rules to demand votes.

"We are going to do the people's work," said Rep. Ann Wagner (R., Mo.) earlier in the evening. "We are going to conduct the will of the people, and conduct ourselves, in an adult Congress that is actually going to uphold, I think, the norms, the customs, the rules of the House."

Democrats said that their protest had succeeded in raising awareness of their quest to put new gun restrictions in place.

The demonstration, fueled by lawmakers' tweets and other social-media messages, quickly caught national attention during the day. For the first time since the June 12 mass shooting in Orlando, the House dominated the debate over new gun restrictions rather than the Senate.

Many Senate Democrats joined the House lawmakers on the floor. With the House cameras and microphones turned off, lawmakers had to shout to be heard as they took turns reading the names of gun-violence victims and chanting "no bill, no break."

The Democratic protest wasn't the first time the minority party had taken over the House's floor, but new technology tools helped broaden its reach. C-Span, the cable network that shows congressional proceedings, streamed a Periscope feed of the House floor, provided by Rep. Scott Peters (D., Calif.).

Funding Crisis Quickens For Benefit Programs

By Nick Timiraos

WASHINGTON—Medicare and Social Security will begin to spend more than they earn by the end of this decade, new projections showed Wednesday, putting a spotlight on an issue that has seen scant discussion in an election year—the programs' solvency challenges facing the next president.

The annual report card from the programs' trustees said Medicare's hospital-insurance trust fund, which provides coverage to more than 55 million Americans, will exhaust its reserves by 2028, two years sooner than estimated last year.

Medicare's trust fund is projected to face depletion earlier than was forecast last year due to slight revisions in projected incomes and costs, though falling health-care costs in recent years have provided greater breathing room. As recently as

2009, trustees had estimated that the hospital-care fund would be depleted by 2017.

Social Security faces depletion by 2034, which would trigger a 21% across-the-board benefit cut if Congress doesn't act. More than 49 million Americans collected retirement benefits through the program last year, and nearly 11 million received payments from a separate disability-insurance program.

Last year, Social Security beneficiaries didn't receive a living-cost increase because falling energy prices led to an annual decline in the inflation gauge used to set such increases.

The costs of both programs are set to rise due to the aging of the U.S. population, making it difficult for the government to outrun the solvency problems even by sharply boosting economic growth. Medicare and Social Security accounted for 41% of federal spending last year, up from 36% in 2011.

Population of Nonwhites Grows

By Janet Adamy
And Paul Overberg

White Americans no longer account for the majority in hundreds of counties across the U.S., a trend transforming America's social and political landscape as Latinos, Asians and blacks outpace white population growth, according to census figures out Thursday.

In 370 counties across 36 states and the District of Columbia, non-Hispanic whites accounted for less than half the population as of July 2015. That includes 31 additional counties since 2010, such as those encompassing Fort Worth and Austin in Texas; Charlotte, N.C.; Savannah, Ga.; and parts of suburban Atlanta and Sacramento, Calif.

Of the nation's 3,142 counties, the so-called minority majority ones—12% of the total—represent an outsize chunk of the U.S. population since they are home to almost one-third of Americans.

The new figures point to a widening racial generation gap. While three-quarters of Americans age 55 and older are white, just 56% of those 18 to 34 are white, and only slightly more than half of minors are white, according to William Frey, a Brookings Institution demographer.

Latinos, Asians and blacks outpace white population growth, census figures show.

These shifts will shape who wins this year's elections, with Democrats benefiting from the growth of minorities since Latinos, blacks and Asians are more likely to vote Democratic. In several battleground states, including Florida, Nevada and New Mexico, the racial generation gap is even wider than in the rest of the country.

Republicans are helped by

the fact that whites and older Americans have higher voter turnout rates. A big question in the presidential race is how Midwestern working-class whites, who appear energized by presumptive Republican nominee Donald J. Trump, will stack up against Latinos who have been angered by his derogatory comments about Mexicans and harsh stance on immigration.

"We may be seeing Trump put more effort into the Rust Belt knowing that he's going to have a difficult time in some of these Sunbelt states," said Michael P. McDonald, associate professor of political science at the University of Florida.

In Florida, the Orlando metropolitan area last year became among the places where whites are now the minority thanks to a surge of Puerto Ricans, who have fled the financially troubled island. Non-Hispanic whites were 49.2% of the population in 2015, down from 53.6% in 2010. That could prove particularly helpful to presumptive

Democratic presidential nominee Hillary Clinton, since Puerto Ricans vote in larger numbers and are more heavily Democratic than most other Latinos, Prof. McDonald said.

In Texas, Latinos are the main group driving the shift, primarily because they are younger and have more children than whites, said Texas State Demographer Lloyd Potter. Whites are also moving out of the urban cores of Fort Worth and Austin.

A notable uptick in Asian immigrants is also diversifying these cities, Mr. Potter said. Immigration from Mexico has slowed so much that the percentage of immigrants coming to Texas from Asia is almost as high as the share coming from Latin America.

More Hispanics are being born in the U.S. than are dying, according to Kenneth Johnson, a University of New Hampshire demographer. The opposite is true of non-Hispanic whites, which had never been the case until four years ago, he said.

A large advertisement for Chloé. It features a woman from the waist up, seen from the side, walking on a city street. She is wearing a white long-sleeved blouse and blue jeans. She is carrying a large, structured brown leather bag with a metal ring detail. The background is a blurred city street scene. The Chloé logo is prominently displayed in the bottom left corner in a large, white, serif font. Below the logo, the text "NEW YORK BAL HARBOUR LOS ANGELES SOUTH COAST PLAZA LAS VEGAS" and "CHLOE.COM" are listed. On the far right edge, there is vertical text: "© 2016 CHLOÉ ALL RIGHTS RESERVED."

★ ELECTION 2016 ★

Some Business Leaders Abandon GOP

Clinton to get backing from executives, some of whom cite unease with Trump candidacy

By LAURA MECKLER

More than 50 business executives, including several long-time Republicans, will endorse Hillary Clinton for president on Thursday as her campaign seeks to capitalize on discomfort with Republican Donald Trump.

They include Jim Cicconi, senior executive vice president at AT&T Services Inc., and Dan Akerson, who held top positions at General Motors Co. and Nextel Communications Inc. A Clinton campaign aide

provided the list and said it would be distributed widely on Thursday.

The endorsements reflect continuing unease among some Republicans with the presumptive GOP presidential nominee despite his romp through the primary contest.

Mr. Cicconi, who worked for Presidents Ronald Reagan and George H.W. Bush, said he has backed every GOP presidential candidate since 1976. “But this year I think it’s vital to put our country’s well being ahead of party,” he said. “Hillary Clinton is experienced, qualified, and will make a fine president. The alternative, I fear, would set our nation on a very dark path.”

Mr. Akerson said he has consistently voted for Republi-

cans for president in the past but couldn’t support Mr. Trump. “Serving as the leader of the free world requires effective leadership, sound judgment, a steady hand and most importantly, the temperament to deal with crises large and small. Donald Trump lacks each of these characteristics,” said Mr. Akerson, who also served as a Navy surface warfare officer.

On Wednesday, Brent Scowcroft, a national security adviser for two Republican presidents, endorsed Mrs. Clinton, saying her experience, judgment and understanding of the world prepare her for the job of commander in chief. His support comes a week after Richard Armitage, another longtime Republican foreign-

policy hand, said he would back Mrs. Clinton if, as expected, Mr. Trump is the GOP nominee.

After a slow start, Mr. Trump is racing to shore up his standing with his party’s establishment and in recent weeks has been making overtures to top GOP donors, many of whom supported others in the primaries and haven’t been quick to warm to him.

Mr. Trump attended a fundraiser at Le Cirque in New York City on Tuesday, attended by hedge-fund manager John Paulson, who had backed four of his rivals during the Republican primaries.

He also attended a breakfast Wednesday at Cipriani in Midtown, co-hosted by New York Jets owner Woody Johnson, a

billionaire who had supported former Florida Gov. Jeb Bush. Last week, Mr. Trump raised money in Texas, meeting with several of his party’s wealthiest donors.

After a low fundraising haul in May, Mr. Trump has raised at least \$19 million for his joint fund with the Republican National Committee in recent weeks and about \$3 million for his campaign, people familiar with the matter said.

Senior Clinton policy adviser Jake Sullivan briefed several of her supporters from the business community on a conference call Wednesday, during which he outlined the economic agenda she laid out in a pair of speeches this week, as well as her critique of Mr. Trump’s record and policies.

The list of business leaders backing her includes several who have supported Democrats in the past, including Eric Schmidt of Alphabet Inc., Sheryl Sandberg of Facebook Inc., and Warren Buffett of Berkshire-Hathaway, Inc.

Others endorsing the former secretary of state include Hollywood-turned-internet executive Barry Diller of IAC/InterActiveCorp; Hollywood executive Peter Chernin, of The Chernin Group; Wendell Weeks of Corning Inc.; Reed Hastings of Netflix Inc.; and Rob Marcus, formerly of Time Warner Inc.

—*Rebecca Ballhaus and Rachel Ensinger contributed to this article.*

◆ Small businesses are wary of election..... BI



Donald Trump said his Democratic rival 'perfected the politics of personal profit and even theft.' Hillary Clinton said Mr. Trump 'has no real strategy for creating jobs.'



In a Shift, Rubio Will Now Run For Senate

By SIOBHAN HUGHES

WASHINGTON—Sen. Marco Rubio said he would run for re-election to the seat he had previously planned to give up, energizing Republicans fighting to retain control of the Senate in the November elections.

“In politics, admitting you’ve changed your mind is not something most people like to do. But here it goes,” the Florida Republican said Wednesday. “I have decided to seek re-election to the U.S. Senate.”

His decision is a boost for Republicans, who fear they will lose control of the Senate in November, given the GOP’s mathematical disadvantage in this year’s election—it has 24 seats to defend, compared with 10 for Democrats. Until Mr. Rubio officially entered the race, Republicans were unsure of whether they even had a shot at keeping the Florida seat, putting additional pressure on vulnerable Republicans in states such as New Hampshire, Pennsylvania and Ohio.

With his name recognition and ability to raise money, Mr. Rubio is viewed as the party’s best candidate to hold on to the seat in Florida, a large state that favors well-funded candidates. Even before he officially declared for the seat, the Senate Leadership Fund, a group tied to Senate Majority Leader Mitch McConnell (R., Ky.), had promised to spend heavily on his behalf to help him win.

But the first-term senator also faces some challenges, starting with the primary race on Aug. 30, when he will face a threat from his right flank. The campaign of Carlos Beruff, a wealthy Florida home builder, on Wednesday accused Mr. Rubio of political opportunism, suggesting he was only running for the Senate “so he’s better positioned to abandon the voters again to run for president” in 2020.

If he wins the primary, Mr. Rubio is expected to face off against either Rep. Patrick Murphy, who is backed by the Senate Democrats’ campaign arm, or Rep. Alan Grayson.

Mr. Rubio, who ran for president this year, easily swept into office in the 2010 GOP wave. But the landscape in the 2016 presidential election year is far different from 2010, a midterm election, when Democratic turnout tends to be lower.

“It’s not just that you go from 50% turnout to upward of 65-70% turnout of registered voters—it is that those registered voters are very different who come out in the presidential election in Florida, and they’re not necessarily favorable to Marco Rubio,” said Daniel Smith, a political-science professor at the University of Florida. “They tend to be younger; they tend to be more Democratic in terms of voter registration, and they tend to be more people of color. If past is any prelude, we should see them come out in droves in the general election.”

Another factor will be the impact of presumed Republican nominee Donald Trump at the top of the ticket. Some Republicans worry that Mr. Trump could hurt the re-election chances of GOP lawmakers.

—*Kristina Peterson contributed to this article.*

Trump, Clinton Exchange Barbs in Speeches

By BETH REINHARD AND PETER NICHOLAS

Donald Trump uncorked a series of blistering attacks on Democrat Hillary Clinton on Wednesday as the Republican seeks to regain his footing in the presidential race, calling her “the most corrupt person ever to seek the presidency.”

Speaking a short time later in North Carolina, which is likely to be a battleground state this fall, Mrs. Clinton veered from a planned speech about the economy to rebut his volley of attacks and make a rare defense of the work of the Clinton Foundation.

She sought to explain Mr. Trump’s focus on her character and career as a tactic meant to divert attention from what she described as his own lack of policy plans. “He has no real strategy for creating jobs—just a string of empty promises,” she said. “And maybe we shouldn’t expect better from someone whose most famous words are, ‘You’re fired.’”

Mr. Trump, in one of his first

major addresses of the general election, accused Mrs. Clinton of using her post as secretary of State during President Barack Obama’s first term to enrich herself.

He also said her policies destabilized the Middle East and North Africa, and that she and her husband, former President Bill Clinton, accepted speaking fees and contributions to their family’s charitable foundation from Wall Street and foreign governments.

“Hillary Clinton has perfected the politics of personal profit and even theft,” Mr. Trump told an audience of about 100 people at a New York hotel bearing his name. “She ran the State Department like her own personal hedge fund, doing favors for oppressive regimes, and many others...in exchange for cash, pure and simple.”

Asked for response, Glen Caplin, a Clinton campaign spokesman, said Mr. Trump was offering “lies and nutty conspiracy theories” to distract from economic policies that, he said,

would cause a recession. “Donald Trump continues to prove that he is unqualified and unfit to be president,” he said.

Mrs. Clinton included several references to her Methodist faith in her speech, a day after Mr. Trump told a group of social conservatives that “we don’t know anything about Hillary in terms of religion.” “All he can do is try to distract us. That’s even why he’s attacking my faith,” she said.

Mr. Trump’s remarks marked his campaign’s latest attempt to show that he can unify a Republican Party that is increasingly worried about his comportment, his small campaign organization and an embryonic finance team that has lagged far behind Mrs. Clinton’s fundraising efforts.

His speech echoed themes

He calls former secretary of state corrupt; she says he lacks policy plans.

and phrases used for months by one of his top policy aides, Stephen Miller, in introducing Mr. Trump to crowds at rallies across the country.

Mr. Trump didn’t mention one of his campaign’s most provocative proposals: a ban on Muslim immigrants entering the country, which he first offered in December after the San Bernardino, Calif., shootings and restated last week after the massacre at a gay nightclub in Orlando, Fla. On Wednesday, Mr. Trump twice mentioned the threat that terrorists pose to “peaceful Muslims” and focused on blocking Syrian refugees who haven’t been properly vetted.

But the thrust of his speech was aimed at Mrs. Clinton, one day after she delivered a speech claiming Mr. Trump would “bankrupt” the U.S. economy.

Mr. Trump blamed the former secretary of State for the deaths of four Americans in the 2012 terrorist attack on the U.S. diplomatic outpost in Benghazi, Libya, and said that her foreign policies helped Islamic State rise to power.

GOP Unveils Its Alternative To Democrats’ Health Law

By LOUISE RADNOFSKY AND SIOBHAN HUGHES

WASHINGTON—House Republicans Wednesday laid out their vision for repealing and replacing the Affordable Care Act, positioning themselves across several political fault lines in the process.

In a 37-page proposal from House Speaker Paul Ryan and GOP committee chairmen, Republicans said they would strike the law in its entirety, but then reinstate a handful of its requirements, such as a ban on insurance companies dropping consumers just because they get sick.

The Republican plan would include new tax credits and coverage guarantees for people who don’t get insurance through a job, and cap the tax benefit for health coverage offered by employers.

The party has wrangled for years over whether and how to create an alternative to the Democrats’ 2010 federal health law. “[For] six years, we have promised to repeal and replace

Obamacare, and make health care actually affordable. Well, here it is, a real plan, in black and white, right here,” Mr. Ryan said at a packed event at the American Enterprise Institute, a conservative-leaning think tank, on Wednesday afternoon. “This is our consensus for a better way forward.”

House Republicans cast the proposal to limit the employer exclusion as a way to increase take-home pay—since workers accept lower pay in exchange for tax-free benefits—as well as crucial to curbing national health spending and making insurance less expensive for people buying it on their own.

That proposal drew swift criticism from groups representing large employer benefit programs, who said they represented around 175 million Americans covered, as well as from other trade associations.

“The policy rests on the myth that employer-sponsored health insurance is overly generous—that working families’ benefits need to be reduced, and that more costs need to be

shifted to employees,” said James Gelfand, senior vice president of health policy for the Erisa Industry Committee. “A tax on benefits has no place in a conversation about improving the health-care system, and it overshadows the many good ideas otherwise included,” he said.

GOP chairmen defended the move. “The intent is not to do away with employer-provided health care,” said Rep. John Kline (R., Minn.), who heads the House committee on Education and the Workforce. “It’s to make it actually more available for more people, and we’re going to do that by driving down the cost.”

The GOP plan would sweep away the health law’s requirement for insurers to offer coverage to all regardless of their medical history, one of the most popular provisions of the law, at the same time that it does away with the unpopular requirement for most individuals to obtain coverage or pay a penalty.

Instead, Americans could



Speaker Paul Ryan and Rep. Cathy McMorris Rodgers Wednesday.

get tax credits that could be used to purchase insurance through the individual market, which would be estimated to cover at least the cost of catastrophic insurance. The exact value of the credit wasn’t specified.

Uninsured people would have a one-time opportunity to sign up for coverage, and then they would be required to maintain insurance to benefit from the guarantee that they could buy it at the same price, regardless of their medical history and any existing conditions. People who tried to enroll late would likely see a period of higher costs.

The Obama administration and other supporters of the law attacked those proposals as insufficient.

Bob Greenstein, president of the left-leaning Center on Budget and Policy Priorities, said the GOP plan would cost people their coverage “because it would repeal or severely weaken health reform’s coverage expansions, force people to rely instead on a badly flawed tax credit to buy coverage in a largely unregulated individual market, weaken or end key measures to protect consumers in that market, and restructure and substantially cut Medicaid over time.”

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BRITAIN'S EU REFERENDUM

U.S. Fears Lost Clout Under ‘Brexit’ Vote

Officials worry vote to leave EU would hurt diplomatic leverage, domestic economy

By IAN TALLEY

Officials in Washington have expressed concern that a British vote to exit the European Union would buffet the U.S. economy and cause strategic and diplomatic rifts between the U.S. and many of its closest global allies.

In the near term, U.S. officials worry a so-called Brexit could jolt a still-weak U.S. economy if growth in America's largest trading partner, the EU, takes a hit. Longer term, the Obama administration is concerned a U.K. withdrawal will blunt Washington's diplomatic leverage in Europe.

The U.K. has often represented U.S. strategic and trade positions within European institutions, most recently in challenging an aggressive Russia and helping negotiate a nuclear agreement with Iran.

An EU without the U.K., many analysts say, is more likely to lift the sanctions against Russia for its intervention in Ukraine. The U.S. would lose an ally in the Trans-Atlantic Trade



U.K. Prime Minister David Cameron, left, addressed 'Remain' supporters in Bristol on Wednesday, while Boris Johnson, London's ex-mayor, met 'Leave' backers in Selby.



ANDREW PARSONS/ZUMA PRESS; GEOFF CADDICK/PRESS POOL (LEFT)

and Investment Partnership, a sweeping trade deal the U.S. is negotiating with Europe. Britain's departure could also deprive the EU of one of its most muscular militaries and complicate intelligence and data-sharing among Western allies.

The U.S. State Department has trod cautiously on the issue, not wanting to interfere in a foreign referendum. But Secretary John Kerry, when in London in May, signaled that a

Brexit could undermine the global clout of key American allies. "A strong and united Europe that includes Great Britain is a stronger Europe and a stronger partner," he said.

"America values a strong U.K. voice in a strong EU," said Jeffrey Zients, director of the White House's National Economic Council, echoing the argument President Barack Obama made in April to British voters against an exit.

Officials fear a Brexit could trigger a larger disintegration of the European project, setting a precedent for other member states for follow.

Across Europe, the U.K. exit campaign has galvanized anti-EU and populist political parties that have gained traction amid a growing immigration crisis after nearly a decade of economic turmoil.

"This has the potential for unraveling the post-World War

II order in Europe, which is centered around U.S. support for a strong, unified Europe," said Jacob Kirkegaard, a senior fellow at the Peterson Institute for International Economics. "This is a giant step explicitly in the other direction."

That is particularly important as the EU has increasingly become a foreign-policy actor, said Frances Burwell, a European expert at the Atlantic Council, a Washington-based

policy think tank.

Nicholas Burns, a former No. 3 at the State Department who is now a professor at Harvard's Kennedy School of Government, said Britain has traditionally played a hard-nosed, common-sense role in Europe, "restraining some of the worst impulses of the West Europeans."

"You're looking at potentially the weakening of our No. 1 ally in Europe," he said.

Cameron Makes a Last-Ditch Vow

By JASON DOUGLAS

LONDON—Prime Minister David Cameron pledged to pursue greater European Union overhauls if Britons backed his call to stay in the bloc in Thursday's referendum, a last-minute promise to voters flirting with an exit that was immediately undercut by the head of the European Commission.

Campaigners on opposing sides of the U.K.'s debate over its relationship with the European Union made their final pitches to British voters Wednesday ahead of a historic vote that is being closely watched in financial markets, European capitals and beyond. The most recent opinion polls

continued to show the outcome too close to call.

The prime minister said in an interview with the British Broadcasting Corp. that he intended to reopen the issue of freedom of movement, a core EU principle that allows citizens of member-states to live and work freely in any country in the bloc, with other leaders. His renegotiation of the terms of Britain's membership in February, which put fresh restrictions on new arrivals' access to welfare, was part of a continuing process, he said.

"If we stay in the European Union, reform continues on Friday," Mr. Cameron said on Wednesday before embarking on a whistle-stop tour to encourage voters to reject a Brit-

ish exit from the bloc.

His pledge to return to the table marked a last-ditch effort to assuage concerns over immigration that have fueled anti-EU sentiment.

Shortly after, though, European Commission President Jean-Claude Juncker poured cold water on the idea of reopening talks. "He got the maximum he could receive and we gave the maximum we could give," Mr. Juncker said in Brussels, referring to the February deal.

The campaign for "Brexit," led in part by senior Conservative figures in Mr. Cameron's own administration, has made controlling immigration a centerpiece. It has also portrayed the EU as undemo-

cratic, and urged Britons to "take back control" of their country and its economy.

"Unless it's a massive unexpected victory for Remain, it will not be considered settled," said Stephen Fisher, associate professor in political sociology at the University of Oxford. "I don't expect this issue to ever go away from British politics."

Two surveys on Wednesday, from pollsters Opinium Research LLP and TNS, a unit of WPP PLC, gave a small edge to the pro-Brexit camp, while polls by CommunicateResearch Ltd. and YouGov PLC gave the lead to Remain. Most surveys signaled that at least one in 10 voters still hadn't made up their minds.

RULES

Continued from Page One

Queen Elizabeth II.

The debate over "Brexit," as Britain's potential exit from the EU is known, isn't simple. Neither is figuring out who gets to cast a vote.

During World War I, the U.K. passed laws allowing "British subjects" from across the empire to vote in U.K. general elections. The empire crumbled but the rights live on. People from some 53 countries can vote in the referendum as long as they live in the U.K. or Gibraltar, a British territory off the tip of Southern Spain. People residing in Gibraltar can't vote in general elections but got a pass for this one.

Citizens of Ireland, which was part of the U.K. when the law passed but later left the post-imperial club, known as the Commonwealth, when it became a republic, can nonetheless vote because of a special act passed in 1949.

Barred from having a say is anyone else, including the three million EU citizens living in the U.K. and thousands of Brits who have lived abroad for more than 15 years.

The Isle of Man counts as abroad. It was invaded by Vikings before bouncing between the Scottish and English crowns until the 14th century, when it settled with an English monarch. Today, it is a "self-govern-

'It's simply not fair, and I don't like unfairness,' says Mr. Rhys-Davies.

ing Crown dependency," which means it isn't part of the U.K., even though Britain is responsible for its foreign affairs. Queen Elizabeth is its head of state and goes by the title "Lord of Mann."

Tuvalu, it is fair to say, is also abroad, but since it was once an outpost of the British Empire, its citizens living in the U.K. are enfranchised. On the islands, the EU vote isn't causing a big stir.

"The question doesn't really matter to Tuvalu," said Iftikhar Ayaz, the London-based honorary consul of the sun-kissed atolls. Maybe a dozen Tuvaluans live in the U.K. and can vote in elections, he adds. The country is "far, far away."

Earlier this year, Mr. Rhys-Davies, who is also known for playing an Egyptian excavator in two "Indiana Jones" movies, was attending dinner parties on the Isle of Man when anger struck. "You come back into the world and you realize—this is outrageous," he said.

The island has "been part of the British isles for 1,000 years. These people fought against the Spanish Armada, Napoleon and Hitler," Mr. Rhys-Davies said. "If hundreds of years of shared history and sacrifice in war doesn't buy us a say in our future, then what does?"

Mr. Rhys-Davies filed his petition to Parliament in February asking for a vote. Five days

later, he issued a rallying cry on Manx TV, the Isle of Man's television station. During the interview, Mr. Rhys-Davies expressed optimism his star power would carry the day. When told on air the U.K. law determining who can vote had already been ratified, Mr. Rhys-Davies was unfazed.

"Bullshit," he said in his booming baritone voice while swiping his hand. "Bullshit!"

A small group of supporters from the Isle of Man and two other small islands, Guernsey and Jersey, which are off the U.K.'s southern coast, coalesced around him. They drew up a press release. They sent a letter to a British daily newspaper. Mr. Rhys-Davies began a campaign to drum up support at his 19th-century private-members club in London.

The group also fired off a letter to the Privy Council, a body that advises the Queen and oversees governance of the islands. It said Mr. Rhys-Davies would take the issue to the European court if necessary, noting it was "something we would all rather avoid." It was signed, "your humble servants."

Reaction has been muted. The petition has collected 2,021 signatures, far short of the 100,000 needed for the issue to be debated in Parliament. The queen and her advisers pooh-poohed the appeal.

"Her Majesty, having taken the report into consideration, was pleased, by and with the advice of her privy council, to dismiss the petition," a document summarizing the meeting said.

The actor blames his petition's failure in part because it is hard to find on Parliament's website. He thinks the queen would have been displeased and suspects her council didn't fully inform her of his situation. His schedule hasn't helped. Mr. Rhys-Davies has been jetting between New Zealand, Australia and the U.S. in recent months working on various projects.

A U.K. government spokesman said the effort was simply too late. Guernsey and Jersey said the matter was out of their hands. "The ship sailed, really," said a Guernsey spokesman.

A spokesman for the Isle of Man government said it didn't mind being excluded from the vote, conceding its 85,000 strong population "were never likely to swing the vote anyway."



Actor John Rhys-Davies is a British citizen, but isn't eligible to vote because he has been an expatriate too long.

BUCHAN/REX SHUTTERSTOCK/ZUMA PRESS

VOTE

Continued from Page One

has an impact on the rest of the world," said Tom Manning, chief executive at F.L. Putnam Investment Management.

While the magnitude of the market reaction is uncertain, the direction appears clear: If Britain votes to leave, investors will rush to safety and precipitate a steep move in global markets on Friday from risky assets to havens.

Foreign-exchange providers and money-transfer shops are limiting transactions—or even suspending them—around the time the referendum results come out. Moneycorp, a British currency firm, says it will turn off its online operation Thursday evening and not bring it back until Friday.

"I'd consider it a shock event," said Michael Thompson, managing director and chairman at S&P Investment Advisory Services, as "people look for the most stable ladders."

The long-term consequences are hard to gauge. Advocates of a British exit, known as "Brexit," say Britain would be revitalized by the ability to chart its own economic and regulatory course. While the 28-nation European Union is an economic powerhouse, Britain alone is no slouch, and plenty of countries thrive outside the bloc.

But interviews with dozens of global investors suggest last week's volatile market action could offer a taste of what could come in the short term if Britain votes to leave—a 5% to 10% drop in global stock markets and steep losses for the pound.

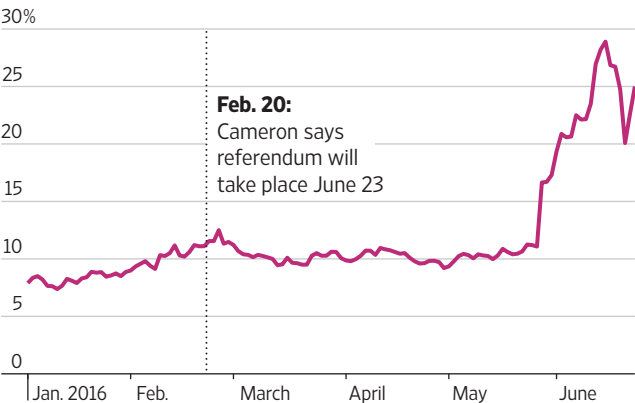
An exit vote would also toss British politics into near-immediate mayhem. Mr. Cameron has campaigned against an exit for months, and while he says he will stay on if his country chooses one, many analysts say his position would be untenable.

Practically, he could resign or be removed as party leader by his own lawmakers in a no-confidence vote. That would trigger a bitter contest to re-

Volatile Reaction

Investors say that a vote in favor of Britain's leaving the EU could result in steep losses for the pound.

Implied volatility on one-month pound dollar options contracts



*Through 7 p.m. BST Wednesday
Source: Thomson Reuters

THE WALL STREET JOURNAL.

Countdown | A guide to the vote

◆ Polls are open Thursday from 7 a.m. to 10 p.m. U.K. time, with no public exit polls expected.

◆ From around 11 p.m., the counting offices will begin to release estimates of the percentage of registered voters that cast a ballot.

◆ Around 12:30 a.m., the first results are expected to start being announced. The first area likely to declare results is

Sunderland, a city in northern England.

◆ There may be a good indication of which way the referendum is going by about 4:30 a.m., when about three quarters of results are expected.

◆ The result is expected to be formally declared between around 7 a.m. and 9 a.m. (around 2 a.m. and 4 a.m. New York time) Friday.

place him—a process that would take months. Mr. Cameron could stay on until a new leader is chosen. There might even be a new general election: British law prescribes one every five years, and the next is due in 2020. But a supermajority of Parliament could force one sooner.

Against the backdrop of politics, the epicenter of the market reaction on Friday will be the pound, which analysts forecast would fall sharply against the dollar.

But European stock markets stand to lose as much, investors say. UBS Group AG and Deutsche Bank AG this week forecast double-digit losses for European equities in the short term on an out vote.

Investors are particularly

concerned about countries such as Ireland, a large U.K. trading partner, and the fragile economies of Spain, Portugal and Italy.

"When people first started talking about this, it was parochial discussion about how will this affect the U.K., but increasingly people are realizing that this could have very serious and important ramifications for Europe," said Peter Westaway, an economist at Vanguard Asset Management.

While some investors expect the initial shock reaction to be short-lived, others think it could trigger longer-term losses if it emboldens euro-skeptical groups across the Continent, or punctures a delicate global recovery.

You could have "Europe a la

WORLD NEWS

Israel Revives Ottoman Railroad

Bid to boost commerce with Arab neighbors gets a frosty official reception

By Orr Hirschauge
And Rory Jones

JEZREEL VALLEY, Israel—More than a hundred years ago, the Ottoman Empire built a railway line that shuttled goods on steam locomotives from the Mediterranean Sea to the souks of Damascus and the Saudi holy city of Medina.

Now Israel is poised to open new tracks tracing the old line between the port of Haifa and a terminal 5 miles short of the Jordanian border, in a bid to boost moribund commerce with the country's Arab neighbors. But they have officially given the project a frosty reception, hampering its prospects even as trade flourishes along the route.

The former Hejaz Railway connected the area that is now Israel with the Arab world further east, running through territory now riven by Middle East borders. After the establishment of Israel in 1948, it was dismantled and regional trade was blunted by a series of Arab-Israeli wars.

"We always thought that this line symbolizes peace with the region," said Ilan Rozenfeld, the project director for the new 40-mile railway line, as he rode in an electric train carriage through the fertile green plains of the Jezreel Valley southwest of the Sea of Galilee. "We have been waiting for a long time."

The new line, built at a cost of roughly \$1 billion and set to open in October, holds some promise, Israel's transportation ministry says. Trade through Israel via road has increased in recent years as shipping companies have avoided Syria, where war has



Israel's Jezreel railway line runs from the port of Haifa to close to the Jordanian border. Further connections haven't been secured.

been raging since 2011, Israeli and Jordanian officials and shipping companies say.

Cargo handled at the Sheikh Hussein border crossing between Israel and Jordan increased 65% between 2010 and 2015, and the number of cargo and containers trucks using the route nearly quadrupled in that time, according to the Israeli Airports Authority.

More firms have been bringing boats into Haifa bearing containers and trucks that then travel by road to Jordan and on to Saudi Arabia, Iraq and the Gulf, carrying Spanish oranges, Jordanian textiles and car parts from Europe.

On a recent morning at Haifa port, Turkish driver Nazem Mohammed unloaded his truck from a ship that had come from Mersin in Turkey. He used to drive through Syria to get his vegetables and fruits to Jordan's capital, Amman. Now he has to either go by sea via the Suez Canal to deliver goods to Saudi Arabia, or overland through Israel to Jordan.

The Israeli route "is the



Source: Netiv Israel - National Transport Infrastructure Company
THE WALL STREET JOURNAL.

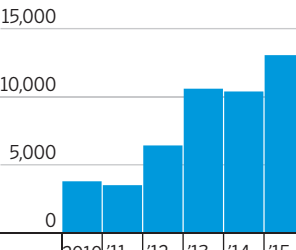
best way for business" as it is cheaper and takes less time, said Mr. Mohammed, a 20-year veteran trucker. "This makes it a promising route."

Yet development of the trade route is hampered by competing economic and political interests, underscoring the obstacles Israel faces to become a regional gateway.

Israel's Transportation Minister Yisrael Katz said a proposal has been discussed with Jordan's King Abdullah II and

Burgeoning Trade

Trucks and containers handled at the Israel-Jordan border



Source: The Israel Airports Authority
THE WALL STREET JOURNAL.

Jordanian officials to eventually connect the new railway line to a network in Jordan, which could then link with railways Saudi Arabia plans to develop. Such ties would truly revive the Hejaz Railway, which opened in 1908.

But the prospect of getting any goods out of Israel on the railway still appears highly uncertain, at least in the near term. Arab officials are reticent to publicly discuss ties with Israel, including trans-

portation issues, for fear of alienating their pro-Palestinian public.

"There is nothing that I've heard about a railway project to connect Israel and Jordan," said Ayman Hatahet, who was Jordan's minister of transportation until recently. Attempts to reach his successor, part of a new Jordanian government sworn in earlier this month, were unsuccessful.

Transferring Turkish exports via Israel on rail or road is impossible to Arab countries with which Israel doesn't have diplomatic relations, such as Saudi Arabia, Mr. Hatahet said. Saudi Arabia's foreign ministry didn't respond to requests for comment.

Informal relations with Saudi Arabia and Gulf countries are handled under the table, "but it is clear that the cargo flows," Mr. Katz said. "We are a gateway to the East."

—Suha Ma'ayeh in Amman, Jordan, and Abubakr Rashid in Gaza contributed to this article.

Spain Tries a Second Time to Elect a New Government

By Matt Moffett

MADRID—As Spain girds for its second national election in just over six months, the campaign logo for the front-running Popular Party has attracted attention for what it doesn't feature—any reference to its standard-bearer, Prime Minister Mariano Rajoy.

Popular Party officials say the simple logo bearing the party initials and the slogan "A Favor," (In Favor), reflects their choice of an austere campaign, not an effort to deflect attention from Mr. Rajoy, whose image has been hammered by high unemployment and corruption scandals.

Still, his low profile is revealing in an election whose main question isn't whether his party will obtain the most votes Sunday, but whether Mr. Rajoy will be able to form a government with opposition leaders who consider him anathema.

In December, the Popular Party outpolled three other major parties, but politicians spent the next five months an-

grily bickering and failed to line up behind any one leader. A second vote in which no party reaches the threshold to govern outright could mean another stalemate and the outside chance of a third round of elections.

The Popular Party's conservative base of largely older voters, which views it as a guarantor of stability, has again helped it maintain its lead ahead of the vote with 29%, according to a poll published last weekend by the Metroscopia agency.

Running next with 26% is an alliance between far left parties Podemos and United Left. The establishment Socialist Party's fall to third place, with 20.5%, has been a jolt in a system in which the Socialists and Popular Party have alternated power for 40 years. In the rear is the centrist Ciudadanos party with 14.5%.

Mr. Rajoy has campaigned as a steady hand who pulled Spain's economy from the brink of collapse in 2012 to make it the fastest-growing among major eurozone coun-



Acting Prime Minister Rajoy campaigned on Wednesday in La Puebla de Montalbán, near Madrid.

tries. Spain's gross domestic product is set to expand by more than 2.5% this year. Unemployment has declined to 21% from about 27% in 2013.

But critics say Mr. Rajoy has tolerated corruption within the Popular Party, including a mas-

sive party financing scandal. Mr. Rajoy has said he had no involvement.

One thing Mr. Rajoy has going for him is the rise of the far left, which has awakened his conservative base by highlighting fears of political and

economic instability.

The alliance, dubbed Unidos Podemos, or United We Can, has vaulted ahead of the 137-year-old Socialist Party thanks to its message of change and its youthful candidates who are savvy in social-media, said

Ms. Martínez-Bascañán.

While Socialist leader Pedro Sánchez has campaigned door-to-door and at public rallies, she noted, Podemos leader Pablo Iglesias has depended more upon television, Twitter and WhatsApp to mobilize supporters.

Mr. Rajoy continues to face a chilly response to his idea for a post-electoral "grand coalition" with the Socialists and Ciudadanos, with himself as prime minister.

There is widespread sentiment among voters that Mr. Rajoy is expendable.

The Metroscopia polling agency found that some 74% of voters nationally—and 57% of those favoring the Popular Party itself—said they would support dumping Mr. Rajoy if it were the only way to end Spain's months adrift without a government.

One reason is that voters have no appetite for another election, said Carlos Flores Juberías, a legal and political analyst at the University of Valencia. "A third round would be unthinkable," he said.

Colombia, Rebels Agree on Cease-Fire

By Juan Forero

BOGOTÁ, Colombia—Guerilla commanders and President Juan Manuel Santos's government announced Wednesday they had reached an agreement on a definitive cease-fire that would end hostilities in one of the world's oldest conflicts.

The two sides, which have been negotiating in Cuba since November 2012, said in a statement that they had also agreed to the disarmament of 7,000 guerrillas fighters and a security plan to protect demobilized rebels, who have long feared being targeted by regional warlords upon laying down their weapons.

People familiar with the talks say the agreement, while not a final peace accord, means the two sides have agreed to end a conflict that began in 1964 when the Revolutionary Armed Forces of Colombia, or FARC, was founded as a peasant movement in the

mountains of Tolima province.

"Wars have costs, and they cost a lot," Mr. Santos said in an event on Tuesday, talking about the end of the conflict here. "Wars are always more costly than peace."

A top rebel negotiator, Luis Antonio Losada, better known by the nom de guerre Carlos Antonio Lozada, said the "last

day of war means the end of the horrible night of violence that we've lived through over so many decades."

He said with peace on the horizon, people would soon be "sowing the seeds for a new day full of hope for generations of Colombians who will remember this as something that should never be repeated

in our history as a nation."

Details of the agreement were to be announced Thursday in an event in Havana to be attended by United Nations General Secretary Ban Ki-Moon and the leaders of several Latin American countries, including Cuba, Chile and Venezuela, all of which helped shepherd talks between Colombian government negotiators and the FARC. The U.S. delegation will be led by diplomat Bernie Aronson, who has made more than 20 trips to Havana to serve as a mediator between the two sides.

The agreement comes at a difficult time for Mr. Santos, a former columnist and economist who won reelection in 2014 on a pledge of bringing peace but has lost public support as the talks dragged on.

Once a final peace accord is signed—expected in weeks—he will have to marshal the backing of Colombians, who will vote on whether they support the deal as negotiated.

Brazil Speaker Faces More Charges

SÃO PAULO—Brazil's Supreme Court agreed to add more criminal charges to those already leveled at suspended House Speaker Eduardo Cunha in connection with a sprawling corruption investigation centered on state oil company Petrobrás.

The court ruled on Wednesday there is sufficient evidence to try Mr. Cunha for allegedly taking more than 5 million Brazilian reais (\$1.5 million) in bribes from a lobbyist and hiding it in Swiss bank accounts.

Mr. Cunha is accused of accepting kickbacks in connection with Petrobras's 2011 purchase of a petroleum exploration block in the West African country of Benin for \$34.5 million. He denies wrongdoing.

Separately, Brazil's federal government said late Tuesday it would bail out the state of Rio de Janeiro with 2.9 billion reais (\$849 million) as it struggles with a fiscal crisis less than two months before the Olympic Games.

—Luciana Magalhaes



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FROM PAGE ONE

DRUGS

Continued from Page One
overdose deaths. In April, Prince died of a fentanyl overdose; it isn't known if he had a prescription.

The cargo seized by the Chinese last year was destined for Mexico, where U.S. officials say cartels repackaged the drug and smuggle it into the U.S. Some Mexican traffickers have also ordered chemical ingredients from China and used them to manufacture fentanyl in their own clandestine labs for export to the U.S. Documents from a case resulting in a guilty plea in federal court in Illinois last year show that one Mexican lab ordered fentanyl ingredients from a Chinese company in the southern port city of Xiamen.

Fentanyl and its analogs are also being purchased online by small-time traffickers in the U.S. and Canada, law-enforcement officials say. Alleged sellers have recently been charged in Texas, Connecticut and North Dakota.

Whether the drug or its building blocks travel through Mexico or directly to the U.S. or Canada, the "primary source" is China, according to the internal DEA briefing.

Pill presses

China's sprawling chemicals industry has helped foster this booming trade. So has spotty regulation in China and beyond. While U.S. law limits and monitors trade in key ingredients used to make fentanyl, the chemicals are unregulated in China or by United Nations conventions that police the global drug trade. U.S. law requires that any import or export of pill presses be for "legitimate uses" and reported to the DEA, but China and Canada's federal government don't regulate their trade. These gaps allow some traffickers in the Americas easier access to materials that help them set up their own clandestine labs.

Canada's federal health department says it is now "actively looking into the issue of pill presses as part of a comprehensive approach" to combat opioid abuse.

China has long prohibited the nonmedical sale of fentanyl itself, and last fall, it added several analogs including acetyl fentanyl to a list of controlled narcotics. But U.S. officials say some Chinese companies continue to export illicit batches of these narcotics anyway. Others have begun shipping fentanyl analogs that aren't yet subject to regulation.

Hard-hit states are pressing Washington to crack down. In a letter to the State Department last month, Senator Pat Toomey (R., Pa.) urged officials to "apply additional pressure" on Beijing to step up regulation of drug variants, chemical ingredients and pill presses. "It's extremely lethal, we know where it's coming from, and I think we ought to be putting more pressure on the Chinese to do something about it," Sen. Toomey said in an interview.

In its reply to the senator, the State Department said it is encouraging China to "support an international response to controlling these dangerous substances and broaden its voluntary cooperation until formal controls can be put in place."

Inside China, authorities have long sought to control domestic narcotics use. The Communist



REUTERS/DEA (BILL)

U.S. officials say the vast size of China's chemical industry and lax regulation make it difficult to control fentanyl production.

Party in particular is mindful of widespread opium addiction in China in the 19th century, fueled by trade from British colonies that culminated in the Opium Wars and the weakening of the Qing Dynasty. Fentanyl, by contrast, hasn't gained a significant foothold among Chinese addicts, meaning authorities may have less incentive to control the illicit trade to the West, according to U.S. officials.

During a meeting about narcotics at United Nations headquarters in New York this spring, one Chinese official emphasized the need for other countries to curb demand. Liu Yuejin, deputy commissioner of China's National Narcotics Control Commission and vice-minister for public security, said nations that consume illicit narcotics are "not justified in requiring only drug-producing countries to counter the manufacture of drugs; they must also address the consumption market," according to a U.N. summary of the meeting.

Opioid addiction in the U.S. has reached what public-health officials call crisis levels, spurred by widespread prescribing of legal but addictive pain medications beginning in the 1990s. Many people who became hooked on pain pills later turned to heroin and other illicit opioids. Today, the fentanyl that



Pills containing fentanyl led to a rash of deaths in Northern California.

makes its way into addicts' hands is often not from a prescription, but from drug dealers.

Because fentanyl is so potent, it is particularly lethal when abused at high doses. Its potency is part of the reason traffickers sell it or add it to other drugs—the strong high keeps buyers coming back for more, law-enforcement officials say. It can also be far more profitable for drug cartels and distributors than heroin.

The DEA report warns in particular about a flood of counterfeit pills hitting the U.S., which resemble legal medications but actually contain fentanyl. Often, black-market buyers of these drugs aren't aware they are getting fentanyl, law-enforcement officials say.

This spring, counterfeit pills containing fentanyl that looked like prescription hydrocodone were linked to a cluster of 53 overdoses that killed 13 people in Northern California. Early this year, fentanyl-laced counterfeits made to resemble Xanax, the antianxiety medication, killed three people in Pinellas County, Fla., and were "strongly suspected" of causing six additional deaths, according to the county sheriff's office.

Pill presses from China, meanwhile, are cropping up all over the U.S. Chinese shippers often label them as other goods or break them into pieces to try to evade U.S. regulation, according to Rusty Payne, a DEA spokesman.

This spring, federal agents in Memphis seized multiple shipments from China of fentanyl and two analogs—acetyl fentanyl and butyryl fentanyl—along with pill presses that were "mis-labeled" as other goods, according to the internal DEA briefing.

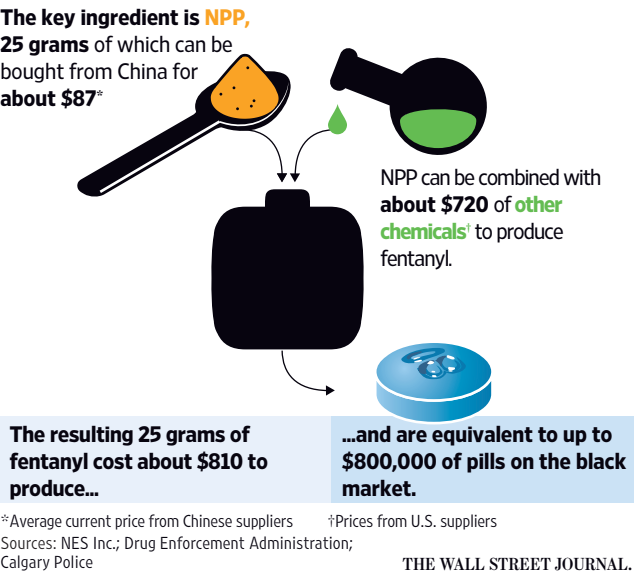
And in March, four men in the Los Angeles area were charged with participating in a ring that sold acetyl fentanyl and imported chemicals and equipment from China. Agents seized pill presses and 13 kilograms of the drug from a clandestine lab allegedly run by the men, according to the Justice Department, which said the defendants pleaded not guilty. One defendant imported a pill press from Capsulcn International Co. Ltd., a company in Zhejiang, a Chinese province south of Shanghai, according to court documents.

The 235 kilogram pill press arrived at Los Angeles International Airport with a label declaring it a "hole puncher," according to court documents.

Capsulcn's English-language website says the firm was established in 1993 as a "professional pharmaceutical machinery company." In a written statement, Capsulcn said it was unaware of the allegations included in the U.S. court documents. It said it couldn't determine why the pill

Criminal Chemistry

Traffickers manufacturing fentanyl often purchase the key ingredient from China, which doesn't regulate its sale. Here's how the chemical building blocks become a highly profitable street drug.



press was labeled as a hole puncher but added some of the equipment it sells has multiple uses.

The statement said Chinese companies increasingly faced discrimination in the U.S. and elsewhere, and exporters couldn't be expected to understand import restrictions for every country they sold to.

Huang Huangao, general manager of Zhejiang Wisely Machinery Co., Ltd., which was previously the parent company of Capsulcn and remains a supplier of pill presses and other equipment, said in an interview that he believed it was up to local governments to supervise how the equipment is used.

"We have no way of knowing what the buyers will do when using our equipment," he said. "You can't blame the knife factory if someone uses the knife to kill a person."

To try to evade detection, some U.S. buyers are using encrypted networks to place orders from China, according to law-enforcement officials. In Connecticut last month, nine people were charged with distributing fentanyl. Prosecutors alleged that one defendant ordered the drug over the "darknet"—a restricted corner of the internet accessible only through encrypted software—and that the fentanyl was shipped from China.

Investigators at an interna-

tional mail-sorting center in New York subsequently identified two parcels from China that were addressed to a suspected relative of one defendant, according to a DEA officer's testimony in court documents.

Mexico has also become a major nexus in the U.S. fentanyl trade, as traffickers increasingly procure the drug or its precursors from China, DEA officials say. Authorities got an early glimpse of the problem in 2006, when they traced a fentanyl crisis in Chicago to a clandestine lab near Toluca, Mexico.

One of the lab's operators, Ricardo Valdez-Torres, pleaded guilty last year in Illinois federal court to a charge of manufacturing fentanyl for unlawful export to the U.S. According to court documents, he told investigators he bought a key chemical ingredient from a Chinese company called Kinbester. An email investigators found at the lab contained a price quote for the chemical from Kinbester Co. Ltd., based in the southern Chinese port city of Xiamen. The quote offered 30 kilograms of the chemical, known by the acronym NPP, for \$250 per kilogram.

Through his lawyer, Mr. Valdez-Torres didn't respond to requests for comment.

It wasn't illegal for Kinbester to sell that chemical at the time—and still isn't. Many im-

portant fentanyl precursors such as NPP aren't controlled in China and can be easily bought and sold on the market, according to Chinese law and Western officials and Chinese executives familiar with the matter. Likewise, there are no U.N. conventions that regulate or ban trade in the chemical ingredients used to make fentanyl.

Don't ask

Kinbester's owner, Wu Jinjun, said in an interview the company doesn't produce the chemicals itself, but rather procures them from others on behalf of clients. He said he doesn't know why people buy products such as NPP, adding that his company usually avoids selling precursor chemicals that require special government clearances.

"We never ask our clients of their purposes for buying the products," he said.

Several chemists and U.S. government officials say they are aware of only one use for NPP. "If you're buying the NPP, it would be anticipated you're making fentanyl," said Brian Escamilla, a forensic chemist with NES Inc. in Folsom, Calif., who trains law-enforcement officers how to deal with clandestine drug labs.

Regarding NPP sales in Mexico, Mr. Wu said a Mexican buyer contacted Kinbester via email in late 2005. Eventually Kinbester sold 10 kilograms of NPP to the client, he said, adding that the transaction was a one-off, and that most of Kinbester's overseas clients were in Japan or the U.S.

After law enforcement shut down Mr. Valdez-Torres's lab, the U.S. began regulating NPP under the Controlled Substances Act. The DEA made NPP a "list I chemical" under the act, which requires any U.S. entity manufacturing, distributing, importing or exporting the chemical to register with the DEA and report specific transactions. The agency also started regulating ANPP, another chemical used to make fentanyl.

The regulation had no effect on China, drug-trafficking experts say. Mexico does regulate fentanyl production and the import of fentanyl precursors, but officials there say their work is complicated by false labeling of cargo and constantly evolving strategies used by traffickers. One Mexican official said the government was hesitant to press China too aggressively on the fentanyl trade as leaders there seek greater Chinese investment to boost the Mexican economy.

Recent DEA intelligence has identified fentanyl production labs in the Mexican states of Colima, Nayarit and Guerrero, all located near the country's Pacific coast, according to a law-enforcement official.

United Nations treaties regulate global trade of specific chemicals and narcotics, and over the years have focused on controlling precursors used to make such drugs as methamphetamines, heroin, cocaine and LSD. But so far no fentanyl precursors are listed in those conventions. Barbara Remberg, senior technical adviser at the International Narcotics Control Board, a body in Vienna established by a U.N. convention to help enforce drug-control treaties, says fentanyl is "something we are planning to look into," though any action "would take some time."

—Dudley Althaus
and Kersten Zhang
contributed to this article.

CREDIT

Continued from Page One
the wake of the crisis. An increase in more-creditworthy borrowers could allow them to increase lending without lowering standards. Banks are desperate for revenue growth since the same superlow rates helping borrowers are also squeezing their own profits.

"It will have a positive impact on loan volume, loan growth and revenue," Morgan Whitacre, a consumer client underwriting executive at Bank of America Corp., said. Credit-card and auto lending would be the first areas to benefit.

This, in turn, could bolster consumer spending and the U.S. economy. As more people gain access to credit, consumer spending in the short term should rise, said Rob Martin, U.S. economist at Barclays PLC. "It frees people from having to spend only the cash they have on hand," he said.

"It's good for the economy in the sense that there's a lot less risk in the credit that's ex-

tended," he added.

In some ways, the improvement is natural as the housing downturn and financial crisis fade further into the past. After a set number of years, foreclosures or missed debt payments drop off consumers' credit reports, helping increase their scores and expanding their access to financing. This is particularly true for subprime borrowers, or those whose FICO credit scores range from 300 to 599 on a scale that tops out at 850.

There are other factors at work: The economy has recovered since the financial crisis and the unemployment rate, at 4.7%, is less than half of its late-2009 peak. Wage growth of around 2% isn't as high as the Federal Reserve would like, but it is still providing consumers with more firepower.

Superlow interest rates have played a big role. Monthly debt-service payments accounted for 10.07% of households' disposable personal income at the end of last year, down from a peak of 13.21% at the end of 2007, according to Fed data. Low interest rates,

Scorecard

Subprime consumers as a percentage of all those with FICO scores



which have lessened required monthly payments for many borrowers, have helped bring this figure down.

Many borrowers have also been paying down credit-card debt, a move that can help increase their credit scores. Martha Souder, an administrative assistant in Silver Spring, Md., says she currently has a credit

score of about 712. That is up sharply from around 545 in 2012, when she had roughly \$50,000 in debt spread between 25 to 30 credit cards, many of which were maxed out.

"I have suffered a really long time, and it was a crushing burden," she said. Her goal is to buy a house in coming years.

Meanwhile, as credit scores are rising, defaults are near record lows. Some 0.81% of consumer-loan dollars—including mortgages, auto loans and general-purpose credit cards—were in default as of May, the lowest level in records going back to 2004, according to the S&P/Experian Consumer Credit Default Composite Index. This is down from 0.88% a year ago and a peak of 5.51% in May 2009. Much of that improvement is due to plummeting mortgage defaults in recent years.

"People are putting those delinquencies further and further in the rearview mirror," said Ethan Dornhelm, senior director of scores and analytics at FICO.

Borrowers also are managing their debt more responsibly, with fewer incidences of defaults and collections. Some 11.8% of borrowers were 90 days or more past due on at least one debt obligation during the 12 months through April, down from 13.3% during the 12 months through October 2013, according to FICO.

Already, consumers are

starting to borrow more again. Auto-loan balances surpassed \$1 trillion for the first time ever this year, according to credit-reporting firm Experian. Credit-card debt is on pace to hit \$1 trillion this year. Student-loan debt continues to swell.

That does raise some concerns. J.P. Morgan Chase & Co. chief James Dimon earlier this month called the auto-lending market "a little stretched." And Synchrony Financial, the largest U.S. retail-store card issuer by purchase volume and balances, recently increased its forecast for credit losses for the next 12 months. Separately, May marked the fifth consecutive month of higher defaults for general-purpose credit cards.

Still, consumer-loan default levels remain at historically low levels. In addition, household balance sheets have gone through years of postcrisis repair. U.S. household debt was equal to 102% of disposable income at the end of the first quarter, Fed data show, down markedly from a peak of about 130% in late 2007.

OPINION

A Trump-Ryan Condominium



WONDER LAND
By Daniel Henninger

“A Condominium envisions the joint exercise of sovereignty over a single piece of territory, often arising when two sovereigns cannot agree on the boundary between two territories which each controls alone.”

—UCLA JOURNAL OF INTERNATIONAL LAW

The Republican presidential campaign is locked up because two sovereigns cannot agree.

Let us first hear from Paul Ryan, the sovereign known as the Speaker of the U.S. House of Representatives, on the subject of voting for what he called “a very unique nominee”: “The last thing I would do is tell anybody to do something that’s contrary to their conscience.”

Standing opposite on the Republican battlefield is Donald J. Trump, presumptive nominee of the GOP. Of the Ryan conscience alliance he says: “You know, the Republicans, honestly folks, our leaders, our leaders have to get tougher. This is too tough to do it alone. But you know what, I think I’m going to be forced to. I think I am going to be forced to.”

Consider the balance of forces between these two.

Paul Ryan leads a Republican House delegation that represents 247 congressional districts across the U.S. These men and women embody millions of individual voters.

Donald Trump, as he often notes, accumulated about 14 million votes from Republicans and independents in the presidential primaries.

One hesitates to call this a Mexican standoff. Still, no truer axiom exists today than that these two political bastions, the house of Ryan and the family of Trump, must hang together or they will hang separately.

Running by himself, as he is now, Mr. Trump is surely headed for the cliff. Landing atop him in historic ignominy will be Republican control of Congress.

The moment has come for a Trump-Ryan condominium.

The basis for the deal is lying in plain sight. It is the elements of Mr. Ryan’s House Republican policy agenda on the economy, taxes, energy, national security, health care and, yes, poverty.

Let us be clear about the current baseline: Donald Trump *cannot win* with what he’s doing now—running on little money and less policy.

Indeed, Mr. Trump’s substantive tank has run so low that as far as I can tell, he hasn’t mentioned “the wall” in about a week. The wall helped get him to this point, but it won’t be enough to get him to Pennsylvania Avenue.

He needs more to run on, and he needs it fast, before the Cleveland convention and its growing delegate rebellion.

The Ryan House agenda, “A Better Way,” is complete, published in short and long versions, and is the explicit consensus of the Republican Party,

the party Mr. Trump promised to unify.

The House agenda is the Trump Rosetta Stone. It is an off-the-shelf template for getting through the next five months. It is a way for the party’s nominee and its stressed-out candidates to sing from the same hymnal rather than threaten to stab each other in the back.

These two sovereigns can hang together or they surely are going to hang separately.

If Donald Trump doesn’t like the House sections on free trade, he doesn’t have to sing those parts. At least 90% of the ideas—which many House Republicans worked on, argued over and produced—would be common ground between them and Mr. Trump.

We’ll elaborate on just one element, which could cause anxiety among Democrats—poverty.

It’s long been thought that any Republican who could pull more than 15% of the black vote would put his Democratic opponent on thin ice. Black Americans, especially younger black Democrats, are disaffected. The Obama economy has been harder on them than on anyone.

The Ryan-House poverty proposal is about one idea: upward mobility, about not getting stuck for generations in the same welfare dead end.

Donald Trump should deliver the Trumpian version of the House’s ideas on getting ahead to black voters in tough states. That’s what Chris Christie did in New Jersey and Bruce Rauner did in Illinois—and what Mitt Romney did not do in 2012.

There is also a crude case for a Trump-Ryan peace agreement: It can be the basis for fundraising. Big contributors aren’t losers. They got on the donor A-list because they succeeded at something in private life. Those people won’t give money without some concrete idea of what the Trump game plan is.

Absent a common policy agenda to normalize fundraising, these donors will transfer their money to a parallel Republican campaign to save the Senate or the House. They will let Mr. Trump sink, which he will without party support.

Donald Trump says he’ll rely on the Republican National Committee’s in-state campaign machinery. But the operations that those states and Reince Priebus created for 2016 are all treading water. Volunteers in a Virginia, Ohio, Florida or Colorado need something to talk about on doorsteps beyond stop Hillary and make America great again. The House Republican agenda is already printed up, with bullet points.

The Trump-Ryan condominium would finally put a GOP presidential campaign in forward motion. At least half the country’s voters think that moment is overdue.

Write to henninger@wsj.com

BOOKSHELF | By Matthew Rees

How to Win Like Michael Phelps

The Golden Rules

By Bob Bowman

(*St. Martin’s*, 270 pages, \$26.99)

Next week, swimmer Michael Phelps will be competing in the U.S. Olympic Trials, where he is likely to qualify for Team USA in multiple events. Regardless of how he performs there and in the Rio Olympics, his legacy is intact: Having won more gold medals than any athlete in any sport, and established individual world records 29 times, he is the most accomplished swimmer in history.

How did he do it? Some point to genetics, noting that he is 6-foot-4 with the torso of someone 6-foot-8 and also benefits from long arms, big hands and freakishly flexible ankles that turn his size 14 feet into human fins. While these features enable him to slice through the water with extraordinary speed and efficiency, aquatic achievement is not dictated by body type alone.

Like elite athletes in every sport, swimmers need a coach who can lead them through the mind-numbing routines that are designed to produce superior performance: the punishing twice-a-day practices, the grueling “dryland” workouts, and the marathon meets (eight consecutive days in the case of the Olympics). Swimmers tend to cycle through coaches as they transition from clubs to high school, college and beyond. Mr. Phelps, by contrast, has had the same coach since he was 11. In 2000, at age 15, he made the Olympic team, the youngest male swimmer to do so since 1932. His coach, Bob Bowman, was critical to this early progress, Mr. Phelps believes, and to the success that followed. Their journey together, guiding Mr. Phelps to the apex of the athletic world, is the story at the heart of Mr. Bowman’s “The Golden Rules: 10 Steps to World-Class Excellence in Your Life and Work.”

The 10 steps or rules prescribed by Mr. Bowman are, to be sure, pretty conventional: dream big, think positive, take risks, stay motivated, among others. While he applies them all to Mr. Phelps, he says that his “system works out of the pool as well as it does in the pool.” In “The Golden Rules,” swimming acts as an emblem for the hard work that all of us must do—even corporate managers. In an aside on developing talent, Mr. Bowman takes aim at performance reviews that reach back six months or a year. “If a manager waits that long to tell an employee what she did right or wrong,” he writes, “then *he* should be worried about his job.”

Bowman once cracked the swimmer’s goggles before a race to see how he would cope. At the 2008 Olympics, he won gold with leaky goggles.

One of Mr. Bowman’s rules is that “adversity will make you stronger.” To illustrate the point he recounts how he once secretly cracked Mr. Phelps’s goggles before a routine race, to see how he would respond to the challenge. He fared just fine, and it was a useful lesson. Fast forward to the finals of the 200-meter butterfly at the 2008 Olympics. Soon after the start, water began seeping into Mr. Phelps’s goggles, and by the race’s midpoint he could barely see. Unflustered, he broke his own world record. “Successful people,” writes Mr. Bowman, “are much better when they regularly have that kind of ‘performance pressure’ placed on them.”

Another one of Mr. Bowman’s rules is to “live the vision every day” and even to consider accelerating the time frame for reaching a goal. Mr. Phelps practiced seven days a week and missed just five practices in the first 10 years they worked together, enabling him to make the Olympics four years earlier than expected. With an early January meet looming one year, he and Mr. Bowman worked out on Christmas Day, a routine that continued for six years. But success is not solely predicated on practicing for the mythical 10,000 hours. The quality of practice is as important, and Mr. Bowman describes how every one of Mr. Phelps’s workouts had a specific purpose—with Mr. Bowman doing a lot of yelling at Mr. Phelps along the way.

The never-ending cycle of practices can lead to burnout—many elite swimmers avoid the pool once they’ve finished competing. It’s not hard to see why. In swimming, as in other disciplines, progress is a byproduct of grind, not glamour. (As swimmers say, referring to the markings at the bottom of the pool, “We are slaves to the black line.”) To fulfill another of Mr. Bowman’s rules—“stay motivated over the long haul”—he suggests finding a hobby that takes the mind and body away from life’s dominant task. For Mr. Bowman, it’s thoroughbreds. For Mr. Phelps, it’s golf. “MP lets distance from his passion recharge his passion,” writes Mr. Bowman, “and so should you.”

There are some curious omissions in “The Golden Rules.” In his “take risks” section, Mr. Bowman could have described the tinkering that helped Mr. Phelps reach his Olympic heights: employing a powerful underwater dolphin kick (now known as the “fifth stroke”) while staying submerged for close to 15 meters after pushing off the wall. Similarly, he doesn’t focus on Mr. Phelps’s failure to stay motivated after achieving success. Mr. Phelps has admitted that he lost interest in swimming after his eight-medal haul in 2008, leading to some titanic struggles with Mr. Bowman in the run-up to the 2012 London Olympics. (In 2014 he pleaded guilty to driving under the influence and checked into a treatment facility.) But Mr. Bowman does own up to what he has learned from his own mistakes, such as his 2008 acquisition of the swim club where Mr. Phelps trained. In his first year of ownership the club lost \$350,000. He blames his own lack of preparation. By 2014 the club was in the black, he says, if barely.

It is safe to say that Mr. Phelps won’t lack for preparation as he heads into this year’s Olympics. If he wins more gold, he can happily follow Mr. Bowman’s final rule—“celebrate your achievement”—and if he doesn’t, he can remember his coach’s more sober instruction: always “take something from failure.” That rule in particular is one we non-Olympians might do well to remember too.

Mr. Rees is the president of Geonomica, a speechwriting firm in McLean, Va., and a contributing editor at the swimming magazine SwimSwam.

Defeating ISIS on the Digital Battlefield

By R. James Woolsey
And Chip Register

Clearly, the U.S. and its allies can and should meet Islamic State on the battlefield, whether in Syria or Iraq. But the war with the ISIS “virtual state”—those the terrorist organization in-spires over the internet, like Omar Mateen in Orlando—will be much harder to fight and will go on long after ISIS ground forces are driven into mountains and caves.

This virtual phase of the war is going to require a massive intelligence effort based on a deep capability to look into real-time human behavior in the digital world: what people are saying on social media, what people are browsing on the web, where people go, what they buy, who they chat with. Only through a significant investment in monitoring the digital fingerprints of all of us will we be able to identify patterns of behavior in

real time that identify threats before they materialize.

In the past decade, we’ve seen rapid development in the breadth and sophistication of social media and the “dark web” that enables terrorists to go undetected. But there have been similar advancements in data collection and analysis that let us find bad actors before they strike.

The world creates 2.5 quintillion bytes of data every day; 90% of all data existing on the planet is less than 24 months old. That’s a big area in which to hide if you’re a bad actor. To find them, we will need intelligent computers to chase them through the digital landscape.

Winning this phase of the war, and keeping people safe every day as they go about their lives, will entail winning a technological space race. “Moving at the pace of government” won’t ensure our individual and collective security. We need a more

formalized public-private partnership with the focus of the Manhattan Project and the funding of the Mercury and Apollo space programs to study the issue, map out capabilities, assign responsibilities, guide development and allocate resources. The critical success factor here will not be the amount of money spent, but speed, efficiency and effectiveness.

We also need a public-relations campaign with two primary objectives: to disrupt and delegitimize the message of ISIS both in the U.S. and abroad, and to restore confidence in our civic institutions as have a more productive discussion about the balance between data privacy and security in America.

The U.S. has competent, accountable and well-intentioned intelligence capabilities. We need to turn them loose on this threat using the latest in data science and ar-

tificial intelligence. Anyone who has worked in or near the U.S. intelligence community can attest to the fact that no one there is interested in “your damn emails,” to quote Sen. Bernie Sanders. Rather, they work 24/7 looking for threats that could manifest themselves as catastrophically as they did this month in Orlando.

The U.S. bombing campaign and eliminating ISIS strongholds in Iraq and Syria will hurt the terrorists’ cause substantially. But it won’t prevent another Orlando. We also have to attack the “virtual state” on the digital battlefield and de-grade its message and capability to influence the lone wolf, finance a cell or purchase a weapon of mass destruction.

Mr. Woolsey is chairman of the Foundation for Defense of Democracies’ Leadership Council and a former director of the CIA. Mr. Register is CEO of Sapient Consulting.

House Republicans Have a Better Idea

By Karl Rove

Donald Trump has already squandered six weeks by insulting a “Mexican” judge born in Indiana, offering conspiracy theories, and needlessly attacking defeated rivals. His fundraising is dismal and his staffing inadequate. All this comes at the expense of focused attention on his Democratic opponent. Now the presumptive Republican nominee has fired his campaign manager—a wise decision, but very late.

Meanwhile, the Republican House is methodically laying out a comprehensive agenda to spread prosperity, protect the nation, uphold the Constitution, reform health care, and—with its presentation Friday of a comprehensive tax-reform plan—create jobs, grow paychecks and boost the economy.

This agenda, dubbed “A Better Way: Our Vision for a Confident America,” is Speaker Paul Ryan’s brainchild, but the work of the entire Republican conference.

Mr. Ryan rolled out its first plank June 7 with an audacious reimagining of policies to help Americans rise out of poverty. The initiative would require those on welfare to seek work while providing them better access to job training and assistance. It would reform poverty-fighting programs to help people move from dependency on government to lives of inde-

pendence and personal responsibility.

Republicans followed the next day with a robust economic package, based on the premise that increasing prosperity requires expanding free enterprise and rewarding hard work. The plan aims to relieve the enormous regulatory burden on businesses; expand affordable, reliable

Meanwhile, Trump fires his campaign manager—a wise move but very late.

energy; curb lawsuit abuse and crony capitalism; limit Washington’s micromanagement of community banks and the financial decisions of ordinary Americans; and block government bailouts.

On June 9, Republicans issued a new national-security plan to protect the homeland, defeat radical Islamic extremism, and restore confidence among our allies and respect among our adversaries.

A plan followed to rein in executive overreach and strengthen accountability and transparency in Washington. Republicans would restore constitutional checks on spending and the budget—including by halting illegal executive-branch spending and overturning expensive new regulations pushed through

by lame-duck presidents.

Last week, the House GOP also released a detailed proposal to replace ObamaCare with a package of reforms centered on the patient and doctor. These include making health insurance portable so workers can take it from job to job, increasing the use of health savings accounts, permitting insurance sales across state lines, allowing small businesses and individuals to band together to get lower prices, expanding wellness programs and reforming medical liability.

On Friday, Republicans will add to their agenda a bold and provocative tax-reform package aimed at a simpler, flatter, fairer tax code that encourages jobs and growth while restoring the competitiveness of American companies.

The way that the tax reform package was drafted illustrates how the whole agenda came together. Building on the work of his two predecessors, Ways and Means Committee Chairman Kevin Brady of Texas held six meetings with the GOP conference over a number of months to hash out ideas. A task force solicited proposals from dozens of congressmen; reached out to job creators, free-market think tanks and center-right economists; and canvassed Republican lawmakers to ensure consensus.

If “A Better Way” has a shortcoming, it’s that it is large and sprawling, consisting

of dozens of proposals. But each plank of the agenda draws on principles congressional Republicans can use to tell Americans what they will do next year, regardless of who is president.

If Donald Trump occupies the Oval Office, Washington’s center of gravity will shift toward Congress, as industrious House and Senate Republicans drive the legislative agenda. If Hillary Clinton is president, “A Better Way” will give Republicans the intellectual ammunition to offer a competing vision that—if they retain majorities in Congress—may drive her toward cooperation.

Apart from its merits as policy, “A Better Way” demonstrates that there is much more to the modern Republican Party than Donald Trump. He casts a large, ominous shadow, but light can break through the pall. House Republicans are working hard to distinguish themselves and their party’s principles by presenting an agenda for the 21st century.

Their efforts are vital to the GOP’s success in November and may determine Mr. Trump’s political fortunes. The shame is that he’s making their work harder.

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

OPINION

REVIEW & OUTLOOK

Elon Musk’s Subsidy Aggregation

Elon Musk didn’t become a billionaire without brass, and this week he floated one of his most outrageous bets: an offer by his taxpayer-subsidized Tesla Motors to buy his taxpayer-subsidized SolarCity. Tesla shareholders and Wall Street analysts are howling, but didn’t they always know they were buying a business model that depended on the kindness of politicians?

The electric-car maker offered to acquire the solar panel company at a more than 20% premium over SolarCity’s previous share price in an all-stock transaction. “Tesla customers can drive clean cars and they can use our battery packs to help consume energy more efficiently,” the company said in a blog post, “but they still need access to the most sustainable energy source that’s available: the sun.”

The ostensible plan is to set up a one-stop shop so folks buying \$85,000 Teslas don’t have to walk across the street to buy solar panels, among other “synergies.” Mr. Musk predicted, with his typically modest ambition, that the merger will lead to a Tesla valuation of \$1 trillion, or about 34 times what it was Wednesday.

He may need one of his SpaceX rockets to get there. Tesla shares fell 10% Wednesday, or more than the \$2.8 billion value of SolarCity, as investors asked why one money-losing company would be better off buying another money-losing company. SolarCity was once a darling of the green energy set, but its shares have fallen more than 50% in the past year as its political advantage ebbs.

The company’s solar-panel leasing business grew rapidly thanks to federal tax credits and state “net metering” programs that underwrite installation and let companies hawk renewable power back to the grid at high prices. New York’s Governor Andrew Cuomo wrote a taxpayer check for \$750 million for a SolarCity plant in 2014.

But net metering has been exposed as a cronY-capitalist scheme that forces nonsolar

customers to subsidize their solar-using and often wealthier neighbors. Nevada recently capped its solar-metering handout. Hawaii has also changed its repayment structure, and others of the 40 or so states with programs may follow.

SolarCity is bleeding cash, and the suspicion is that Mr. Musk is engineering what amounts to a bailout by Tesla. The problem is that Tesla is also spending its available cash to develop its Model 3, which is billed as an electric car even the masses can afford. Tesla has an unusually high debt-to-equity ratio, and it isn’t obvious how adding another cash-needy company will increase value. Caveat shareholder.

Tesla’s cars have a devoted following, and its stock has had a brilliant run. But it isn’t clear how competitive it would be without taxpayer support: The car maker rakes in money—\$168 million in 2015, up from \$3 million in 2011—thanks to the racket known as state zero-emission vehicle credits. Tesla only produces electric cars, so it can sell its extra state-supplied credits to auto makers that don’t reach government fuel-efficiency standards.

Tesla’s \$5 billion Nevada battery plant received more than \$1 billion in breaks on property and sales taxes, along with discounts on electricity, and even a 30% federal credit for solar generation. Don’t forget President Obama’s \$7,500 federal tax credit for every electric-car buyer. That’s right, Uncle Sam pays the likes of Leonardo DiCaprio so they can flaunt their green virtue on the highway.

If Mr. Musk can make a market success of electric cars and lithium-ion batteries, he’ll have served customers and earned his billions. But so far Tesla looks more like a classic of the reverse income redistribution of green crony capitalism, in which middle-class taxpayers subsidize billionaires who make products to satisfy the anti-fossil-fuel indulgences of the upper classes. That Mr. Musk is reshuffling his Tesla balance sheet to subsidize his own solar venture is a sign that this may not be a sustainable business model.

The billionaire tries to integrate his taxpayer-backed business model.

A judge he appointed rebukes an anti-drilling regulation as lawless.

stitution’s separation of powers.

Under the BLM argument, Judge Skavdahl writes, “there would be no limit to the scope or extent of congressionally delegated authority BLM has. . . . Having explicitly removed the only source of specific federal agency authority over fracking, it defies common sense for the BLM to argue that Congress intended to allow it to regulate the same activity under a general statute that says nothing about hydraulic fracturing.”

Judge Skavdahl also rebukes the administrative agencies that “increasingly” rely “on *Chevron* deference to stretch the outer limits of ‘delegated’ statutory authority by revising and reshaping legislation.” He reminds that agencies derive their “existence, authority and powers from Congress alone,” and that Congress’s “inability or unwillingness to pass a law desired by the executive branch does not default authority to the executive branch to act independently.”

A President who rewrites inconvenient laws ought to alarm Americans of all political persuasions. Principled decisions like Judge Skavdahl’s help restore the constitutional norms that Mr. Obama has done so much to dismantle.

student achievement than education inputs (e.g., staffing) and documentation. Yet most of the department’s complaints concern paperwork.

The department dismisses Acics’s efforts to improve accountability including its establishment of an Ethics Review Board and employment of a third-party agency to audit college job-placement rates.

The DOE also violates the law by specifying the metrics that Acics must use to measure student achievement such as “data specific to each licensing exam.” Accreditors are free to establish their own standards, and at least Acics sets specific job-placement and completion rate benchmarks. Most accreditors don’t.

As the department noted in a January memo entitled “Strengthening Accreditation,” most accrediting agencies struggle with effectively monitoring student achievement. About three-quarters of community colleges accredited by Western Association of Schools and Colleges (Wasc) have graduation rates in the bottom third nationally compared to 15% of Acics-accredited colleges. Yet Wasc’s recognition was renewed this year.

Speaking of double standards, the department last week also recommended renewing another accreditor, the Council on Occupation Education, for five years. As we’ve reported, a bankruptcy court in 2012 found that the Council egged on by a vindictive Education official made “factually erroneous” statements about for-profit Decker College, which forced the school to close. An administrative law judge reaffirmed the finding in March.

So an accreditor can lie and prosper, but if you do your job fairly and reaccredit a for-profit, you’re toast. The sheer brazen viciousness of the Democratic campaign against for-profits is something to behold.

LETTERS TO THE EDITOR

Why Your IRS Auditor Needs a Machine Gun

I am thrilled that Tom Coburn and Adam Andrzejewski have rejected the NRA’s position that more guns equals more safety (“Why Does the IRS Need Guns?,” op-ed, June 17). I share their concern about the proliferation of guns in government agencies, and their conclusion that they will inevitably lead to senseless destruction and possibly loss of life. Their concern can, logically, only be heightened by the proliferation of private arsenals in the hands of untrained individuals, arsenals that have already led to more senseless destruction than those in the hands of government agencies.

I stand ready to work with Dr. Coburn and Mr. Andrzejewski to bring sensible regulation to gun possession for all Americans wherever they work, live, learn, play or pray.

JIM CODDINGTON
Eastchester, N.Y.

The authors show a lack of appreciation for the responsibilities of the Energy Department (DOE) regarding our nuclear-weapons infrastructure. They state: “Other paper-pushing federal agencies with firearm-and-arrest authority that have expanded their arsenals since 2006 include the . . . Energy Department.”

While paper is pushed at the DOE, much of that paper is highly classified. Additionally, the DOE is respon-

sible for our national laboratories and our nuclear-security complex, including nuclear-weapons labs, such as Los Alamos and the nuclear Y-12 National Security Complex in Oak Ridge, Tenn. These DOE facilities have more than highly classified information; they also house our nation’s inventory of weapons-grade fissile material that is not deployed in warheads. The scope of activities at the Y-12 plant is stated on its website: “Every weapon in the U.S. nuclear stockpile has components manufactured, maintained or ultimately dismantled by Y-12.”

Who among us wouldn’t want such a facility to be defended with the most sophisticated security and weapons available?

RICHARD REDANO
Knoxville, Tenn.

The Posse Comitatus Act of 1878 was enacted to limit the powers of the federal government in using federal military personnel to enforce domestic policies within the U.S. None of the agencies being armed and trained are considered military, so they can be used to enforce whatever policies any future administration may deem fit.

These armed agencies are a threat to our liberty.

RON EZELL
Troy, Mich.

Web Technology Helps NPR Extend Its Reach

“Public Radio’s Existential Crisis” (Arena, June 17) overstates the issues confronting National Public Radio as it, like every other major media organization, navigates the digital transition. NPR’s news magazines have continued to reach a growing radio audience that at latest count includes more than 26 million listeners weekly. At the same time, NPR is at the top of the podcast rankings. According to Podtrac, no other publisher reaches more listeners through podcasts than NPR—7.5 million a month. Many are listening to broadcast as a result of their podcast experience.

Far from having an existential crisis, we and our member stations have a clear vision of our goals and purpose. Our mission is to comprehensively deliver the highest quality of news and entertainment programs to audiences that are increasingly underserved by others. We are

well positioned to do this.

Our members aren’t just radio stations. They are local not-for-profit organizations engaged with their communities. Their local knowledge is unmatched. Whether you listen on the radio or online, we provide reporting on everything from your neighborhood to the other side of the world.

The massacre at the Pulse nightclub illustrated how we fulfill our mission. Within hours we were on the air and online nationally with continuous coverage by reporters from NPR and our Florida stations. Our goal was clarity and insight at a moment of terror. There wasn’t a shred of existential doubt for our listeners and around the network about our mission.

MICHAEL ORESKES
Senior Vice President of News and Editorial Director, NPR
Washington

Iceland’s Terms Look Like a Default to Many

On June 16 Iceland offered foreign bond investors what Matt Wirz in the May 28 Journal called “a Hobson’s choice: Sell out in June at a below-market exchange rate, or have the money they receive when their bonds mature impounded indefinitely in low-interest bank accounts.” My June 13 op-ed “Northern Europe’s Argentina Imitator” compares this deal—with a discount that now appears to be as high as 50%, according to an article by Bloomberg’s Omar Valdimarsson—with the 14 years of stonewalling by Argentina in an unsuccessful effort to avoid meeting its bond obligations.

In his disingenuous letter of June 16, Bjarni Benediktsson, Iceland’s minister of finance and economic affairs, apparently disagrees that coercing investors to take a huge discount is a default. Then, as if to prove my point about how Iceland is following Argen-

tina’s playbook, blames any unhappiness on hedge funds, those whipping boys of international finance. Hedge funds do indeed own some of the Iceland bonds, as I clearly stated in my piece, and so do standard-grade mutual funds with minimum investment requirements as low as \$1,000.

Again, following the playbook, the minister claims I have hedge funds as “clients”—absolutely untrue. I’m someone who, as a journalist, has advised small investors for 20 years and now sits on the SEC’s Investor Advisory Committee. I’m concerned about the consequences both to investors and to responsible credit issuers of the contagion that began in Argentina and has continued north to Puerto Rico and now, incredibly enough, to Iceland.

AMBASSADOR JAMES K. GLASSMAN
Washington

There’s No Need to Pay Off the National Debt

In their June 14 letters (“Maybe Our Massive Debt Really Is a Problem”), Richard Lamm and Dick Meloy assume that the national debt must eventually be paid off. That is not the view of the president and his Office of Management and Budget, the Congressional Budget Office or the Federal Reserve Board. Nor is it the view of the experts on Wall Street, in the great universities or liberal and conservative think tanks. Yet I believe that most voters would probably agree with Messrs. Lamm and Meloy, based on my communications with voters during 32 years in the U.S. Treasury as an economist and federal debt manager. We cannot

fault voters for not understanding the economics, politics and peculiarities of federal finance. The fault is the failure of leadership. It is time to tell the American people the truth about the national debt. We need to have a national conversation about the debt, soon after the election, led by a presidential commission on the national debt, which would be chaired by the secretary of the Treasury and include the heads of the relevant federal agencies, bicameral and bipartisan congressional leaders and private Nobel prizewinners in economics.

FRANCIS X. CAVANAUGH
Washington

Sometimes ‘Foreign Judges’ Protect Rights

The diatribe against “foreign judges” by the Brexit campaigner Andrew Roberts (“Britain and Obama’s ‘Back of the Queue,’” op-ed, June 18) misleads American readers.

Had it been left to British law and British judges, the hundreds of mothers and their limbless babies poisoned by thalidomide in 1959-61 would have been condemned to lives short, brutish and nasty for the simple reason that the archaic British law of contempt would allow no comment or investigation while the British courts were “seized” of the matter, and when seized—after a “Bleak House” decade—sanctioned only derisory settlements against a corporation that was still falsely denying

negligence. Fortunately, on April 29, 1979, 11 judges on the European Court of Human Rights found the British government in violation of the free speech principle of Article 10 of the Human Rights convention. British law was changed by act of Parliament in 1982.

SIR HAROLD EVANS
New York

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OPINION

Obama Empties Innovative Classrooms

By Allysia Finley

The Obama administration's relentless campaign against for-profit colleges is succeeding: More than 180 have closed in the past two years. The Education Department projects that 1,400 vocational programs educating 840,000 students won't survive its gainful-employment rule, which ties federal student aid to debt and earnings.

But the administration isn't content with shutting down for-profits: Now regulators and prosecutors are even going after a businessman who waved the white flag and converted his vocational schools into nonprofits. With this administration, it's a sin if you *ever* tried to make a buck.

In 2012 Carl Barney merged the CollegeAmerica, Stevens-Henager College, Independence University and California College San Diego with the nonprofit Center for Excellence in Higher Education (CEHE), which promotes reforms in college philanthropy. The 75-year-old British immigrant, who had been the

Carl Barney thought he was doing a good deed by going nonprofit. The feds still want to kill his schools.



schools outperform local community colleges. The graduation rates at CollegeAmerica in Denver (43%), Cheyenne (47%) and Phoenix (55%) exceed those at the public Community College of Denver (12%), Laramie County Community College (17%) and Phoenix College (22%).

A peculiar aspect of the Obama administration's education obsessions is that the White House wants to steer more young people to community colleges that often have worse student outcomes than competing for-profits.

In July 2015, Denver Judge Michael Mullins denied the attorney general's motion for preliminary injunctive relief, finding that the state had not "established a reasonable probability of success" for most of its claims. The lawsuit has since moved to discovery, with a trial scheduled for next spring.

Meanwhile, the Obama administration has opened a fresh line of attack. In January 2015, the Education Department notified Mr. Barney that his colleges had failed its "financial responsibility" test, which incorporates dozens of metrics, including equity, income and reserves. CEO Eric Juhlin says the colleges scored low because they took on a large amount of "goodwill" during the 2012 merger. The department demanded an irrevocable letter of credit of \$43 million—equal to 30% of the colleges' federal student-aid disbursement in 2013—even though the norm is 10%.

A department spokesperson says that "it may increase that percentage to reflect additional concerns on a case-by-case basis." In Mr. Barney's case, the department "also identified other concerns including litigation between one of the [Center for Excellence in Higher Education] institutions and the Colorado Attorney General's Office." So the Education Department was penalizing the colleges for a lawsuit that a judge has found to have little merit.

Mr. Barney soon encountered another problem: Banks wouldn't provide a letter of credit because they appeared worried that they would be targeted by government regulators. In lieu of posting a letter of credit, Mr. Barney offered to deposit \$43 million into a government escrow account—money from his own pocket. Though the colleges have improved their financial-responsibility score, the department continues to hold Mr. Barney's \$43 million in escrow. And the schools' regulatory troubles haven't stopped.

Last September, Century Foundation fellow Robert Shireman—who championed the gainful-employment rule as Education Department deputy undersecretary—issued a report called "The Covert For-Profit." The report alleged that Mr. Barney and several for-profit operators had converted their colleges to nonprofits to dodge regulations and taxes. Seven Democratic senators promptly urged the Education

Department and Internal Revenue Service "to review the cases highlighted in the report to ensure these entities comply with the law and the requirements for tax-exempt status" and to "coordinate assessment of these conversions."

On Oct. 21, the department requested copies of the Center for Excellence in Higher Education's correspondence with and reviews by the IRS. Five months later, the center received another letter from the department, this one demanding information about its third-party contracts, leases, audited financial statements and conflict-of-interest policy for board members.

The letter included this kicker: "These institutions have remained for-profit institutions for Title IV program purposes, and continue to be subject to the Gainful Employment disclosure requirements and the requirements to post specific policies, procedures, and consumer information" pending an agency review of their change to nonprofit status. This came as a shock to Mr. Barney, since he had informed the department of the colleges' conversion in October 2012. Even the department's "College Scorecard" identifies the colleges as a private nonprofit.

On May 11 the Education Department launched a fresh salvo, warning Mr. Barney that "a review of the web pages for some of your institutions suggests that [the Center for Excellence in Higher Education] is not providing the required [gainful employment] disclosures for its programs"—including job placement rates and median debt upon completion—"and this must be addressed immediately."

In 2014 the Education Department alleged regulatory violations by the for-profit Corinthian Colleges and yanked federal student aid. The move precipitated a liquidity crisis that forced the schools to close. Mr. Barney worries that his nonprofit colleges could experience a similar fate: "By the time you get to court, you're out of business."

Ms. Finley is an editorial writer for the Journal.

Counterfeit Goods Have No Place On Alibaba

By Jack Ma

Increased scrutiny is part of becoming a global company. When Alibaba went public in 2014, I told our customers, employees and investors that what we had earned was trust—in myself, my team, and our company's mission, vision and values. With that trust comes great responsibility. So when I see reports in the press taking my recent words about counterfeit goods out of context, I feel compelled to set the record straight. This is my responsibility to all of our stakeholders.

What I shared with our investors last week was an observation: that the dynamics between some brands and their manufacturing partners, and brands and their customers, are shifting due to economic and technological developments.

Failing to protect brands is akin to thievery—and we have zero tolerance for it.

First, Chinese manufacturers face declining exports because demand from Western markets is not what it used to be. Every day, I see small businesses in China suffer because orders from their longtime customers are half of what they once were. Yet these businesses have made investments in factories, equipment and people. They must find new ways to adapt to this changing environment.

Second, the internet has given consumers ever-increasing access to products without the need for complex and costly distribution channels. Manufacturers in China are increasingly using the internet to tap into the vast domestic market. Many of these firms have developed their own online-only brands with quality products for Chinese consumers.

What I said last week was that these trends may challenge the business model of some established brands. That's reality.

I want to let you know where I stand on this: Counterfeit goods are absolutely unacceptable, and brands and their intellectual property must be protected. Alibaba is only interested in supporting those manufacturers who innovate and invest in their own brands. We have zero tolerance for those who rip off other people's intellectual property.

Failing to protect original designs, trademarks and technology is akin to thievery, and it is detrimental not only to innovation but also to the integrity of the marketplace. We do not and will never condone any act of stealing.

Alibaba is 100% committed to leading the fight against global counterfeiting, online and offline. We have devoted an unparalleled level of technology, capital and people toward our anticounterfeiting work. Our robust data processing and analytics enable real-time scanning of over 10 million new product listings a day, looking at product attributes such as trademark, pricing, geolocation, buyer and seller identity, consumer feedback and more. For every one takedown request we receive from a brand, we have proactively removed eight.

Let's not forget that this is a long-term crusade. There are no easy or short-term fixes, because it is a battle against human greed.

At Alibaba, we have built the world's largest platform that enables more than 10 million merchants and brands to directly engage with hundreds of millions of consumers. Brands embrace our platform because consumers love our marketplaces.

We work hard every day to protect our stakeholders and ensure that consumers are not hurt by shoddy fake products. We are committed to fighting the root causes of infringement and to protecting creators and innovators. And we not only comply with laws and regulations but also actively assist law enforcement in cracking down on counterfeiters.

We do all of this because we care about the sustainability of our business. I've been around long enough to know that authenticity is the only thing that sustains one's character and maintains trust in the long run. I'm interested in telling the truth rather than glossing over difficult subjects.

Alibaba always stands ready to partner with brands. As such, I see it as my responsibility to tell them that the world is changing. The internet has enabled consumers to assert their preferences more than ever, and thus businesses must innovate. The good news is that we have an opportunity to work together with brands to get ahead of these new trends.

Mr. Ma is the founder and executive chairman of Alibaba Group.

How the Red Cross Killed Non-Lethal Weapons

By Gary Anderson

We had to destroy the village to save it." That quote from an American officer during the Vietnam War was used to great effect by the antiwar movement of the 1960s. It comes to mind after the recent battle for Ramadi in which the Iraqi army and its associated militias, backed by American air power, virtually leveled the city to liberate it from Islamic State, or ISIS. Ramadi was held by fewer than 300 ISIS fighters, but retaking it involved a massive assault by thousands of Iraqi security forces.

Now a bloody battle to retake Fallujah from ISIS is under way, and the tens of thousands of men, women and children unlucky enough to be trapped are being used as human shields. Meanwhile, those lucky enough to escape are overwhelming aid agencies. There are better ways to conduct urban combat than to flatten entire city blocks, but they won't be employed in Iraq.

Those of us who fought in Mogadishu, Somalia, in 1993 believed that the difficulties faced there would signal the end of such blunt-force urban combat (the movie "Black Hawk Down" is a reasonable depiction of the challenges), and that more effective and technologically sophisticated methods had to be on the horizon.

After Somalia, the U.S. Marine Corps began experimenting to improve urban-combat capabilities. Maj. Gen. Mike Myatt had developed a compelling brief titled "Chaos in the Littorals" that persuaded the senior Marine Corps leadership that coastal megacities would be battlegrounds in the future. The Marine

Corps' experimentation culminated in a series of exercises in 1998-2000 designated "Urban Warrior."

Part of that experimentation (in which I took part) included the development of more-discrete weapons that could take out a room being used as a sniper's roost rather than raze an entire building.

The retaking of Fallujah has become another bloody urban battle. It didn't have to be this way.

This experimentation paid off well after the 2003 U.S. invasion of Iraq during the first battles for Fallujah and Ramadi. These were hard battles, but civilian and U.S. casualties were a fraction of those in past urban combat. Some of the new techniques included using small, unmanned vehicles to disarm improvised explosive devices, and dispatching unmanned aircraft (commonly known as drones) to see what was happening on the next block.

But the U.S. military's urban-fighting capabilities in Iraq could have been even better, with the lives of more troops and civilians saved, if not for political considerations that intervened.

During our experimentation in the 1990s, many of us in the U.S. military came to believe that the best alternative to destroying cities and their populations in order to "save" them was to develop non-lethal weapons capable of temporarily incapacitating everyone inside a building. Our troops

could then enter the structure and separate the noncombatants from armed fighters.

In 1995, led by Gen. Tony Zinni, senior Marines persuaded Congress to fund a Joint Non-Lethal Directorate. In the two decades since then, some non-lethal weapons have been deployed, including warning munitions, optical distractors and vehicle-stopping equipment. But other revolutionary non-lethal weapons have never been deployed.

One such weapon is the Vehicle-Mounted Active Denial System, which uses directed energy—a focused beam of millimeter waves—to make targeted individuals feel that they are burning up, without actually doing harm. The effect ends when the target flees or the weapon is turned off. I know this because in 2005 I led the team that field tested VMADS. I've probably been zapped by it more than any other human. It is exactly the kind of non-lethal weapon that could have been deployed to great effect in the urban battlefields of Mogadishu in 1993 and Iraq today.

We had hoped to use the same technology to develop even better weapons that could clear buildings non-lethally by causing near-immediate temporary heat prostration to everyone inside. Unfortunately, even the existing VMADS weapons will probably never be used and more-capable weapons never developed. Why? Because of complaints by human-rights advocates, who seem to think that it's better to be dead than discomfited.

Notable & Quotable

From a debate June 22, 1787, at the U.S. constitutional convention, on whether members of Congress ought be paid by the states they represent or by the federal government, as described in James Madison's notes:

Mr. ELSEWORTH, moved to substitute payment by the States out of their own Treasuries: observing that the manners of different States were very different in the Stile of living and in the profits accruing from the exercise of like talents. What would be deemed therefore a reasonable compensation in some States, in others would be very unpopular . . .

Mr. WILLIAMSON favored the idea. He reminded the House of the prospect of new States to the Westward. They would be poor—would pay little into the common Treasury . . .

Mr. GHORUM, wished not to refer the matter to the State Legislatures who were always paring down salaries in such a manner as to keep out

of offices men most capable of executing the functions of them. He thought also it would be wrong to fix the compensations by the constitutions, because we could not venture to make it as liberal as it ought to be without exciting an enmity agst. the whole plan. . . .

Mr. HAMILTON apprehended inconvenience from fixing the wages. He was strenuous agst. making the National Council dependent on the Legislative rewards of the States. Those who pay are the masters of those who are paid. Payment by the States would be unequal as the distant States would have to pay for the same term of attendance and more days in travelling to & from the seat of the Govt. . . .

Mr. MADISON, thought the members of the Legisl. too much interested to ascertain their own compensation. It wd. be indecent to put their hands into the public purse for the sake of their own pockets.

WORLD NEWS

U.S. Struggles to Replace Afghan Aircraft

Ban on buying from Russia makes it hard for Pentagon to bolster Kabul's helicopter fleet

By MICHAEL M. PHILLIPS

KABUL—American sanctions intended to punish Russia for its intervention in Ukraine are making it difficult for the U.S. military to rebuild Afghanistan's hard-hit air force.

President Barack Obama's 2014 order banning the U.S. from doing business with Moscow's arms industry has left the Pentagon unable to replace Afghanistan's Russian-built Mi-17 transport helicopters, which are being lost at a rapid clip to enemy fire and mechanical failures.

With Taliban militants gaining ground, U.S. commanders in Afghanistan have pressed the Pentagon in recent months to come up with a solution, but the Defense Department hasn't settled on one.

Options could include waiving sanctions to allow purchases of Russian helicopters or revamping the Afghan air force to operate transport aircraft made in the West.

"There's already significant demand and significant pressure on the existing fleet," said Maj. Gen. Jeff Taliaferro, senior allied air commander in Afghanistan. "That's a de-



An Afghan Mi-17 transport helicopter undergoing repairs in Kabul in 2015. The helicopters are Russian-built.

mand not lost on anyone in the Department of Defense. I think the urgency is clear."

Afghanistan can't afford to buy its own aircraft; the helicopters cost about \$19 million each, and are only available from Russia.

Gen. Taliaferro is hoping to get a ruling from Washington in the coming weeks, but he declined to say which option he had recommended.

A Defense Department spokesman declined to say which options were under consideration.

"Due to the fact this is still being worked, we have no

further information to provide at this time," the spokesman said.

The Mi-17s fill a critical role in Kabul's fight against the Taliban and other insurgent groups.

Afghanistan is a mountainous country whose poor roads are often seeded with improvised mines. Government troops are more likely to catch nimble insurgents if they arrive by helicopter than by Humvee.

In 2014 the Mi-17s flew nearly 4,500 missions; last year they flew more than 16,000.

The 7,000-man Afghan air force also has Brazilian Super Tucano planes and American Cayuse Warrior attack helicopters that are capable of striking insurgents on the ground. The Afghans have become increasingly adept at using them to assist foot soldiers.

"Having that air power is a significant advantage to the Afghan forces that their adversaries don't have," said Gen. Taliaferro.

But alongside that success have come serious problems. Aircraft require sophisticated mechanics and highly-trained

pilots, and such expertise is rare in Afghanistan.

The helicopter fleet has suffered high attrition. The Afghan air force had 56 Mi-17s a year ago, most purchased by the Pentagon, prior to the sanctions; now it has 47, a 16% drop.

One helicopter exploded in midair, victim of a suspected grenade accident on board. Another was destroyed when another helicopter accidentally opened fire on the tarmac. Four were shot down by insurgents.

"If you sustain that level of attrition, obviously you're

eventually going to get down to zero," said U.S. Air Force Brig. Gen. Dave Hicks, an adviser to the Afghan air force.

Of the surviving Mi-17s, only half are operational, with the rest grounded because of battle damage, age or unfilled maintenance requirements. In the U.S. military, some 75% of a helicopter fleet is operational at any given time, according to U.S. officers.

The average Afghan army corps—a unit of some 16,000 to 20,000 soldiers—has just three transport helicopters at its disposal, each capable of carrying two-dozen soldiers and three crewmen.

The U.S. also previously bought 30 Mi-17s for the elite Afghan Special Mission Wing.

While waiting for a Pentagon decision on purchasing new helicopters, the U.S.-led coalition has arranged repair contracts in Bulgaria, Slovakia and United Arab Emirates to overhaul the aging Mi-17s.

Australia has put up the funding. The Czech Republic will repair battle-damaged aircraft.

Those contractors use Russian parts and secure airworthiness certification from the Aviation Engineering Department of the Russian Ministry of Defense, with a sanctions waiver issued by the State Department.

But the State Department has issued no such waiver for the purchase of new aircraft.

North Korea Test Launch Alarms Neighbors

A North Korean missile launch on Wednesday reached a significant altitude and distance, ending a string of failures and heightening concerns the country is making progress toward building a weapon that can threaten the U.S. and its allies.

By Alastair Gale
in Seoul and Gordon
Lubold in Washington

South Korea's military said North Korea fired a Musudan-type midrange missile from its east coast that traveled about 250 miles before it disappeared from tracking devices while over the Sea of Japan. The missile reached an altitude estimated at more than 600 miles, entering space and then re-entering the atmosphere, a U.S. defense official said.

Combining altitude and distance, the launch demonstrated a capability necessary

to someday strike more-distant targets, including U.S. military facilities in Guam or Okinawa, Japan.

The White House and State Department said the launch represented another violation of international prohibitions against such testing by North Korea. Officials said they would redouble efforts at the United Nations and in appeals to Pyongyang's backers such as Russia and China to stem the missile advances. North Korea is banned by U.N. resolutions from testing ballistic-missile technology.

The Musudan, which has an estimated maximum range of 1,800 to 2,500 miles, was tested by North Korea for the first time this year. But in five previous launches, including one earlier Wednesday, it failed to take flight or appeared to travel only a short distance.

The Musudan is one of two types of missile that outsiders



A Seoul resident watched a news broadcast at a train station about North Korea's latest missile-launch test on Wednesday.

have been monitoring closely for flight tests by North Korea. A larger missile, known as the KN-08, has been displayed by Pyongyang, but not tested. Its estimated range of several thousand miles would include parts of the continental U.S.

The test alarmed Japan. "It appears [North Korea] is increasing its ability to target

our territory with missiles," said Japanese Defense Minister Gen Nakatani. "This represents a grave threat to the security of our country."

A day earlier, Japan put its missile-defense systems on alert after detecting the possible launch from North Korea. Missiles fired from North Korea's east coast generally

travel in the direction of Japan, although neither traveled far enough to threaten Japan, which supports sanctions against Pyongyang for its nuclear-weapons program.

"The North Koreans are making progress toward a workable Musudan," said Jeffrey Lewis, an arms-control expert at the California-based Middlebury Institute of International Studies. "If we do nothing, they will move on to a missile, using the same technology, that can reach the U.S.," said Mr. Lewis, who advocates trying to reach a test moratorium with North Korea on its missile program.

North Korea has made offers to suspend its nuclear and missile program in return for a suspension of joint military drills by the U.S. and South Korea. However, Washington and Seoul insist Pyongyang must make the first move and roll back its nuclear program.

Pope Risks New Rift With Turkey on Armenia

By FRANCIS X. ROCCA

Pope Francis travels Friday for a three-day trip to Armenia, where he will visit the memorial to those who died in the 1915 massacre of Armenians by Turks, potentially straining relations between the Vatican and Ankara again.

The trip also comes just after a major outbreak of violence in the turbulent Caucasus region, when ethnic Armenian separatists fought Azerbaijani forces for four days in April over the breakaway region of Nagorno-Karabakh.

The main question when Pope Francis goes to the Tsitsernakaberd Memorial Complex in the Armenian capital of Yerevan on Saturday is whether he will echo his description last year of the mass killings by Ottoman forces as the "first genocide of the 20th century."

Turkey responded to the 2015 statement, made during a commemorative Mass in St. Peter's Basilica, by immediately recalling its ambassador to the Vatican to Ankara for consultations. It took 10 months before the ambassador returned. Turkish President Recep Tayyip Erdogan condemned the pope's statement and warned him "not repeat this mistake."

St. John Paul II used the word genocide in the Armenian context during his own 2001 visit to Armenia, in a joint declaration with Catholicos Karekin II, head of the Armenian Apostolic Church, who will also host Pope Francis.

But Pope Francis went further by calling the massacre of Armenians one of "three massive and unprecedented tragedies" in the 20th century, along



Pope Francis, left, greeted Supreme Patriarch and Catholicos of All Armenians, Karekin II, in 2015.

with the Holocaust and the 1932-33 man-made famine in Ukraine and other parts of the Soviet Union.

Pope Francis also linked the 1915 killings to latter-day attacks elsewhere on "our defenseless brothers and sisters who, on account of their faith in Christ or their ethnic origin, are publicly and ruthlessly put to death—decapitated, crucified, burned alive—or forced to leave their homeland." Armenia is predominantly Christian, although Roman Catholics are few.

The pope has been highly vocal about the persecution of Christians, especially in Muslim-majority countries, and has called on Muslim leaders to denounce the actions of Islamic

State militants in Syria and Iraq. However, he recently rejected the term genocide for the plight of Christians in the Middle East in favor of the religious term martyrdom.

In March, U.S. Secretary of State John Kerry accused Islamic State of committing genocide against minorities including Yazidis and Christians.

Pope Francis has invoked the persecution of Christians as a motive for closer ties with other Christian churches.

Such concerns helped make possible the meeting in February between Pope Francis and Patriarch Kirill of Moscow—a first between the leaders of the Catholic and Russian Orthodox churches. A joint declaration by

the two leaders in Havana gave prominent mention to the persecution of Christians "in many countries of the Middle East and North Africa."

Tensions between Armenia and another neighbor—Azerbaijan—will also hang over the visit. The two former Soviet republics have fought over the Nagorno-Karabakh region, an ethnic Armenian enclave within predominantly Muslim Azerbaijan that was overtaken by Armenia during a six-year war that ended with a 1994 cease-fire.

The recent outbreak of fighting—the worst in decades—began when Azeri forces broke through Armenian lines in a bid to retake strategic heights. The two sides accuse each other of

continued shelling.

The presidents of the two countries met with Russian President Vladimir Putin on Monday in St. Petersburg, the Kremlin said. In a joint statement, they said they had agreed to increase the presence of international observers in the conflict zone, and that they were satisfied with the implementation of the cease-fire.

The pope will visit Azerbaijan and neighboring Georgia this fall, Sept. 30-Oct. 2. The Vatican is officially presenting the two trips as parts of a single trip.

Pope Francis' visit will be an opportunity to strengthen ties with the Armenian Apostolic Church, one of the Oriental Orthodox Churches. It is separate from the far larger group of Eastern Orthodox Churches, including Russia, who are in communion with the Ecumenical Patriarch of Constantinople.

Catholics number only about 280,000 in Armenia, a country of almost 3 million.

Before leaving on Sunday, Pope Francis is to pray at the Khor Virap monastery, near the border with Turkey, within sight of Mount Ararat.

He will be only about 15 minutes from the Turkish border, which is officially closed, though Armenians frequently cross to work in Turkey.

A border visit isn't on the schedule, but such a gesture would be in character for a pope who likes surprising people. During a visit to the Holy Land in 2014, Pope Francis made an unscheduled stop to pray at the Israeli separation barrier on the West Bank.

—Laura Mills in Moscow contributed to this article.

World Watch

NIGERIA

Seven Kidnapped Near Mine Operation

The Australian government said three of its citizens were among seven workers kidnapped in an ambush on a mine convoy in southeast Nigeria.

The Nigerian driver of the convoy was killed during the attack, carried out by as many as 30 gunmen, according to the Nigerian police. The workers, who included a New Zealand citizen and two Nigerians, were employees of the Australia-based mining company Macmahon Holdings.

Australian Prime Minister Malcolm Turnbull said the government wasn't aware of the identity of the kidnappers.

Violent attacks and kidnappings aren't uncommon in Nigeria, which is also the base of operations for Boko Haram—the West African affiliate of Islamic State.

—Rob Taylor

UNITED NATIONS

Ex-U.N. Official Facing Bribery Charges Dies

Former U.N. General Assembly President John Ashe of the twin-island Caribbean nation of Antigua and Barbuda died Wednesday in New York state as he was facing bribery charges. He was 61.

Mr. Ashe died at his home in Dobbs Ferry, according to Sgt. Vincent Ingani, of the Dobbs Ferry Police Department. He gave no other details.

Mr. Ashe was accused by U.S. federal authorities of turning his largely ceremonial position, which he held from September 2013 to September 2014, into a "platform for profit" by accepting more than \$1 million in bribes.

The alleged conspiracy involves six others, including a Chinese real-estate mogul, two diplomats and a humanitarian-organization officer.

—Associated Press

GREECE

ECB Lifts Restriction On Government Debt

The European Central Bank said it would start accepting junk-rated Greek government debt as collateral for the ECB's regular lending to banks, reopening a cheap funding channel that could help breathe life into Greece's struggling economy.

The decision to open a funding facility that had been shut for 16 months should help restore confidence in the Greek banking sector and could lead to the partial lifting of capital controls, economists and bankers said.

Greek banks hope it will encourage a return of deposits, after some €45 billion (\$51 billion) was withdrawn beginning in late 2014 amid fears Greece might leave the euro.

—Tom Fairless

GREATER NEW YORK



Deere in the Spotlight

Artist dismantles vintage farm equipment **ARTS | A16**



MTA Steps Up Safety

CITY NEWS | A15

WSJ.com/NY

THE WALL STREET JOURNAL.

Thursday, June 23, 2016 | **A13**



Donald Griffin, a sex offender, lives in a shelter on Wards Island, at the northern end of the East River between Manhattan and Queens.

Sex Offenders Sue City, State

Parolees say they are being kept behind bars because of shelter rule; sticking point is schools

By CORINNE RAMEY

Donald Griffin needed to satisfy his crack habit. So he grabbed a sawed-off shotgun and robbed two women in the elevators of Brooklyn apartment buildings. During one of the 1985 holdups, he reached into a woman's bra looking for cash, he said.

Last June, Mr. Griffin was paroled after serving nearly 30 years in prison for robbery, grand larceny and sexual abuse. He wanted to move back home, to New York City.

"I have brothers and sisters that have apartments, and nieces and nephews in Brownsville," said Mr. Griffin, now 52 years old. But because he is a sex offender and isn't allowed within 1,000 feet of school grounds, he couldn't live with his family.

New York state enacted its Sexual Assault Reform Act 16 years ago. At the time, Gov. George E. Pataki, a Republican,

Please see LIMITS page A14

Residency Restriction

State law prohibiting some sex offenders from living within 1,000 feet of a school leaves few city shelters available to those who are homeless and recently released from prison.

- School
- 1,000 ft. radius
- Men's shelter
- Women's shelter
- Veteran's shelter

NEW JERSEY



Study Challenges 'Windows' Tactic In Cutting Crime

By ZOLAN KANNO-YOUNGS

Cracking down on public urination, disorderly conduct and other low-level offenses doesn't lead to a decline in more serious crimes, a watchdog agency tasked with monitoring the New York Police Department said Wednesday.

From 2010 to 2015, the issuing of summonses and arrests for minor offenses "dramatically declined" with no increase in felonies, according to a report by the city's Office of the Inspector General.

"Deeper analysis of specific summons categories and specific patrol boroughs revealed no correlation over time to any increase or decrease in felony crime," the report said.

The findings run counter to a tenet of the NYPD's "broken windows" approach that claims reducing low-level crimes will lead to fewer major ones.

"The results of our investigation call into question some long-held assumptions about the systemic impact of certain tactics," said Department of Investigation Commissioner Mark Peters, whose office oversees the Inspector General.

An NYPD spokesman called the report "deeply flawed" and said the report should have looked at a longer time period, noting that crime in the city has declined for more than two decades.

"To properly evaluate the impact of quality-of-life enforcement, the Inspector General should have gone back to 1990 when there was a record number of murders, shootings and violent crimes and examined the years before the decline and to present," the spokesman said.

The Department of Investigation responded in a statement that "we were not writing a history of quality of life policing. We were interested in what works now."

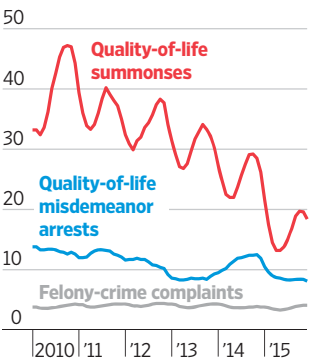
Mr. Peters acknowledged that the report doesn't examine all of the tactics that fall under the broken-windows approach.

The report analyzed nearly 2 million summonses, more than 650,000 misdemeanor arrests, 600,000 felony complaints and 200,000 felony ar-

Minor Impact

Fewer low-level summonses and arrests haven't resulted in more felonies.

Monthly rate per 10,000 residents



Note: Data are seasonally adjusted.

Source: Office of the Inspector General for the New York City Police Department
THE WALL STREET JOURNAL.

rests. The NYPD issued about 100,000 fewer summonses in 2015 than it did five years earlier, according to the report.

The city has reached historic lows in violent crimes such as homicides and shootings.

"The NYPD has lots of strategies to reduce crime and they've done a very good job at reducing crime," said Mr. Peters. "But they need to take a hard look at the use criminal summonses to see whether that's an efficient use of police resources."

The report's findings 'call into question some long-held assumptions.'

Mr. Peters said the use of these summonses overburdens the NYPD and criminal-justice system and strains police-community relations.

The findings come after Mayor Bill de Blasio and the city council passed legislation earlier this year reducing penalties for minor offenses. Meanwhile, the NYPD said police would issue criminal summonses rather than arresting people for offenses that don't threaten the public.

In March, Manhattan District Attorney Cyrus R. Vance Jr. said his office would stop prosecuting most minor violations.

Seeking a Quick Fix, Knicks Acquire Rose

By CHRIS HERRING

So much for the idea of a patient rebuilding process.

The Knicks on Wednesday acquired former MVP point guard Derrick Rose from the Chicago Bulls on the eve of the NBA Draft, giving up starting center Robin Lopez, starting guard Jose Calderon and rookie guard Jerian Grant.

Chicago included wing player Justin Holiday as well as a 2017 second-round pick. The Knicks also waived guard Tony Wroten on Wednesday, leaving the team with just one guard—Rose—under contract heading into next season.

Rose, 27, is in the final year of a contract that will pay him about \$21.3 million for the

2016-17 season.

The deal gives New York the starting-caliber point guard it has lacked for many years—albeit one who has



The Knicks are betting \$21 million that Derrick Rose can regain his MVP form of five years ago.

been plagued by leg injuries and hasn't been able to regain the level of play he displayed during the 2010-11 season, when he was named the NBA's Most Valuable Player.

Please see KNICKS page A18

Going From Trains to Retail Chains

By KEIKO MORRIS

A 125-year-old former freight warehouse in Manhattan's Chelsea neighborhood has found that retail sells.

Already home to a bar, two restaurants, a wine shop and a coffee place, the Terminal Stores is looking to bring in even more retailers to drive the leasing of office space, said Chris Pachios, a partner at Waterfront New York, which owns a majority stake in the property.

Upstairs in the block-long building, Uber Technologies Inc., L'Oréal USA, architectural firm Grimshaw, the Dsquared2 fashion company, and other creative and technology companies have offices, Mr. Pachios said. A mini storage operation occupies a large portion of the building.

The new shops will eventually line the cavernous brick-walled arcade, where freight trains once rumbled through. Waterfront aims to convert a storage area above the arcade into office space as it brings in more retail tenants. Already in the building are the fast-casual restaurant Between the Bread and Porchlight, a cocktail bar from Danny Meyer's Union Square Hospitality Group, Manhattan Wine Co. and a La Colombe cafe.

Opened in 1891, the Terminal Stores has a lively history: its days as a warehouse and its nights as the Tunnel nightclub. And today,

SPACES

Mr. Pachios said, it is trying to make its mark as a cool retail-and-office destination.

Distinct industrial features are what makes the building

attractive to retailers: the original silver-colored, steel fire doors along the arcade; rounded arch entrances and windows; and refurbished wood beams.

"It's not about getting the highest rent but about getting the right retailer," Mr. Pachios said. "We want to create amenities to drive leasing of the upper floors and vice versa."

Bounded by 11th and 12th avenues and West 27th and West 28th streets, the building is what Mr. Pachios described as skyscraper of sorts stretched horizontally. The building is made up of 25 sections divided by fire walls that have openings. Seven of these sections are nine stories tall and made of red brick and re-

Please see SPACES page A16



Original steel beams support the 125-year-old Terminal Stores building, where trains once ran.

74°
TODAY'S HIGH

STORMY



Weather

Real Feel

9 a.m. 66°
5 p.m. 70°

Max. Humidity
86%

Sunrise/Sunset
5:26 a.m./8:31 p.m.

Friday's High
83°

N.Y. Sports Lineup



7:10 p.m.
Thursday
Mets @ Braves



7:05 p.m. Friday
Twins @ Yankees

For N.Y. sports coverage, see **A18**

CITY NEWS

Robert Morgenthau, Produce Farmer



Sen. Cory Booker in Washington, D.C., earlier this month.

Booker Cannot Be Sued in N.J. Corruption Suit

By KATY STECH

A bankruptcy judge ruled that Sen. Cory Booker (D., N.J.) can't be sued in the fallout of a multimillion-dollar corruption scandal at a non-profit water agency, determining that he has immunity as a public employee.

In a 39-page ruling, Judge Vincent F. Papalia agreed to dismiss Sen. Booker from a lawsuit that accused him of negligence in his oversight of the defunct Newark Watershed Conservation and Development Corp., which once delivered water to customers throughout northern New Jersey.

Sen. Booker appointed Linda Watkins-Brashear, the agency's former executive director who was accused of mismanagement and abusive spending, including awarding more than \$332,000 in no-bid contracts to her ex-husband for interior-design work. In December, Ms. Watkins-Brashear admitting to taking roughly \$999,000 in kickbacks and pleaded guilty to wire fraud.

In a ruling Tuesday, Judge Papalia said that Sen. Booker should be dropped from a mispending lawsuit against Ms. Watkins-Brashear and other former agency leaders because of New Jersey laws that shield public employees from liability when they take legislative or judicial action.

"Finding the exception to immunity...would endorse a piecemeal approach to public employee liability that would, in this court's view, result in disorder and, more importantly, discourage public service," Judge Papalia said in his ruling, filed in U.S. Bankruptcy Court in Newark.

Under the agency's rules, the mayor of Newark led the Newark Watershed Conservation and Development Corp.'s board of trustees as chairman. Court documents said he didn't attend any board meet-

ings. "Senator Booker faithfully executed his duties as they related to the watershed, and we hope that the court's agreement brings this bizarre legal chapter to a conclusion," Marc Elias, Sen. Booker's lawyer, said in a statement.

The lawsuit that named Sen. Booker is the work of several court-appointed officials who were put in charge of shutting down the agency after its duties were transferred to the city of Newark. As part of the wind down, the agency filed for bankruptcy.

A representative for the court-appointed officials declined to say whether the group plans to appeal. Their lawsuit also named more than a dozen individuals and businesses who allegedly profited from the no-bid contracts. Any money recovered would be used to pay the agency's final bills.

Founded in 1973, the agency was paid by Newark to manage the city's expansive freshwater reservoirs in northern New Jersey and handle operations at a water-treatment facility.

Sen. Booker appointed Ms. Watkins-Brashear to the executive-director position shortly after he became Newark mayor in July 2006. He served as the city's mayor until October 2013, when he became a U.S. senator.

The agency's lawsuit accused Ms. Watkins-Brashear of awarding more than \$2.5 million worth of no-bid contracts for consulting, landscaping and other services to people who had agency connections—a violation of the group's charter.

The lawsuit also said Ms. Watkins-Brashear improperly spent the agency's money, including at a 2010 conference where the agency paid for a dinner for 20 that cost \$1,410 and included lobster, king crab, filet mignon, cognac and martinis.

Over lunch a few weeks back, Robert Morgenthau, the former Manhattan district attorney, was asked when he leaves the city for weekend visits to his Hudson Valley farm.

"Friday afternoon," he said.

"And when do you return?"

"Sunday night."

At 96 years old, you'd think he might allow himself to linger a little longer.

"I'm too busy," he explained.

Mr. Morgenthau's wife, the Pulitzer Prize-winning journalist Lucinda Franks, recalled: "When he retired from being DA," and went to work for the law firm Wach-

tell, Lipton, Rosen & Katz, "I said 'You're going to come home at 2 or 3 at the latest.' He started wandering in at 6:30 every night. I said, 'You broke your promise to me.' He said, 'I'm coming home a half-hour earlier than I did as DA.'"

Mr. Morgenthau's country home, Fishkill Farms, about an hour and 20 minutes north of the city, isn't exactly a country idyll, either.

"The cars back up all the way to 84," his son Josh told me when I visited the farm on Saturday, "Founder's Day." He was referring to Interstate 84 and the traffic waiting to access the 270-acre farm, where 150 acres are in cultivation and 80 varieties of apple and a whole lot of other fruits and vegetables are grown. "That's almost a mile and half."

On peak autumn weekends as many as 6,000 people visit the farm.

It was founded on June 18, 1914, by Henry Morgenthau Jr., Robert Morgenthau's father and President Franklin Roosevelt's treasury secretary. These days the third generation manages the farm, incorporating the latest sustainable techniques. "Even though he's secretary of the treasury," Josh Morgenthau, 32 years old, said of his grandfather, "he's first and foremost a farmer. There was a sense of nobility in farming and food production that the Founding Fathers had and that my grandfather had."

LIMITS

Continued from page A13

hailed it as a "historic weapon" to protect New Yorkers from sexual predators.

In the past few years, the push to keep tabs on sex offenders has continued. In 2014, the state corrections department stopped sending offenders to shelters within 1,000 feet of school grounds because of political pressure.

"In many cases, they're not cured, and in some cases they commit crimes against children," said state Sen. Jeffrey Klein, a Democrat who has released reports on sex offenders living near schools and in shelters.

Betty Braton has fought for years against sex offenders at a shelter in her part of Queens. "In most communities they prefer no sex offenders anywhere, but to have them all consolidated at one address is problematic for a community," said Ms. Braton, chairwoman of Queens Community Board 10.

The upshot for both New York and the city is that housing sex offenders has become even more complicated. In the past few years, the already limited options for sex offenders have shrunk as more city

CORRECTIONS & AMPLIFICATIONS

The restaurant Emily is in Brooklyn's Clinton Hill neighborhood. A Food & Drink article Wednesday about pizzerias incorrectly said Emily is in the Williamsburg area.

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



Robert Morgenthau signs a well-wisher's book at Fishkill Farms, top. Strawberries for sale at the farm, above.

As does Josh's father. "He not only runs it," Ms. Franks said of her husband and the farm, "he makes up for the shortfall."

On Saturday afternoon, Robert Morgenthau's primary role was as the farm's éminence grise, as his son describes him, greeting visitors and accepting praise as he sat on a porch in sandals and wide-brimmed khaki hat, across from the hamburger stand, the bustling farm store and a majestic stand of pines he planted as a child. The family poodle, "Ivan the Terrible," served as protection while Mr. Morgenthau's actual driver and bodyguard, David Garcia, dropped by with his family.

"Because he was DA and received a lot of death threats, he's entitled a bodyguard and driver," Ms. Franks explained.

Mr. Morgenthau needed a couple of canes to traverse the uneven terrain between

the porch and the farm store, but his mind remains as sharp as ever. "He'll go around the store and talk to people and say, 'You know, that Honeycrisp is the best,'" his son said.

Indeed, this being Founder's Day, Mr. Morgenthau launched into recollections of helping his own fa-

On peak autumn weekends as many as 6,000 people visit Fishkill Farms.

ther host FDR at the farm during World War II. "I used to make mint juleps for him," the former district attorney remembered. "He brought Churchill here on June 20, 1942. Just before Tobruk fell. We have the videos of that."

Behind Mr. Morgenthau, his dad's home movies



A field near the Wards Island shelter where Donald Griffin lives.

but operate as prisons, the complaint says.

Given the laws, the corrections department and the shelter system are left with few options. "They are between a rock and a hard place in terms of what their options are," said JoAnne Page, president and chief executive of re-entry organization the Fortune Society.

Cities and states nationwide have passed laws much like New York's that restrict where some sex offenders can live. Some say these laws make it nearly impossible for sex offenders to be reintegrated into society and note research has shown residency restrictions don't deter them from committing another crime.

"Sex offenders are among the people we fear the most, yet we've created a scenario in which it's almost impossible for them to become normative," said David D'Amora, a senior adviser at the Council of State Governments Justice Center, a policy-research non-profit.

For Mr. Griffin, home is now a shelter on Wards Island,

played. They included FDR campaigning for governor of New York along the Erie Canal, the king and queen of England's historic 1939 visit to Roosevelt's home in nearby Hyde Park, and that meeting between FDR, Churchill and Henry Morgenthau at Fishkill Farms.

It included Robert Morgenthau, then 22 years old, and in his naval dress whites, serving the not especially enthusiastic British prime minister a mint julep. Apparently, Churchill rejected the cocktail in favor of straight whiskey.

There was also an exhibition set up outdoors that included correspondence, filled with private jokes between FDR and Henry Morgenthau Jr., who were close friends. "Most of these documents have never been seen before," Mr. Morgenthau said.

An American history lesson might have seemed slightly incongruous in the context of day tourists in sneakers and shorts heading to the pick-your-own strawberry patch. But the historical significance of the farm, and Robert Morgenthau's own resume, seemed lost on few.

A steady stream of visitors approached the porch to shake the great man's hand, ask to have their picture taken with him or have him autograph a book, and to thank him for his service. "I'm from Texas," one man told him. "You're one of my heroes."

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New York City's comptroller on Wednesday released audits citing poor fiscal practices at two local charter schools, among the first such reports since he said he would scrutinize the finances of a sampling of charters.

The schools, Bedford Stuyvesant New Beginnings Charter School and Merrick Academy Queens Public Charter School, both said in written responses that they had taken steps to address some of the concerns and disputed other findings.

Supporters and critics of charters—which are taxpayer-funded and privately operated—are awaiting the release of Comptroller Scott Stringer's audit of the city's largest charter network, Success Academy Charter Schools. It is scheduled to be completed this year.

Auditors said New Beginnings didn't have written contracts or project plans for \$1.5 million spent on construction during the audit period, and it lacked controls over parents' cash payments for lunches and other programs. The report said most board members also failed to file financial-disclosure forms on time.

Further, the schools wrote nearly \$60,000 in checks for amounts roughly \$1 less than the \$5,000 threshold that requires signatures by two school officials, possibly to avoid oversight.

New Beginnings officials, in

their response, disputed that the forms weren't filed on time and said their new administration is complying with the rules. The audits covered 2013 and 2014.

Merrick Academy was accused of altering the terms of a \$1.3 million contract with Victory Schools Inc., a for-profit management company, without putting those changes in writing. The auditors found no documentation to show that the school's board of trustees approved a move to a new location or considered its costs, which totaled \$4.5 million. The report said the school lacked proof that all employees had passed criminal-background checks.

Gerald Karikari, board chairman of Merrick Academy, said some documents got lost in the school's move, and auditors didn't heed board members' testimony about voting on the new location. "Auditors tried to diminish us," he said. "It was very disheartening."

Victory Schools said Merrick Academy hadn't wasted taxpayer funds on its services, and that the company cut its fees when the scope of its work was reduced.



Celebrating the Life of a Slain British Lawmaker



MTA Targets Sex Offenses

Metropolitan Transportation Authority Chairman Thomas Prendergast said Wednesday that the agency needs to improve its response to sexual offenses on the subway, following new figures showing that reports of such crimes are rising.

New York Police Department officials said on Monday that 458 sexual offenses had been reported in the subway system for the calendar year through Monday, compared with 299 in the same period last year, a 53% increase. Gov. Andrew Cuomo wrote to the MTA Tuesday that the increase is unacceptable.

The violations include such behaviors as unwanted touching and public lewdness. Police officials have attributed the rise in reports to more victims coming forward, following public-outreach efforts and increased numbers of police officers in

the subways catching violators in the act. Law-enforcement officials say there is no evidence that more crimes are being committed.

“Whether or not people report more on any subject category, versus there is an actual increase, there is always a dialogue on that issue,” Mr. Prendergast told reporters following an MTA board meeting on Wednesday. But “perception is reality, and we need to deal with it at that level.”

Mr. Prendergast said the MTA must do all it can to reduce such crimes and make sure the reports are appropriately investigated.

Debjani Roy, deputy director of Hollaback!, an anti-harassment advocacy group, said the MTA has made progress responding to sexual crimes, including getting more victims to step forward.

"It's always tricky to con-

clude whether or not there is an increase in these crimes," Ms. Roy said. "I think the safe conclusion to draw is that people feel more comfortable reporting their experiences of sexual crimes."

Ms. Roy said that the MTA could add more signs in the subways explaining to young people that actions like flashing are crimes. Female teens are often unaware that these types of crimes occur or don't know what they should do following an incident, she said.

More female police officers in the subway would also make female victims more comfortable coming forward, she said.

Even with the rise in reports, many people still don't come forward, "often because they are afraid," said Oraia Reid, a

founding member of New Yorkers for Safe Transit, an advocacy group that is no longer active.

Greater New York Watch

NEW YORK CITY

Carnegie Hall Getting A \$25 Million Gift

Carnegie Hall announced Wednesday a \$25 million donation from industrialist Len Blavatnik and his family foundation. In recognition, the first-level seating area of the hall will be named the Blavatnik Family First Tier for the next 50 years.

Founder of Access Industries Inc., Mr. Blavatnik has been a Carnegie Hall trustee since 2014 and a supporter for more than a decade. The gift goes toward the hall's 125th-anniversary campaign, which includes artistic, educational, and digital initiatives.

NEW YORK CITY

Chief of 9/11 Museum Announces Departure

Announces Departure
National September 11 Memorial & Museum President and CEO Joseph Daniels will step down this year, he told the board in a letter Wednesday.

Mr. Daniels, in the post for a decade, said he will remain until a successor is found. During his tenure, he led a capital campaign that drew more than \$450 million in private donations.

NEW YORK

New Law Limits Opioid Prescriptions

Opioid Prescriptions
New York is limiting opioid drug prescriptions to seven days of painkillers following a patient's initial visit to a doctor.

Gov. Andrew Cuomo, signing the legislation on Wednesday, said it is among four significant measures that he and state lawmakers are enacting to help address the national opioid- and heroin-addiction crisis.

The law also requires insurers to cover initial inpatient drug treatment without prior approval.
—Associated Press



conEdison

.....

EVERYTHING
MATTERS



SPACES THURSDAY

A Very Old Space For New Retail

Continued from page A13
inforced concrete and steel. The rest are seven-story red-brick buildings designed in a mill-construction style with heavy wood beams.

The red-brick facade on 11th Avenue has a large, central, arched entrance filled in with glass, with the words “Terminal Stores” directly above it and the words “Terminal Warehouse Free Cold Bonded

‘It’s not about getting the highest rent but about getting the right retailer.’

Storage” higher on the front. When original owner Terminal Warehouse Co. constructed the building, the central opening was designed to allow two rail tracks to enter the building and exit the other side on 12th Avenue through another large arched-opening.

Trains could travel directly from the freight yards on West 30th Street to the north and

down 11th Avenue, according to research from the Historic Districts Council.

West Chelsea became a center of warehouse and freight handling businesses in the late 19th century because of its links to the railroad lines and the construction of piers on the Hudson River, according to the Historic Districts Council.

The Terminal Stores was used by both large businesses and individuals. Prominent firms such as department store magnates Gimbel Brothers and John Wanamaker occupied several of the buildings.

In 1934, the High Line elevated railway opened a block away and the street tracks on 11th Avenue were removed, beginning a decline for warehouses and the neighborhood; the decline became a downward spiral later when highways became the preferred mode of transporting freight, according to the Historic Districts Council.

Long after Chelsea’s industrial heyday, in 1987, a night-club called The Tunnel opened in the Terminal Stores’s ar-



Event space at the Terminal Stores, above. Between the Bread, a fast-casual restaurant, below right. The building’s facade, below left.

cade; the club lasted for more than a decade. Coleman P. Burke, Waterfront’s founding and managing partner, bought Terminal Stores in 1983. The company also owns and runs

Chelsea Mini Storage, which occupies about 500,000 square feet of space in the building.

For retailers, the Terminal Stores offers foot traffic—about 2,000 office workers daily, residents of Chelsea and the emerging Hudson Yards neighborhood, and visitors to High Line park. Jonathan Eisen and Victoria Rolandelli opened a new location of their Between the Bread shop this spring, drawn to the building’s industrial features.

“The layout lends itself to a nice user experience,” Ms. Rolandelli said, referring to the ground-floor tunnel. “It’s wide and this lends itself to walking. It would be cool if there were centralized kiosks between the columns.”

Porchlight, which opened last year on the building’s corner at 11th Avenue and West 28th Street, incorporated a thick original wood beam and a vertical cast-iron column into the bar’s design, said co-



founder Mark Maynard-Parisi. The bar has a large arched window with the original cast-iron shutters, which the bar cleaned and repainted.

“A lot of people, when they walk in, they say, ‘Oh my God, this is so cool,’” Mr. Maynard-Parisi said. “It’s not something you see every day.”

ARTS & ENTERTAINMENT

Artist Goes John Deere Green

By ANDY BATTAGLIA

What is enormous, has clawed green toes and is imposing enough to cast a shadow in a museum entryway?

A dinosaur of the farming-equipment kind.

A vintage vehicle—a 1976 John Deere 3300 combine harvester, to be exact—is the star of an unusual new artwork at the Aldrich Contemporary Art Museum in Ridgefield, Conn., that explores the relationship between nature and technol-

ogy. For the immersive installation, sculptor David Brooks has disassembled the machine into thousands of constituent parts and put every one on meticulous display.

Some are kept outside, in their normal habitat; others are exhibited indoors, artfully lighted on pedestals and in vitrines. Titled “Continuous Service Altered Daily,” it is the artist’s first solo museum exhibition.

The sculpture’s inspiration, in part, was a playful one.

“It’s childish on one hand, like this big toy with cogs and wheels that we can all identify with,” Mr. Brooks said of the piece, which splays out over 9,000 square feet in all areas of the museum.

The work also addresses the idea of man-made machines used to shape the organic world.

“There’s an uncanny aspect to this weird-looking box slowly consuming the landscape,” the artist said. “A combine is a thing that puts food on the table and feeds millions but at the same time contributes to [destruction of the terrain] and a decline of biodiversity.”

The strangeness of the combine is on display from the start, with hulking tires buried in the ground along the Aldrich Museum’s walkway and what looks like a giant metal foot standing by the entrance. The clawed contraption is in fact the corn head, which chops down stalks and starts the harvesting process.

“Separated from its body, it is a horrifying thing,” said Mr. Brooks, pleased with its evocation of an alien creature in John Deere green.

Inside, museumgoers are greeted by a video of the combine in operation, with different views to show the many interlocking parts of such a large and complex machine.

That complexity is key to Mr. Brooks, a 41-year-old Brooklynite whose environmentally minded art has drawn on an interest in ecosystems studied during research trips to the Amazon and the Florida Everglades, among other locales.

A piece called “Lonely Loricariidae,” exhibited at the 2014 Art Basel fair, included tanks of Amazonian catfish that, while not yet even named by scientists, have already been commodified in the ornamental aquarium trade.

In another industrial-pastoral piece, “A Proverbial Machine in the Garden” from 2013, he buried a tractor in the ground at the Storm King Art Center in upstate New York.



David Brooks’s ‘Continuous Service Altered Daily’ includes every part of a disassembled 1976 John Deere 3300 combine harvester. Mr. Brooks looks through one of the pieces on display, below right.



For the Aldrich project, on view until February 2017, Mr. Brooks said he came to think of the combine as a kind of ecosystem in itself, with interconnected parts and too much happening at once to ever observe and understand as a whole.

“There’s a lot going on in a machine like that,” said David Gelfman, an artist and machinist who was hired to help Mr. Brooks take it apart.

Some of the combine parts were left untreated and raw, like sheets of green metal hung on the walls and augers that stand tall on a pedestal like spiral totem poles. Others were turned into beautiful rel-

ics, with some parts painted gold or brass-plated.

“They really transformed from what they were before—crusty, rusty suspension springs—into something that is quite precious,” Mr. Brooks said of a few favorite metal pieces set off in a vitrine.


“Many people don’t really know what a combine harvester is and what it does, and there’s quite a fascination once they see,” said Amy Smith-Stewart, an Aldrich Museum curator who commissioned the piece.

For Mr. Brooks, the purposefully overwhelming presentation of the combine in its

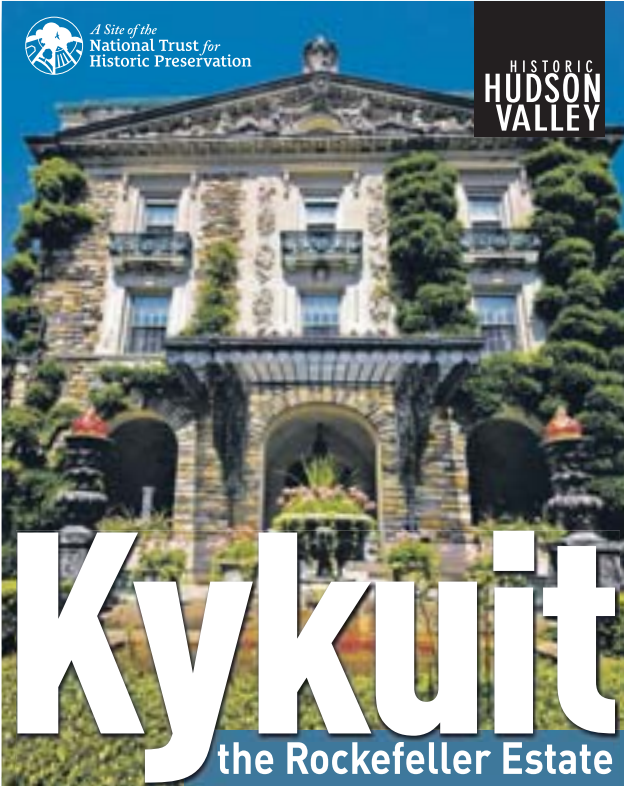
thousands of component parts echoes the daunting task faced by scientists trying to make sense of ecosystems around the world.

“Good scientists are philosophically in tune with the limitations of science,” said Mr. Brooks, who aligned his dissected combine with “overthinking and overdetermining something to such a degree that it becomes abstract and has nothing to do with the thing in front of you.”

He likened the piece to “science working itself into an irrational state” while searching for understanding that remains elusive.



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SPORTS

Why New Yorkers Should Care About the Draft

The Knicks and Nets are barely involved, but here are four reasons to watch

By Alex Raskin

New York would be blissfully ignorant of Thursday's NBA Draft were it not for the fact that it is being held at Brooklyn's Barclays Center.

Years of aggressive trades left the Knicks and Nets with a combined .323 winning percentage in 2015-16 and without first-round pick in this year's draft. In fact, the two losing teams have only one second-round selection between them, and even that came with strings attached: By virtue of the Nets' 2012 sign-and-trade acquisition of Reggie Evans, the Los Angeles Clippers exercised their right to swap second-round picks, taking the 33rd selection and giving the 55th pick to Brooklyn in return.

There is a chance that Knicks president Phil Jackson or Nets general manager Sean Marks could find a way to move into the first round, but in all likelihood, local basketball fans will be asleep long before either team does anything on Thursday night.

So for those who would rather not watch the rest of the NBA add talent but still want to tune in, here are a few local story lines that are far more interesting than the current state of the Knicks and Nets.

The rise of Isaiah Whitehead. The 21-year-old from Brooklyn restored Seton Hall to national prominence this past year. A product of Coney Island's famed Abraham Lincoln High School and the only player from New York City to make the McDonald's All-American Team in the past six years, Whitehead was the unquestioned leader of a Pirates team that upset No. 5 Xavier and No. 3 Villanova en route to a Big East Title and an NCAA Tournament berth.

Whitehead, a 6-foot-4-inch combo guard, struggled as a freshman in 2014-15, shooting just 36.7% from the field while averaging 12 points and 3.5 assists a game. He still shot only 37.9% from the field last season, but pushed his averages to 18.2 points and 5.1 assists a game and now he looks like a lock to go in the second round.

"He's big and strong," said Jay Bilas, the former Duke star and current ESPN analyst who thinks Whitehead



Clockwise from top: Brooklyn product Isaiah Whitehead, former Iona star A.J. English III, and Oklahoma's Isaiah Cousins.

will be taken midway through the second round. "He's got a 6-8 wing span even though he's only about 6-4, a very good passing instinct even though he turns it over a little bit too much, probably goes for the home run instead of the easy play. But his physical tools are really good. He gets a lot of steals, and he's also a very good shot-blocker for a guard."

Don't sleep on A.J. English III. The son of former Washington Bullets guard A.J. English, English started every game for Iona in his final three collegiate seasons, becoming the New Rochelle program's second all-time leading scorer.

But even after a senior season in which he averaged 22.6 points and 6.2 assists a game while leading Iona

to an upset of favored Monmouth in the MAAC Tournament final, English wasn't considered a lock to get drafted.

That may have changed in April at the four-day Portsmouth Invitational Tournament in Virginia, where NBA scouts pick through collegiate seniors. English was named the event's MVP after averaging 17.3 points and

6.7 assists a game while shooting 58.1% from the field and 64.7% from 3-point range.

Helping English's cause is his 6-foot-4 frame and his experience playing for Iona coach Tim Cluess, whose fast-paced system forces guards to make quick decisions and keep defenders on their heels.

"He's a good scorer, can shoot from range, and he played in—as you know, Tim Cluess has an up-tempo system, but he's been really effective," said Bilas. "He does turn the ball over a little bit, but when you play at that pace, you're going to cough it up once in a while."

Back to Mount Vernon. The Westchester suburbs are sending yet another player to the draft. This time it's Oklahoma combo guard Isaiah Cousins, who hopes to follow the likes of brothers Gus and Ray Williams and Ben Gordon from Mount Vernon High School to the NBA.

Cousins was overshadowed at Oklahoma by fellow guard Buddy Hield, a likely lottery selection, but the 6-foot-6 guard sank over 40.7% of his 3-point attempts in four college seasons and might have some potential as a point guard.

Cousins finished fourth in the Big 12 with 168 assists in 2015-16, and is considered by most draft experts to be a second-round pick.

Will Mostar tempt the Nets once again? The franchise hasn't signed a single Brooklynite since moving to the borough of around 3 million people in 2012, but in that same time has found not one, but two players from this city of fewer than 70,000 people in southern Bosnia and Herzegovina.

In 2003, the New Jersey Nets drafted Mostar native Zoran Planinic in the first round. More recently, the Nets acquired Mostar natives Mirza Teletovic, who now plays for the Phoenix Suns, and swingman Bojan Bogdanovic.

This time, the historic town on the Neretva River has produced center Ivica Zubac, a 19-year old projected to be taken toward the end of the first round or early in the second round. Unfortunately that would likely leave the 7-foot, 265-pound prospect out of the Nets' grasp, but they could always move up to keep their Mostar streak in tact.

Heard on the Field

Syndergaard, Cespedes Leave Win With Injuries

The Mets' 4-3 win over the Kansas City Royals on Wednesday turned potentially catastrophic when the team's two best players, Noah Syndergaard and Yoenis Cespedes, left Citi Field with injuries.

Syndergaard, who improved to 8-2 with the win, exited the game after six innings with discomfort in his pitching elbow. Cespedes, who leads the Mets in home runs (18), RBI (44) and batting average (.290), left with a sore left wrist. Cespedes was visibly in pain during his at-bat in the bottom of the fifth inning, when he fouled off four pitches.

Cespedes and Syndergaard left to see Dr. David Altchek at the Hospital of Special Surgery in Manhattan.

Syndergaard is the only one of the Mets' four young starters who hasn't undergone Tommy John surgery, the elbow ligament procedure that typically keeps pitchers out for a minimum of one year.

—Andrew Beaton

ROSE

Continued from page A13

Since winning the award, Rose has undergone three knee surgeries and a separate surgery to repair an orbital fracture in his eye.

After years of struggle, Rose played far better toward the end of the 2015-16 season, averaging 17 points a game and shooting almost 47% after the All-Star break. Still, he has missed 235 of 394 regular-season games over the past five years, making this a huge gamble for the Knicks, even if he's only under contract for one more year.

The short-term nature of the deal also makes it a bit surprising that the Knicks are giving up so much for a player the Bulls were soon going to wash their hands of anyway. Lopez, who signed with the Knicks last summer for what now looks like a bargain, was the Knicks' most consistent starter last year, and considerably slowed Kristaps Porzingis's learning curve at the center position. Grant improved toward the end of the season and, at times, looked like he could be



Derrick Rose has missed 235 of 394 regular-season games over the past five seasons.

the team's point guard of the future. He also figured to benefit from new coach Jeff Hornacek's up-tempo style, which uses more pick and rolls.

But if anything, Hornacek's arrival has seemed to embolden the Knicks' desire to upgrade the point-guard

spot now, as opposed to waiting until the summer of 2017, when more top-flight point guards are set to become available.

"Derrick is one of the top point guards in the NBA who is playoff-battle-tested," Hornacek said. "He

adds a whole new dynamic to our roster and immediately elevates our backcourt."

The deal, perhaps the clearest sign yet that the Knicks will be in the market for a wing player during free agency, raises a handful of questions about how the team views itself at the moment.

By swapping Rose for Lopez, who wasn't only a solid player but also under a long-term contract, the team is moving away from the continuity it appeared to be building with this most recent roster. Lopez's departure may mean Porzingis becomes the starting center. And by dealing Grant, it becomes harder to say the team is undergoing a rebuild. That's probably music to the ears of Carmelo Anthony, who, at 32 years old, is running out of chances to return to the playoffs after three straight disappointing seasons.

And while Rose clearly fits Hornacek's bill of a player who can operate at a faster pace, he's one of the NBA's poorer outside shooters, something that goes against the grain of what Phil Jackson has generally targeted at the point-guard position for his triangle offense.

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THE WALL STREET JOURNAL.

Thursday, June 23, 2016 | **B1**

Tesla Deal Worries Investors

By **MIKE RAMSEY**
AND **REBECCA SMITH**

Tesla Motors Inc.'s plan to acquire **SolarCity Corp.** got a cold reception from investors and analysts, who raised concerns the takeover could prove a diversion for the electric-car maker and worsen both companies' strained finances.

Tesla shares plunged by more than 10% on Wednesday, a day after it proposed an all-stock deal valuing the solar-power company at up to \$2.8 billion. Both firms are unprofitable, and SolarCity lost more

than 60% of its value over the past 12 months. Its shares closed 3.3% higher.

"We are not happy with the offer," said Sam Korus, an analyst with ARK Investment Management LLC, which holds 75,000 shares of Tesla in three different funds and has often been bullish on the company. He said his firm would likely vote against the offer.

Tesla CEO Elon Musk is the chairman and largest shareholder of both companies. Mr. Musk, whose cousin Lyndon Rive runs SolarCity, owns more than 20% of each com-

pany and has recused himself from shareholder votes and board decisions.

"The market obviously hates this," said Shawn Kravetz, a fund manager at Esplanade Capital LLC in Boston who invests in solar companies and until recently owned SolarCity shares. "There are symbiotic relationships here, but cousins should not get married."

Mr. Kravetz fears SolarCity shares could plunge even further if the deal fails. Barclays Capital said the deal would add another \$2.6 billion in debt to Tesla's balance sheet

for a solar company with limited synergies and uncertain growth and cash prospects.

Oppenheimer & Co. analyst Colin Rusch suggested investors would view the takeover as a bailout of SolarCity and lowered Tesla's rating to perform from outperform.

The planned takeover puts "your head in the conflict-of-interest blender," said Charles Elson, director of the John L. Weinberg Center for Corporate

◆ **Heard: Solar buy won't help Tesla meet its goals..... C1**



Baili lodged a complaint over the design of the iPhone 6 and 6 Plus.

Chinese Firm Battling Apple Barely Exists

By **EVA DOU**
AND **ALYSSA ABKOWITZ**

BEIJING—When a Beijing regulator recently ruled against **Apple Inc.** in a patent dispute, it handed a victory to a Chinese company that barely exists.

Phone calls to the company, **Shenzhen Baili Marketing Services Co.**, ring unanswered. Its websites have been deleted. Visits to its three registered addresses found no company offices.

Baili and its parent, **Digione**, are part of a rapid boom and bust in China's new wave of smartphone makers. When Baili took on Apple in December 2014, telling Chinese regulators that the Cupertino, Calif., company's new models infringed on its smartphone design patents, it had bold aspirations, a big-name investor in Chinese internet giant **Baidu Inc.** and a team of experienced executives.

By the time regulators reached a decision this year, Digione had collapsed, brought down by buggy products, mismanagement and fierce competition, according to former employees and investors. Digione has been absent from China's mobile-phone market for at least a year and Baidu has accused it of squandering its investment.

Baili, its unit that registered the phone patents, will continue to battle Apple in court, said Digione lawyer Andy Yang, of Beijing Wis & Weals. "Shenzhen Baili is still operational in its necessary functions," he said. Mr. Yang declined to comment on queries about Digione's relationship with Baidu.

Digione, whose formal name is **Shenzhen City 100/100 Digital Technology Co.**, and Baili are both insolvent, their debt exceeding their total assets, according to the companies' annual financial reports. The Beijing Intellectual Property Office last month granted

Baili a sales injunction in the city on the iPhone 6 and iPhone 6 Plus. The order has been stayed as Apple appeals the decision. "iPhone 6 and iPhone 6 Plus products do not infringe upon the design patents" held by Shenzhen Baili, Apple's lawyers wrote in their appeal.

An appeal of a decision by the regulatory body must go to the courts, and Beijing's Intellectual Property Court is expected to hear the case in a few months.

The case comes as Chinese companies become more adept at taking advantage of a maturing patent system and represents a further complication for Apple, which is already facing challenges in the country with slower sales and the sus-

A Beijing regulator said the U.S. giant infringed on Baili's design patents.

pension in April of its iTunes Movies and iBooks services.

Baili might consider expanding its suit to the iPhone 6s and iPhone 6s Plus, said Mr. Yang. "The issue here is not whether Digione makes phones anymore, but whether the iPhone 6 infringes on this patent," he said.

With an expected long appeals process, the ruling isn't likely to have an immediate sales impact on Apple.

"iPhone 6 and iPhone 6 Plus as well as iPhone 6s, iPhone 6S Plus and iPhone SE models are all available for sale today in China," Apple said in a statement to The Wall Street Journal Wednesday.

Patent-infringement suits are common in the high-tech industry. Apple and **Samsung Electronics Co.** have held a series of private negotiations

Please see **APPLE** page B4



Sales at Plant Gallery, a garden center and landscape firm in New Orleans, are up about 6% so far this year but running below 2015's increase.

Small Businesses Wary of Election

Owners have delayed hiring, reduced orders for new equipment or put off investments

By **RUTH SIMON**

After months of contentious campaigning, Democrats and Republicans have settled on their presumptive presidential candidates. But that has done little to end the uncertainty that many small-business owners say is weighing on their operations.

SMALL BUSINESS

Roughly one-third of 715 small-business owners surveyed in June by The Wall Street Journal and **Vistage Worldwide Inc.** said that uncertainty related to the November presidential election is having a negative impact on their business.

Firms have reported delaying hiring, putting off investments or reducing new equipment orders.

Dale Donat, owner of **Mid America Metals**, an architectural restoration firm in Ozark, Mo., with 105 employees, has put on hold plans to invest about \$750,000 in three major projects, including a new software system, because of political and economic uncertainty. "I know I need to do these things to grow the company," Mr. Donat said, "but I feel very nervous about spending all that money."

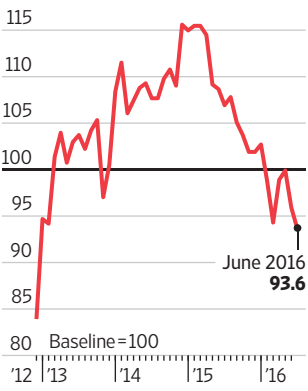
Small-business owners' concerns about the future U.S. president are compounded by a shaky economy, a sharp slowdown in oil and gas investment, and the possibility of future interest-rate increases.

Overall business investment has already slowed. Nonresidential fixed investment has fallen for the last two consecutive quarters, according to the Commerce Department, the first back-to-back quarterly drops since 2009.

Companies typically pull back on capital investment and hiring ahead of an elec-

Sliding Confidence

The WSJ/Vistage small-business confidence index



Note: Index is based on monthly surveys of firms with \$1 million to \$20 million in annual revenue on issues such as sales expectations, spending and hiring plans.

Source: The Wall Street Journal/Vistage

THE WALL STREET JOURNAL.

tion, while consumers scale back purchases of durable goods and higher-priced items, said Brandon Julio, an assistant professor of finance at the University of Oregon Lundquist College of Business.

Small businesses are more likely to be skittish because they face a higher cost of capital than larger firms and often have more trouble recovering from mistakes, he said.

Prof. Julio said that this election "will have a higher degree of uncertainty than those we have seen in the past" because of the sharp differences between Hillary Clinton and Donald Trump, and ongoing questions about what their economic platforms will look like.

Vectors Inc., an equipment-supply company in Aurora, Colo., is holding back on purchasing several million dollars of additional equipment for rental and sales. Owner Matt Nawrocki said his clients report that construction jobs have been delayed because of "the drastic differences between the two political parties" on issues such as taxes and regulation.

Summer is usually a busy time for the company, as land surveyors buy or rent equip-

Please see **ELECT** page B2

New York Isn't Ready for Wider Canal

By **ROBBIE WHELAN**

Ports on the U.S. East Coast have been hurrying to prepare their harbors, terminals and roads for the arrival of super-size container ships that are expected to pass through the Panama Canal once its expansion is completed later this month.

But the East Coast's busiest port won't be ready for them.

Late last year, the **Port Authority of New York and New Jersey** announced that a project to raise the Bayonne Bridge, an 83-year-old arch that spans the channel between Bayonne, N.J., and New York's Staten Island, would be delayed until the end of 2017 because of engineering miscalculations and construction work slowed by inclement weather.

Until the project is completed, larger ships passing through the Panama Canal will be unable to visit the three



A ship goes under the Bayonne Bridge. A project to raise it is delayed.

largest terminals at the Port of New York and New Jersey, located beyond the bridge in Newark and Elizabeth, N.J.

The delays undermine the economic rationale for the expansion, and raise doubts about whether the wider canal will

lead to an immediate surge in cargo headed for the East Coast. New York, with its bustling port and direct access to the densely populated Northeast corridor, was the destination many Asian exporters and shipping lines had in mind when they pushed

for a wider canal.

Some carriers now say they will hold off on booking voyages via Panama for their larger ships. Others are spending millions to retrofit bigger vessels they had already committed to routes between Asia and the East Coast, eating into the expected savings from sending those ships through the canal.

If New York isn't ready, it is unlikely that any U.S. East Coast ports will see the biggest ships either, according to Marc Bourdon, who heads the U.S. operations of France's CMA CGM Group, one of the world's largest shipping lines.

"With the Panama Canal opening, I think you'll see some...slightly larger vessels coming through, but not the biggest ones," Mr. Bourdon said. "You need New York to take them. It's the major port. None of the other ports along

Please see **CANAL** page B2

Video Viewers in China Open Up Their Wallets

Online video in China is starting to look more like **Netflix** and less like YouTube, as more users agree to pay for subscriptions.

In June 2015, **iQIYI**, the video arm of China search



CHINA CIRCUIT LI YUAN

company **Baidu**, aired two episodes a week of the fantasy on-line series "The Lost Tomb." Some fans of the popular on-line novel offered to pay to see all the episodes at once.

At the time, iQIYI said it had about 500 million users, but only about five million paying subscribers. On July 3, 2015, iQIYI posted all 10 episodes in the first season of "The Lost Tomb" behind

its paywall, which charges 19.8 yuan (\$3) a month or 198 yuan a year. More than 2.6 million requests flooded in, disabling the site's content and payment systems.

Six months later, iQIYI had grown to 10 million subscribers; earlier this month, the company said it reached 20 million paying customers. Subscribers can view some new movies and television series ahead of nonpaying users, bypass commercials and enjoy higher video resolution and audio quality. Subscribers also are offered occasional access to meet with stars.

The growth of paid online video subscribers is a departure for Chinese online users, who were notoriously reluctant to pay for content and had easy access to pirated DVDs

Please see **VIDEO** page B4

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Glass Lewis.....C3	Holding.....B7
Airbus Group.....B2	Goodrich Petroleum...C2	Premier Exhibitions...B2
Alibaba Group.....B3,B4	Google.....B3	Q
Amazon.com.....B4		QEP Resources.....C1
AMC Entertainment Holdings.....B6	H	R
American Express.....C3	Hennes & Mauritz.....B6	Ralph Lauren.....D3
Apple.....B1	Hermes EOS.....B3	Regeneron Pharmaceuticals.....C4
Azimo.....C2	Hewlett Packard Enterprise.....C8	S
	Honeywell International.....B2	Samsung Electronics..B1
B		Seaspan.....B2
BAE Systems.....B6	Hon Hai Precision Industry.....B4	Sharp.....B4
Baidu.....B1	HP.....C8	Shenzhen Baili Marketing Services..B1
Bank of America...A8,C1	Hyundai Motor.....B7	Shenzhen City 100/100 Digital Technology...B1
Bed Bath & Beyond...B8	I	SoftBank.....C3
Birchcliff Energy.....C1	Imax.....B6	SolarCity.....B1,C1,C4,C8
BlackRock.....C2	Institutional Shareholder ServicesC3	Southwest Airlines...B7
BMW.....B7	iqiyi.....B1	Sprint.....B3
Boeing.....B2	J	State Street.....C2
	J.P. Morgan Chase.....A8	Statoil.....C4
C	K	SunRun.....C8
Celgene.....C4	Kia Motors.....B7	Synchrony Financial...A8
Centennial Resources Development.....C2	L	T
Chesapeake Energy...C4	London Stock Exchange Group.....C3	Tencent Holdings.....B4
Credit Suisse Group...C3	M	Tesla MotorsB1,C1,C4,C8
Criteo.....A2	Marathon Oil.....A2,C4	Toyota Motor.....B7
	Marathon Petroleum..A2	T. Rowe Price.....C1
D	Miami Marlins.....D3	Twilio.....C1
Daimler.....B7	Mid America Metals...B1	Twitter.....B4
Deka MDAX R Uctis...B3	Mitsubishi Motors...B3	V
Deutsche Börse.....C3	N	Vanguard Group.....C2
Digione.....B1	National Amusements.....B3	Vectors.....B1
E	Netflix.....B1	Viacom.....B3
Emerald Oil.....C2	Netflix.....B1	Vice Media.....B6
Encana.....C2	Nidec.....B3	Vistage Worldwide...B1
	Nissan Motor.....B3	Vivint Solar.....C8
F	O	Volkswagen.....B3,C2
Facebook.....B4	One Kings Lane.....B8	X
Fair Isaac.....A1	P	Xiaomi.....B4
Fast Retailing.....B3	Phlur.....D3	Y
FedEx.....B4	Piper Jaffray.....C2	Yahoo Japan.....B3
Fiat Chrysler Automobiles.....B7	Porsche Automobil	Youku Tudou.....B4
Ford Motor.....B7		
Foxconn Technology...B4		
G		
General Motors.....B7,C2		

INDEX TO PEOPLE

A	Gou, Terry .....B4	Rabalais, Kenny.....B2
Arora, Nikesh.....B3	H	Rajan, Raghuram.....C3
Arseneault, Tom.....B6	Hirt, Hans-Christoph..B3	Redstone, Sumner...B3
B	K	Rive, Lyndon.....B1
Barofsky, Neil.....C3	Kelly, Gary.....B7	Rusch, Colin.....B1
Bettman, Gary.....C3	Kinahan, JJ.....C4	Ryzhaya, Katherine...B2
Bourdon, Marc.....B1	Korman, Eric.....D3	S
	Kravetz, Shawn.....B1	Son, Masayoshi.....B3
C	L	Souder, Martha.....A8
Carter, Tom.....C4	Li, Robin.....B4	Stanley, Chuck.....C2
Champagne, Jean-Levy.....C3	M	Stephens, Renee.....B7
Côté, Jean-Francois...C3	Martin, Rob.....A8	T
	McGrade, Michelle...C4	Thiam, Tidjane.....C3
D	Mukherjee, Saurabh...C3	V
Dauman, Philippe...B3	Mulrone, Brian.....C3	Vandenbulck, Manu...C4
Diess, Herbert.....B3	Musk, Elon.....B1,C1,C8	W
Dimon, James.....A8	N	Wang, Gerry.....B2
Donat, Dale.....B1	Nagamori, Shigenobu.B3	Wellins, Richard S...A2
Dornhelm, Ethan.....A8	Nawrocki, Matt.....B1	Whitacre, Morgan.....A8
Driscoll, Shawn.....C1	P - R	Y
G	Persson, Karl-Johan...B6	Yanai, Tadashi.....B3
Goh, Khoon.....C3	Pötsch, Hans Dieter...B3	Yang, Andy.....B1
Gong Yu.....B4		

TESLA

Continued from the prior page Governance at the University of Delaware. He said loyalty is difficult to discern when directors are on boards of both companies in merger discussions. "One of these companies is getting a better deal. Which one is it?"

A SolarCity spokesman said those who are predicting a strain on finances don't understand his company's business.

"SolarCity is the overwhelming leader in a high growth market," spokesman Jonathan Bass said Wednesday night. "We already have more than \$7 billion in estimated future contracted payments coming to us, significantly exceeding our debt."

Mr. Musk on Wednesday defended the proposed takeover, couching the offer as part of a long-term plan to create a clean-energy company that will take advantage of inexorable trends toward all vehicles becoming electric and consumers tapping the sun for power.

In a call with analysts, he said acquiring SolarCity was "an obviously correct move" that would lower costs and provide synergies for both producing and selling products to customers, creating significant long-term value for investors.

"As a valued automotive and power storage and power generation company...the potential is there for Tesla to be a \$1 trillion company," Mr.

Musk said.

Tesla, burning cash in a race to meet ambitious production targets, isn't expected to be profitable until 2020 at the earliest. A deal could force the Palo Alto, Calif., auto maker to once again seek cash with no guarantees that capital markets will remain hospitable, analysts said.

Some cash-strapped startups often fail to book profits for years before eventually becoming successful. Investors bullish on Tesla are betting Mr. Musk will meet his clean-car goals and effectively challenge traditional auto makers as government-mandated fuel-economy targets surge in coming years.

"We think it's an exciting deal," said Katherine Ryzhaya, chief commercial officer for Advanced Microgrid Solutions in San Francisco, a company that sells energy-storage systems. "The more visibility the sector gets the better, and Elon Musk attracts attention."

Still, Wednesday's Tesla selloff augurs possible tough sledding for Mr. Musk when shareholders vote on the takeover plan, which the company's general counsel said should occur in the next few months.

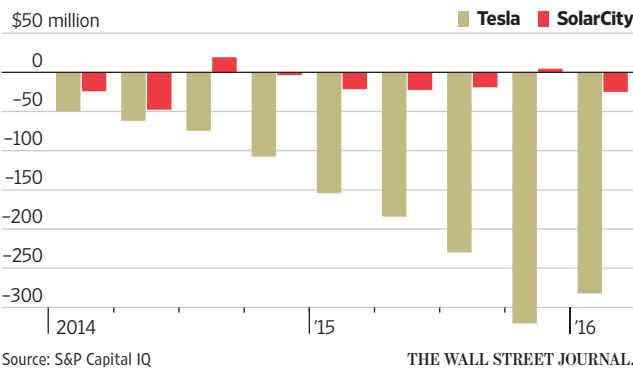
"We expect a robust shareholder fight over this acquisition centered on corporate governance," Oppenheimer's Colin Rusch said.

Mr. Musk said the discussions would be above board with independent directors and shareholders weighing the takeover plan.

—Cassandra Sweet contributed to this article.

Overcast?

Quarterly net income and loss at Tesla Motors and SolarCity.



Source: S&P Capital IQ

THE WALL STREET JOURNAL.

BUSINESS NEWS

'Titanic' Exhibitor Seeks Artifact Sale to Stay Afloat



LESZEK SZYMANSKI/EUROPEAN PRESSPHOTO AGENCY

Premier Exhibitions Inc., the cash-starved company behind the traveling "Titanic" and "Bodies" exhibitions, is asking a bankruptcy judge for approval to sell some of its artifacts.

The company says a sale of some of the "Titanic" artifacts could fetch enough money to pay back its creditors, return all equity to shareholders, and provide funds for Premier through and after the bankruptcy process. Premier owes \$12 million to unsecured creditors.

Premier filed for bankruptcy protection last week after facing legal challenges and the early closure of its "Saturday Night Live" exhibition. Premier has developed other popular exhibits—among them "Bodies" and "The Discovery of King Tut"—but its first big hit was "Titanic."

Premier owns more than 5,500 artifacts it salvaged from the wreckage of the Titanic in a series of expeditions spanning more than 30 years. The

company says the sale of just four artifacts could fetch \$10 million or more at an auction.

Beginning in 1987, one of Premier's affiliates worked with the French government's oceanographic institute on a joint expedition to recover roughly 2,100 artifacts over the course of 32 dives.

The company will put the proposal before a judge in the U.S. Bankruptcy Court in Jacksonville, Fla., on July 12.

—Lillian Rizzo

FAA Gets Behind Push For Wireless Safety Systems

By ANDY PASZTOR

U.S. aviation regulators have teamed up with their European counterparts to develop common standards in harnessing wireless signals for a potentially wide array of aircraft-safety systems.

Nearly a year after Airbus Group SE unsuccessfully urged Federal Aviation Administration officials to join in such efforts, Peggy Gilligan, the agency's senior safety official, has set up an advisory committee to cooperate with European experts specifically to "provide general guidance to industry" on the topic.

The FAA's decision became public Tuesday during a meeting of the top policy-making committee of RTCA Inc., an industry-government group that serves as the regulatory agency's primary think tank on technical issues. The goal, according to the FAA, is "to enable improvements in safety and a reduction in weight" by

eliminating some of the wiring that now connects many systems on board jetliners.

Both the FAA and Boeing Co. initially were cool to the notion. The new initiative is slated to run over roughly three years.

So far, most public attention has focused on enhanced wireless technology to

safety-related applications such as a backup for engine controls; monitoring the condition of landing-gear systems; detecting dangerous icing on airplane surfaces; and alerting pilots about defective airspeed sensors.

Some backers estimate such measures could eliminate some 220 pounds of wiring on the average jetliner.

European authorities already are developing standards for such wireless applications outside passenger cabins.

Now, an RTCA-organized panel, led by officials of Airbus and Honeywell International Inc., will seek to ensure there are common standards for safety-related uses on both sides of the Atlantic.

The proposed uses also raise significant issues about future aircraft vulnerabilities to cyberattacks. As a result, U.S. and European experts have been instructed to delve into those matters.

220

Estimated pounds of wiring that the use of wireless signals could eliminate on the average jetliner.

improve connectivity for passengers surfing the web during flights.

The Airbus effort is part of a broader, less well-known initiative—which includes rival Boeing and several international avionics suppliers—to research use of on-board wireless signals for

ELECT

Continued from the prior page ment for the start of new construction projects. But business at the 17-year-old firm was off by 35% in the first five months of the year, Mr. Nawrocki said. "I don't think people are horrified if one gets elected over the other," he said. "They just have to reposition."

Overall, small-business confidence in June fell to its lowest level since November 2012, reversing all of the gains of the previous three months, according to the WSJ-Vistage Survey.

"Firms were much more optimistic in January and February of 2015," when confidence peaked, said Richard Curtin, a University of Michigan economist who analyzed the data. He called the number of firms negatively affected by the coming election "quite large," but added that it is too early to tell whether it will hold back job growth and investment.

Some big companies are also pointing to political uncertainty as a drag on business. High-end retailers Neiman Marcus Group Inc. and Tiffany & Co. have in recent months cited the presidential election as weighing on their shoppers.

Kenny Rabalais, owner of the Plant Gallery Inc., a garden center, florist and landscape firm in New Orleans, said customers are still going forward with planned landscaping projects, but are being more selective about "fluff" items, such as lighting, fountains or pots at the front door.



Kenny Rabalais, owner of the Plant Gallery in New Orleans, says he will reinvest less in his company to create a bigger cushion.

So Mr. Rabalais, whose 25-year-old firm has 48 full-time employees, is showing the same caution. He typically replaces three of the company's 15 vans and trucks each year. This year, he's only swapping out one, a six-year-old landscape truck that is the oldest in the fleet.

"It's a slight restraint to let me see what is going to happen," said Mr. Rabalais, who plans to reinvest less in his company this year to hold on to a bigger cushion. Sales are up about 6% so far this year, below last year's 20% gain.

The pain is also being felt by some businesses that normally consider themselves immune to political cycles. Sue Firestone, owner of 21-year-old sfa design, said sales are

25% lower as clients put off second home purchases and construction of new homes until after November.

The downturn has led Ms. Firestone to hold off on plans to hire another senior designer and two additional employees for her 30-person firm; she is also looking to sublease space currently used by her Santa Barbara, Calif., office.

"We have had to make quick adjustments, but never before has it been, from my viewpoint, based on elections," said Ms. Firestone, whose Los Angeles-based firm provides interior-design services to high-net-worth individuals and luxury hotels. "There is a lot of nervousness that, as an adult, I never remember."

CANAL

Continued from the prior page the coast would be able to sustain a vessel of that size."

Shipping lines like CMA CGM want to boost traffic on direct routes between Asia and the East Coast because they can charge more to carry containers greater distances and save money by piling thousands more containers onto one ship. Shippers would also save because they wouldn't need to book trains or trucks to carry goods across the country.

The cost of shipping a container from Hong Kong to New York rises by more than 50% if it is delivered to a West Coast port and moved overland the rest of the way, according to Catapult International.

The U.S. Coast Guard approved the \$1.3 billion bridge-raising in 2013. The project, and a \$1.6 billion deepening of the harbor, were meant to prepare the region for the arrival of bigger ships.

Currently, the largest ships that can visit the New Jersey terminals can accommodate between 9,000 and 10,000 20-foot equivalent units, or TEUs, a common measure of shipping container capacity. That was more than enough before the Panama Canal expansion, when ships that could pass through its locks topped out at fewer than 5,000 TEUs. But after this month, ships carrying 14,000 TEUs will be able to pass through.

Delays have added hundreds of millions to the bridge raising's costs, according to a person familiar with the matter. Shipping lines are also paying a price.

"The delay takes away the biggest market on the East Coast," said Paul Bingham, a port economist with EDR Group Inc. "As soon as you don't have a New York call, you're trying to justify the economics of the entire route. You have to calculate whether or not you can cobble enough demand together to make up for losing New York."

Molly Campbell, the Port Authority's director of commerce, said she is "heavily focused on getting that bridge done," but added that she doesn't expect the widened Panama Canal to result in higher volumes of imports.

"The carriers, their No. 1 concern is the Bayonne Bridge," said Gerry Wang, chief executive of Seaspan Corp., which owns one of the largest fleets of container ships in the world and leases them to large shipping lines.

He said his company and China's Cosco Group are spending about \$5 million to modify 10 ships chartered for the Asia-to-East Coast trade so they will fit under the bridge. Each ship will have its funnel, a tube that discharges steam from its engine, cut down in height, a process that requires the vessel to miss weeks of service, Mr. Wang said.

The delay in the Bayonne project is "part of the reason why the ship charter market is very sluggish, this uncertainty," he said.

Shipping-industry experts say the delays may be a temporary setback, and that demand for Asia-to-East Coast shipments is sluggish due to other factors, including weak global economic growth.

McAllister Towing and Transportation Co. Inc. ordered three custom, high-powered tug boats a year ago to handle larger container ships that now may not call in New York Harbor for years. Each costs between \$10 million and \$15 million to build, said Capt. Steve Kress, vice president of McAllister's New York operations.

"The announcement of the delay of the bridge was a surprise to us. It's a disappointment," he said.

NOTICE TO THE HOLDERS OF Banco Central del Uruguay Value Recovery Rights

NOTICE IS HEREBY GIVEN pursuant to the Fiscal Agency Agreement dated as of February 19, 1991 under which the above Rights were issued that the Calculation Agent has prepared and delivered to Banco Central del Uruguay a Calculation Report for the Payment Date occurring on July 1, 2016 setting forth for the Reference Period April 2013 - March 2016 the following amounts:

Commodity Terms of Trade Index	19.28160231
Formula Amount	US\$ 0.00
Value Recovery Payment in respect of each	
Value Recovery Unit	US\$ 0.00

By: Citibank, N.A.
as Fiscal Agent

June 23, 2016

BUSINESS NEWS

VW Holders Scold Top Management

Investors at annual meeting criticized the auto maker's executives for poor performance, corporate governance and for accepting big bonuses

By William Boston

HANOVER, Germany—Volkswagen AG shareholders have long waited for their day of reckoning with management over the emissions-cheating scandal, and when the annual meeting got under way on Wednesday, they wasted no time venting their anger.

For months, investors have criticized Volkswagen for sluggish performance, shoddy corporate governance, big bonuses that seemed to ignore the scandal, and the control exercised by a clutch of core shareholders.

Their main grievance was the appointment of Hans Dieter Pötsch as chairman of the supervisory board. As chairman, he is responsible for overseeing Volkswagen's investigation into the diesel affair, including his own actions as finance chief when the scandal became public.

The first investors to take the podium attacked management, calling on Mr. Pötsch to step down. One called him the "personification of a conflict of interest." Another asked whether he felt certain he wouldn't face criminal charges.

Looking down from the podium, Mr. Pötsch didn't respond.

Mr. Pötsch was appointed chairman of the supervisory board by a court decision in September.

"The election of Mr. Pötsch not only goes against best corporate governance practice in Germany but gives rise to serious conflicts of interest. We are struggling to understand how Mr. Pötsch will be able to discharge his duties as a member of the supervisory board," said Hans-Christoph Hirt, co-head of the investment fund **Hermes EOS**.

Despite the criticism, Mr. Pötsch is difficult to depose.

More than 90% of Volkswagen's voting stock is held by just three core investors: the heirs of Beetle designer Ferdinand Porsche, the state of Lower Saxony, and Qatar's sovereign-wealth fund, all of which back Mr. Pötsch.

As a result of the diesel scandal, Volkswagen ultimately took a charge of €16.2 billion (\$18.28 billion) against earnings in 2015 and posted a record €1.58 billion loss.

In the days after the U.S. Environmental Protection Agency's disclosure on Sept. 18 that Volkswagen manipulated diesel engines to cheat on emissions tests, shares plunged nearly 50%. Investors, including major funds such as Calpers, Norway's huge oil fund, Sweden's Nordea, and Hermes pension fund in the U.K., racked up losses.

Volkswagen shares are still trading down 26% from the closing price of



Volkswagen Supervisory Board Chairman Hans Dieter Pötsch talks with annual meeting attendees.

€167.80 on Sept. 17, the day before the scandal broke, and many investors complain that Volkswagen has a long way to go to become more profitable.

"We intended to invest in a global market leader and what we got was a global cost leader," quipped Alexander Scholl, fund manager for **Deka**, one of Germany's largest investment funds.

In March, attorneys representing nearly 300 institutional investors sued Volks-

wagen in Germany for €3.3 billion in damages.

Investors allege that Volkswagen management, including Mr. Pötsch as CFO at the time, failed to disclose risks linked to the impending U.S. investigation.

There was more bad news this week when state prosecutors in Braunschweig opened an investigation against former CEO Martin Winterkorn and Herbert Diess, head of the Volkswagen passenger car

unit.

The prosecutor didn't rule out expanding the probe to other former board members, but said Mr. Pötsch wasn't under investigation.

The investigation was prompted by Germany's financial markets watchdog, BaFin, which concluded there was evidence Volkswagen's management board "willfully withheld information about the diesel issue from investors," a BaFin spokeswoman said.



A view of Mitsubishi Motors' corporate headquarters in Tokyo.

Mitsubishi Forecasts Large Loss for Year

By Megumi Fujikawa

TOKYO—Mitsubishi Motors Corp. expects to report a loss of \$1.38 billion for the current fiscal year as it grapples with a fuel-economy scandal that has led to surging costs and falling sales for the auto maker.

Japan's sixth-biggest auto maker by sales faces hefty payments to owners of affected vehicles, dealers and suppliers, and to **Nissan Motor Co.**, with whom it jointly produced certain minicar models that were among those for which Mitsubishi falsified data to make mileage appear better. Mitsubishi has also admitted to using unapproved testing methods on certain vehicles for 25 years.

Mitsubishi on Wednesday forecast a loss of ¥145 billion (\$1.38 billion) in the 12 months ending March 2017, a figure that includes ¥150 billion of special losses related to the mileage scandal.

The one-time charge was triple the figure given at a company announcement last week, when Mitsubishi said it was still calculating the necessary charges.

The charges include ¥50 billion to compensate owners of affected vehicles and ¥100 billion for payments to Nissan, dealers and suppliers, as well as fees needed to suspend operations at a minicar production site.

Declining sales and the cost of free inspections for affected vehicles are also likely to subtract about ¥55 billion from its operating profit, Mitsubishi said. It expects car sales to decline 8% to 962,000 vehicles this fiscal year compared with the previous year, with sales in Japan falling 41% to 60,000.

The company first admitted in April to falsifying data related to fuel economy on four models, so-called minicars sold only in Japan. Two of these minicars, with 0.66 liter engines, were manufactured by Mitsubishi and sold under Nissan's brand name. Mitsubishi President Tetsuro Aikawa resigned in the weeks following the revelations.

Mitsubishi has since admitted to falsifying data on 25 models, including those manufactured and sold under the Nissan brand. None of its vehicles sold overseas are affected, it said.

SoftBank's Chief Perks Up Holders

By Alexander Martin and Mayumi Negishi

TOKYO—Investors cheered the decision by Masayoshi Son, chief executive of **SoftBank Group Corp.**, to stay at the helm of the Japanese internet and telecommunications company for years to come.

SoftBank's shares gained 2.6% Wednesday after Mr. Son said Tuesday night that Nikesh Arora, a billionaire former **Google Inc.** executive and heir-apparent to Mr. Son, would step down as president, and that Mr. Son would continue to run the company.

Shares of **Sprint Corp.**, the struggling U.S. wireless carrier that SoftBank acquired in 2013, rose 5.3% Wednesday on the New York Stock Exchange.

The responses underscored confidence in Mr. Son, the 58-year-old visionary founder of SoftBank, whose unexpected turnaround on his succession reflects the difficulty founders often face when trying to hand over the reins of their companies to outsiders.

The 2,000-plus shareholders gathered at SoftBank's annual general meeting Wednesday welcomed Mr. Son's decision to stay on. Some

called for him to keep working until he is 200 years old.

Mr. Son said he reached the decision several weeks ago, after seeking the consultation of fellow billionaire founders Tadahiro Yanai, chief executive of apparel retailer **Fast Retailing Co.**, and Shigenobu Nagamori, chief executive of precision motor maker **Nidec Corp.** Both are external directors at SoftBank.

Mr. Son has garnered much respect over the years as he built SoftBank into one of Japan's largest mobile-phone service providers, while creating an investment company

with a sprawling portfolio that includes significant stakes in Chinese e-commerce behemoth **Alibaba Group Holding Ltd.** and Japanese internet portal **Yahoo Japan Corp.**

In recent years, though, Mr. Son had begun pondering his succession, and wooed Mr. Arora from Google two years ago with that in mind. Mr. Son named him as his likely successor last year, giving him the No. 2 spot.

"For me it was a choice of, 'Do I keep doing this after he declares that he wants to be CEO for another five to 10 years?'" Mr. Arora said.

Judge Delays Viacom Board Ruling

By Nathalie Tadema and Joe Flint

Viacom Inc. controlling shareholder Sumner Redstone's plan to replace five directors at the media giant is on hold until it can be determined if the 93-year-old is mentally competent to make those decisions, a Delaware court said on Wednesday.

National Amusements Inc., the holding company through which Mr. Redstone controls Viacom, petitioned the Delaware court last week to affirm its board replacements. Viacom's lead independent director Frederic V. Salerno immediately filed a suit to invalidate the dismissals, which included himself and Philippe Dauman, the company's chairman and chief executive.

On Wednesday, Andre G. Bouchard, chancellor of the Delaware Court of Chancery, said he wanted to wait until another case in Massachusetts regarding Mr. Redstone's com-

petency was through its discovery process before ruling on the proposed board changes. He also said the cases from the two sides in Delaware would be consolidated.

The Massachusetts case stems from National Amusements' removal of Mr. Dauman and Viacom board member George Abrams from a trust that will oversee Mr. Redstone's media empire after he dies or is found to be incapacitated. Besides Viacom, Mr. Redstone controls CBS Corp.

Both sides in the Delaware dispute have advocated for maintaining the status quo during the legal process, leaving the existing Viacom board to manage the company day-to-day but essentially be prohibited from taking any actions outside of the ordinary course of business. The two sides still need to resolve exact terms of what the board can and can't do during that time. Judge Bouchard called for an order on the issue by the close



Viacom CEO Philippe Dauman

of business on Thursday with a potential hearing on the matter Friday if there are differences to work out.

With the Delaware court essentially taking a back seat to the Massachusetts discovery process, Viacom is left in a sort of limbo for an indeterminate period, dragging out the turmoil in Mr. Redstone's \$40 billion media empire that in-

cludes household brands like MTV, Comedy Central and Paramount Pictures.

Mr. Bouchard said he was staying discovery in Delaware to avoid duplicative processes and to be mindful of Mr. Redstone's "human dignity." He said he wanted to be "kept abreast" of other litigation surrounding Mr. Redstone that touch on competency issues, including whether discovery is expedited in the Massachusetts case where a hearing is scheduled for June 30.

On Wednesday, Edward Micheleletti, a lawyer for Mr. Salerno, argued for an immediate medical examination of Mr. Redstone to establish his capacity, pointing to his age and declining health. Viacom's Mr. Salerno has charged that Mr. Redstone's daughter Shari Redstone, Viacom's vice chairman, is orchestrating the moves and exerting undue influence over her father. Ms. Redstone has repeatedly denied such claims.

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Foxconn Chairman Terry Gou also plans to accelerate commercialization of Sharp's patents to help turn the business profitable.

Foxconn Prepares to Cut at Sharp

Taiwanese company to close inefficient units after completing \$3.5 billion acquisition

By EVA DOU

TAIPEI—Foxconn Technology Group plans to close inefficient subsidiaries at Sharp Corp. after completing its \$3.5 billion acquisition of the unprofitable Japanese electron-

ics maker. Terry Gou, Foxconn's founder and chairman, said at the Taiwanese company's annual shareholder meeting Wednesday that he also plans to accelerate commercialization of Sharp's patents to help turn the business profitable. "Sharp has lots of technology but it isn't able to market it," he said. "Turning patents to technology, then turning technology to products, that's what we are good at."

Foxconn, formally known as Hon Hai Precision Industry Co., is the world's largest electronics contract manufacturer and a key supplier for Apple Inc. and other major brands. Mr. Gou said Foxconn has completed legal aspects of the takeover and new management will oversee Sharp starting next month. Foxconn plans to close some of Sharp's redundant and inefficient overseas operations, including some sales

joint ventures, Mr. Gou said. "Sharp has too many subsidiaries, which results in too much overhead," he said. Foxconn posted in May a 9.2% decline in first-quarter net profit to 27.58 billion New Taiwan dollars (\$848.2 million), as growth slowed in the global smartphone market. Mr. Gou said Tuesday that the company faced challenging market conditions, including a trend of growing protectionism in many countries.

Facebook Becomes Office Break Room

By LINDSAY GELLMAN

A new Pew Research Center survey on the use of social networks during the workday confirms what you probably already knew: People visit Facebook and Twitter to take a mental break from work. Pew's survey of about 2,000 U.S. adults found that employees take work time to like, retweet and endorse for a variety of reasons, only some of them job-related. Employees log on to social media from the office for personal and professional reasons and many in between, the survey found. The most common reason, cited by 34% of respondents, is taking a "mental break" from the job, according to the survey. Others included connecting with family and friends (27%), making professional connections (24%) or gathering work-related information (20%), the survey said. Perhaps unsurprisingly, plenty of workers said that social media can get in the way of their jobs. Among those who use social media for work-related tasks, 56% said it distracts them from work they need to do. Workers learn about their colleagues on social platforms

like LinkedIn, and often don't like what they find. Some 29% of workers ages 18 to 29 came across information online that lowered their opinion of a colleague, as did 16% of workers 30 to 49 and 6% of workers 50 to 64, the survey said. It found that 23% of workers 18 to 29, 12% of those ages 30 to 49 and 9% of those ages 50 to 64 said they discovered something online that improved their opinion of a co-worker.

34%

Portion of surveyed employees who said they log onto social media from the office to take a mental break.

Employees also appear to be shrugging off corporate attempts to govern employees' use of social media. About half of respondents said their employers have policies governing their use of social media at work, and 32% said their companies have guidelines for employee behavior online, according to the survey. Yet 77% of workers said they use social media on the job regardless of any employer policy.

FAA Levies Two More Fines on Amazon

By ROBBIE WHELAN

The Federal Aviation Administration said it would fine Amazon.com Inc. \$130,000 for allegedly mishandling shipments of dangerous chemicals, marking three fines in less than two weeks the agency has penalized the retailer for violating rules related to shipping hazardous materials by air. In May 2014, Amazon shipped two boxes containing jugs of a

corrosive rust stain remover from Plainfield, Ill., to Davenport, Fla., the FAA said. Workers at a FedEx Corp. sorting facility discovered that the product had leaked. The next month, Amazon sent a box containing a flammable gas used to clean heating and air conditioning systems, by air from Whitestown, Ind., to Glendale, Calif., the FAA said. In both cases, the packages containing the product weren't properly marked or accompa-

nied by the necessary papers, the FAA said Wednesday. The agency proposed a fine of \$78,000 for the May, 2014 incident and \$52,000 for the later incident. This comes after the FAA levied a \$350,000 fine on Amazon earlier this month for a similar alleged 2014 violation. An Amazon spokeswoman said the company had developed "sophisticated technologies" to detect shipping hazards in its packages.

APPLE

Continued from page B1 about their smartphone patent disputes since 2011. As the smartphone market matures, devices from different brands look increasingly similar, in China and other markets. A number of the features described in Baidi's design are common in many earlier smartphones, and some industry lawyers said an appeals court could decide the features aren't specific enough to warrant a patent for Baidi. Baidu made a major investment in Digione in 2013, according to people familiar with the matter. The investment came as Baidu tried to grab a share of the mobile market without developing its own smartphone. Dozens of Chinese startups piled into the smartphone category after the success of \$46 billion smartphone startup Xiaomi Corp., which Lei Jun, its founder, attributed to timing: "Even a pig can fly in a whirlwind."

Many have since gone bankrupt. China's smartphone market growth, in double digits for several years, slowed to 2.5% in 2015 and is expected to be flat this year, according to market-research firm IDC. Digione was founded in 2006 by Xu Guoxiang, former consumer-product marketing director of Huawei Technologies Co. Mr. Xu built Digione to sell other brands' smartphones. Later, the company shifted to making its own phones. Baidu had expected Digione to use its investment to develop a mobile-operating system to compete against rival systems from Alibaba Group Holding Ltd. and others, but Mr. Xu instead spent it on smartphones and other ventures, according to people familiar with the company. Baidu discovered in 2014 that

Digione hadn't used the money as it had expected, and initiated an arbitration case against Digione, according to a person familiar with the matter. Baidu won the private arbitration case last year, but has yet to recoup its money, this person said. It has since abandoned the operating-system ambitions, the person said. Mr. Xu didn't reply to emails or calls. His brother, Xu Shunxiang, who also worked at Digione, declined to comment. In March 2014, Baidi was granted a patent from Chinese regulators for a smartphone design that had curved edges and a rear camera in the left-hand corner. Leaked images of Apple's coming iPhone 6 floating online at the time showed a similar design—curved edges instead of the straight ones of previous iPhone models. There were also some similarities in button placement. —Yang Jie, Juro Osawa and Jenny W. Hsu contributed to this article.

A graphic titled "MANAGEMENT MATTERS" showing a corporate ladder with various levels and icons representing different departments like Executive Suite, Team Leader, Employee Lounge, Mailroom, and Corner Office.

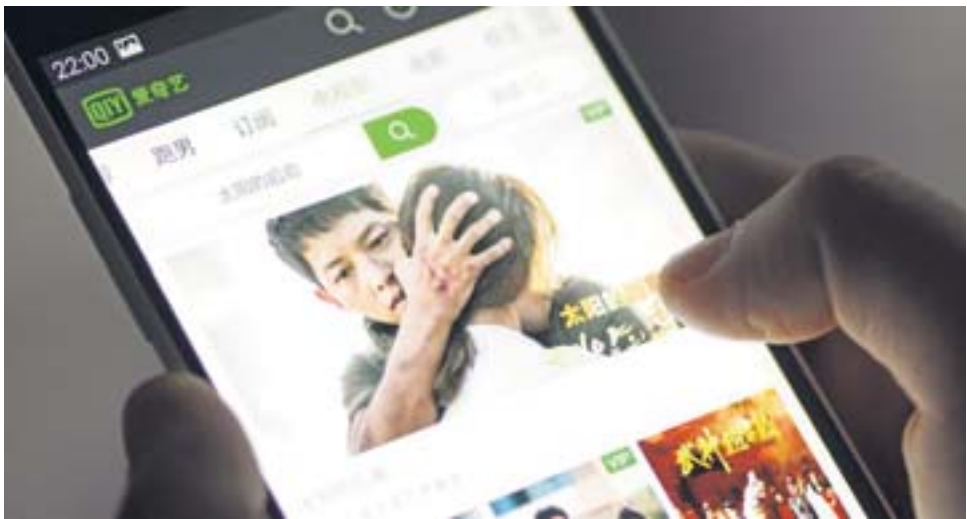
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A smartphone user browses the app of video service iQIYI, which has seen a jump in paid subscribers.

VIDEO

Continued from page B1 and online sources. It comes as major Chinese video websites seek new revenue sources beyond advertising, hoping to reverse losses driven by spending to acquire content. The two other big video sites—Tencent Holdings' video division v.qq.com and Alibaba Group Holding's Youku Tudou—don't disclose their subscriber numbers. Internet research firm iResearch Consulting Group says that there were 28.8 million paid online video subscribers in China by the end of 2015. That's a small slice of the 504 million online video users in China in 2015, according to the state-backed China Internet Network Information Center. But executives at major video websites are hoping that subscriptions, which bring in at least 50% more annual revenue per user than advertising, will supplement slowing advertising growth. Subscription revenue accounted for 13% of the industry's revenue of 40 billion yuan in 2015, up from 5.6% a year earlier, says iResearch. The re-

search firm believes that over the next few years, subscription revenue will become as important as advertising revenue for video companies. The subscriber growth in the past year came after video sites spent billions of dollars importing Hollywood movies and South Korean soap operas, as well as acquiring and producing Chinese hits. The competition for better and exclusive content to attract users led to big losses. Youku Tudou and iQIYI have never made a profit. Youku Tudou sold itself to Alibaba earlier this year. Baidu founder Robin Li and iQIYI Chief Executive Gong Yu made a buyout offer in February that valued iQIYI at \$2.8 billion. Mr. Gong said last week he expects the sale to be completed later this year. Orchestrating the right content mix so users want to pay isn't easy. iQIYI started by buying classic Hollywood movies and U.S. hit television shows. These appealed to professionals in big cities, but proved too foreign to many Chinese youth in smaller cities, home to iQIYI's biggest chunk of subscribers. The company then bought Chinese movies and produced many shows on its own, incurring more costs.

On top of better content, executives attribute some of the growth in video subscribers to a crackdown on piracy and the rise of mobile payments. Chinese video sites used to be sources of pirated videos, but now are among the leaders in battling piracy because they have more to lose. iQIYI deploys about 100 people to hunt for pirated versions of its videos; when it finds them, it demands that the hosts delete the content. Staffers also prowl social-media sites for any mention of the movies' or TV series' names. "We're a lot more effective in fighting piracy [in China] than all big Hollywood studios," says Yang Xiangdong, senior vice president of iQIYI. Mobile payment services such as Alibaba's Alipay and Tencent's WeChat made it easier to pay online because many Chinese still don't have credit cards and paying on a personal computer can be cumbersome. For many viewers, though, it comes back to the content. Chen Siyao, a graduate student at China University of Political Science and Law in Beijing, says the ability to watch shows first and bypass commercials motivated her to pay.



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BUSINESS NEWS

Vice Media Accelerates Global Expansion

New deals with foreign partners focus on broadening reach of its cable network

By LUKAS I. ALPERT

Vice Media's international rollout is in full swing, with the millennial-focused media company announcing a raft of deals that will bring its programming into dozens of new markets across three continents.

The deals, announced Wednesday by Vice founder and Chief Executive Shane Smith at the Cannes Lions advertising festival, include joint ventures with media groups in India and the Middle East, and broadcasting arrangements in Africa, Southeast Asia, Canada, Australia and New Zealand.

Some of the deals include online and mobile components, but most focus on tapping new markets for Viceland, the company's cable network that launched in the

U.S. in February.

Vice's rapid international expansion follows a number of large-scale investments that have valued the company at almost \$4.5 billion. Late last year, Walt Disney Co. invested \$400 million ahead of the launch of Viceland, a 24-hour channel that is a joint venture with A+E Networks. In 2014, Vice raised \$250 million from A+E, which is co-owned by Disney and Hearst Corp., and \$250 million from Technology Cross-over Ventures.

Founded as a punk 'zine in Montreal in 1994, Vice grew into one of the largest digital media companies through a heavy focus on video. It is now making a major push into traditional television.

As part of the Wednesday announcement, Mr. Smith unveiled a joint venture with Indian media conglomerate the Times Group that will involve launching a Vice editorial operation based in Mumbai later this year to create local programming for online, mobile and broadcast au-

diences. The partnership will involve the launch of Viceland as a paid TV channel in India with a mix of local and international programming. It also will create an Indian branch of Virtue—Vice's in-house branded content agency that produces content on behalf of marketers.

A similar deal with the Moby Media Group will build local production operations across the Middle East and North Africa. The initial focus will be on creating local content for on-line and mobile audiences in the region and will expand into television in 2017.

In the two joint ventures, startup costs will be split with the local partners who will handle marketing and ad sales within their regions, Vice said.

A deal with Singapore-based Multi Channels Asia will bring Viceland to channels in 18 countries in Southeast Asia. Vice also has signed a similar deal with Econet Media to make Viceland available via satellite and online in 17 countries in sub-Saharan Africa.



Vice Media's offices in Brooklyn. The company is making a major push in traditional television.

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Turbulent Times Spark New Spin In Advertising, Marketing Industries

By STEVEN PERLBERG

All advertising isn't dead. Just bad advertising.

That was the conclusion from Brad Jakeman, president of PepsiCo's global beverage group, speaking at The Wall Street Journal panel during the annual Cannes Lions advertising festival in the South of France.

"We are here celebrating 0.5% of the work that actually gets made. The other 99.5% of the work is generally crap. And when that happens, consumers don't want to see it," Mr. Jakeman said.

Cannes Lions began as a way for the creative ad community to honor the best ads but has more recently shifted into a weeklong rosé-fueled deal-making session.

This year's gathering, however, comes during a particularly precarious time in the ad industry. More consumers are using tools that block web ads. Marketers are concerned about the transparency of how their dollars are spent by ad agencies. And new-media pioneers are producing content on be-



Martin Sorrell

half of brands, encroaching on the turf of traditional agencies.

The WSJ panel, titled "Advertising is dead; Long live advertising," also featured WPP PLC CEO Martin Sorrell, Vice Media LLC CEO Shane Smith and Facebook Inc.'s vice president of Europe, the Middle East and Africa, Nicola Mendelsohn. It was moderated by The Wall Street Journal's editor in chief, Gerard Baker.

One of the biggest topics at Cannes this week has been how to win consumers' attention amid a swiftly changing technology landscape and backlash against a perceived overload of advertising.

Mr. Jakeman said that with the rise of digital advertising and the 30-second TV ad feeling more like a relic of a bygone era, brands are compelled to churn out hundreds of pieces of work. But that is diminishing the quality of the marketing and creating a "digital landfill" of "crap content that gets produced quickly and cheaply and doesn't connect to the brand's narrative," he argued.

Mr. Smith's Vice Media believes it has the solution. The company has been the poster child of "branded content," catapulting Vice to an almost \$4.5 billion valuation. Vice works with marketers to create custom videos that feel like regular editorial fare, and Mr. Smith said that viewers don't mind watching sponsored content as long as it is actually compelling.

"The ubiquitous 30-second spot doesn't work," he said. If Vice were to come up with a movie about climbing a mountain, it would approach North Face for a branded deal, Mr. Smith said.

Facebook's Ms. Mendelsohn said consumers respond to advertising that is "targeted" for them, and that the problem is too many ads are irrelevant to the consumers who see them. While Facebook collects a vast amount of consumer data to make its targeting capabilities more robust, "privacy is the No. 1 thing that we think about," she said.

Mr. Sorrell, who runs the world's largest ad-holding company, defended traditional media, noting that videos on Facebook, where a "view" is counted after 3 seconds and users mostly watch with the sound

off, isn't equivalent to a TV ad.

"Traditional media, linear TV, [and] newspapers in their old form are more effective from an engagement point of view," Mr. Sorrell said.

Still, Mr. Sorrell said that 75% of his company "is stuff that Don Draper wouldn't recognize," referring to the fictional ad executive from the 1960s-based television show "Mad Men." Out of the \$73 billion that WPP spent for clients last year, about \$4 billion went to Google and \$1 billion to Facebook, Mr. Sorrell said. This year, WPP will spend about \$5 billion to \$5.5 billion with Google and \$1.7 billion with Facebook.

As for the future, Mr. Smith predicted a "culling" among media outlets, as brands figure out where to spend their money and media companies scramble for those dollars.

"There's going to be a consolidation in media," Mr. Smith said. "Only the strong survive."

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Business Watch

AMC ENTERTAINMENT

Theater Chain to Add 25 IMAX Screens

AMC Entertainment Holdings Inc. and IMAX Corp. said Wednesday that 25 new IMAX screens, which are larger than traditional movie screens, would be installed at AMC theaters in the U.S. in the next three years.

The deal expands the companies' existing full joint revenue agreement to 185 theaters.

The new screens are to be in major markets like New York, Los Angeles and Houston as well as smaller-tier markets.

—Austen Hufford

BAE SYSTEMS

Space Defense Seen As Opportunity

Protecting space systems from attack is emerging as a growth opportunity for BAE Systems PLC, a senior company executive said, particularly given the Pentagon's concerns about safeguarding some of its most sensitive spacecraft.

Space "is a new frontier," said Tom Arseneault, chief operating officer of BAE Systems Inc., the U.S. arm overseeing most of the company's defense-electronics activities. "It is an area where full-up electronic-warfare capability is of increasing interest," he said.

Mr. Arseneault wouldn't detail specific projects BAE was pursuing, but said the Pentagon was putting more money into such efforts.

—Robert Wall

H&M Warns About U.K. Exit

STOCKHOLM—The chief executive of Hennes & Mauritz AB warned against the effects of a U.K. exit from the European Union, saying economic uncertainty around Thursday's referendum may have already eroded the Swedish fashion-retail giant's profit.

While H&M's second-quarter sales, including value-added tax and converted into Swedish kronor, increased by 2% to 54.34 billion kronor (\$6.56 billion)

compared with last year, they fell by 7% in the U.K.

CEO Karl-Johan Persson said a Brexit wouldn't only affect the U.K. negatively, but also the EU and world economy.

H&M's profit in the second quarter, ended May 31, fell 17% to 5.36 billion Swedish kronor from 6.45 billion Swedish kronor in the same period last year. Analysts had estimated profit of 5.46 billion Swedish kronor.

—Matthias Verbergt

BUSINESS NEWS

Kia Tops Survey Of New Cars; Detroit Gains

By GAUTHAM NAGESH

Kia Motors Corp. topped a U.S. survey of new-vehicle quality, while Detroit's three auto makers continued to make significant gains.

South Korea's Kia is the first nonluxury brand in nearly three decades to land atop J.D. Power's Initial Quality Study, which polls new-car buyers' complaints during the first three months of ownership, the researcher said on Wednesday.

Improved entertainment, communications and navigation systems from South Korean and U.S. auto makers lifted scores across the board, it said. European and Japanese auto makers generally lagged behind on that front, J.D. Power found.

The annual survey of new-car buyers gave high marks to **Porsche AG**, **Hyundai Motor Co.**, **Toyota Motor Corp.** and **BMW AG**. This year's average number of problems reported was 105, compared with 112 defects a year ago.

Top-Ranked Brands

The best performing auto brands calculated by complaints per 100 vehicles.

Kia	83
Porsche	84
Hyundai	92
Toyota	93
BMW	94
Chevrolet	95
Buick/Lincoln/Lexus	96
Nissan	101
Ford	102
GMC/Infiniti	103

Source: J.D. Power 2016 Initial Quality Study
THE WALL STREET JOURNAL.



The 2017 model of the Kia Cadenza at the New York International Auto Show. Kia Motors led a survey of new-vehicle quality.

Overall, the study found that car manufacturers continue to improve their vehicles, despite more technological features that range from automatic braking to adaptive cruise control and voice-activated commands.

"What we've seen is that the Korean brands have been really outpacing all the competition," said Renee Stephens, a vice president at J.D. Power, adding that their systems are generally simpler.

Detroit's three auto makers collectively had fewer problems than their foreign counterparts for just the second time in the 30-year history of the survey. **General Motors Co.**, **Ford Motor Co.** and **Fiat Chrysler Automobiles** NV's brands improved scores 10% from 2015, double the rate of most foreign brands.

GM had seven models that ranked highest in their segments, including the Chevrolet Silverado full-size pickup truck, the Chevrolet Spark small car and the new Buick Cascada convertible.

Fiat Chrysler's Jeep and Chrysler nameplates were the most improved brands overall, reducing problems significantly from 2015. Ms. Stephens said both significantly improved the smoothness of their automatic transmissions, an area where they previously struggled.

But the Fiat brand came in second to last, ahead of **Daimler AG's** Smart cars, with its owners experiencing roughly 60% more problems than the average vehicle. Fiat Chrysler said results for the Fiat brand were skewed by limited models and a small sample size.

According to J.D. Power, roughly half of owners say expected reliability is the most important consideration when buying a new vehicle.



A hoverboard in New York last December. A U.S. regulator said the devices and their hazards were a case of being 'caught off guard.'

U.S. Seeks Better Product Safety

Amid talks in Beijing, regulator points to lessons learned on hoverboards

By ALYSSA ABKOWITZ

BELJING—The quick surge in sales of hoverboards last holiday season—and the surprising propensity of some of them to catch fire—are helping U.S. regulators create a template for improving product safety in the future.

The chairman of the U.S. **Consumer Product Safety Commission** said Wednesday that lessons learned in the several months since the agency blocked the sale of many self-balancing scooters

include the need for better information on product development and an early buy-in from Chinese manufacturers on building in safety standards.

Hoverboards "represented all of us getting caught off guard by a product that came out of nowhere...with a hazard pattern that was not anticipated," commission chairman Elliot Kaye told reporters in Beijing, where he was discussing product safety with Chinese officials. Mr. Kaye said his agency plans to announce an unspecified "major action" on hoverboards early next month.

Mr. Kaye credited China's product-safety agency for responding promptly to the U.S. commission's concerns that lithium-ion batteries in hoverboards were catching fire and

tracking down some manufacturers of the products.

When hoverboards became popular in mid-2015, safety concerns focused on the hazards of users falling, not the fact that the boards might catch fire. That meant users faced two dangers, he said.

The electrical design in the scooters didn't take into account the weight of the user—meaning a 100-pound person could get on a hoverboard calibrated for a 250-pound person and the scooter might explode while being used.

Mr. Kaye said the commission, along with the Chinese quality-supervision administration and the European commission for product safety, also expects e-commerce sites, including Amazon.com Inc. and

Alibaba Group Holding Ltd.'s Taobao and Tmall marketplaces, to bear the burden to some extent by enforcing U.S. standards and staying apprised of safety issues. "They make a lot of money off these products," he said. "We've put pressure on them to own some of this problem." Mr. Kaye said the commission is thinking about safety concerns for items such as wearable technology and 3-D printers. "If you're making a toy on your 3-D printer, how do you know it's compliant with the federal toy standard?" he asked.

He also pointed to his smartwatch: "This thing measures my heart rate, which is great and convenient, but ultimately is something going on with this thing interacting with me that's not healthy?"

Southwest CEO Says Competition Picking Up

By SUSAN CAREY

The U.S. airline industry is growing faster than the gross domestic product, and that has created "some real pockets of aggressiveness throughout the country," **Southwest Airlines** Co. Chief Executive Gary Kelly said on Wednesday.

Lower fuel prices, rapidly expanding discount carriers and the improved financial health of the major airlines has led to more flights and lower fares, he said.

Southwest, the nation's No. 4 airline by traffic and the biggest hauler of domestic passengers, is growing at a relatively fast clip, with a capacity increase of nearly 5% in the current quarter.

But that expansion is the continuation of a trend begun



Workers unload a Southwest flight at California's John Wayne Airport.

in 2014 when it increased its number of flights at Dallas Love Field by 50% after federal flight limits on that field were lifted.

The airline is adding international routes, something it didn't do until it acquired AirTran Airways in 2011 and later

integrated some of AirTran's Caribbean and Mexican routes into its own operations.

Today, Southwest's flights to 11 international destinations account for just 3% of the airline's capacity, but it plans to make additions, particularly when its new international

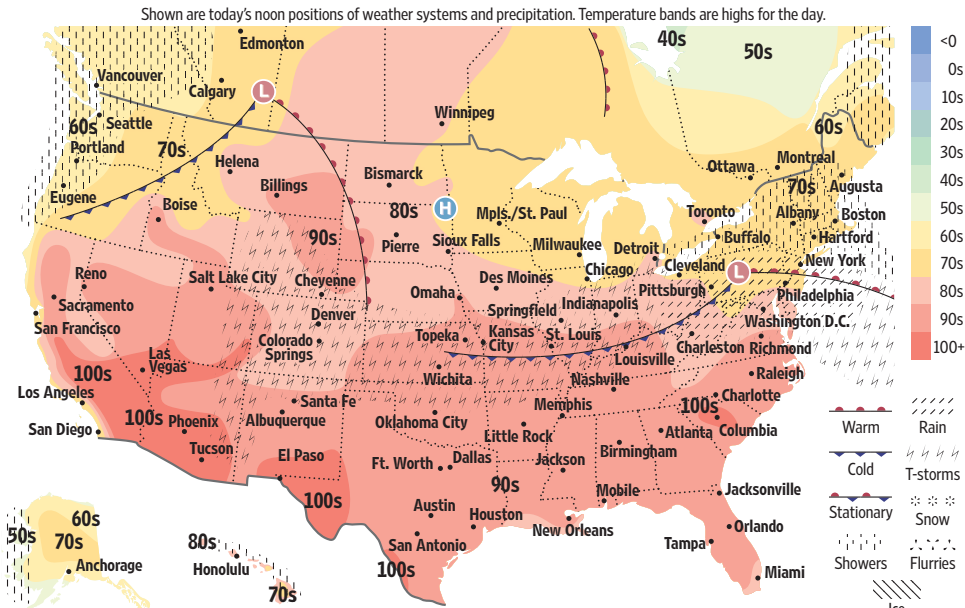
terminal opens in Fort Lauderdale, Fla., next year.

Southwest recently won authority to fly to a couple of secondary Cuban airports and hopes to win approval to serve Havana, once the Transportation Department chooses among the many competing applications.

Mr. Kelly said in an interview that Southwest tied its application for Havana authorization to the route rights to the small airports. If it doesn't win any flights to Cuba's capital, he said, the company will have to decide whether to proceed with the smaller destinations.

He noted that Southwest had no history on which to base its forecast for Cuban flights, so it "guessed" on its route application.

Weather



U.S. Forecasts

s...sunny; p.c...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; l...ice

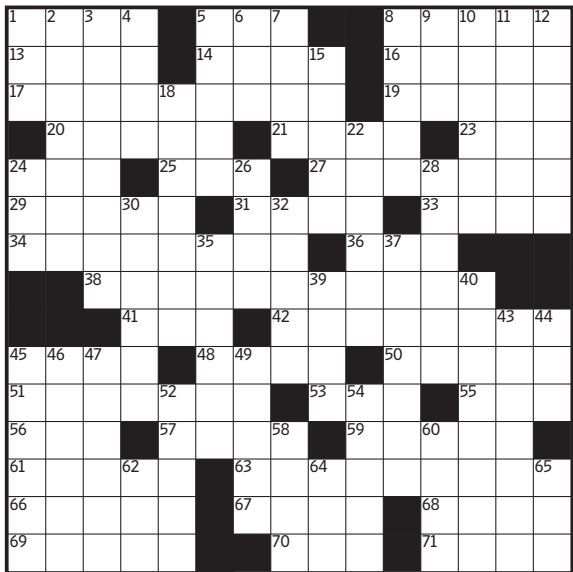
City	Today				Tomorrow			
	Hi	Lo	W		Hi	Lo	W	
Anchorage	67	52	s	66	55	c		
Atlanta	93	75	s	93	76	pc		
Austin	93	70	s	94	75	pc		
Baltimore	83	65	t	84	60	s		
Boise	90	57	s	73	49	pc		
Boston	74	60	sh	76	61	s		
Burlington	76	54	pc	80	59	s		
Charlotte	97	74	pc	92	70	t		
Chicago	74	58	pc	83	64	s		
Cleveland	78	61	r	82	60	s		
Dallas	97	76	s	95	77	s		
Denver	88	61	t	90	60	t		
Detroit	82	57	c	85	59	s		
Honolulu	84	73	sh	84	73	pc		
Houston	94	76	pc	94	76	t		
Indianapolis	86	66	t	86	67	s		
Kansas City	92	72	pc	87	74	t		
Las Vegas	108	83	pc	109	83	s		
Little Rock	97	79	s	97	78	t		
Los Angeles	79	59	pc	81	60	pc		
Miami	89	78	t	90	79	pc		
Milwaukee	71	59	pc	78	64	s		
Minneapolis	77	64	pc	86	74	pc		
Nashville	97	76	t	95	74	t		
New Orleans	91	75	s	92	77	pc		
New York City	76	64	r	82	63	s		
Oklahoma City	97	72	s	94	73	s		

International

City	Today				Tomorrow			
	Hi	Lo	W		Hi	Lo	W	
Amsterdam	80	65	t	71	56	t		
Athens	93	78	pc	92	76	s		
Bangkok	90	78	t	88	78	t		
Beijing	95	69	pc	91	66	s		
Berlin	86	66	pc	90	68	s		
Brussels	85	67	t	73	55	t		
Buenos Aires	61	47	s	61	45	s		
Calgary	74	53	s	67	48	sh		
Dubai	108	88	s	106	87	s		
Dublin	67	50	sh	62	49	sh		
Edinburgh	68	49	sh	63	50	sh		

City	Today				Tomorrow			
	Hi	Lo	W		Hi	Lo	W	
Frankfurt	89	66	s	89	66	t		
Geneva	87	64	t	87	61	t		
Havana	89	71	pc	88	73	pc		
Hong Kong	93	84	s	92	84	pc		
Istanbul	88	74	s	88	74	s		
Jakarta	89	74	s	89	75	t		
Jerusalem	88	71	s	89	72	s		
Johannesburg	63	39	pc	63	36	s		
London	73	58	t	70	54	sh		
Madrid	94	64	c	94	62	s		
Manila	90	79	t	91	78	t		
Melbourne	56	43	sh	50	43	sh		
Mexico City	72	54	t	74	57	t		
Milan	93	71	s	94	74	s		
Moscow	76	60	pc	76	61	pc		
Mumbai	87	77	sh	87	79	sh		
Paris	85	65	s	72	57	s		
Rio de Janeiro	75	64	c	72	63	pc		
Riyadh	109	86	s	110	85	s		
Rome	86	67	t	88	68	s		
San Juan	87	76	pc	88	79	pc		
Seoul	86	70	pc	79	66	r		
Shanghai	93	81	t	93	73	t		
Singapore	90	81	c	89	79	pc		
Sydney	65	53	s	63	46	s		
Taipei	95	80	t	94	81	t		
Tokyo	79	69	r	77	72	c		
Toronto	81	59	pc	81	60	s		
Vancouver	61	55	c	65	57	sh		
Warsaw	84	63	pc	88	69	s		
Zurich	87	63	s	87	64	t		

The WSJ Daily Crossword | Edited by Mike Shenk



ALTERED STATES | By Samuel A. Donaldson

- Across**

1 It's Mongolian for "waterless place"

5 Gain competition

8 Swelters

13 Med. sch. course

14 Series of courses

16 Bear

17 Way of doing things in the Gateway to the West?

19 Nation east of Togo

20 On the edge of

21 Present

23 Mil. aide

24 Story told over several episodes

25 You might be moved by it

27 Willamette Valley surgery site?

29 Utter rot

31 Scott Turow's first book

33 Warrior armed with a chakram

34 Teeming with souvenir stands

36 Local order

38 Charm City physician?

41 "Hoping to find," in personal ads

42 Use the Jaws of Life on

45 Texter's sign-off

48 Disgusted outbursts

50 Barber's belt

51 License checked in the Gem State's capital?

53 "Wow, that's pretty!"

55 Storage units: Abbr.

56 Serious vexation

57 When Iago bade Cassio return

59 Very start

61 Moves, in realty-speak

63 Military boss in the Rockies?

66 Death Row Records co-founder

67 Under other circumstances

68 Caustic soda, chemically
- 69 "Such a pity!"

70 Mule's pop

71 One of tow in this cule

Down

1 Terrific time, informally

2 London setting

3 Tigers, e.g.

4 "Same goes for me," tersely

5 Paloma's pal

6 CBS honcho Moonves

7 One might contain lava

8 "The Lord did there confound the language"

9 Prime minister overseeing the Naikaku

10 Checkers command

11 Tesla's rival

12 Married mujer

15 Not 37-Down

18 Shows for the first time

22 Job interview topic

24 New York dance co.

26 Answer to the Little Red Hen

28 Off the hook

30 Sought-after items

32 Calypso, e.g.

35 Pay a visit

37 Not 15-Down

39 Words following an estimate

40 Charcoal

43 He was originally Officer Alex Murphy

44 Pranks with rolls, for short

45 Classic Fords

46 Ring star

47 Cedes the floor

49 Southwest construction

52 Lightened

54 Eyes

58 One of Emeril's restaurants

60 It's pitched in the woods

62 "...blessing ____ curse"

64 Battleship letters

65 "Well, well, well!"

Previous Puzzle's Solution

PDO	SAYIT	PROAM
LOU	TEETH	COPTO
PROWARS	AW	BLEED
PATER	LAD	FRAU
IDES	PROCURE	ALL
NOD	LET	KOI
TOE		
BONIGO	POETS	
PRO	SANDICONS	
BEHAN	SALUT	
USO	ITS	TAT
DIV		
CONTEST	STAIN	TUBE
OBER	ATIL	FIVER
LEDER	CONGO	CART
ISTIAH	KOREA	LITE
CONDO	SMALL	LAX

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

BUSINESS NEWS

¡Hola! Looks to U.S. for Growth

The Spanish celebrity magazine aims to tap the growing Latino market in new strategy

By MATT MOFFETT

MADRID—Long before People magazine or TMZ were chronicling the antics of A-listers, the glossy Spanish magazine ¡Hola! was practicing its own colorful style of celebrity journalism.

During seven decades, ¡Hola! perfected a simple formula: big pictorials of celebrity weddings and baby christenings, along with relentlessly upbeat personality profiles. Publishing 30 editions, from the U.K to the Philippines, ¡Hola! snared scoops on stars such as Angelina Jolie and Tom Cruise, but also gained fame for what it refused to run on its oversize pages.

When paparazzi offered ¡Hola! topless photos of Princess Diana in 1994, it bought them, declined to print them and then destroyed the negatives so no one else could publish them either.

Now ¡Hola! is in the midst of a multimedia push into the U.S. market—a bold strategic bet by the family-run company.

In 2013 ¡Hola! launched a TV channel in Miami that now reaches 11 million Latin American and one million U.S. households. In March it opened a newsroom in Brooklyn staffed with 20 journalists to write for a predominantly Spanish U.S. website, which publishes original local content along with material from other ¡Hola! sites world-wide. A Spanish-language U.S. print edition will start monthly publication in August.

¡Hola! is wagering heavily on the growing clout of the 55-million-strong U.S. Latino market.

“It’s a symptom of healthy society that ¡Hola! is present,” said Eduardo Sánchez Pérez, the third generation editor. “It means there’s a middle class



DENIS DOYLE/GETTY IMAGES

A copy of Spanish celebrity magazine ¡Hola! on sale in 2011 in Madrid. As part of a U.S. multimedia strategy, the family-run company is slated to launch a Spanish-language monthly edition in August.

that likes to see other people’s success and know them better.”

The size and diversity of the U.S. Latino population make the trans-Atlantic push unlike any other challenge ¡Hola! has faced. “It’s not going to be a walk through the royal garden, even for people as experienced as ¡Hola!,” said Samir Husni, director of the University of Mississippi’s Magazine Innovation Center, who did some paid consulting for ¡Hola! when it was preparing its move to the U.S.

Mr. Husni said ¡Hola! would be challenged to develop con-

tent of interest to Latinos of diverse national origins—Mexican Americans concentrated in the western U.S., Cuban Americans in the South and Puerto Ricans in the East. Other analysts question whether a magazine so deferential to its subjects can thrive in today’s harsher-edged media age of snark and sex tapes.

Cristy Marrero, head of ¡Hola!’s U.S. editorial operations, said the more than one million unique monthly visitors already reading ¡Hola!’s U.S. website are proof that there is a craving for celebrity news.

Ms. Marrero said the U.S.

only has about half a dozen major Spanish language lifestyle and celebrity magazines—mostly notably People en Español. People declined to comment.

¡Hola! was founded in 1944 in the living room of Mr. Sánchez Pérez’s grandfather. In those dark days of World War II, ¡Hola! built a following by unapologetically trafficking in escapist fare, what the magazine calls *la espuma de la vida*, “the froth of life.”

Mr. Sanchez Pérez’s father, Eduardo Sánchez Junco, started a U.K edition called

Retailer’s Results Fall Short Of Targets

By MARIA ARMENTAL

Bed Bath & Beyond Inc.’s quarterly profit and margin declined as the home-goods retailer reported nearly flat sales in the May quarter.

The results missed Wall Street targets, sending shares down 5% to \$40.86 in after-hours trading.

Still, the New Jersey-based company affirmed its profit projection for the year, saying it expects results “to be comfortably” within its previous range of \$4.50 to about \$5 a share despite higher costs tied to its acquisition of online furnishing store **One Kings Lane**.

Like other retailers, Bed Bath & Beyond’s margins have been hurt by sales promotions and a shift away from traditional brick-and-mortar stores. In the most-recent period, ended May 28, gross margin narrowed to 37.4% from 38.1% a year earlier.

The company’s faltering results have added pressure and weakened its stock, down 11% this year and 39% during the past 12 months. Last year, shareholders voted down the company’s executive compensation package. The vote is nonbinding.

This year, the company is again facing pressure from Institutional Shareholder Services and Glass Lewis & Co., along with New York City Comptroller Scott M. Stringer, as administrator of the city’s pension funds, who have asked shareholders to reject again the company’s executive compensation plan, vote against several board nominees and support a so-called proxy-access initiative, allowing shareholders to nominate members to the company’s board.

The company’s annual shareholder meeting is scheduled for July 1.

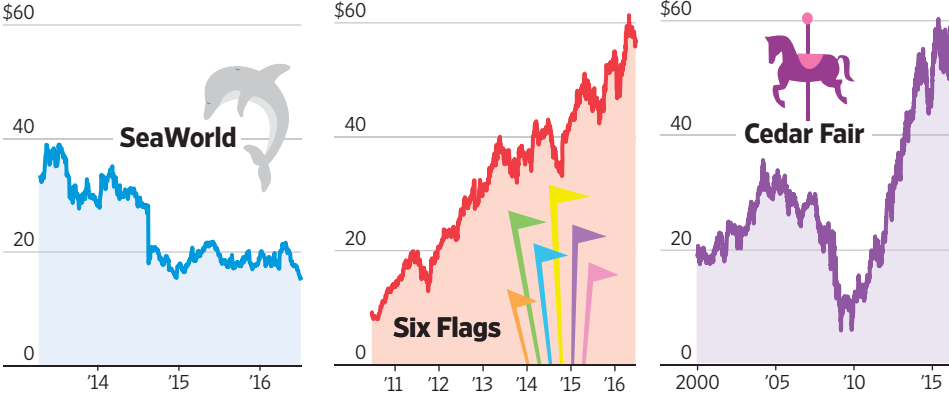
THE SHORT ANSWER by Willa Plank and Jess Kuronen

Is It a Smooth Ride for Theme Parks?

Most major theme-park operators have seen revenue grow over recent years as they invest in new attractions tied to brands including Harry Potter. Companies are also focusing on markets outside North America.

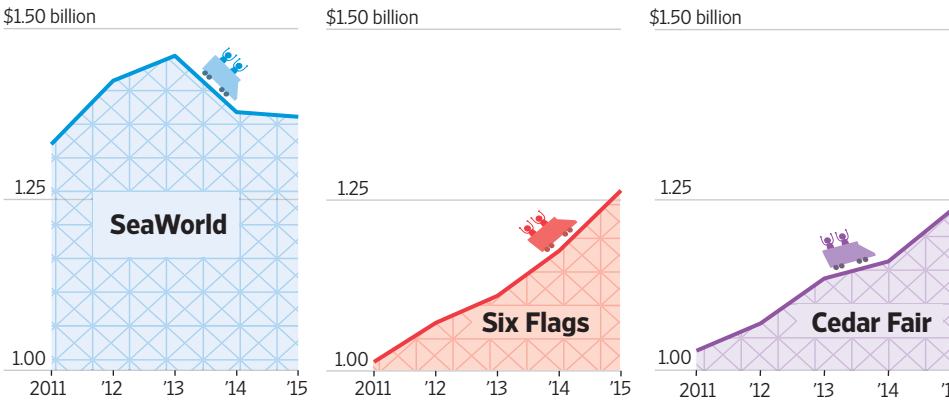
Stock Price

Cedar Fair has recovered from a stock drop and Six Flags Entertainment stock has climbed since listing on the NYSE after emerging from chapter 11. Meanwhile SeaWorld stock has taken a hit.

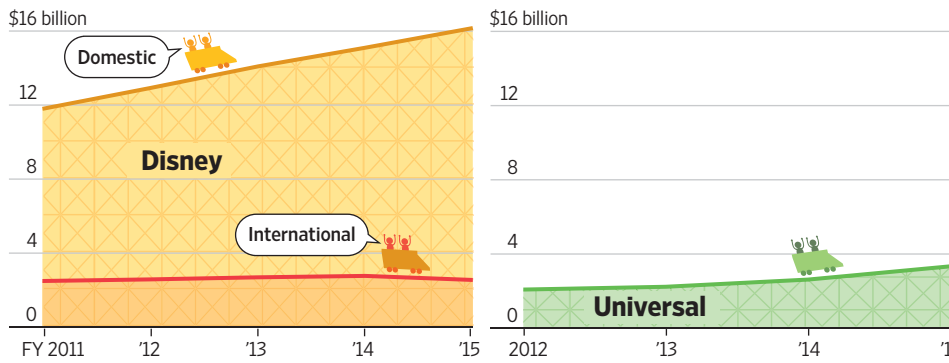


Revenue

Six Flags plans to open branded parks in Dubai, Vietnam and China.



Universal’s theme parks got a boost from the new Harry Potter Diagon Alley attraction which opened July 2014. Disney’s Shanghai park opened this month. Theme-park revenue:



Notes: Disney’s fiscal year 2015 ended Oct. 3. Stock data as of Tuesday’s close.
Source: FactSet (stock prices); the companies (revenue)

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MONEY & INVESTING

Better Crisis Response

Global group pushes new mutual-fund rules **FUNDS | C2**

Blame Canada's Currency

FINANCE | C3

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THE WALL STREET JOURNAL.

Thursday, June 23, 2016 | **C1**

DJIA 17780.83 ▼48.90 0.27% **S&P** 2085.45 ▼0.17% **NASDAQ** 4833.32 ▼0.22% **10-YR. TREAS.** ▲4/32, yield 1.687% **OIL** \$49.13 ▼\$0.72 **EURO** \$1.1297 **YEN** 104.41 **See more at WSJMarkets.com**

BofA, SEC in Settlement Talks

Bank of America's payment of up to \$450 million would be one of SEC's largest

By **JENNY STRASBURG**

Bank of America Corp. has been in discussions with U.S. regulators about paying \$400 million to \$450 million to settle allegations it violated rules designed to safeguard client accounts, according to people familiar with the matter. The Securities and Exchange Commission has been

investigating whether Bank of America had proper controls for some customer accounts and retail brokerage funds. One of the issues is whether the bank used complicated trades and loans to free up billions of dollars in cash for its own uses that it would ordinarily have had to set aside to meet regulatory requirements, people familiar with the inquiry said. A settlement could be announced as soon as Thursday.

Representatives for Bank of America and the SEC declined to comment.

A settlement of \$400 mil-

lion to \$450 million would make the accord one of the largest ever for the SEC. It also would be the largest since a \$616 million penalty paid by affiliates of SAC Capital Advisors LP in 2013.

The Wall Street Journal first disclosed details of the SEC probe in April 2015. In February, Bank of America said in a regulatory filing that it was cooperating with the SEC on the matter and was in discussions about a potential resolution. The settlement amount under discussion hasn't been reported previously.

At issue is a rule aimed at ensuring that investment banks and trading firms reserve enough cash and easy-to-sell securities so that if the lenders fail, they are able to readily repay what they owe customers. The rule, called 15c3-3—part of the Securities Exchange Act of 1934—requires financial firms to calculate at least weekly what they owe to clients through liabilities such as deposits, compared with what clients owe them, through assets such as loans.

The more a bank owes clients, the more it is required to

set aside in segregated reserve funds, known as "lockup" accounts.

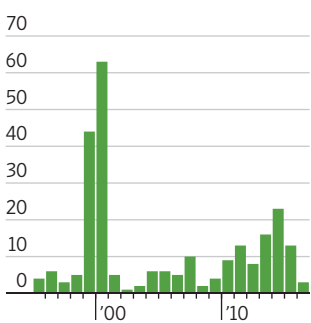
Minimizing the billions of dollars idling in lockup is attractive to banks; that frees up money for activities such as trading.

The SEC investigation has focused broadly on the accuracy of Bank of America's lockup calculations over the course of multiple years, according to people familiar with the matter. One factor in the probe has concerned the accuracy of the bank's statements to the SEC about its

Please see BOFA page C2

Low Tech

Number of U.S.-listed tech IPOs with a market value of at least \$1 billion at time of offering



Note: 2016 year to date through Tuesday
Source: Dealogic

THE WALL STREET JOURNAL.

Twilio Pricing Signals Optimism For Tech

By **CORRIE DRIEBUSCH**

Twilio Inc. raised more than it expected in its initial public offering, an optimistic sign for the dozens of other technology companies that have been valued at more than \$1 billion in private fundraising.

Shares in the San Francisco company's IPO priced at \$15 apiece, raising \$150 million by selling 10 million shares, the company said in a release late Wednesday.

The offering from Twilio comes during a tough patch for younger, private technology companies as some of their valuations in private fundraising rounds have fallen in recent months.

It also comes as U.S.-listed IPOs are on track for their worst year since the financial crisis.

Many investors from Silicon Valley to Wall Street were for that reason watching to see where Twilio (pronounced TWILL-ee-oh) priced its offering.

The company last sold shares to private investors at \$11.31 a share, according to a regulatory filing, valuing the company at about \$1 billion. Those investors will want to see Twilio shares trade above that level.

Please see IPO page C2

Solar Buy Won't Help Tesla Meet Its Goals

By **CHARLEY GRANT**

Visions of a future dominated by electric cars long have powered **Tesla Motors'** stock price. Sooner or later, the reality of corporate finance is likely to intervene.

Tesla's offer to acquire solar-energy company **SolarCity** brings this issue to the forefront.

Though details on the financial benefits of the proposed tie-up are scant, Tesla chief Elon Musk was his usual bold self on a conference call with analysts Wednesday. He said that the proposed deal could help Tesla become the world's first company with a trillion-dollar market capitalization. That would require a more than 30-fold increase from today's value.

Yet that boast may not be the most jarring one Mr. Musk has offered of late. Powered by the new Model 3 mass-market sedan, Tesla aims to deliver 500,000 vehicles in 2018, Mr. Musk said last month. That target is two years ahead of the previous goal. Tesla forecasts 80,000 to 90,000 deliveries this year.

In a world of slow growth and cautious corporate-management teams, bold ambi-

Please see TESLA page C2



A pump jack in the Permian Basin town of Andrews, Texas. Companies say drilling there can be profitable even at low oil prices.

Energy Stock Sales Reach a Record

By **RYAN DEZEMBER**

Stock sales by two North American oil-and-gas producers vaulted the sums raised by such deals this year to record levels, while further cementing the southwestern Permian Basin as the U.S. oil patch's hottest region.

Denver-based driller **QEP**

Resources Inc. and Canada's **Birchcliff Energy** Ltd. announced offerings late Tuesday that brought to more than \$20 billion the total in North American oil-and-gas company share sales this year. That figure tops the record of roughly \$19 billion raised in follow-on stock offerings—in which already-public companies sell

new shares—for oil-and-gas producers for all of last year, according to a Wall Street Journal analysis of Dealogic data.

The share-sale activity, coming with a rebound in oil prices, shows stock investors' faith that crude prices won't falter again. Also, many of the companies selling shares lately

are using the cash to acquire land, a growth move that for investors blunts the sting of adding more shares.

Along with QEP's \$367 million share sale, the company disclosed it is buying about 9,400 acres of Permian Basin drilling property in West Texas for about \$600 million.

Please see BASIN page C2

Central Banks Ready to Move

By **RICHARD BARLEY**

Everyone from Barack Obama to George Soros and soccer superstar David Beckham has had something to say about Thursday's U.K. vote on the European Union.

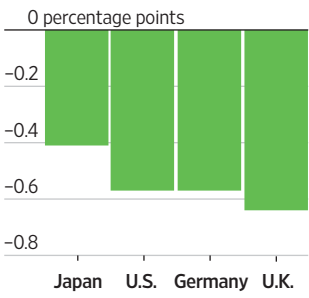
Now it comes down to those who really matter: millions of U.K. voters.

Polls point to a knife-edge vote just tilted toward remaining in the EU. A vote to leave will have consequences that could be felt around the world. Polls close when all major stock and bond markets are closed, but the result of a close vote may only come to light around the time Europe opens for trading. A vote to leave probably would spark a flight from risky assets world-wide.

The U.K. itself runs a gaping current-account deficit, making it vulnerable to a crisis of confidence. If its citizens vote to leave, then central banks' first response

Big Dipper

Change in 10-year yields since start of year



Source: FactSet

THE WALL STREET JOURNAL.

likely will be to deploy reassuring words. They also may have to provide monetary comfort blankets. But these are increasingly threadbare.

Even if the vote is to remain, however, central banks will be in the spotlight. The focus will move from the U.K. to the U.S., from sterling to the dollar, and from lower bond yields to the efforts by the Federal Reserve to resume the halting rise of interest rates. Fed Chairwoman

Janet Yellen cited "Brexit" specifically when the central bank held rates steady last week.

Stocks and commodities are expected to rally on a vote to remain. But once the Brexit boogeyman is out of the way, and assuming the U.S. labor market doesn't deliver another nasty surprise next Friday, it may be income investors' turn to worry. A rush into bonds has made prices of income-producing assets look frothy.

Rather than making an unwise bet on an unpredictable vote, though, investors should look past this binary outcome. Apart from Brexit, the biggest battle of the year has been between markets and the Fed over the path of U.S. rates. So far, the market has been winning and it is still betting on lower rates for longer.

On that, at least, it is safer to go with the wisdom of the crowd than pointy-headed experts.

Email: tape@wsj.com

The \$50 Billion Commodities Bear

Being a bear can be lonely. That isn't Shawn Driscoll's problem.

The natural-resources fund manager at **T. Rowe Price** believes we are in a 10- to 15-year bear market in energy and commodities. He has positioned his own \$5.2 billion in assets

largely against a rise in prices. So far that has worked out well.

Mr. Driscoll's influence extends far beyond his own funds, making him one of the most important, if unknown, energy bears in the market. T. Rowe Price collectively has about \$50 billion invested in energy and natural resources across its diversified stock funds. Many fund managers at the firm, impressed by Mr. Driscoll's conviction and detailed historical work on commodities markets, have followed his advice.

That gives Mr. Driscoll lots of company. And pressure.

T. Rowe Price, which had \$765 billion in assets at the end of the first quarter, has bet its own future on the ability of fund managers to beat the market. A big bet for or against

a major sector can reverberate across the firm.

At the end of the first quarter, the firm's 70 stock funds, with \$382 billion in assets, had just over half of the market's



Shawn Driscoll has influence beyond the funds he manages at T. Rowe Price.

6.8% weighting in energy. That is a big negative bet for a major mainstream firm.

As oil tumbled from \$100 to just over \$30, Mr. Driscoll was a genius. Oil has since rebounded to nearly \$50. "I just don't think we should be here,"

he said, calling it a cyclical rally amid a grim long-term trend. "We're looking at this as hope trade No. 2 in a long bear."

The basis for Mr. Driscoll's bearishness is rising productivity in commodities production, which reduces costs and pushes producers to drill more. Couple that with fast turn-arounds in shale drilling, new near-shore projects in places like Norway and rising production in Iran and other countries, and supply will stay strong for years.

"We always say when the productivity ends, that's when we get bullish," Mr. Driscoll said.

Today's near-\$50 price already is enticing companies to start drilling again, and Mr. Driscoll expects that to continue. It is a classic prisoner's dilemma among energy companies. Being the first to start a new well is a sign to investors that a company believes it has the lowest costs. And drilling first allows the company to reap the benefits of low costs from contractors who are desperate to put assets to work. "We think we're very close to incentive pricing, that's why rigs are coming back," he said.

Then there are unexpected

Please see BEAR page C4

MONEY & INVESTING

Tougher Rules for Mutual Funds Urged

Global group seeks to improve ability of asset managers to respond to crises

By Dave Michaels

Mutual funds should have the ability to lock up investors' funds or charge shareholders for withdrawals if they urgently need cash to ride out a crisis, according to a new set of policy recommendations from a panel of global regulators.

Released Wednesday, the plan from the Financial Stability Board in some cases goes beyond what U.S. regulators have proposed for bolstering

the safety of the mutual-fund industry, which many regulators fear could be a spark for the next financial crisis. The importance of mutual funds as providers of credit to large companies has grown in recent years as global banks have withdrawn from their traditional role as buyers and sellers of debt.

The FSB's proposals could affect asset managers that oversee trillions of dollars in investor funds, including **BlackRock Inc.**, **Vanguard Group** and **State Street** Global Advisors. The board, based in Basel, Switzerland, said funds have herded into sporadically traded assets that can be sold during good times but might become

illiquid during a crisis.

The 24-nation body, whose members include leaders of the Federal Reserve and Bank of England, also called on regulators in the U.S. and Europe to consider systemwide "stress tests" for asset managers and for new rules restricting the ability of funds to hold harder-to-sell assets. The recommendations were included in a report that outlines how regulators in the U.S., Europe and other wealthier countries should approach oversight of the \$31 trillion mutual-fund industry.

"The proposed policy recommendations are designed to enhance the resilience of asset managers and funds to future

stress in financial markets," Federal Reserve governor Daniel Tarullo, who leads the FSB's Standing Committee on Supervisory and Regulatory Cooperation, said in a statement accompanying the report. "They will also help authorities obtain a better understanding of the trends and risks associated with asset management activities within and across jurisdictions."

The FSB's reports are closely watched because they can influence policy in the U.S., where asset managers such as BlackRock and Fidelity Investments have clashed with supervisors over how strictly they should be regulated. The FSB was formed in 2009 in the wake of

the financial crisis to coordinate global regulatory efforts to identify and minimize sources of systemic risk that could destabilize financial markets and harm economic growth.

While funds generally have been resilient during periods of market stress, the FSB wrote, their share of ownership of corporate bonds has risen sharply in recent years. At the same time, the global banks have retreated from their traditional role as the shock absorbers of market selloffs, largely because of regulations that make it more expensive for them to hold the debt.

The sustained attention to asset management already has led the Securities and Exchange

Commission to announce new proposals aimed at requiring funds to report their holdings more regularly and cracking down on their ability to use derivatives. The SEC, which is the principal regulator of investment funds, also wants them to maintain a minimum cushion of cash or cashlike assets, a plan the industry has rebelled against.

Yet the SEC has struggled to sketch out how mutual funds should stress test their portfolios. The 2010 Dodd-Frank Act required the SEC to develop such methodologies, but regulators have agonized over how to apply consistent tests to funds that have different strategies.



Jeff Lawson, co-founder and chief executive of Twilio Inc., speaks at a conference in London last year.

IPO

Continued from the prior page

Twilio has a market capitalization of \$1.2 billion, more than what it was valued in its previous financing round.

Twilio, which enables developers to build applications that can interact with customers, whether it's messaging, video or voice, counts as customers Uber Technologies Inc. and HubSpot Inc., among others.

Its platform, for instance, allows Uber passengers to call or text their drivers by connecting the company's mobile app to the phone network.

"The product has absolutely revolutionized how apps can be built and revolutionized how apps can be used," said David Rudow, a senior equity research analyst at Thrivent Asset Management, who has met with Twilio management previously and was looking at the IPO.

Even if Twilio pops on its first day of trading and remains in positive territory, few expect it to be a catalyst for a rush of tech IPOs in what has been the slowest year for U.S.-listed tech IPOs—and IPOs in general—since 2009, according to data from Dealogic.

Jeff Clavier, a managing partner at SoftTech VC, said Silicon Valley will be watching Twilio's trading activity this week and rooting for it, but "it's too small to be a huge bellwether for everyone."

Mr. Clavier, who was an early investor in one of 2015's highly anticipated IPOs, FitBit Inc., added, "The advice from most bankers is hang out and wait til 2017 for a better market."

Some analysts and money managers looking at the IPO questioned how much Twilio can grow.

Last year, one customer, WhatsApp Inc., accounted for 17% of Twilio's revenue, according to a regulatory filing. Concerning some analysts is

that WhatsApp "has no obligation to provide any notice" to Twilio if they choose to stop using Twilio's services entirely, meaning that 17% of revenue could drop to zero without advance notice, the filing showed.

What could help Twilio's offering is that T. Rowe Price Associates Inc. is named in the prospectus as a current shareholder that has indicated an interest in purchasing up to 1.5 million shares of Twilio's IPO.

In recent years, many tech companies have steered clear from the public markets, in part because they were able to easily raise money at high valuations in private fundraising rounds, an environment that analysts and investors have said could be changing.

Indeed, mutual funds that hold shares of private companies have marked down some of these holdings, including T. Rowe Price, which in the first quarter marked down many of its investments in private

technology companies, including Uber Technologies.

If and when these companies turn to the public markets, investors may value their companies at a lower level than prior financing rounds, some analysts and investors warn.

Square Inc., a recent highly anticipated U.S.-listed venture capital-backed IPO, sold shares in its offering in November at a level that was below where they were previously valued by private investors. Square shares are down 2.4% from their IPO price of \$9.

Twilio is set to begin trading on the New York Stock Exchange under the symbol "TWLO" on Thursday. Twilio's first few days of trading could be volatile for stocks, as U.K. voters are set to decide whether to leave the European Union on Thursday.

The offering was led by Goldman Sachs Group Inc. and J.P. Morgan Chase & Co.

—Maureen Farrell contributed to this article.

BOFA

Continued from the prior page

lockup practices, the Journal has reported, citing people familiar with the matter.

As the Journal previously reported, the SEC has looked at, among other things, trades done through Bank of America's Merrill Lynch unit since 2009 that helped the bank reduce what it held in lockup, according to people familiar with the trades. In April 2015, Bank of America said: "These transactions, which began at Merrill Lynch before the acquisition by Bank of America, received extensive review and approval. The firm fully complied with the rules designed to safeguard client funds." Bank of America bought brokerage firm Merrill Lynch in 2009.

One variety was internally called "leveraged conversion," according to people familiar with the trades. In that strategy, a small team on Bank of America's New York equities desk arranged for a handful of clients to put up token amounts of their own money to receive loans of nearly 100 times those amounts, the people said.

The bank would arrange large trades that suited other financing needs it had, reducing its funding costs and the amount it set aside in lockup reflecting what it owed clients, the people said. The bank did billions of dollars' worth of such trades from 2009 to 2012, they said.

—Christina Rexrode and Aruna Viswanatha contributed to this article.



Tesla Motors' proposed buy of SolarCity will strain its financial profile. Here, a Colorado showroom.

TESLA

Continued from the prior page

tion is a central part of Tesla's appeal to investors. But reaching for the stars has proved expensive.

Tesla's core business has burned more than \$3 billion in cash over the past six quarters. Capital needs are expected to intensify over the coming years. No surprise there; automobile manufacturing is a low-return, capital-intensive business.

The SolarCity transaction could further pressure Tesla's financial profile. Mr. Musk said Wednesday that Tesla would be willing to provide a bridge loan to SolarCity before the deal closes if needed, although he thought such a scenario to be unlikely.

Still, even the possibility of such a loan should raise eyebrows. Mr. Musk said Wednesday he expects SolarCity to be cash-flow positive within three to six months.

That could be the case in a given quarter, but analysts at Barclays forecast 2016 free cash flow at negative-\$1.8 billion. As for Tesla, Barclays expects the auto maker to burn \$2.1 billion without much improvement over the coming two years. The combined company could burn up to \$3.4 billion in 2018, before factoring in the financial impact of the merger.

Tesla has issued equity or convertible debt in every year since 2010, most recently last month. Further stock issuance will be needed to close the SolarCity deal, and if Barclays's math is correct, the coming years won't be any different.

Continuing dependence on capital markets access hasn't hurt Tesla shares yet. An easy-money investing environment and pioneering products helped. But competition is intensifying. **General Motors** is set to begin selling the Chevrolet Bolt, an electric car with 200 miles of driving range, later this

year. **Volkswagen** announced last week that it plans to develop around 30 different electric models over the next 10 years, with the goal of electric cars accounting for one-quarter of total company sales.

True, these companies don't carry the same type of brand cachet with electric-car enthusiasts. But the big auto makers have much more financial resources at their disposal to compete on price, should they choose to. And Tesla won't be able to justify its valuation over the long term without becoming a major presence in the mass market.

All this would be manageable for investors, were Tesla not valued as though its ambitions already have been achieved. The shares trade at more than 120 times forward adjusted earnings, according to FactSet.

Incessant cash burn and looming competition is hardly a trillion-dollar formula.

Banks Caution Clients on Forex

By Georgi Kantchev and Jenny Strasburg

Concerned by currency volatility, financial-services companies in Britain are stopping or advising against foreign-exchange transactions during Thursday's European Union referendum, a sign of how this vote is disrupting the world's financial plumbing.

In recent weeks, worries that a British exit from the EU would stoke global economic uncertainty has roiled financial markets, spurring wild swings in the pound, euro and other currencies and pushing banks to warn of more volatility to come.

That has prompted banks to caution clients against taking large positions in a market where currencies could gyrate and liquidity may dry up. Those nerves have extended to the high street, where currency-exchange and money-transfer services proliferate given a large foreign-born population and the British love of holidays abroad.

This is causing anxiety for both professional traders and people who want to move money to and from Britain and are worried about being caught on the wrong side of a big move in the pound.

Lina Mikolajczyk, a U.S. citizen living in London, recently received an email from U.K.-based money-transfer service TransferWise.

"The exchange rate is likely to be volatile," the email said, noting that it will stop sterling-to-dollar transfers from 6 p.m. local time on Thursday until when the referendum's results come in Friday.

Ms. Mikolajczyk transfers pounds to her U.S. bank account every month.

The "email made me realize I have no backup," she said.

A TransferWise spokesman said that because it can't pre-

dict currency moves on Thursday, it has suspended sterling transfers to "protect customers from rate volatility."

Currency markets were largely calm Wednesday, with the pound broadly unchanged against the dollar. On Monday, sterling had soared 2% against the dollar, its biggest rally against the U.S. unit since 2009. Currencies from the yen to the euro also have been volatile as opinion polls show the two camps moving ahead or behind in this vote.

If the U.K. votes to leave the EU Thursday, the pound could fall as much as 20%, according to HSBC, and may rise as much as 4% if Britons decide to stay, ING estimates.

For transfer companies, the danger is the pound moves in between a customer setting up a transfer and paying the money that will cover it.

Moneycorp, a U.K. foreign-exchange provider, said it will switch off its online operation on Thursday evening and bring it back sometime Friday. "Nobody knows what the result will be, so we have to be prepared either way," said Mark Horgan, its chief executive.

London-based online money-transfer firm **Azimo** said it, too, would suspend transfers on Thursday due to the "unprecedented circumstances" presented by the referendum. "We don't want to gamble with people's hard-earned money," said Michael Kent, its chief executive.

With more than one in 10 people living in the country foreign-born, the U.K. is the fourth-biggest source of migrant remittances globally. The U.K. sent \$25 billion abroad in 2014, according to World Bank data, and much of that is handled through money-transferring services.

—Jasmine Horsey contributed to this article.

BASIN

Continued from the prior page

Analysts said QEP's Permian acquisition represents one of the highest, if not the highest, price paid for such assets, and suggested the company may be overpaying to boost its holdings there.

Tudor, Pickering, Holt & Co., the Houston investment bank, put the price per acre between \$55,000 and \$60,000, "establishing a new high watermark in the basin," where it said many recent deals have been in the \$30,000-an-acre range. The price leaves "little upside for shareholders," the bank said.

Analysts with **Piper Jaffray** & Co.'s energy arm, Simmons & Co. International, shared similar sentiment: "The transaction does screen expensive."

QEP didn't respond to requests for comment. Chuck Stanley, the company's chairman and chief executive, said in a statement the acquisition "broadens our footprint in a world-class crude oil basin" and will boost QEP's oil production growth and operating efficiency. QEP's shares fell 5.9%, to \$18.19, on Wednesday, slightly below the offering price.

A Permian focus for energy companies has appealed to investors.

Companies have said drilling can be profitable there even at low commodity prices

because stacked layers of energy-bearing rock beneath the surface allow for large enough volumes of oil and gas to come from each well.

Meanwhile, in another sign of renewed expectations of shareholder enthusiasm for oil, **Centennial Resources Development** Inc., which drills on 42,500 Permian acres in West Texas, said in a regulatory filing late Wednesday that it plans an initial public offering. No oil producer has debuted on a major U.S. stock exchange since June 2014, according to Dealogic.

The share-sale boom for energy producers accelerated last year, when these companies were dealing with the sharp fall in oil prices. They mainly sold stock to boost their cash holdings and pay down debt. Buyers of some deals found themselves on the losing end as share prices fell.

Two companies, **Emerald Oil** Inc. and **Goodrich Petroleum** Corp., that sold new stock in 2015 have filed for bankruptcy protection this year.

This year, as oil prices have recovered—up 33% in 2016—stock offerings have been used to help pay for acquisitions. Birchcliff sold more than \$500 million of stock this week as it agreed to buy drilling fields in northwest Alberta from **Encana** Corp. On Wednesday, Birchcliff's shares fell 5.6%, to 6.42 Canadian dollars (\$5.01), slightly higher than the offer price.

GLOBAL FINANCE

Swiss Bank's Israel Unit Examined

By JOHN LETZING

ZURICH—U.S. authorities are investigating Credit Suisse Group AG's Israeli operations, people familiar with the matter said, again placing the Swiss bank under Justice Department scrutiny related to its handling of American clients.

The Justice Department recently notified Zurich-based Credit Suisse of the investigation, which is focused on determining whether employees in Israel helped dual Israeli and U.S. citizens conceal their U.S. status to evade American taxes, the people said.

Information about foreign banks' clients who are identified as American now must be automatically transmitted to U.S. tax authorities, under the

recently implemented U.S. Foreign Account Tax Compliance Act.

Banks including Credit Suisse have sought to bulk up on related compliance efforts to ensure clients with U.S. ties—even those with citizenship in additional countries—are flagged.

The new probe comes roughly two years after Credit Suisse pleaded guilty in the U.S. to conspiring to help American clients evade taxes. Credit Suisse agreed to pay \$2.6 billion to various regulators as part of its settlement and entered into a plea agreement stipulating it would close accounts of U.S. clients who fail to report their assets for tax purposes.

Credit Suisse also agreed to supervision by a monitor, selected by the New York Depart-

ment of Financial Services, who is assigned with investigating the bank's dealings with U.S. customers. The monitor, who still is scrutinizing Credit Suisse, has been made aware of the new inquiry, a person familiar with the matter said.

The investigation is another potential headache for Credit Suisse as it struggles to revamp under Chief Executive Tidjane Thiam, who took over roughly a year ago. Mr. Thiam has sought to curb riskier, more costly investment-banking businesses and to bolster wealth-management operations with a sharper focus on compliance.

"We aim to operate going forward at the highest levels of compliance," Mr. Thiam said at a recent news conference. "From the past you can find all

kinds of legacy issues."

After Credit Suisse was notified of the Justice Department's new probe focused on the Israel office, the bank began its own internal investigation, people familiar with the matter said.

Without mentioning Israel, a Credit Suisse spokeswoman said the bank is conducting an internal employee-conduct investigation "related to tax matters," and that five employees have been placed on leave. She declined to comment further.

Credit Suisse had earlier confirmed its internal probe to the Swiss newspaper Schweiz am Sonntag.

A Justice Department spokeswoman declined to comment.

The Justice Department's examination is focused on the pe-

riod leading up to Credit Suisse's 2014 guilty plea and the period following it, a person familiar with the matter said. The May 2014 plea brought to a close a Justice Department investigation that had lasted several years.

The U.S.-based monitor investigating Credit Suisse on behalf of the New York Department of Financial Services, Neil Barofsky, started his oversight of the bank in October 2014 and was meant to remain in place—at the bank's expense—for no more than two years. However, the bank's struggles in providing Mr. Barofsky with all of the information he has required about its business with U.S. clients may extend his tenure.

—Laura Saunders contributed to this article.



EXCHANGES

Deutsche Börse, LSE Deal Backed

The proposed \$30 billion merger of **Deutsche Börse AG** and **London Stock Exchange Group PLC** has won backing from two influential shareholder-adviser services, even if Britain votes to leave the European Union.

Institutional Shareholder Services Inc. and Glass, Lewis & Co. in recent days sent notices to LSE investors supporting the deal, asserting that the stock-exchange operators are a good fit. The recommendations by ISS and Glass Lewis are significant because LSE needs 75% of its shareholder base to approve of the transaction at a meeting July 4.

"We consider the strategic underpinnings [of the merger as] relatively straightforward," Glass Lewis said, adding LSE investors shouldn't base their vote on the uncertainties associated with the Brexit referendum Thursday. ISS urged LSE investors to support the transaction because the "rationale to merge to create the largest exchange group by income is compelling."

—Eyk Henning

A Shaky Loonie Checked Quebec's Bid for NHL Team

By CHELSEY DULANEY

When Quebec lost its bid for a new National Hockey League franchise on Wednesday, fans were quick to finger a longtime nemesis of Canadian sports teams: their country's often weak currency.

The NHL announced that it is awarding the rights for a new team to Las Vegas. The desert city beat out a passionate effort by Quebec City to win the expansion slot and revive the Nordiques franchise. Quebec's former NHL team left in 1995 to become the Colorado Avalanche.

A lot of factors go into decisions about where to put a team—population size and growth, recruiting pull and geographic diversity—and Canada can be on the wrong end of many of them.

But it doesn't help that Canada's dollar has been so volatile and much weaker than its American counterpart in recent years. The decline pushes up a Canadian team's costs, many of which, including players' salaries, are in U.S. dollars. Most of their revenue, meanwhile, is in Canadian dollars, also known as loonies. After moving above parity with the U.S. dollar a few years ago, the loonie fetches only 78 U.S. cents right now.

During a news conference Wednesday, NHL Commissioner Gary Bettman said the "state and volatility of the Canadian dollar" undermined

Quebec's bid.

"We knew that we were not going to get our team back," said lifelong Nordiques fan Jean-Francois Côté, 51 years old. "The U.S. dollar factor is a big one and people in Canada are aware of the difference. If the league fee is \$500 million, the exchange rate makes a huge difference."

Even former Canadian Prime Minister Brian Mulroney recently ruminated about how the currency situation could sink Quebec's bid for the new NHL team.

"For a team like Quebec, with the exchange rate...it presents challenges for us all," he told the Canadian newspaper La Presse earlier this month. Mr. Mulroney is now chairman of Quebecor Inc., the Montreal media conglomerate that led the effort to bring a franchise to Quebec.

Quebec City joins a roster of soccer, baseball and even ultimate Frisbee teams north of the border that have struggled at times under the weight of a weak loonie.

The Montreal Expos left for Washington after the 2004 season, in part because of escalating currency woes. The loonie's fall also was a factor in the departure of the Vancouver Grizzlies basketball team for Memphis following the 2001 season.

FC Edmonton of the North American Soccer League sometimes rents minivans instead of chartering buses



Above, the Quebec Nordiques play the Rangers in 1995; the mascot of the Montreal Expos in 2004.



when traveling in the U.S. for games to cut costs, head coach Colin Miller said.

The team went so far as to move its March preseason tournament to Scotland this

year to save on expenses. Mr. Miller estimated the move saved Edmonton as much as C\$30,000 over last year's preseason games in Jacksonville, Fla., "though the trip

was slightly longer," he acknowledged. While the loonie had declined against both the dollar and British pound in recent years, its drop against the pound had been less pronounced.

Jean-Levy Champagne, co-owner of the Royal de Montréal professional ultimate disc team, said around 30% of the team's expenses are in U.S. dollars, including league fees, gear for the team, travel costs and per diems to cover players' food expenses when the team plays in the U.S.

Mr. Champagne said he watches the loonie's exchange rate closely and times big purchases for when the currency appears to be strong. One day this spring, he bought 800 Frisbees from his U.S. supplier after the loonie had notched a 1.8% gain against the U.S. dollar over the prior month.

AMERICAN EXPRESS

Move Seeks to Boost Use of Chip Cards

American Express Co. said it would limit the costs of fraudulent credit-card transactions for U.S. retailers as they upgrade their systems to begin accepting chip cards.

Visa Inc. and MasterCard Inc. recently said they would speed up the certification process of chip-reading checkout terminals and limit costs to merchants during the transition from old cards with magnetic stripes.

AmEx's announcement follows widespread complaints from merchants. As of last October, retailers that didn't make the transition to chip cards have been on the hook for counterfeit transactions that previously were covered by card-issuing banks.

—Tess Stynes



AmEx wants to spur chip cards.

Pressure Increases On Rupee

By SHEFALI ANAND

MUMBAI—India's rupee has been the worst-performing major Asian currency this year, and, with a change coming atop the central bank and sizable foreign-currency repayments pending, it is poised to lose more value in coming weeks, analysts said.

The rupee has fallen about 2% against the U.S. dollar in 2016. Late Wednesday in Mumbai, the currency was trading at 67.50 per dollar, according to broker Tullett Prebon.

By comparison, the Japanese yen has gained 15% against the dollar for the year through Tuesday, while the South Korean won has risen 1.8%.

Some analysts expect the rupee to go beyond 70 a dollar within a year, a level that would be its weakest yet.

Reserve Bank of India Gov. Raghuram Rajan's abrupt announcement on Saturday that he would step down when his term ends in September could make already-skittish global investors more cautious toward India.

"With Rajan's exit, the pressures will exaggerate," said Saurabh Mukherjea, chief ex-



India's rupee is Asia's worst-performing major currency this year.

ecutive of the institutional-equities business at Mumbai brokerage Ambit Capital Pvt. Ltd.

The Indian currency has fallen 0.7% since Mr. Rajan's departure was announced.

Mr. Rajan has been credited with bringing down the country's inflation and keeping the rupee relatively stable during his tenure, but his departure has raised questions about whether some of these policies will continue.

Meanwhile, the government is due to repay more than \$20 billion in foreign-currency deposits to nonresident Indians in coming months. The large outflow, to happen over a short time, is expected to cause volatility in the rupee market.

The rupee's decline this year is in contrast to its performance in 2015, when the currency held up better than

its Asian and other emerging-market peers. At the time, investors had expected the Indian government to deliver major policy changes to boost the economy.

"We've had some portfolio outflows this year as investors have grown impatient about the pace of economic reforms, so that has certainly weighed on the rupee," said Khoon Goh, Singapore-based senior strategist at Australia & New Zealand Banking Group Ltd.

A lackluster economy and piles of bad debt on banks' books also are weighing on investors' minds and the rupee, Mr. Goh said.

Foreign investors have withdrawn about \$1.4 billion from Indian debt this year, compared with an investment of \$6.3 billion in the same period last year, according to regulatory data.

Dividend Changes

Dividend announcements from June 22.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable/Record
Increased					
Fulton Financial	FULT	2.9	.10/.09	Q	Jul15/Jul01
Waterstone Fincl	WSBF	2.1	.08/.05	Q	Aug02/Jul12
Initial					
Bank of America Pfd Ee	BACpA		.375		Jul25/Jul01
FT RiverFront Dyn AP	RFAP		.0764		Jun30/Jun24
FT RiverFront Dyn Dev	RFDI		.5454		Jun30/Jun24
FT RiverFront Dynamic Eur	RFEU		.7053		Jun30/Jun24
IQ 50% Hdg FTSE Japan	HFXJ		.31822		Jun28/Jun24
iSh Intl Div Growth	IGRO		.18194		Jun27/Jun23
iSh MSCI Emerging Multi	EMGF		.1259		Jun28/Jun24
iSh Sust MSCI GI Impact	MPCT		.23013		Jun28/Jun24
Funds and investment companies					
1st Tr Cnsmr Dsc AlphaDEX	FXD	1.1	.0948	Q	Jun30/Jun24
Alerian Engy Infr	ENFR	4.6	.24354	Q	Jun29/Jun24
ALPS Cohen Gbl Realty	GRI	2.8	.3122	Q	Jun29/Jun24
ALPS Emg Dividend Dogs	EDOG	4.5	.24074	Q	Jun29/Jun24
ALPS Equal Sector Weight	EQL	2.0	.28988	Q	Jun29/Jun24
ALPS Intl Sector Div Dogs	IDOG	7.5	.43802	Q	Jun29/Jun24
ALPS S&P 500 Cap Exp	SDOG	3.5	.34467	Q	Jun29/Jun24
Elkhorn FTSE RAFI US Equ	ELKU	3.1	.20465	Q	Jun28/Jun24
Elkhorn S&P 500 Cap Exp	CAPX	0.7	.04086	Q	Jun28/Jun24
First Tr BICK Index Fund	BICK	0.5	.0241	Q	Jun30/Jun24
First Tr Cap Strength	FTCS	1.4	.1427	Q	Jun30/Jun24
First Tr Cda AlphaDEX Fd	FCAN	1.1	.066	Q	Jun30/Jun24
First Tr Cnsmr Staples	FXTG	3.1	.3593	Q	Jun30/Jun24
First Tr Dev Mkt SmCapDEX	FDTG	2.8	.2315	Q	Jun30/Jun24
First Tr DJ Globl Sel Divd	FGD	8.3	.4689	Q	Jun30/Jun24
First Tr DJ Sel MicroCap	FDM	2.1	.0756	Q	Jun30/Jun24
First Tr DJ S&P 500 Etf	FXN	1.5	.1573	Q	Jun30/Jun24
First Tr Europe AlphaDEX	FEP	6.1	.4422	Q	Jun30/Jun24
First Tr Finls AlphaDEX	FXO	1.7	.096	Q	Jun30/Jun24
First Tr FTSE Dv RI Est	FFR	3.0	.3375	Q	Jun30/Jun24
First Tr Germ AlphaDEX	FGM	5.1	.4642	Q	Jun30/Jun24
First Tr GI Natural RSC	FTRI	4.7	.123	Q	Jun30/Jun24
First Tr High Income ETF	FTHI	4.7	.0775	M	Jun30/Jun24
First Tr Inds/Prcdr Dur	FXR	0.8	.0591	Q	Jun30/Jun24
First Tr Intl IPO ETF	FPXI	3.5	.2203	Q	Jun30/Jun24
First Tr ISE Chindia	FNI	1.1	.0739	Q	Jun30/Jun24
First Tr ISE Cloud Comp	SKYY	0.5	.042	Q	Jun30/Jun24
First Tr ISE Gbl Wdg Etf	FAN	1.6	.0496	Q	Jun30/Jun24
First Tr ISE Global Engg	FLM	6.6	.766	Q	Jun30/Jun24
First Tr ISE Water	FIW	0.8	.0664	Q	Jun30/Jun24
First Tr Japan	FJP	1.9	.2139	Q	Jun30/Jun24
First Tr Large Cap Val Fd	FTA	1.8	.1853	Q	Jun30/Jun24
First Tr Lat America	FLX	4.5	.1746	Q	Jun30/Jun24
First Tr LCap Cr AlphaDEX	FEX	1.4	.1571	Q	Jun30/Jun24
First Tr Low Beta Incm	FTLB	3.2	.0525	M	Jun30/Jun24
First Tr Managed Mun Etf	FMB	2.5	.11	M	Jun30/Jun24
First Tr Matls AlphaDEX	FXZ	1.0	.0832	Q	Jun30/Jun24
First Tr McapCrAlphaDEX	FNX	1.2	.1474	Q	Jun30/Jun24
First Tr McapGrAlphaDEX	FAD	0.5	.0645	Q	Jun30/Jun24
First Tr McapValAlphaDEX	FAB	1.5	.1607	Q	Jun30/Jun24
First Tr Mrgnstr Div Ldrs	FDL	2.7	.1798	Q	Jun30/Jun24

KEY: A: annual; c: corrected; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2L: stock split and ratio; SO: spin-off.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable/Record
First Tr NASD Rising Div	RDVY	2.7	.1395	Q	Jun30/Jun24
First Tr NASDAQ 100 Tch Sc	QTEC	1.2	.1263	Q	Jun30/Jun24
First Tr NASDAQ ABA Cm Bk	QABA	1.6	.1514	Q	Jun30/Jun24
First Tr NASDAQ Gbl Auto	CARZ	5.0	.3973	Q	Jun30/Jun24
First Tr NASDAQ 100 Eqt Wt	QOEW	0.7	.0713	Q	Jun30/Jun24
First Tr Preferred Secs	FPE	5.6	.0884	M	Jun30/Jun24
First Tr RBA Quality Incm	QINC	2.5	.1391	Q	Jun30/Jun24
First Tr S&P REIT	FRI	2.1	.1233	Q	Jun30/Jun24
First Tr SCap Cr AlphaDEX	FYX	0.7	.0829	Q	Jun30/Jun24
First Tr Senior Loan Fd	FTSL	3.8	.15	M	Jun30/Jun24
First Tr SSI Strat Cv Sec	FCVT	1.4	.03	M	Jun30/Jun24
First Tr Strat Income ETF	FDIV	3.9	.16	M	Jun30/Jun24
First Tr Sw AlphaDEX	FSZ	8.0	.7885	Q	Jun30/Jun24
First Tr Tactical Hi Yld	HYLS	5.4	.215	M	Jun30/Jun24
First Tr Tech AlphaDEX	FXL	0.7	.0571	Q	Jun30/Jun24
First Tr UK AlphaDEX Fd	FUK	3.1	.3064	Q	Jun30/Jun24
First Tr US IPO	FPX	1.1	.1433	Q	Jun30/Jun24
First Tr Util AlphaDEX	FXU	2.6	.1682	Q	Jun30/Jun24
First Tr Val Line (R) 100	FVL	0.9	.0455	Q	Jun30/Jun24
First Tr Val Line Div	FVD	2.2	.1456	Q	Jun30/Jun24
First Tr VI Ln Eqty Alloc	TUSA	1.0	.0629	Q	Jun30/Jun24
First Tr Emerging Mkts SmCap	FEMS	3.9	.2852	Q	Jun30/Jun24
First Tr Multi-Asset Div	FAUS	0.3	.0201	Q	Jun30/Jun24
First Tr Emg Mkt Local	FEMT	7.6	.27	M	Jun30/Jun24
First Tr L/S Equity	FTLS	0.9	.0679	Q	Jun30/Jun24
First Tr STOXX Eur Sel Div	FDD	13.6	.4091	Q	Jun30/Jun24
First Tr VI Multi-Asset Div	MDIV	7.9	.126	M	Jun30/Jun24
FT Asia Pacific ex Japan	FPA	1.7	.1141	Q	Jun30/Jun24
FT Brazil	FBRZ	5.1	.1467	Q	Jun30/Jun24
FT China	FCT	3.3	.1484	Q	Jun30/Jun24
FT Developed Markets	FDT	3.6	.4136	Q	Jun30/Jun24
FT Dorsey Wright Focus 5	FV	0.3	.0165	Q	Jun30/Jun24
FT Emerging Markets	FEM	4.0	.1866	Q	Jun30/Jun24
FT Enhanced Shrt Maturity	FTSM	1.0	.05	M	Jun30/Jun24
FT Euronext AlphaDEX	FPEU	6.2	.4798	Q	Jun30/Jun24
FT Heltman Prime Real Est	PRME	3.2	.166	Q	Jun30/Jun24
FT Low Duration Opps	LMBK	3.0	.1275	M	Jun30/Jun24
FT Mega Cap ETF	FMK	1.4	.0919	Q	Jun30/Jun24
FT Mid Cap Growth	FNKY	0.4	.0276	Q	Jun30/Jun24
FT Mid Cap Value	FNK	1.6	.1162	Q	Jun30/Jun24
FT NA Energy Infra	ENLP	3.9	.2336	Q	Jun30/Jun24
FT NASDAQ Cybersecurity	CIBR	0.3	.0147	Q	Jun30/Jun24
FT NASDAQ Smartphne	FONE	1.7	.1586	Q	Jun30/Jun24
FT Small Cap Growth	FYC	0.2	.0151	Q	Jun30/Jun24
FT Small Cap Value	FYT	0.9	.0641	Q	Jun30/Jun24
FT VI NASDAQ Tech Divd	TDIV	2.7	.1771	Q	Jun30/Jun24
Intl Multi-Asset Div Incrm	YDIV	11.8	.1647	M	Jun30/Jun24
IQ 50% Hdg FTSE Eur	HFXE	4.9	.21366	Q	Jun28/Jun24
IQ 50% Hdg FTSE Intl	HFXI	3.7	.15931	Q	Jun28/Jun24
IQ Leaders GTAA Tracker	QGSTA	1.3	.06719	Q	Jun28/Jun24
IQ US Real Est Small Cap	ROOF	5.6	.36452	Q	Jun28/Jun24
iSh Core MSCI EAFE ETF	IEFA	3.7	.99541	SA	Jun28/Jun24
iSh Core MSCI Emg Mkts	IEEM	1.8	.38083	SA	Jun28/Jun24
iSh Core MSCI Europe	IEUR	4.6	.94762	SA	Jun28/Jun24
iSh Core MSCI Pacific	IPAC	2.1	.49643	SA	Jun28/Jun24
iSh Core MSCI Total Intl	IKUS	3.0	.75415	SA	Jun28/Jun24
iSh Edge MSCI Intl Morn	IMTM	2.6	.33449	SA	Jun28/Jun24
iSh Edge MSCI Intl Qual	IQLT	3.8	.48142	SA	Jun28/Jun24
iSh Edge MSCI Intl Size	ISZE	3.4	.40882	SA	Jun28/Jun24
iSh Edge MSCI Intl Value	IVLU	3.5	.36222	SA	Jun28/Jun24
iSh Edge MSCI Min Japan	JPMV	11	.32053	SA	Jun28/Jun24
iSh Edge MSCI Min VI Asia	AXJV	1.0	.24596	SA	Jun28/Jun24

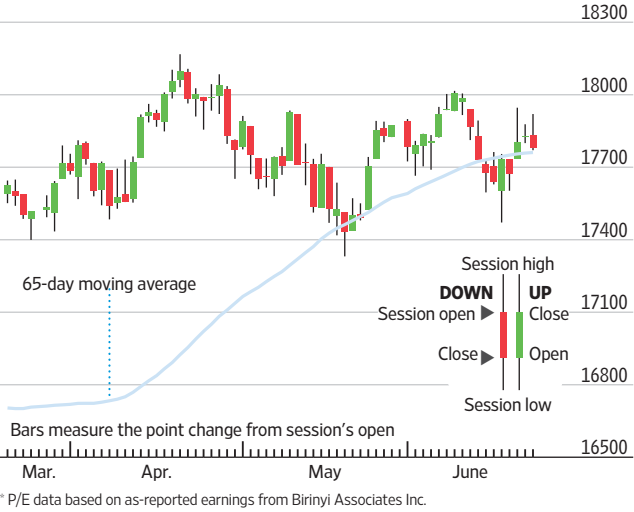
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MARKETS DIGEST

Dow Jones Industrial Average

17780.83 ▼48.90, or 0.27%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio * 18.94	16.35
	P/E estimate * 16.94	16.17
	Dividend yield 2.59	2.32
	All-time high 18312.39, 05/19/15	

Current divisor 0.14602128057775



* P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg
Dow Jones					
Industrial Average	17920.16	17770.36	17780.83	-48.90	-0.27
Transportation Avg	7644.73	7589.66	7600.20	-49.09	-0.64
Utility Average	684.76	680.16	680.74	-2.92	-0.43
Total Stock Market	21657.59	21494.32	21504.63	-42.63	-0.20
Barron's 400	523.42	518.42	518.61	-0.75	-0.15

Nasdaq Stock Market					
Nasdaq Composite	4875.93	4830.00	4833.32	-10.44	-0.22
Nasdaq 100	4442.02	4400.88	4404.73	-8.68	-0.20

Standard & Poor's					
500 Index	2099.71	2084.36	2085.45	-3.45	-0.17
MidCap 400	1503.11	1490.84	1491.21	-3.46	-0.23
SmallCap 600	712.03	704.94	705.11	-3.17	-0.45

Other Indexes					
Russell 2000	1161.28	1148.70	1148.97	-4.90	-0.42
NYSE Composite	10549.96	10469.71	10473.06	-17.72	-0.17
Value Line	464.51	460.35	460.45	-1.35	-0.29
NYSE Arca Biotech	3079.49	2977.57	3021.52	20.35	0.68
NYSE Arca Pharma	519.64	512.17	514.20	2.11	0.41
KBW Bank	67.45	66.53	66.56	-0.14	-0.21
PHLX ^S Gold/Silver	90.96	88.32	90.89	1.63	1.83
PHLX ^S Oil Service	173.39	170.65	171.06	0.16	0.09
PHLX ^S Semiconductor	705.99	697.64	698.25	-1.15	-0.16
CBOE Volatility	21.22	17.83	21.17	2.69	14.56

^SPhiladelphia Stock Exchange

S&P 500 Index

2085.45 ▼3.45, or 0.17%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio * 23.85	21.73
	P/E estimate * 17.87	17.90
	Dividend yield 2.19	1.98
	All-time high: 2130.82, 05/21/15	



Nasdaq Composite Index

4833.32 ▼10.44, or 0.22%	Last	Year ago
High, low, open and close for each trading day of the past three months.	Trailing P/E ratio * 22.15	22.81
	P/E estimate * 18.92	19.35
	Dividend yield 1.30	1.18
	All-time high: 5218.86, 07/20/15	



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
VanEck Vectors Gold Miner	GDX	12,727.0	25.22	-0.28	-1.10	25.51	25.15
SPDR S&P 500	SPY	5,854.2	208.96	0.86	0.41	209.37	207.98
iShares MSCI Japan ETF	EWJ	5,233.7	11.57	...	unch.	11.63	11.57
PwrShrs QQQ Tr Series1	QQQ	3,371.9	107.74	0.50	0.47	107.81	107.20
VanEck Vectors Russia ETF	RSX	2,443.2	17.16	-0.01	-0.06	17.20	17.15
iPath SP 500 VIX Sht Tm	VXX	2,079.1	14.86	-0.21	-1.39	15.23	14.79
iSh Edge MSCI Min Vol USA	USMV	1,925.0	44.91	-0.01	-0.02	44.99	44.91
Vanguard REIT	VNQ	1,884.8	85.17	-0.02	-0.02	85.29	85.11

Percentage gainers...

Company	Symbol	Last	Net chg	% chg	High	Low
Apogee Enterprises	APOG	11.6	45.00	3.50	8.43	45.50
Barnes & Noble	BKS	105.4	11.10	0.66	6.32	11.61
Herman Miller	MLHR	19.1	32.99	1.78	5.70	33.18
Gray Television	GTN	5.8	11.64	0.55	4.96	11.64
ENSCO PLC	ESV	39.1	10.88	0.51	4.88	10.88

...And losers

Company	Symbol	Last	Net chg	% chg	High	Low
Tata Motors ADR	TTM	24.7	29.41	-6.44	-17.96	35.85
Steelcase	SCS	36.8	13.32	-1.41	-9.57	14.99
ICICI Bank ADR	IBN	21.6	6.48	-0.62	-8.77	7.12
iShares MSCI EAFE SC	SCZ	58.7	45.80	-4.28	-8.55	50.08
Harmony Gold Mining ADR	HYM	38.0	3.20	-0.28	-8.05	3.48

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE MKT
Total volume*	827,183,742	10,342,200
Adv. volume*	288,858,413	5,676,925
Decl. volume*	516,535,330	3,898,044
Issues traded	3,182	363
Advances	1,268	162
Declines	1,775	173
Unchanged	139	28
New highs	120	14
New lows	16	4
Closing tick	24	30
Closing Arms¹	1.24	0.87
Block trades²	4,593	70

	Nasdaq	NYSE Arca
Total volume*	1,669,487,774	325,661,159
Adv. volume*	645,440,316	157,644,967
Decl. volume*	997,287,710	167,632,278
Issues traded	2,970	1,407
Advances	1,140	524
Declines	1,647	770
Unchanged	183	113
New highs	63	13
New lows	51	3
Closing tick	6	39
Closing Arms¹	1.07	0.80
Block trades²	7,206	1,498

* Primary market NYSE, NYSE MKT NYSE Arca only.
¹(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	The Global Dow	2349.04	-0.32	-0.01	0.5
	The Global Dow Euro	1960.52	-2.18	-0.11	-3.2
	DJ Global Index	310.73	-0.08	-0.02	0.9
World	DJ Global ex U.S.	209.68	0.29	0.14	-0.2
Americas	DJ Americas	502.21	-0.89	-0.18	3.1
Brazil	Sao Paulo Bovespa	50156.30	-681.50	-1.34	15.7
Canada	S&P/TSX Comp	14003.81	-8.51	-0.06	7.6
Mexico	IPC All-Share	45806.16	100.74	0.22	6.6
Chile	Santiago IPSA	3112.51	3.29	0.11	5.7
Europe	Stoxx Europe 600	341.32	1.28	0.38	-6.7
Euro zone	Euro Stoxx	318.39	1.01	0.32	-7.8
Belgium	Bel-20	3452.83	0.05	0.001	-6.7
France	CAC 40	4380.03	12.79	0.29	-5.5
Germany	DAX	10071.06	55.52	0.55	-6.3
Israel	Tel Aviv	1433.58	4.95	0.35	-6.2
Italy	FTSE MIB	17323.27	-107.90	-0.62	-19.1
Netherlands	AEX	441.25	0.86	0.20	-0.1
Spain	IBEX 35	8702.00	34.70	0.40	-8.8
Sweden	SX All Share	479.29	2.75	0.58	-5.1
Switzerland	Swiss Market	7972.14	36.39	0.46	-9.6
U.K.	FTSE 100	6261.19	34.64	0.56	0.3
Asia-Pacific	DJ Asia-Pacific TSM	1369.73	-2.49	-0.18	-1.4
Australia	S&P/ASX 200	5270.90	-3.50	-0.07	-0.5
China	Shanghai Composite	2905.55	26.99	0.94	-17.9
Hong Kong	Hang Seng	20795.12	126.68	0.61	-5.1
India	S&P BSE Sensex	26765.65	-47.13	-0.18	2.5
Japan	Nikkei Stock Avg	16065.72	-103.39	-0.64	-15.6
Singapore	Straits Times	2786.13	-3.32	-0.12	-3.4
South Korea	Kospi	1992.58	9.88	0.50	1.6
Taiwan	Weighted	8716.25	31.40	0.36	4.5

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low
Nymox Pharmaceutical	NYMX	3.15	0.82	35.19	4.37	1.13
Aspen Aerogels	ASPN	5.00	0.94	23.15	9.03	3.38
Connecture	CNXR	3.15	0.50	18.87	11.99	1.15
Cemtrex	CETX	3.58	0.50	16.23	5.19	1.56
Carolina Bank NC	CLBH	18.13	2.16	13.53	18.91	11.80
RXi Pharmaceuticals	RXII	2.75	0.27	10.91	6.49	1.26
Unisys Corp	UIS	8.30	0.80	10.67	7.20	7.04
Arcadia Biosciences	RKDA	2.40	0.22	10.09	21.20	1.10
Command Security	MOC	2.74	0.24	9.73	5.73	1.34
Value Line	VALU	16.36	1.44	9.65	19.72	9.93
Egalet Corp.	EGLT	5.07	0.42	9.03	16.59	4.34
Kewaunee Scientific	KEQU	18.47	1.53	9.02	19.35	15.50
GOL Linhas Aereas ADR	GOL	8.88	0.73	8.96	25.40	2.44
Harmony Gold Mining ADR	HYM	3.48	0.28	8.75	4.19	0.53
Aurinia Pharmaceuticals	AUPH	2.65	0.21	8.49	4.30	1.42

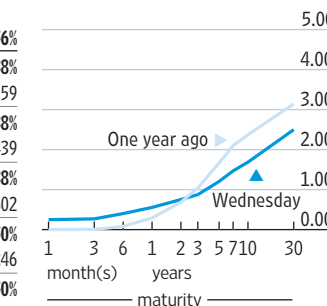
Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
iPath SP 500 VIX Sht Tm	VXX	89,828	25.4	15.07	3.50	31.48	12.60
SPDR S&P 500	SPY	89,527	0.2	208.10	-0.16	213.18	181.02
Bank Of America	BAC	76,552	-13.0	13.61	-0.07	18.48	10.99
VS 2x VIX Short Term	TVIX	67,605	43.4	2.88	6.67	19.90	2.10
ProSharesUltVIXST	UVXY	66,743	53.5	12.92	7.04	91.25	9.35
iShares MSCI Emg Markets	EEM	66,326	1.7	33.94	0.27	41.07	27.61
VanEck Vectors Gold Miner	GDX	62,834	-22.6	25.50	2.29	27.03	12.40
Sirius XM Holdings	SIRI	49,010	40.3	3.96	-0.63	4.20	3.29
Advanced Micro Devices	AMD	47,836	130.5	5.02	-7.89	5.52	1.61
iShares MSCI EAFE ETF	EFA	44,492	86.4	57.12	-0.05	67.30	50.94

* Volumes of 100,000 shares or more are rounded to the nearest thousand

Treasury yield curve

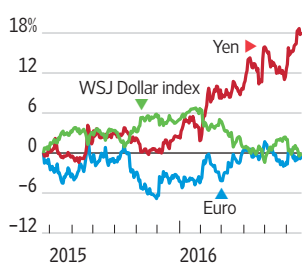
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	US\$/s			Country/currency	US\$/s		
	in US\$	Wed per US\$	YTD chg (%)		in US\$	Wed per US\$	YTD chg (%)
Americas							
Argentina peso	.0711	14.0670	8.7	Thailand baht	.02843	35.170	-2.4
Brazil real	.2960	3.3779	-14.7	Vietnam dong	.00004453	22455	-1.4
Europe							
Canada dollar	.7787	1.2843	-7.2	Czech Rep. koruna	.04174	23.959	-3.7
Chile peso	.001482	674.70	-4.8	Denmark krone	.1519	6.5847	-4.2
Colombia peso	.0003426	2919.08	-8.0	Euro area euro	1.1297	.8852	-3.9
Ecuador US dollar	1	1	unch	Hungary forint	.003592	278.40	-4.1
Mexico peso	.0541	18.4933	7.5	Iceland krona	.008177	122.30	-6.1
Peru new sol	.3043	3.286	-3.8	Norway krone	.1206	8.2925	-6.2
Uruguay peso	.03266	30.6200	2.4	Poland zloty	.2584	3.8694	-1.4
Venezuela b. fuerte	.100150	9.9851	58.4	Russia ruble	.01543	64.815	-9.9
Asia-Pacific							
Australian dollar	.7501	1.3332	-2.9	Sweden krona	.1210	8.2618	-2.2
China yuan	.1522	6.5722	1.2	Switzerland franc	1.0430	.9588	-4.3
Hong Kong dollar	.1289	7.7587	0.1	Turkey lira	.3456	2.8932	-0.8
India rupee	.01483	67.449	1.9	Ukraine hryvnia	.0399	25.0560	4.4
Indonesia rupiah	.0000755	13245	-4.3	UK pound	1.4706	.6800	0.2
Japan yen	.009577	104.41	-13.2	Middle East/Africa			
Kazakhstan tenge	.002943	339.74	0.3	Bahrain dinar	2.6529	.3770	unch
Macau pataca	.1252	7.9895	-0.2	Egypt pound	.1126	8.8846	13.5
Malaysia ringgit	.2482	4.0296	-6.4	Israel shekel	.2602	3.8425	-1.3
New Zealand dollar	.7165	1.3957	-4.6	Kuwait dinar	3.3235	.3009	-0.9
Pakistan rupee	.00955	104.700	-0.2	Oman sul rial	2.5984	.3848	unch
Philippines peso	.0215	46.443	-0.9	Qatar rial	.2747	3.641	-0.1
Singapore dollar	.7471	1.3385	-5.6	Saudi Arabia riyal	.2667	3.7500	-0.1
South Korea won	.0008701	1149.28	-2.3	South Africa rand	.0684	14.6158	-5.6
Sri Lanka rupee	.0067926	147.22	2.1	Close Net Chg % Chg YTD Chg			
Taiwan dollar	.03111	32.143	-2.4	WSJ Dollar Index	85.47	-0.31-0.36	-5.22

BIGGEST 1,000 STOCKS

Continued From Page C4			Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg					
Lowest's	LOW	78.35	0.02	NipponTelegraphADR	NTT	43.35	0.14	PulteGroup	PHM	18.87	-0.23	SonyADR	SNE	28.61	-0.47	TransdigmGrp	TDG	261.87	-0.87	WesternGasEquity	WGP	37.50	0.01	COBE Holdings	COBE	63.75	0.53	Intel	INTC	32.29	-0.03	Qualcomm	QCOM	54.04	0.16
LuxotticaADR	LUX	52.00	0.28	NiSource	NI	25.25	-0.05	QinetiQTechnology	QIHU	73.90	0.37	Southern	SO	50.85	-0.05	TransUnion	TRU	32.90	-0.27	WesternGasPartners	WES	49.01	0.20	CDKGlobal	CDK	55.49	-0.70	Intuit	INTU	106.45	-1.45	RandolphScsADR	GOLD	95.27	1.15
LyondellBasell	LYB	78.97	0.06	NobleEnergy	NBL	36.79	-0.08	QuestDiagnostics	DIQX	79.59	1.72	SoCopper	SCCO	27.24	...	TravelersCos	TRV	111.83	-0.89	WesternUnion	WU	19.09	0.15	CDW	CDW	41.37	-0.07	IntuitiveSurgical	ISRG	651.45	6.28	* RegenPharm	REGN	351.92	6.78
M&T Bnk	MTB	117.33	-0.54	NokiaADR	NOK	5.58	-0.01	QuintilesTransnq	Q	63.92	0.09	SowestAir	LWN	40.26	-0.26	TreeHouseFoods	THS	96.80	-0.27	WestlakeChemical	WLK	43.59	0.11	CH Robinson	CHRW	71.86	-0.23	JD.comADR	JD	21.20	0.07	RossStores	ROST	54.43	-0.42
M&M's	MM	24.32	-0.21	NorfolkSouthern	NOR	37.79	0.04	RELXADR	RENX	16.99	0.01	SouthwesternEnergy	SWN	13.47	-0.66	WestpacBankingADR	WBK	22.18	0.06	WestlakeChemical	WLK	43.59	0.11	CMEGroupCIA	CME	94.05	0.56	JackHryn	JKHY	83.38	-0.10	Ryan'sWrHldings	RYAY	80.20	-0.65
MPLX	MPX	33.18	-0.41	Nordstrom	JWN	37.79	0.04	RELXADR	RELX	18.36	0.04	SpectraEnergy	SE	34.56	-0.08	Twitter	TWIT	3.35	-0.11	WestRock	WRK	40.46	-0.44	CSX	CSX	26.55	-0.08	JazzPharma	JAZZ	142.94	1.02	SBACommunics	SBAC	102.90	0.24
MSCI	MSCI	74.83	-0.04	NorthropGrumman	NOC	214.89	0.04	RPM	RPM	51.01	-0.15	SpectraEnergyPtrs	SEP	46.93	-0.28	TurquoiseHillRes	THR	16.13	-0.19	Weyerhaeuser	WY	28.62	0.04	CadenceDesign	CNS	34.29	-0.15	JetBlue	JBLU	16.20	-0.48	SEIInvestments	SEIC	49.45	0.35
Macerich	MCI	81.52	...	Novartis ADR	NVS	79.71	0.25	RalphLaurenA	RLA	96.41	-0.76	SpectrumStores	SPB	120.24	1.03	TycoInternational	TYC	43.47	0.29	Whirlpool	WHR	178.20	1.02	Celgene	CELG	99.23	2.37	KLA Tencor	KLAC	74.30	0.44	SS&CTechs	SSNC	58.13	-0.17
MacquarieInf	MIC	71.56	0.07	NovoNordiskADR	NVO	42.27	0.27	RangeResources	RRC	45.45	-1.00	SpiritAeroSystems	SPR	44.98	0.58	TylerTechnologies	TYL	153.86	-0.48	WhiteWaveFoods	WWV	45.95	-1.15	Cerner	CERN	55.28	0.47	KraftHeinz	KHC	85.21	-0.48	SVBFinancialGroup	SVBV	99.10	-0.86
Macys	M	32.81	-0.23	Nucor	NUE	49.57	-0.42	RayJamFinl	RJF	52.64	0.22	Sprint	S	4.38	0.22	TysonFoodsCIA	TSN	62.68	0.50	Williams	WMB	20.76	-0.91	CharterComms	CHTR	222.39	-0.42	LQK	LQK	32.84	0.07	Sabre	SABR	26.60	0.01
MageInPtnrs	MMP	76.69	1.24	NuStarEnergy	NS	50.65	-0.61	Raytheon	RTN	134.60	0.01	SJudeMedical	STJ	77.67	0.82	UBSGroup	UBS	15.49	0.05	WilliamsPartners	WUP	33.22	-0.08	CincinnatiFin	CINF	70.58	0.18	LQK	LQK	32.84	0.07	ScrippsNetworks	SNI	63.42	0.21
Magnatn	MGA	38.96	-0.08	ONEOK	OKE	30.79	-0.36	RedHat	RHT	79.75	-0.64	StanleyBldcok	SWK	113.65	-0.42	UGI	UGI	44.09	0.11	WiproADR	WIT	12.25	0.05	Cintas	CTAS	94.60	0.10	LamarAdvertisng	LAMR	63.18	0.02	SigaleTechnology	STX	23.87	0.01
Mallinckrodt	MNK	56.68	0.15	ONEOKPartners	OKS	39.55	-0.09	RegencyCtrs	REG	78.52	-0.61	StarwoodHtels	HOT	74.97	0.09	UltraparParADR	UAP	20.99	-0.40	WoorBankADR	WBT	26.80	0.33	CiscoSystems	CSCO	28.72	-0.05	LibertyBroadband	LBND	59.20	0.43	ShireADR	SHPG	175.38	0.76
ManpowerGroup	MFC	76.30	0.59	OccidentalPetrol	OXY	77.10	-0.06	RegionsFinancial	R	9.12	-0.05	StarwoodPrt Tr	STWD	20.53	-0.17	UnderArmour A	UA	37.69	-0.67	Workday	WDAY	78.21	-1.20	CiscoSystems	CSCO	28.72	-0.05	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
ManulifeFinancial	MFC	34.32	-0.06	ONEOKPartners	OKS	39.55	-0.09	ReinsuranceGrp	RG	95.59	-0.13	StateSt	ST	58.49	-0.29	UnderArmourC	UAC	34.32	-0.60	XL Group	XL	32.77	0.19	CitrixSystems	CTXS	85.11	-0.13	LibertyGlobalCIA	LBTA	32.18	0.33	SiliconwareADR	SPIL	7.94	0.07
MarathonOil	MRO	14.35	-0.34	OldRepublic	ORI	3.91	-0.10	RelianceStl	RS	76.55	-0.01	StateSt	ST	58.49	-0.29	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MarathonPetroleum	MPC	35.26	0.06	OldRepublic	ORI	3.91	-0.10	RenaissanceR	RNR	114.99	0.77	Steris	STE	67.15	-0.36	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MarineHarvestADR	MHC	17.22	-0.22	OmnicorHealthcare	OHI	32.01	-0.35	RepubliscServices	RS	49.68	0.01	Steris	STE	67.15	-0.36	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Markel	MKL	396.95	3.07	OmnicorHealthcare	OHI	32.01	-0.35	ResMed	RMD	63.32	0.55	Stryker	SYM	59.93	0.04	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Marsh&McLennan	MMC	66.07	0.07	OmnicorHealthcare	OHI	32.01	-0.35	RestaurantsBrands	QSR	45.23	-0.72	SumitomoMitsADR	SMFG	6.02	-0.13	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MrtmMarMat	MMT	183.91	0.09	Oracle	ORCL	40.01	0.02	ReynoldsAmer	RAY	50.97	...	SynchroFinanci	SYF	25.50	-0.35	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Masco	MAS	31.21	-0.15	OrangeADR	ORAN	15.96	-0.36	RioTintoADR	RIO	30.34	0.17	SuncorEnergy	SX	27.11	0.02	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MasterCard	MA	94.06	-0.10	OrbitaATK	OK	87.48	-1.12	RiteAid	RAD	7.73	-0.01	SuncorEnergy	SX	27.11	0.02	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
McCormick	MCK	100.17	-0.66	OrixADR	IX	66.80	-0.81	RobHafIntl	RHI	39.05	-0.15	SuncorEnergy	SX	27.11	0.02	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
McDonalds	MCD	121.62	-2.01	OwensCorning	OC	51.25	0.18	Rockwell	ROK	117.99	0.77	SuncorEnergy	SX	27.11	0.02	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
McKesson	MCK	181.53	2.26	PG&E	PCG	62.15	-0.48	RockwellCollins	COL	85.88	-0.06	Syncro	SY	49.97	-0.10	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MeadJohnson	MJN	87.47	-0.08	PG&E	PCG	62.15	-0.48	RogersComm	R	9.12	-0.05	TecConnectivity	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Mednax	MD	71.97	1.23	PG&E	PCG	62.15	-0.48	RogersComm	R	9.12	-0.05	TecConnectivity	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Medtronic	MDT	84.26	-0.33	PG&E	PCG	62.15	-0.48	RogersComm	R	9.12	-0.05	TecConnectivity	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Merck	MRK	57.04	0.79	PPL	PPL	39.31	-0.36	RoyalBkCanada	RBS	7.29	0.17	Tegna	TGNA	22.47	0.06	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MetLife	MET	42.55	-0.18	PPL	PPL	39.31	-0.36	RoyalBkCanada	RBS	7.29	0.17	Tegna	TGNA	22.47	0.06	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MettlerToledo	MTD	377.94	3.20	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MichaelKorsHdgs	KORS	50.80	0.14	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MidAmAp	MAA	101.97	0.21	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MitsubishiUFJADR	MTU	4.74	-0.08	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MizuhoFinancial	MFG	3.03	-0.01	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MutualShare	MUT	8.66	-0.13	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
Mobility	MBLY	40.53	-0.33	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A	CMCA	62.64	0.10	LibertyGlobalCIA	LBTA	32.18	0.33	SigatureBank	SBNY	128.54	0.60
MohawkIndustries	MHI	195.30	-0.93	PackCPam	PKG	68.22	0.47	RoyalCaribbean	RCL	76.12	-0.34	Telcel	TEC	61.94	0.17	UnileverADR	UL	45.52	0.12	XcelEnergy	XEL	42.67	-0.17	Comcast A</											

COMMODITIES

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Futures Contracts | WSJ.com/commodities

Metal & Petroleum Futures

	Contract				Open interest
	Open	High	Low	Settle	
Copper-High (CMX) -25,000 lbs.; \$ per lb.					
June	2.1410	2.1410		2.1315	
Sept	2.1265	2.1455		2.1080	

Gold (CMX) -100 troy oz.; \$ per troy oz.					
June	1267.00	1269.20	1264.90	1268.00	-2.50 538
Aug	1271.40	1273.50	1263.80	1270.00	-2.50 412,919
Oct	1275.30	1275.60	1267.60	1273.20	-2.50 31,179
Dec	1278.10	1279.50	1270.40	1276.30	-2.50 72,912
Feb'17	1280.60	1281.90	1273.20	1279.30	-2.50 11,379
June	1285.80	1285.80	1281.50	1284.50	-2.50 12,691

Palladium (NYM) -50 troy oz.; \$ per troy oz.					
June	543.85	547.30	543.85	564.95	10.90 12
Sept	552.00	564.20	548.50	562.25	10.90 23,525
Dec	557.90	562.00	556.95	563.00	10.90 382

Platinum (NYM) -50 troy oz.; \$ per troy oz.					
June	989.10	989.10	989.10	983.10	2.00 2
Sept	981.90	991.00	978.70	985.60	1.80 36,272

Silver (CMX) -5,000 troy oz.; \$ per troy oz.					
June	17.230	17.240	17.230	17.305	-0.006 96
Sept	17.370	17.410	17.175	17.367	-0.007 88,700

Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.					
Aug	50.22	50.54	48.40	49.13	-0.72 462,740
Sept	50.79	51.11	49.04	49.78	-0.67 254,511
Oct	51.29	51.53	49.54	50.28	-0.65 105,915
Nov	51.75	51.96	50.03	50.74	-0.64 87,780
Dec	52.11	52.34	50.41	51.14	-0.62 236,195
Dec'17	53.50	53.62	52.23	52.80	-0.30 142,099

NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.					
July	1.5255	1.5353	1.4825	1.5048	-0.119 51,631
Aug	1.5334	1.5452	1.4929	1.5153	-0.110 81,605

Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.					
July	1.6015	1.6131	1.5729	1.5882	-0.047 48,038
Aug	1.6115	1.6224	1.5805	1.5948	-0.086 105,309

Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.					
July	2.765	2.775	2.657	2.677	-0.091 81,633
Aug	2.792	2.804	2.692	2.711	-0.087 190,820
Sept	2.812	2.815	2.706	2.724	-0.089 207,385
Oct	2.852	2.865	2.753	2.773	-0.083 118,514
Nov	2.981	3.005	2.902	2.924	-0.071 60,192
Jan'17	3.360	3.375	3.285	3.311	-0.042 100,857

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.					
July	396.50	401.00	392.25	393.00	-3.25 211,739
Sept	402.25	406.50	397.50	398.25	-4.00 544,444

Oats (CBT) -5,000 bu.; cents per bu.					
July	205.25	209.75	201.00	206.50	... 2,121
Dec	216.25	217.25	212.50	216.75	.50 4,487

Soybeans (CBT) -5,000 bu.; cents per bu.					
July	1131.50	1147.00	1126.00	1137.50	4.25 128,229
Nov	1108.50	1123.50	1103.00	1116.75	6.00 418,586

	Contract				Open interest
	Open	High	Low	Settle	
Soybean Meal (CBT) -100 tons; \$ per ton.					
July	392.80	395.80	389.90	391.00	-2.30 50,013
Dec	387.80	394.20	387.20	391.00	-5.50 151,615

Soybean Oil (CBT) -60,000 lbs.; cents per lb.					
July	31.43	31.86	31.36	31.55	.19 60,668
Dec	32.07	32.56	32.00	32.24	.24 152,324

Rough Rice (CBT) -2,000 cwt.; \$ per cwt.					
July	1107.50	1107.50	1097.50	1098.50	-4.50 3,032
Sept	1127.50	1129.00	1122.50	1123.00	-6.50 5,611

Wheat (CBT) -5,000 bu.; cents per bu.					
July	460.00	465.25	458.25	458.75	.25 72,589
Sept	474.75	478.25	471.50	472.25	-.25 188,505

Wheat (KC) -5,000 bu.; cents per bu.					
July	436.00	439.50	▼ 433.00	433.00	-2.00 45,882
Sept	453.00	457.00	▼ 450.75	451.00	-1.50 103,866

Wheat (MCLS) -5,000 bu.; cents per bu.					
July	524.50	530.50	524.50	525.25	.50 10,992
Sept	534.50	540.25	534.00	534.75	.25 20,678

Cattle-Feeder (CME) -50,000 lbs.; cents per lb.					
Aug	139.500	140.700	137.025	140.175	.900 26,180
Sept	138.200	139.325	135.975	138.800	.675 4,930

Cattle-Live (CME) -40,000 lbs.; cents per lb.					
June	115.050	115.900	114.200	115.350	.300 7,175
Aug	111.425	112.750	110.575	111.625	.175 121,296

Hogs-Lean (CME) -40,000 lbs.; cents per lb.					
July	86.700	86.900	84.375	84.475	-1.725 33,835
Aug	88.875	88.975	85.625	85.850	-2.625 102,822

Lumber (CME) -110,000 bd. ft. \$ per 1,000 bd. ft.					
July	298.90	301.80	296.600	299.40	.60 1,756
Sept	308.20	310.50	306.50	308.20	... 2,691

Milk (CME) -200,000 lbs.; cents per lb.					
June	13.23	13.24	13.22	13.22	.01 4,510
July	15.05	15.07	14.82	14.91	-.16 5,225

Cocoa (ICE-US) -10 metric tons; \$ per ton.					
July	3,192	3,208	3,192	3,205	10 296
Sept	3,148	3,160	3,136	3,156	10 86,688

Coffee (ICE-US) -37,500 lbs.; cents per lb.					
July	138.50	139.60	136.50	136.95	-1.55 1,302
Sept	141.10	142.20	138.75	139.70	-1.25 102,257

Sugar-World (ICE-US) -112,000 lbs.; cents per lb.					
July	19.17	19.27	19.00	19.04	-.20 94,598
Oct	19.28	19.36	19.12	19.17	-.17 468,337

Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.					
Sept	28.10	28.20	28.10	27.89	-.05 1,502
Nov	27.75	27.77	27.75	27.77	... 1,593

Cotton (ICE-US) -50,000 lbs.; cents per lb.					
July	62.83	63.45	62.53	62.94	.09 5,075
Dec	64.65	65.21	64.11	64.53	.14 153,672

Orange Juice (ICE-US) -15,000 lbs.; cents per lb.					
July	165.05	165.15	162.75	164.20	-.90 4,843
Sept	167.10	168.60	165.90	167.60	.20 9,746

Interest Rate Futures

Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%					
Sept	167-090	167-280	167-040	167-230	4.0 583,329

	Contract				Open interest
	Open	High	Low	Settle	
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%					
Sept	131-065	131-135	131-050	131-110	3.0 2,803,744
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%					
June	121-167	121-190	121-162	121-180	1.7 53,670
Sept	121-037	121-087	121-035	121-070	2.2 2,674,798
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%					
June	109-125	109-127	109-125	109-135	.7 6,365
Sept	109-095	109-115	109-092	109-110	1.0 1,011,205

30 Day Federal Funds (CBT) -\$5,000,000; 100 - daily avg.					
June	99.630	99.630	99.628	99.628	... 84,725
Aug	99.600	99.610	99.600	99.605	.005 249,719

10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%					
Sept	105.672	105.953	105.656	105.938	.188 26,752

1 Month Libor (CME) -\$3,000,000; pts of 100%					
July	...	...	...	99.5400	.0025 1,604

Eurodollar (CME) -\$1,000,000; pts of 100%					
July	99.3300	99.3400	99.3300	99.3375	.0100 144,503
Sept	99.2650	99.2800	99.2650	99.2750	.0150 1,173,315
Dec	99.1800	99.2050	99.1800	99.1950	.0100 1,308,796
Dec'17	98.9550	98.9850	98.9550	98.9750	.0150 1,151,968

Currency Futures

Japanese Yen (CME) -¥12,500,000; \$ per 100¥					
Sept	.9573	.9616	.9568	.9605	.0031 144,088
Dec	.9609	.9649	.9603	.9638	.0030 483

Canadian Dollar (CME) -CAD 100,000; \$ per CAD					
Sept	.7807	.7849	.7781	.7797	-.0017 113,845
Dec	.7812	.7849	.7782	.7798	-.0017 3,914

British Pound (CME) -£62,500; \$ per £					
Sept	1.4666	1.4783	1.4649	1.4697	.0024 198,062
Dec	1.4699	1.4789	1.4662	1.4706	.0023 727

Swiss Franc (CME) -CHF 125,000; \$ per CHF					
Sept	1.0443	1.0522	1.0436	1.0484	.0033 38,436

Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Wednesday		Wednesday		Wednesday
Energy					
Propane,tet,Mont Belvieu-g	0.5219	Coins,wholesale \$1,000 face-a	14167	Wheat,Spring14%-pro Mnpls-u	6.1025
Butane,normal,Mont Belvieu-g	0.6674	Other metals		Wheat,No.2 soft red,St.Louis-bp,u	4.5700
NaturalGas,HenryHub-i	2.780	LBMA Platinum Price PM	*974.0	Wheat - Hard - KC (USA) \$ per bu-u	4.0800
NaturalGas,TranscoZone3-i	2.750	Platinum,Engelhard industrial	982.0	Wheat,No.1soft white,Portld,OR-u	n.a.
NaturalGas,TranscoZone6NY-i	2.010	Platinum,Engelhard fabricated	1082.0		
NaturalGas,PanhandleEast-i	2.610	Palladium,Engelhard industrial	561.0	Food	
NaturalGas,Opal-i	2.610	Palladium,Engelhard fabricated	661.0	Beef,carcass equiv. index	
NaturalGas,MarcellusNE PA-i	1.850	Aluminum,LME, \$ per metric ton	*1623.5	choice 1-3,600-900 lbs.-u	193.31
NaturalGas,HaynesvilleNLA-i	2.720	Copper,Comex spot	2.1355	select 1-3,600-900 lbs.-u	172.77
Coal,C.Aplc.,12500Btu,1.25O2-r,w	40.500	Iron Ore, 62% Fe CFR China-s	51.7	Broilers,dressed 'A'-u	1.1175
Coal,PwdrRvrBsn,8800Btu,0.85O2-r,w	8.800	Shredded Scrap, US Midwest-s,w	251	Broilers, National comp wghtd-t,u	0.9756
		Steel, HRC USA, FOB Midwest Mill-s	620	Butter,AA Chicago	2.3600
				Cheddar cheese,bbl,Chicago	154.00
				Cheddar cheese,blk,Chicago	151.25
				Milk,Nonfat dry,Chicago lb.	90
				Cocoa,Ivory Coast-w	3391
				Coffee,Brazilian,Comp	1.4063
				Coffee,Columbian, NY	1.5999
				Eggs,large white,Chicago-u	0.4850
				Flour,hard winter KC	13.35
				Hams,17-20 lbs,Mid-US fob-u	n.a.
				Hogs,lowa-S.o. Minnesota-u	80.67
				Pork bellies,12-14 lb MidUS-u	n.a.
				Pork loins,13-19 lb MidUS-u	1.1029
				Steers,Tex.-Okla. Choice-u	116.00
				Steers,feeder,Okla. City-u,w	148.41
				Fats and Oils	
				Corn oil,crude wet/dry mill-u,w	40.8000
				Grease,choicewhite,Chicago-u	0.2900
				Lard,Chicago-u	n.a.
				Soybean oil,crude,Centrl IL-u	0.2993
				Tallow,bleach,Chicago-u	0.3100
				Tallow,edible,Chicago-u	0.3450

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Valuing Tesla's Partner: Pick a Number

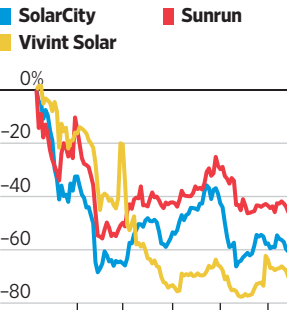
If **Tesla Motors** succeeds in buying **SolarCity**, it will own a company that relies on assumptions about pricing and customer behavior that stretch to 2036. By that time Elon Musk could be living on Mars.

Yet the combined market value of the electric-car maker and solar-panel seller fell the day after the news, indicating skepticism. Perhaps just as telling, the share prices of the two companies most similar to SolarCity, **Vivint Solar** and **Sunrun**, were trailing the market. The opposite usually occurs when someone pays a premium for a competitor.

But then the market is often wrong and it has had an especially hard time figuring out solar stocks. SolarCity's shares have risen or fallen by at least 5% on 166 separate trading days, or nearly one-fifth of the time, since going public. In a two-year

Eclipsed

Year-to-date share performance



Source: FactSet

THE WALL STREET JOURNAL.



span its market value surged 10-fold but it is down by 70% from its 2014 peak. Smaller Vivint and Sunrun have been even choppy. But these wild swings aren't for companies with pie-in-the-sky technology. They are in the business of installing rooftop solar pan-

els—made by others—that are supposed to generate steady income for decades. Growth is always uncertain, but the value of solar companies' installed bases shouldn't be. Companies provide detailed assumptions to underpin an exact value per watt for their businesses if

they had to shut their doors tomorrow and just operate in runoff mode.

The problem is that those projections are fishy. Take something as basic as how long customers will lease rooftop panels or how often they have to replace expensive inverters. Vivint, for example, assumes 30 years and two replacements, at year 11 and 21. Contracts are only for 20 years, but they assume all customers will renew at 90% of the original rate. This all depends on the retail cost of electricity in 2036 and assumes some superior renewable-energy solution won't be available. And since most customers will either move or die in the next 30 years, it assumes new owners or heirs will take over existing contracts.

Even if all goes to plan, solar companies are burning cash today and rely on investors to pay them for streams

of tax breaks tied to solar. The price they are willing to pay has varied considerably. Vivint, Sunrun and SolarCity each use a 6% discount rate to arrive at a value per watt for their installed base. Raise that and the value per watt moves lower.

Last but not least are the considerable overheads that affect the cost per watt for each installation. In the first quarter, for example, SolarCity's cost rose to \$3.18 from \$2.89 a year earlier. They project a sharp drop for the remainder of this year as installations surge, but rapid growth would eat up scarce cash in the short run.

Tesla itself is a risky bet for the mundane reasons of valuation and execution risk. SolarCity depends on far more obscure assumptions. Adding that uncertainty to Tesla's big challenges won't help either company.

—*Spencer Jakab*

OVERHEARD

Currency, aside from denoting money, means "a condition of flowing." So it always has been. But one congressman wanted to block a change to the \$20 bill, set to replace Andrew Jackson.

"Why would you want to change that? I am a conservative; I like to keep what we have," he said.

He lost on Tuesday after a House committee decided not to include his amendment.

Abolitionist and suffragette Harriet Tubman will grace the new \$20 bill starting in 2020, the 100th anniversary of American women gaining the right to vote.

Ironically, Wednesday was the anniversary of the first issue of "Continental" in 1775—a controversial move in many ways, not least because the bills dropped the portrait of King George III.

Conservatives surely were aghast at that, too.

HP Must Keep Its Ink From Running Dry Funds Need to Guard Against Stampedes

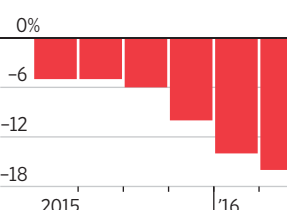
For a newish tech company, **HP Inc.** still makes most of its money the old fashioned way—by effectively printing it.

HP, which split from its **Hewlett Packard Enterprise** sibling last year, relies on printer hardware and supplies for more than one-third of its revenue and more than two-thirds of its pretax operating profit. Ink cartridges and toner are the biggest part of those profits, which is why HP's share price slipped more than 5% Wednesday after the company disclosed problems in this segment. The company is looking to remedy them.

In a conference call late Tuesday, HP disclosed a plan to reduce inventory of printing supplies and enact pricing strategies that would eliminate frequent discounts

Jammed

HP's quarterly printer-supply revenue, change from a year earlier



Source: the company

and promotions. The aim is to adopt more of an "everyday low price" strategy that will eliminate confusion among customers, the company said.

Those efforts are new, but HP's printing business has been struggling for a while. Revenue from printing hardware saw double-digit declines for the past four con-

secutive quarters. That naturally hurts demand for the consumables portion of the business, which has been in state a slow decline for three years. And that decline has accelerated. Printing supplies' revenue fell 15% year over year for the six-months ending April 30.

Given the importance of printers and ink to HP's business model, changes in inefficient inventory and promotion practices are welcome moves. But the company has a tough task ahead since Wall Street is banking on an improvement soon. Analysts project a 14% decline in printing revenue for the fiscal year ending this October. The decline is expected to moderate to just 2% in the next fiscal year. In that light, HP can ill afford more paper jams.

—*Dan Gallagher*

Fund managers aren't too big to fail, but that doesn't mean their actions can't have a big impact on the financial system.

Global rule setters decided against treating asset managers like super-large banks or insurers last summer. However, the Financial Stability Board did plow on with efforts to understand how they can hurt wider markets if they are forced to sell heavily due to the demands of skittish investors in difficult markets.

This is important because asset managers have become a larger part of the financial system. The top 10 fund managers in the world now manage more than \$20 trillion of assets among them, according to the board.

With investors everywhere chasing yield, billions have

poured into fixed-income funds that buy relatively illiquid assets while promising nearly instant cash redemptions to investors. Many also juice their returns using borrowed money or derivatives.

The rule-setting body now has identified several risks to the wider financial system that aren't fully captured by current regulations or common practices and come up with proposals to fix these.

The most important—and obvious—is to try to reduce risks of big mismatches between the ease with which investors believe they can pull their money out of funds and the difficulty the manager may have in selling the underlying assets.

U.S. markets got a big reminder of these risks last December when a distressed debt fund run by Third Ave-

nue was forced to block investor withdrawals, prompting a minipanic among investors in other high-yield bond funds.

The FSB wants local regulators to make sure that any fund that plans to invest in assets that are less liquid always has more restrictions on investor redemptions.

The board also wants to see more "stress testing" of funds overseen by local regulators to help monitor interconnections between funds, fund managers and markets.

Other proposals relate to funds' exposure to borrowed money and derivatives.

Fund managers rightly escaped designation as too big to fail, but they should back the main thrust of these proposals to help ensure safer markets for all.

—*Paul J. Davies*

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. j-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. l-Distribution costs apply. l2b-1. r-Redemption charge may apply. s-Stock split or dividend. z-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-distribution. 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 22, 2016			
Fund	NAV	YTD Chg %	Ret
A			
American Century Inv	34.39	-0.08	-1.8
Ultra			
American Funds C I A			
AmCap A p	26.20	-0.03	3.0
AmMutlA p	35.90	-0.04	7.2
BalA p	24.48	-0.01	4.2
BondA p	13.01	+0.02	4.1
CapIBA p	58.48	+0.10	6.6
CapWGrA	43.91	+0.08	2.6
EupaCA p	45.14	+0.20	-0.5
FdInvA p	51.82	-0.04	3.6
GwthA p	41.52	-0.07	0.6
HI TrA p	9.85	+0.02	8.5
ICAA p	35.27	-0.04	6.6
InCoA p	21.04	+0.02	5.7
N PerA p	35.67	+0.06	-1.0
NECoA p	34.68	...	-3.6
NwWrlDA	51.18	+0.16	2.4
SmCapA p	43.89	...	0.6
TxEtA p	13.37	...	3.6
WshA p	39.80	-0.05	4.5
AMG Managers Funds			
YacktmnFid	22.22	-0.01	6.5
AQR Funds			
MgdFutStrl	10.01	-0.01	-1.7
Artisan Funds			
Intl Inv	27.96	+0.12	-2.5

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
B			
Baird Funds			
AggBdInst	11.01	+0.01	4.1
CorBdInst	11.29	+0.01	5.2
BlackRock Funds A			
GlBlAlloC p	17.85	-0.01	0.1
BlackRock Funds C			
GlBlAlloC t	16.21	-0.01	-0.3
BlackRock Funds Inst			
EatyDivd	21.65	-0.03	3.6
GlBlAlloC	17.97	-0.01	3.6
HIYlBd	7.36	+0.02	6.1
StratInCpptylns	9.69	...	0.4

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
D			
Dimensional Fds			
5GlbFxdInc	11.18	+0.01	3.0
EmgMktVa	22.19	+0.12	9.0
EmMktCorVa	16.97	+0.08	8.0
IntlCoreEq	11.51	...	1.5
IntSmVa	17.63	-0.01	2.9
IntSmVa	18.82	-0.01	1.2

IPO Scorecard						
Performance of IPOs, most-recent listed first						
Company	SYMBOL	% Chg From			Company	SYMBOL
IPO date/Offer price		Wed's close (\$)	Offer price	1st-day close	IPO date/Offer price	
Selecta Biosciences		14.00	...	...	Sensus Health	
SELB June 22/\$14.00					SRTS June 22/\$14.00	
Paragon Commercial		35.00	2.9	1.2	Clearside Bio	
PNBC June 16/\$34.00					CLSD June 22/\$34.00	
Viveve Med		4.47	-10.6	-8.8	NantHealth	
VIVEVE June 15/\$5.00					NH June 22/\$5.00	
Atkore Intl		16.40	2.5	2.5	Cotiviti Hldgs	
ATKR June 10/\$16.00					COTV May 21/\$16.00	
China Online Edu		23.12	21.7	21.8	GMS	
COE June 10/\$19.00					GMS May 26/\$19.00	

Sources: WSJ Market Data Group, FactSet Research Systems

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
O			
Oakmark Funds C I			
EatlyInc	28.95	-0.02	1.3
Oakmark	63.82	-0.07	1.5
OakmarkInt	20.54	+0.10	-3.8
Old Westbury Fds			
LrgCpStr	12.66	+0.02	1.5
Oppenheimer Y	30.79	+0.11	2.7
DevMktY	36.06	+0.12	0.5

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
P			
Parnassus Fds			
ParnEqFid	38.11	-0.10	3.4
PIMCO Fds Instl			
AllAsset	NA	...	NA
ShortT	NA	...	NA
IntGrwthA	10.22	+0.01	2.9

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
H			
Harbor Funds			
CapApInst	56.97	-0.24	-6.3
IntlInst r	60.45	+0.14	1.7

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
I			
Invesco Funds A			
EqInCA	9.73	...	2.0

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
J			
John Hancock Class 1			
LSBalncd	14.54	+0.01	2.5
LSGwth	15.04	...	1.4

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
L			
Lazard Instl			
EmgMktEq	15.00	+0.02	11.6
Loomis Sayles Fds			
LSBondI	13.61	+0.02	6.4

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
M			
Metropolitan West			
IntlRetBd	10.91	...	3.5
TRBdPlan	10.27	...	3.7

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
MFS Funds Class A			
ValueA p	34.69	-0.01	6.2
MFS Funds Class I			
ValueI	34.89	-0.01	6.3

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
S			
Schwab Funds			
S&P Sel	32.53	-0.05	3.1

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
T			
TCW Funds			
IntlRetBondI	10.36	+0.01	3.2
TIAA/CREF Funds			
EqIdInst	15.52	-0.03	3.0

Wednesday, June 22, 2016			
Fund	NAV	YTD Chg %	Ret
V			
Vanguard Admiral			
IntlRetBondI	19.36	-0.32	3.1

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Wednesday, June 22, 2016			
ETF	Symbol	Closing Price	Chg % YTD
AlerianMLPETF	AMLP	12.73	-0.08 5.6
CnsmrDiscSelSector	XLV	78.34	-0.14 0.2
CnsStapleSelSector	XLP	53.81	0.06 6.6
DBGldDoubleLEtN	DGP	26.58	0.26 46.5
DBGldDoubleShrt	DEZ	5.80	-0.17 -34.6
DeutscheXMSCIEAFE	DBEF	24.97	-0.40 -8.1
EnSelectSectorSPDR	XLE	67.89	-0.56 12.5
FinSelSectorSPDR	XLF	22.85	-0.09 -4.1
GuggenheimSP500EqW	RSP	80.32	-0.10 4.8
HealthCareSelSector	XLI	70.46	0.29 -2.2
IndSelSectorSPDR	XLJ	56.04	-0.28 5.7
IShIntermCredBd	CSJ	110.44	0.07 2.9
ISh1-3YCreditBond	TIP	115.02	0.27 4.9
ISh3-7YTreasuryBd	IEH	126.33	0.12 3.0
IShCoreUSAggBd	HOV	80.51	-0.28 9.7
IShCoreMSCIEAFEETF	IEFA	53.18	-0.11 -2.2
IShCoreMSCIEEmgMk	IEEM	41.22	0.12 4.6
IShCoreS&P500ETF	IUV	209.27	-0.17 2.1
IShCoreS&PMDCap	IHL	148.67	-0.25 6.7
IShCoreS&PSmCapBd	IJJ	115.63	-0.45 5.0
IShCoreUSAggBd	AGG	111.47	0.06 3.2
IShSelectDividend	DVY	83.51	-0.29 11.1
IShEdgeMSCIEAFEETF	EFV	66.51	0.02 2.5
IShEdgeMSCIEAFEETF	USMV	44.92	-0.02 7.4
IShSharesGold	IAU	122.00	-0.08 19.3
IShShiBoxxSlvGrCpBd	LQD	120.72	0.18 5.9
IShShiBoxxSHYGrCpBd	HYG	84.02	0.10 4.3
IShSharesPMUSDEmgBd	EMB	113.00	0.44 6.8
IShMBSETF	MBB	109.51	0.04 1.7
IShMSCIACWIETF	ACWI	56.35	-0.10 0.9
IShMSCIEurozoneETF	EZU	50.08	-0.50 0.3
IShMSCIJapanETF	EWJ	11.57	-0.86 -4.5
IShNasdaqBiotech	IBB	256.56	0.69 -24.2
IShNatlAMITFrMuniBd	MUB	113.17	-0.04 2.2
IShRussell1000Gwth	IWF	99.90	-0.18 0.4
IShRussell1000ETF	IWD	116.22	-0.14 2.6
IShRussell1000Val	IWO	102.47	-0.20 4.7
IShRussell2000Gwth	IWO	136.59	-0.34 -1.9
IShRussell2000ETF	IWM	114.63	-0.39 1.8
IShRussell2000Val	IWN	97.07	-0.50 5.6
IShRussell3000ETF	IWN	123.20	-0.23 2.4
IShRussellMid-Cap	IWR	167.61	-0.14 4.6
IShRussellMVCValue	IWS	73.93	-0.18 7.7
IShS&P500Growth	IWG	115.86	-0.20 0.1
IShS&P500ValueETF	IVE	92.21	-0.16 4.2

NAV				YTD Chg %	Ret	Fund	NAV	YTD Chg %	Ret
36	-0.09	3.0	BadAladm	30.03	-0.02	3.0			
70	-0.16	-5.5	CAITAdm	12.08	...	...	
23	0.07	...	CapOAdm r	114.03	-0.50	-3.0			
25	-0.10	...	EMAdm r	28.77	-0.15	-1.5			
11	0.03	3.0	EqInAdm r	65.03	-0.12	-1.2			
53	-0.16	1.6	ExtndAdm r	64.67	-0.23	-2.3			
57	-0.11	1.7	GNMAAdm r	10.80	...	...	
56	...	...	GwrthAdm r	54.96	-0.12	-1.2			
...	-10.07	...	HlthCareAdm r	85.88	-0.31	-3.1			
64	...	...	HYCORAdm r	5.70	0.01	0.1			
...	0.01	0.2	InfProAd	26.44	0.07	0.7			
22	...	...	IntBonAdm r	66.85	-0.13	-1.3			
39	...	3.0	ITGAdm r	11.75	-0.02	-0.2			
41	...	...	ITGrdAdm r	10.00	0.01	0.1			
...	...	...	LTGrdAdm r	10.71	-0.02	-0.2			
14	...	2.2	MCyAdm r	153.19	-0.21	-2.1			
...	...	...	MuHyAdm r	11.68	...	...	



PERSONAL JOURNAL.

He Flies With Bats

From Louisville to MLB parks **WHAT'S IN YOUR BAG? | D2**

Who Wants to Golf in Rio?

SPORTS | D6

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THE WALL STREET JOURNAL.

Thursday, June 23, 2016 | **D1**

The Best at Canceling Noise

Wireless headphones to muffle noise in planes, trains and open-plan offices are almost a necessity yet far from equal



By GEOFFREY A. FOWLER

Sometimes you need the world to just shut up, already.

The roar of a jet, the clamor of a commuter rail and the murmur of an open office all conspire to keep you from concentrating. Or napping. Your options:

1) Move to the woods, leaving planes, trains and co-workers behind.

2) Go deaf by cranking your headphone volume to 11.

3) Use technology to outsmart the cacophony.

Guess which I recommend? Noise-canceling headphones, long the refuge of pilots and road warriors, have become so convenient they're worth a look for ordinary commuters and cubicle-dwellers, too. Normal headphones just cover your ears and try to out-blast everything else. Noise-canceling ones use microphones and software smarts to actively delete sound before it reaches your ears. The result: peace and quiet—or clear audio—amid the barrage.

Bose has been in this business for decades, has 50 noise-canceling patents and dominates the

market for pricey noise-canceling headphones. But now it has serious competition, including several rivals that are, believe it or not, even more expensive. To keep up, Bose just released its first totally wireless pair, the \$350 QuietComfort 35.

Which are best? I took eight pairs of wireless noise-canceling headphones on a flight from San Francisco to Las Vegas and back. To measure how much noise each

Bye-Bye Noise, Hello Sound

The more decibels (dB) of outside noise that get canceled by these headphones, the more you can enjoy your music—especially on a loud airplane, where these tests took place.

BRAND	STREET PRICE	AVG. dB CANCELED
Bose QuietComfort 35	\$350	20.5
Sony h.ear on Wireless NC	\$350	17.1
Parrot Zik 3	\$400	13.1
Bang & Olufsen Beoplay H8	\$450	12.0
Sennheiser Momentum Wireless	\$400	11.9
Samsung Level On Wireless Pro	\$180	8.8
JBL Everest Elite 700	\$300	8.0
Beats Studio Wireless	\$250	8.0

Note: Tests conducted during two commercial 737 flights

THE WALL STREET JOURNAL.

pair could cancel, I stuck a tiny microphone in my ear. As I pulled the eight headsets from my Mary Poppins bag, one by one, the wary passenger next to me asked if I was a magician.

What I learned from flying economy class with all these headphones: Not all noise-canceling is equal. I plan to buy the jet-neutralizing Bose headphones. They sound good and the comfy earpads don't bother me even when I'm in

nap mode. Still, they're not the only ones worth considering.

A few technological leaps have improved the current generation of noise-canceling headphones. They no longer require throwaway AA batteries: Now you charge them like a phone, and they can run for up to 20 hours at a time. (Many are smart enough to shut themselves off if you forget.) They can take calls, though the noise-canceling tech won't necessarily make your own voice clearer. Many come with apps to customize the experience.

All the headphones I tested use Bluetooth to connect wirelessly to your phone. Bluetooth used to sound terrible, but the technology has improved. You can find cheaper, tethered headphones, like the \$300 Bose QC25 or \$100 Audio-Technica ATH-ANC7B, but it's liberating to listen to music without treating your ears like dogs on a leash.

Suddenly a lot more people have reason to pay attention to wireless headphones: The new iPhone Apple is expected to release later this year won't have a headphone jack. The headphones I tested do also let you plug in a physical cable—a must if you're tapping into the plane's entertainment system.

Please see **HEADPHONES** page D3

The Other Security-Line Shortcut at The Airport

By SCOTT MCCARTNEY

Would you pay \$10 to \$15 a month for a guaranteed cut to the front of some crowded airport security lines, even ahead of Pre-Check members and first-class passengers?

Clear is a private trusted-traveler program sanctioned by the

Transportation Security Administration. It has lanes at only 13 airports—San

Francisco, Denver and Orlando, Fla., among them. Once enrolled, members go to Clear's faster lane instead of TSA and have their identity verified by fingerprint or iris scan. Then they go straight to the X-ray machine.

The speedy service is finding new life because airport security screening lines have disrupted so many passengers this year.

Enrollment this year through June tripled, compared with the same period a year earlier, and now 500,000 people are enrolled. Delta Air Lines bought 5% of the company in April. It will be giving Clear memberships to its top-level frequent fliers and helping Clear open up at more airports, including Delta hubs, by the end of this year.

Airports like Seattle-Tacoma International, which has had big problems with long lines, have invited in Clear, with service to start in July. Sea-Tac had been talking with Clear for several years, and decided to bring it in before wait times escalated, airport spokesman Perry Cooper says.

Clear says it is making it easier for airports to make room for its operation at crowded checkpoints by shrinking the space it needs, moving from large kiosks to portable computer tablets for its ID verification. By the end of the year, Clear will be in 24 airports, chief executive Caryn Seidman-Becker says.

"When you don't have to take anything out of your wallet, it's transformative. It's step one to a faster, better experience," she says.

Verifying identity at TSA checkpoints is just the beginning of what Clear and other biometric technology companies hope to do at airports. Just as ATMs shortened bank waits and toll tags sped up driving, identifying people by their fingerprints, eyes or photographs may shorten airport lines and speed up what has become a lengthy process.

Clear and Alaska Airlines are

Please see **CLEAR** page D3

A Business Trip Works When the Family Tags Along

By CHERYL LU-LIEN TAN

When a business trip is to a fantastic destination, it can be tempting to bring your family along. But being at your professional, productive best and keeping your children entertained are goals that can clash.

Guido Polito, CEO of the Milan-based Baglioni Hotels, which has high-end hotels in

Italy, France and the Maldives, says the combination can work well with the proper planning. He travels almost every week for work, and he often brings along his wife and sometimes their 6-year-old son. "I travel so much it's quite nice when I can combine these two things," he says. For example, this summer he took a trip to New York City with his wife, son, parents and mother-in-law.

It is better to bring your family if your business is in a city where your partner has been or can get around easily. "I tend not to bring my family to places that are too unfamiliar or have possible challenges such as language barriers," he says. "If I have to go to Shanghai or Moscow for business and I

don't have the time to be with them all the time, I wouldn't bring my family." He likes taking his family to London because his wife speaks English and knows the city.

Mr. Polito likes to choose culturally exciting cities. This year, he took his wife and son on a business trip to Venice that happened to be before the annual Carnival. "The city was filled with people in costumes from the 19th century and my son went crazy," he says. "He dressed up like a little prince and there were people stopping him in the square to take pictures."

Mr. Polito doesn't mix family and business too closely. Don't bring your family if you're "going to spend the whole time on the phone talking about business while you're with them," he says. "Make sure you can really split business and leisure into different times."

Often, he adds a few extra days to the beginning or end of the trip, or he tries to squeeze his meetings into the morning or afternoon. "I want to be focused on what I am doing so I can enjoy the moments" with his family, he says.

It is important to plan things out ahead of time "to optimize the

Please see **TRIP** page D2



Family Time

Guido Polito, CEO of the Milan-based Baglioni Hotels, says a business trip with family can work if you carefully plan ahead. This summer he took a trip to New York with his wife, Maddalena, and 6-year-old son, Roberto.

STYLE & TRAVEL

Here’s the Pitch: He Has the Perfect Bat for Each Player

By Hilary Potkewitz

Walking into a Major League Baseball clubhouse, James Sass knows what every player wants from him before anyone utters a word.

“They’re all looking for the same thing,” he says. “The biggest barrel they can get with the lightest swing weight.”

Mr. Sass, 50, is head of professional baseball sales for Louisville

WHAT’S IN YOUR BAG?

Sluggers. He’s on the road at least once a week visiting clubhouses in the major and minor leagues, checking in with players who use his bats and hoping to convert others. During spring training, he’s away from his Kentucky home for a month.

He carries anywhere from five to 20 bats of different models. “The key is to get samples into their hands, for players to be able to check out different knobs and handles and barrels until they find one that fits them,” Mr. Sass says. Sometimes he carries batting gloves.

The company’s Louisville factory is only about 100 miles from the Great American Ball Park, the home field of the Cincinnati Reds. Mr. Sass often makes the drive on game days to check in with local customers, like Reds All-Star first baseman Joey Votto, to meet with players on the visiting team.

His company travel bag can hold two dozen bats. When he flies, it always goes in checked luggage, even if he’s carrying a custom delivery for a star player like Evan Longoria of the Tampa Bay Rays or Daniel Murphy of the Washington Nationals. “You can’t take bats on planes,” he says.

MLB regulations dictate that bats must be one piece of solid wood, no more than 42 inches long, with a maximum diameter of 2.61 inches.

That leaves plenty of room for variation: Some players prefer an end-weighted bat, while others like a balanced bat. Louisville Slugger makes about 6,000 models of wooden bat and offers about a dozen different finishes.

“There is nothing more difficult than hitting a baseball, and these guys are making their livings doing it. They really need to have confidence in the product they’re



As head of pro sales for Louisville Slugger, James Sass, below, hits the road weekly to visit teams in the major and minor leagues. He usually carries, clockwise from top: sample wooden bats of various models and finishes, batting gloves, a Louisville Slugger shirt, a bucket hat for sun protection during baseball games, camera and telephoto lens for taking action shots, order pad and M&M’s.

those bats as possible. It used to be an easier sell. For years the Louisville Slugger was the standard-bearer of American baseball. It was the bat of Babe Ruth, Lou Gehrig and Mickey Mantle. Derek Jeter used Louisville Slugger model P72 for his entire career; Ken Griffey Jr. used model C271.

In the early 1990s, there were only a handful of companies approved to make bats for Major League Baseball, and 60% of MLB players swung Sluggers, according to the company.

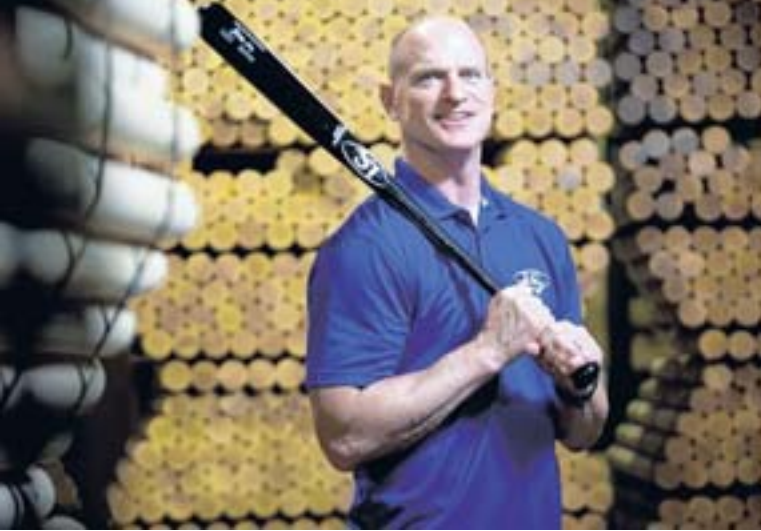
The number of specialty bat suppliers has since ballooned to more than 30, and Slugger lost market share. The company now estimates that about 35% of Major Leaguers use its bats. (It still claims about 70% of the minor-league market.)

Mr. Sass wears Louisville Slugger shirts when he travels. He says players have become accustomed to salesmen in the clubhouse, and he wants the brand to stand out.

Every morning he studies the previous days’ batting stats for 125 minor leaguers. It can take a full year of working with a new prospect customizing his bat until a player feels comfortable enough to switch brands, he says. “You realize the importance of what you’re doing for their career, and there’s a seriousness that comes with that,” he says.

The company’s wooden bats are made of ash, birch or maple, mostly harvested from forests in upstate New York and Pennsylvania. Ash used to be the wood of choice in baseball, but lately maple has become more popular, accounting for 70% of professional orders, he says.

Some pros are quite involved in the bat-making process, and Mr. Sass says he’s happy to oblige. From the factory floor, he’ll often take photos of various wood grains and text a player for approval.



JESSICA EBELHAR FOR THE WALL STREET JOURNAL (3)



models himself. A professional ballplayer typically travels with eight to 12 bats in tow, and Mr. Sass wants his company’s name on as many of

TRIPS

Continued from the prior page time and experience,” Mr. Polito says. This is especially important if multiple generations are involved. With the New York City trip, for example, Mr. Polito planned activities that would appeal to both his parents and son, such as visiting the Metropolitan Museum of Art and the Museum of Natural History. His son “can start looking at history and learning things; these are good for grown-ups as well,” he says. It is also a

good idea to research restaurants that will fit the family dynamic.

When traveling with his son, he likes to seek out hotels that have a pool, babysitting services, activities for children and, if possible, a children’s menu in the restaurant.

Sometimes Mr. Polito brings only his wife. “I only do this when I know I can spend time with her,” he says. It can be wise to arrange activities for your spouse. “My wife loves yoga, so she’ll take classes in the morning when I have meetings, and when I’m done with my business activities we can spend time together.”

It is important to let your em-

ployer know when your family is coming along. Mr. Polito suggests asking permission in advance, though not before the business purpose of the trip has been firmly established.

Also, make it clear that you’re paying for your family’s travel expenses yourself. Any extra expenses that arise from your family—such as extra hotel rooms, a larger suite, or airline tickets—should be paid with your personal credit card. “It’s always better to be transparent,” Mr. Polito says, “rather than have the employer find out and think that you had something to hide.”

Five Tips

- ◆ Only bring your family along if you can draw a clear line between business and personal time.
- ◆ Cities with no language barriers, or which your spouse knows well, tend to work best for such trips.
- ◆ Let your employer know ahead of time—and make it clear you will cover your family’s travel expenses.
- ◆ When multiple generations are involved, plan things ahead and seek out activities that will appeal to all.
- ◆ Stay a few extra days so you have some real family time.



On a recent New York trip, Mr. Polito made sure to plan activities that would appeal to his wife, Maddalena, and his six-year-old son, Roberto. His son went to the flagship Lego store in Manhattan and checked out views from the hotel.



AMY DEVOGED FOR THE WALL STREET JOURNAL

Ask Teri | Teri Agins answers readers’ fashion questions

Q: How can I keep my shorts from bunching up between my thighs when I am walking? These are Bermuda shorts—the longer ones that stop around midthigh.

—PR, Brooklyn

A: While it’s plenty hard to find a pair of flattering jeans, men and women are additionally frustrated by the search for good-fitting shorts.

At least men have basketball players to thank for leading their fashion to longer, baggy shorts. The challenge for guys is to find that happy medium—shorts with a longer rise and thighs that are just full enough to be comfortable without looking dumpy.

The secret of every pair of pants and shorts is the cut, with low-rise styles being the most difficult and most uncomfortable to wear.

Men: Don’t think only about inseams and waist measurements; you’ve got to give those shorts a test drive. Walk back and forth along a long corridor and keep experimenting. Finally, take note of what I tell women.

Women: You want to look svelte—so that means no baggy shorts, as loose fabric still bunches. You must try on lots of cuts. Consider:

Inseam tapes: These sew-in, iron-on and adhesive patches and strips can be attached to the inseams of your shorts. They will make them stay down when you move. You can make

these strips at home from felt or choose brands such as NoRiders.com.

Longer shorts and biker shorts: Heavier fabrics such as stretch denim that fit closer to your legs are the best way for most women to be comfortable. Nothing beats the spandex-infused bike shorts, which will stay down when you walk or exercise. I began using black bike shorts last year, choosing the ones with at least a 7-inch inseam or longer. I also like how spandex acts like a girdle. Wear a longer, but not baggy, top that’s no shorter than hipbone length.

Cropped and Capri pants: They’re not shorts, but they’re cool and stylish. Capri and cropped pants in varying lengths between your knees and above the ankles are the most forgiving for women of all ages and sizes. To get the best fit, cropped pants should have a small percentage of spandex, which will eliminate baggy knees.

Pull-on or side-zip styles without belt loops and back or side pockets fit the best. Try styles with flat elastic waistbands and slightly fuller legs (including culottes). Any pair you wear with a longer rise (9 inches and up) are cut to sit at your waistline or slightly above and aren’t prone to bunching.

Email askteri@wsj.com with your questions.

STYLE & TRAVEL

To Sell Fragrance Online, a Scent’s Reach May Help

By ELLEN BYRON

Eric Korman wants to remake how people buy fragrances. The former head of e-commerce at Ralph Lauren Corp. this week will launch Phlur Inc., a line of unisex fragrances sold only online.

The company aims to dodge the crowded and confusing bustle of retail store fragrance counters and the sometimes-bewildering language used to describe how perfumes smell.

“Talking with a scent expert about fragrance notes sucks all the joy out of the room, just like an oenophile sucks the joy out of drinking wine,” says Mr. Korman. For \$10, people can purchase two fragrance samples from Phlur and if they decide to purchase a full bottle, the \$85 price tag is cut to \$75.

Phlur also wants to serve as a guide to wearing fragrances. Each of its six scents has a tip sheet on how many times and where they should be sprayed, how far the fragrance will travel once applied and how long it will last on skin and clothing, respectively.

“One of the things that seem to be missing from the category is how a scent objectively wears,” says Mr. Korman, who wrote the tips with help from the company’s fragrance evaluator



Anne Serrano-McClain.

Phlur’s Olmsted & Vaux scent, for example, should be sprayed once per wrist and ankle and will last approximately six to eight hours on skin, and one to two days on clothing, the company says. Its sillage, the fragrance industry term for the wake of a scent (or how far the scent reaches beyond your skin) is rated as medium. It “hits them right as they’re close enough to shake your hand,” according to the tip sheet.

“It was designed as this quiet confidence boost at the start of your professional day,” says Mr. Korman. “When you’re in the office, it’s not the moment when you want to make a big fragrance statement.”

Phlur makes a line of unisex fragrances, above, sold only online. Its website, right, includes descriptions of each scent’s style and a tip sheet on how and where to spray the scent, the strength of the smell’s wake and how long it lasts.

By contrast, Phlur’s Siano fragrance intends to be a celebration of nightlife and “for those who want to own the room,” says Mr. Korman. It will last 10 to 12 hours on skin, and up to three days on clothing. Its sillage is “far.” Male and female wearers should spritz it on their wrists as well as the back of each knee. “Ultimately people will do what they’re more comfortable with,” says Mr. Korman.



HEADPHONES

Continued from page D1

I had long suspected noise-canceling headphones were a gimmick. This experiment convinced me I was mostly wrong. Because my music no longer had to fight for attention, I discovered detail in it I didn’t even know was there.

My aha moment: Listening to Taylor Swift’s hit “Blank Space,” for the first time I accurately heard her sing “got a long list of ex-lovers,” rather than “all the lonely Starbucks lovers.”

How do they work? Imagine a fire hose pointed at a target—your ear—and the water is sound waves that travel through the air. Say you used a second fire hose to deflect the first hose’s stream from the target. That is kind of what noise-canceling tech does. Microphones on each set listen for outside sound, and then speakers inside the headphones play the sonic opposite.

You’d think this would make things louder, but in fact the sound waves neutralize each other. You only feel a slight change in pressure, as if you just rode express to the top of the Empire State Building.

Before you shell out for the headphones, though, understand

that even the best noise-canceling tech has limitations. It can counter low-register and constant sounds, like the hum of an engine, but often not higher-pitched ones. Whoever invents noise-canceling tech that filters the crying of babies and/or politicians will surely become a billionaire.

There’s no industry standard for noise-canceling, and I was surprised at how wildly the eight headphones I tested varied in capability. I fashioned my portable comparison rig with the guidance of Richard Craig, whose firm BRC helps pro engineers measure and analyze sound. Using an old earbud as a holder, I was able to stick a tiny microphone into my ear and monitor sound using an app on my phone.

Aboard the 737, I repeatedly measured sound in decibels—first without any headphones, then while wearing headphones alone, then finally with noise-canceling turned on.

Headphone padding alone did little to dampen the drone. With the noise-canceling turned on, the Bose cut it by a significant 21 dB. Sony’s \$350 h.ear on Wireless was a respectable runner-up, notching a 17 dB reduction.

From there, the results quickly fell off a cliff. The Parrot Zik 3, Bang & Olufsen Beoplay H8, Sennheiser Momentum Wireless and Samsung Level On Wireless Pro all showed just-passable reduction. I wouldn’t buy them just for noise-canceling. The JBL Everest Elite 700 and Beats Studio Wireless



Tech has improved wireless headphones but their sound-killing capabilities vary widely.

were even worse. On my light-rail train commute, the roar in the station fell to a din when I wore the Bose headphones. With the Beats, I had difficulty determining whether noise-canceling was turned on. Wearing the Bose or Sony headphones on the street is a little disorienting because you can’t hear what’s coming. (Common

sense alert: You should never use noise-canceling while driving, riding a bike or walking in traffic or near train crossings.)

Of course, there are other factors that go into picking the right pair of headphones.

Audio quality: Audio geeks argue that noise-canceling distorts music; some would rather use high-end headphones without the tech, even on a plane. I’m not in that camp. A few of these headsets provided significantly better sound quality than the headphones I normally use.

The best sound—with noise-canceling turned on and turned off—came from Sennheiser’s Momentum Wireless, currently selling for \$400. It had balance and rich detail across all genres. It might have been my overall recommendation, if not for its mediocre noise-canceling.

The Bose had good balance and detail for pop music but they were just OK at classical. The Sony headphones often beat Bose in sound quality, making them a serious rival to the longstanding champ. The Beats headphones sounded decent, but they jack up the bass by default. That’s not bad for pop music, but they make other kinds of music sound odd.

Comfort: Which fits your ears well enough to seal out unwanted noise? And, since you’re probably

going to use these on a plane, which could you nap in?

Two of the headphones—from B&O and Samsung—sit on, not over, your ears. Some people, especially those who wear earrings, swear by on-ear headphones, but I found they pressed against my glasses and quickly got uncomfortable.

Of the over-ear variety, Bose was the most lightweight and comfortable. And the headset’s clear physical buttons made it easy to turn on and adjust volume.

Style: My colleagues actually laughed when I walked in one day wearing the JBL headphones. Their large ear pads apparently made me look like a space alien. You won’t win any style points for the pleated pads on the Bose, either, though at least they are slim and foldable. Parrot’s Zik line is all about fashion, with faux crocodile skin that you will either love, or find exquisitely ugly. For my aesthetic, the coolest were the foldable Sony, which come in five candy colors.

The lesson: You don’t always get what you pay for. My favorite noise-canceling headphones—Bose and runner-up Sony—aren’t cheap at \$350, but three other pairs in my test lineup sell for \$400 or more. Try on a pair before buying. See if you can give the store the silent treatment.

CLEAR

Continued from page D1

already using biometrics in San Jose, Calif., for boarding passes—travelers can get on flights with just their fingerprints. Clear hopes airlines will start using biometrics to simplify entrance to airport clubs—two fingers on a reader instead of showing a card or having a clerk verify membership.

Customs and Border Protection’s Global Entry program uses fingerprint readers to identify trusted travelers who can skip passport control lines. Airlines are working on baggage tags issued from biometric identification instead of driver’s license and reservation number. And retailers may someday use biometrics to speed up purchases at airport stores, since Clear has customer credit cards on file.

Another path: sports stadiums. The San Francisco Giants, Colorado Rockies and Miami Marlins are using Clear to give fast access to member fans at baseball games. The New York Yankees have tried Clear for suite access.

Clear doesn’t do background checks. It verifies identity by checking passports or drivers’ licenses, plus specific questions on past history similar to credit-application type queries. Enrollment can be done in a few minutes. Clear originally issued cards, but now just identifies members by the fingerprints, iris scans and photographs it collects.

At checkpoints, Clear employees verify identity, check boarding passes through TSA’s system, then carry the Clear member’s bags to the X-ray machine belt. All Clear members still go through physical screening.

The cost of such privilege is \$179 a year, but Clear does offer discounts, such as a current \$59 Groupon for a nine-month membership. Family members are \$50 and children under 18 are free. Delta says it will offer free Clear memberships to its diamond-level frequent fliers shortly and dis-



The Transportation Security Administration calls Clear a ‘concierge service’ that lets travelers move straight to screening and avoid lines. Long lines for security screening, such as the one May 5 at Denver International Airport, above, have sparked rapid growth in Clear sign-ups. Enrollments have tripled so far this year compared with 2015.



FROM TOP: ANDY CROSS/THE DENVER POST/GETTY IMAGES; CLEAR

counted rates for all members of its SkyMiles frequent-flier program.

Clear was launched in 2006 by Verified Identity Pass Inc., a company founded by New York journalist and entrepreneur Steven Brill. He was frustrated that the newly formed TSA was putting ev-

eryone through the same screening process even though some people were willing to undergo background checks for expedited screening.

Verified Identity won over few airports and few customers and went bankrupt in 2009. A new company, Alclear, bought Clear out

of bankruptcy in 2010 and offered to honor the 160,000 existing memberships. Alclear was formed by Ms. Seidman-Becker and co-founder Ken Cornick, Clear’s president and chief financial officer. The company is based in New York.

Some travelers say the certainty of not having to wait in TSA lines at airports with a Clear station allows them to schedule more meetings on business trips or spend more time at the beach. They can show up at the airport only a few minutes before flights start boarding.

“It’s almost like you’re paying to get out of jail,” says John Ormesher, a Florida-based semiconductor distributor who travels frequently for business and pleasure and signed up for Clear in January 2015. He’s loved it so far. “If there are 25 or 30 or 50 people in a PreCheck line, we jump right ahead of all those folks,” he says.

But others think it’s wasteful, since PreCheck lines are usually

relatively short, even when regular screening lines are long. Phil Corriveau, a consultant in Raleigh, N.C., signed up for Clear when it first started and renewed his membership for five years. He still has more than two years remaining, but he hasn’t bothered to re-activate. “I don’t see any advantage to going back to Clear,” Mr. Corriveau says. He uses PreCheck.

Clear faces a chicken-and-egg problem with airports: Many are reluctant to contract with the company because enrollment in their city is small. But Clear says membership rolls are small in some cities because the service isn’t available.

Miami International Airport brought Clear into two checkpoints a year ago because it wanted to offer a customer-friendly option. But the service “has not had a major impact on our overall checkpoint throughput,” airport spokesman Greg Chin says. Miami expects usage to pick up with Delta’s push for its frequent fliers.

Las Vegas McCarran International Airport says Clear verifications at its checkpoints tripled in the first four months of 2016 compared with the prior year, but remain very small. In March, for example, Clear handled 10,203 passengers, or one-half of 1% of the two million people who departed from McCarran that month, the airport says.

It isn’t clear if Clear saves TSA time processing passengers. A TSA spokesman says the document-checking process is likely to be faster, but TSA has never studied that. Clear, TSA says, is a “concierge service” that operates under contracts with airports to make screening quicker and easier for some customers.

TSA monitors and inspects Clear but doesn’t share data. The agency says getting cleared by Clear only means you go to front of the travel document check line. At some airports, TSA lets travelers verified by Clear go right to screening. At others, TSA officers double-check boarding passes after Clear.



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ARTS IN REVIEW

ART

Artist as Evangelist for New Technologies

Moholy-Nagy: Future Present
Solomon R. Guggenheim Museum
Through Sept. 7

By RICHARD B. WOODWARD

New York

László Moholy-Nagy (1895-1946) carried the banner for experimental Modernism so confidently that even when world events threatened the optimism of the movement, his buoyant example could not be ignored.

At least a few of his contributions to theory or practice can be found in any history of 20th-century art. Prolific in half-a-dozen media (painting, sculpture, photography, film, museum and theater design), the Hungarian-born artist was even more esteemed as a teacher, first at the Bauhaus in Germany and then, after 1937, at the New Bauhaus and the Institute of Design in Chicago. Outside the classroom, in proselytizing articles, manifestos and books, he challenged generations of students to expand their artistic boundaries by adopting the latest technologies and processes.

“To be a user of machines is to be in the spirit of the century,” was one of his rallying cries.

“Moholy-Nagy: Future Present,” the traveling retrospective now at the Solomon R. Guggenheim Museum, opens at a time when his message should resonate with millennials and in a space where his forward-charging art is entirely at home. Although almost 300 works from various genres are on display, they unfold in one long breath, as if commissioned for Wright’s rising spirals.

A more sympathetic installation is hard to imagine. The trio of curators—Carol S. Eliel (Los Angeles County Museum of Art), Karole P.B. Vail (Guggenheim) and Matthew S. Witkovsky (Art Institute of Chicago)—know when to agglomerate works for maximum impact and when three’s a crowd. Many of the photographic works are clustered in groups, on angled partitions, whereas the abstract paintings and sculptures are kept generously apart from one another.

The chronological walk to the top has a few special turn-outs. One is a walk-in of his “Room of the Present” (conceived in 1930; finally realized in 2009), a sleek ensemble of gizmos that has retained its contemporary edge. Indented within the wrap-around cabinets are areas where clips of films by Sergei Eisenstein and Dziga Vertov play continuously on screens, like a prophecy of TV, and where his mechanical “Light Prop for an Electric Stage” (also



PRESIDENT AND FELLOWS OF HARVARD COLLEGE

known as “Light-Space Modulator”; 1930; replica constructed 2006) whirls its gears and casts unpredictable shadows. (He used it in making his 1930 film, “A Light Play: Black-White-Gray,” playing on a wall further along in the show.)

Largely self-taught as an artist, Moholy-Nagy did not sharply distinguish between fine and applied art. One vitrine contains some of his graphic designs (1919-29) for the Bauhaus, everything from book jack-

ets and postcards to envelopes and invoices.

The school’s embrace of industry under director Walter Gropius suited Moholy-Nagy’s philosophy of art. The curlicue shape in “Nickel Sculpture With Spiral” (1921) seems inspired by shavings from a lathe. The geometric planes and lines of three paintings from 1923 are typical of Constructivism. But in his choice of materials (enamel on steel) and their mode of production—he claimed to

have ordered them by telephone from a factory—Moholy-Nagy clearly broke with standard artistic practice.

Like Robert Capa, Brassai and other peripatetic 20th-century Hungarians, he had a chameleon-like ability to adapt to his environment. After fleeing Hitler and before heading to America, he stopped in England (1935-37) and found work making ads for Harris Tweed and the London Underground.

His emigrations were eased by his

László Moholy-Nagy’s ‘Light Prop for an Electric Stage’ (also known as ‘Light-Space Modulator’; 1930, replica constructed 2006).

role in promoting the international language of Modernism. He had strong views about its expression, arguing that paintings should not refer to anything in nature, and photography should never be wholly abstract.

His zealous faith in the camera as an instrument for what he called “The New Vision” was based on his belief that it could alter humankind’s relationship with the world. Tone reversals, double exposures, extreme cropping, aerial perspective—these techniques could free the mind from convention, which was the enemy of art.

“Future Present” has a host of superb examples from the 1920s. Along with the often-reproduced “Self-Portrait With Hand” and the views looking down at a snowy landscape from a Berlin radio tower are numerous less familiar items, such as a series of photomontages mocking German athletics and photograms from 1926 where he indulged his clownish side. (Pressing his face against a sheet of photographic paper, he evolved into a cross between a Picasso and the man in the moon.)

Toward the end of his life, Moholy-Nagy tended to repeat himself. His geometric canvases from the 1940s look tired and anemic. He paid the price for eclecticism and a serial approach to making art. If narrow mastery is a foolish goal, one experi-

‘To be a user of machines is to be in the spirit of the century,’ was one of his rallying cries.

ment can be as good as another.

He never stopped looking for ways that technology could serve his agenda. In one of the last bays is a slide show of his work (1937-46) in Kodachrome. (The squiggly images are like neon strings of DNA.) And until his death, he was still capable of being ahead of his time. His torqued clear Plexiglas sculpture “Double Loop” (1946) is as futuristic as any computer-aided construction.

Wright’s museum is also forever young. A view of the sky through the glass dome is a fitting cap to a retrospective about an artist for whom light was always a basic and wondrous material.

Mr. Woodward is an arts critic in New York.

MUSIC

With as Much Craft as Power

By JIM FUSILLI

Brooklyn, N.Y.

As demonstrated on its newest album, “By Default” (BMG), Band of Skulls plays with unmitigated authority in a style mined by the Black Keys, Jack White’s various projects and other contemporary blues-based groups. In concert, it works at maximum volume as Russell Marsden demonstrates he could be an old-school guitar god if he chose to.

But on Sunday, drummer Matt Hayward, Mr. Marsden and bassist Emma Richardson came from Southampton, England, to Rough Trade here and performed “unplugged” for an audience of about 60 people. In a seven-number, 30-minute set, the trio revealed that song craft as much as power is essential to its excellence.

The mostly acoustic performance confirmed that Band of Skulls, when in its customary rock mode, uses volume and force to give texture to its sound rather than to conceal a lack of musicality. But the trio does like to muscle up. On the new album, Mr. Hayward seems intent on breaking his drum heads on several tracks; when we spoke by phone last week, I asked him

about his explosive entrance on “Black Magic,” the album opener. He laughed as if to acknowledge it was a bit much. The band flashes its affinity for melodrama and wit in its arrangements, and when it touches terrain explored earlier by the likes of the Doors and Billy Idol, it does so with a refreshing

patterns on the cymbals. On several tracks, Mr. Marsden plays plucky single notes, the result of which is an all-percussion underpinning. Raspy and rocking, the high-energy “Back of Beyond” is as hooky as a pop hit.

“By Default” is the fourth studio album by Band of Skulls, whose

fault”: For the most part, Ms. Richardson is relegated to the sidelines as a lead vocalist. “Live at Brixton” and the trio’s earlier albums suggest it profits from two distinctive singers.

Mr. Hayward said the trio is “a band that operates as a band,” building sketches into compositions from the ground up. They separate, return with their ideas—“show and tell,” Mr. Hayward called these reunions—and work until songs and arrangements emerge. The photo on the cover of “By Default” depicts the band’s gear set up in a Southampton church where they refined its latest songs. “The best things we ever do are the purest collaborations,” he added.

At Rough Trade, Mr. Marsden and Ms. Richardson played acoustic guitars while Mr. Hayward, with a drum kit nowhere in sight, played a Fender Jazzmaster to add colors to an environment that was far removed from wall-rattling rock. The brief set was a revelation: “So Good” was conveyed as driving folk-rock, “Bodies” as an ambling blues ballad. The trio went to previous albums for “Hoochie Coochie,” which was performed as something akin to a folk-boogie,

and a beautiful rendition of “Bruises” sung by Mr. Marsden. The “unplugged” performances sounded nothing like the recorded versions. Thus, the songwriting, as much as the three amiable musicians, was the afternoon’s star, and it was clear that if Band of Skulls wanted to succeed as a folk-rock trio, it could easily do so.

The group returns to its customary thunderous ways on Saturday, playing at England’s mammoth Glastonbury Festival, where some 200,000 music fans are expected. Band of Skulls will return to the U.S. and Canada in early September. “By Default,” the band’s reputation for live performance and Sunday afternoon’s delight suggest those shows might be extra special.

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Pepper ... And Salt

THE WALL STREET JOURNAL



“I assure you my exuberance is rational.”

Band of Skulls's most recent album is 'By Default' (BMG).

ANDY COTTERILL

SPORTS

Heard On The Field



Knicks Trade for Rose; Teague Goes to Pacers

While the Cavaliers celebrated their championship with a parade in Cleveland on Wednesday, some NBA teams were positioning their rosters for next season.

The New York Knicks traded for Chicago Bulls point guard Derrick Rose, forward Justin Holiday and a 2017 second-round draft pick, in exchange for center Robin Lopez and guards Jose Calderon and Jerian Grant.

The 27-year-old Rose, who will make \$21.3 million in the final year of his contract, has battled various injuries over the past four years, including two major knee surgeries. He played in 66 games last season, averaging 16.4 points, 3.4 rebounds and 4.7 assists.

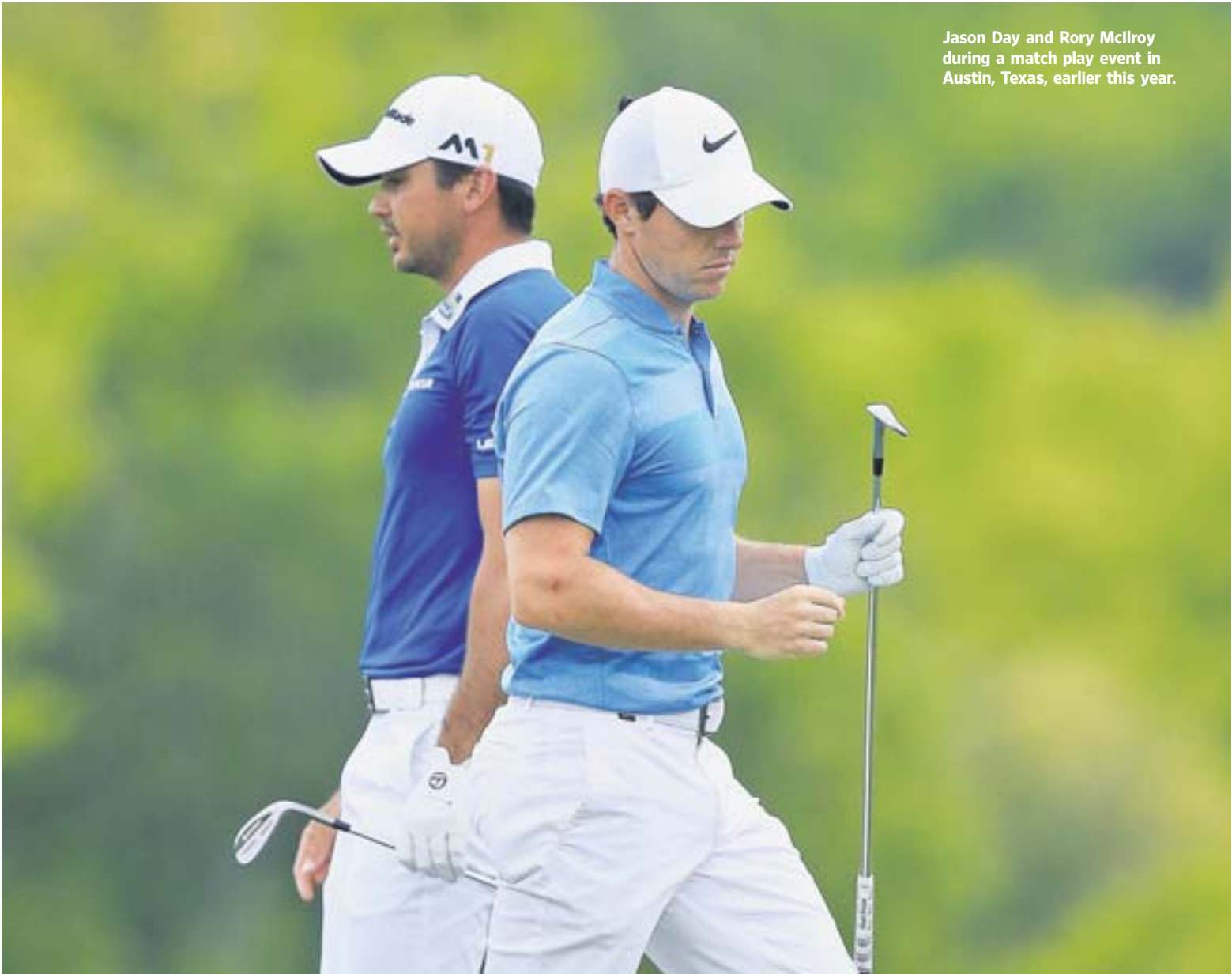
According to reports, the Atlanta Hawks sent point guard Jeff Teague to the Indiana Pacers in a three-team trade that sent Pacers' point guard George Hill to the Utah Jazz and the Jazz's No. 12 pick in this year's draft to the Hawks. —*Paolo Uggetti*

Iceland and Ireland Advance at Euro 2016

It took two weeks of soccer to eliminate eight teams from Euro 2016, but the round of 16 is finally set. And the highlight of the round is a clash between Italy and two-time defending champion Spain.

All the European powerhouses advanced, but the group stage will be remembered for its minnows. Iceland, the smallest country ever to play at a major tournament, is through to face England. Northern Ireland meets Wales. And Hungary takes on Belgium. The other four matchups are: Switzerland vs. Poland, Croatia vs. Portugal, France vs. Ireland, and Germany vs. Slovakia.

The tournament's new format meant four of the six third-place finishers advanced from group play. That delivered five hours of mad permutations Wednesday as the fates of half a dozen teams hung in the balance. Turkey and Albania were the third-place sides to miss the cut. —*Joshua Robinson*



Jason Day and Rory McIlroy during a match play event in Austin, Texas, earlier this year.

Zika Fear Is Swarming Olympic Golf

Rory McIlroy becomes the latest elite player to pull out of the Rio Games; Jason Day remains undecided

BY BRIAN COSTA

Springfield, N.J.

In seven weeks, golf will return to the Summer Olympics for the first time in 112 years. It is getting increasingly difficult to tell how many of the world's top players will be there.

For months, as questions persisted over whether PGA Tour pros were sufficiently jazzed about the event, organizers emphasized that stars such as Jordan Spieth and Jason Day were enthusiastic. But enthusiastic and committed are proving to be two very different things.

Just a few weeks after declaring himself "ready to play," world No. 4 Rory McIlroy released a statement Wednesday saying that he has decided not to travel to Rio de Janeiro for the Olympics, citing concerns over the Zika virus.

"Even though the risk of infection from the Zika virus is considered low, it is a risk nonetheless and a risk I am unwilling to take," said McIlroy, who was born in Northern Ireland but planned to represent Ireland.

Hours later, top-ranked Jason Day of Australia said he couldn't yet commit to the men's tournament, which begins Aug. 11.

"It's a life decision that you have to make," Day said during a visit to Baltusrol Golf Club, where he will defend his PGA Championship title

next month. "Family for me is priority number one. I have to make sure that they're happy, and from there I'll make the decision."

Day's comments came just days after Spieth and fellow American Rickie Fowler, both of whom were presumed to be all-in for Rio, hedged on their plans. Before the U.S. Open last week, Spieth said he was going "pending schedule changes" and politely corrected a reporter who said he had decided to play.

Fowler, one of three other Americans expected to qualify, said he still needs to learn more about potential health and security issues in Brazil. "I'd love to have the opportunity to go down there, but we don't know for sure yet," he said.

Danny Willett, Masters champion and England's highest-ranked golfer? "It's still up in the air," he said.

All told, only four of the top 10 players in the world have been unequivocal about their intent to play: Americans Dustin Johnson and Bubba Watson, Sweden's Henrik Stenson and England's Justin Rose.

Eighth-ranked Adam Scott of Australia has already removed himself from consideration, citing a busy schedule. He joins South Africans Louis Oosthuizen and Charl Schwartzel, Vijay Singh of Fiji, Miguel Angel Jimenez of Spain and Marc Leishman of Australia on Team Staying Home in 2016.

Ireland's Shane Lowry and Japan's Hideki Matsuyama—both top-25 players—have also expressed uncertainty about their plans in recent weeks, citing Zika. "I won't know right until the last minute," Matsu-

yama told Japanese news outlets earlier this month.

While a handful of other high-profile athletes, such as Pau Gasol of the Chicago Bulls, have said they are staying home because of the Zika risk, golfers seem to be more concerned than most.

This is likely due to scheduling as much as anything: the Games are sandwiched in between the PGA Championship, which is the final major of the year, and the FedEx Cup tournaments that culminate with a \$10 million prize to the winner.

In fairness, Olympic golfers will also be required to be outdoors for as long as six to seven hours at a time—not an entirely appetizing prospect in the midst of a mosquito-borne epidemic.

On the PGA Tour, players are typically not required to commit to playing in an event until the Friday before it begins. "I'm not sure where I'll play next, even after this week," Spieth said. "I mean, you just never know."

The Olympics don't really work that way. The cutoff for Olympic qualifying for golf is July 11. On that date, a field of 60 players will tentatively qualify based on their world ranking, with a limit of two players per country— unless a country has more than two players in the top 15. Those players qualify at a limit of four per country.

Ty Votaw, a PGA Tour executive who is also vice president of the International Golf Federation, said each national Olympic committee then has until July 18 to confirm their entries.

After that, any qualified player

who bails on the Games for reasons short of what the IGF calls "urgent medical conditions" or "exceptional circumstances" could cost his country a spot in the tournament. The replacement list is based on the world rankings.

"I think that we'll have an excellent Olympic Games," Votaw said. "We're spending a lot of time talking to players and their representatives about the issues that they're raising."

It's worth noting that the men's field represents only half of golf's return to the Olympics. Not one female golfer has publicly expressed any doubts about their intent to participate in the women's tournament, which begins Aug. 17. World No. 1 Lydia Ko of New Zealand became the latest player to say earlier this month that she is undaunted by Zika and excited about the chance to win a gold medal.

But the loss of McIlroy, a four-time major winner who would have been among the most famous athletes at the Summer Games, is undoubtedly a blow for the sport's long-awaited Olympic return. While golf is set to be included in the 2020 Games in Tokyo, its Olympic future beyond that will be subject to an IOC vote in 2017.

In 2009, when golf was voted back into the Olympics, organizers surely dreamed of a 40-year-old Tiger Woods strolling the Rio fairways and commanding the attention of network cameras. Now, Woods is on indefinite hiatus from the game, Zika concerns are scaring off top players and the makeup of the men's field is as murky as ever.

NBA Teams Are Hiring: College Wins Not Required

There aren't many No. 1 picks in the history of the NBA draft who encountered more criticism as a college player than Ben Simmons. If the Louisiana State forward is the Philadel-

The Count

phia 76ers' selection Thursday, as expected, he would be the first person in college basketball's one-and-done era to be selected with the top pick despite not playing in the NCAA tournament—one of the brightest red flags on his employment résumé.

But here's the strange thing about this year's NBA draft: The top prospects who actually played in the NCAA tournament didn't fare much better. In fact, the projected lottery picks in DraftExpress's mock draft as of Wednesday night will enter the NBA with less postseason success in their most recent season of college basketball than any other group of lottery picks in the last decade.

They won a total of 12 combined games in this year's NCAA tournament—which was by far the worst showing since 2006. Of the 14 potential lottery picks, 12 played college bas-



LSU forward Ben Simmons

ketball, but only Oklahoma guard Buddy Hield made it past the Sweet 16. Unless most predictions turn out to be wildly inaccurate, this year's draft also will be the first in that time with no players from the national championship game selected in the lottery.

A look back at the 10 drafts of the one-and-done era reveals how unusual this year's class is. Lottery picks usu-

Hitting the Jackpot?

TOURNEY WINS		
DRAFT	BY LOTTERY PICKS	LOTTERY PICK WITH MOST TOURNEY WINS
2016*	12	Buddy Hield (4)
2013	16	Trey Burke (5)
2014	16	Julius Randle (5)
2010	25	Gordon Hayward (5)
2006	26	Tyrus Thomas (4)
2011	26	Kemba Walker (6)
2008	27	Brandon Rush (6)
2009	28	Tyler Hansbrough (6)
2012	32	Anthony Davis/Michael Kidd-Gilchrist (6)
2015	37	Jahlil Okafor/Justise Winslow (6)
2007	41	Al Horford/Corey Brewer/Joakim Noah (6)
* Projected		Source: WSJ Research WSJ

ally win at least 25 games in the NCAA tournament. Last year's won 37 because it was lousy with players from Duke and Kentucky. The last time the lottery had such little postseason experience was in 2013—and that notoriously weak draft was the first that didn't send a single player to the All-Star Game in the next three seasons.

But it's not always the worst idea

to take someone who didn't play well, if at all, in the NCAA tournament. With the first pick in the 2007 draft, Portland selected Ohio State center Greg Oden, who played for the national title as a freshman. That left Seattle with someone with only one NCAA tournament win. It seemed to work out for them: That guy's name was Kevin Durant. —*Max Cohen*

100-1

Odds that the NHL's Las Vegas expansion team, which is set to begin play in the 2017-18 season, wins the Stanley Cup in its first year.

Source: Westgate Las Vegas

